

15 ECONOMY

GOLD	RUPEE	OIL	SILVER
₹38,870	70.97	\$62.02	₹46,509

*Indian basket as on November 5, 2019

SENSEX: 40,469.78 ▲ 221.55 NIFTY: 11,966.05 ▲ 48.85 NIKKEI: 23,303.82 ▲ 51.83 HANG SENG: 27,688.64 ▲ 5.24 FTSE: 7,397.82 ▲ 9.74 DAX: 13,172.92 ▲ 24.42

*International market data till 1900 IST

POLICY WATCH GOODS & SERVICES TAX

Evasion, returns and revenue boosting measures to feature at officers' meet Monday

AANCHAL MAGAZINE
NEW DELHI, NOVEMBER 6

TAX OFFICERS from the states and the Centre will get together for a day-long meeting on Monday to discuss administrative, legal, revenue and implementation-related issues under the indirect tax regime.

This will mark a first of its kind interaction between central and state tax officers, delinked from the agenda of the Goods and Services Tax (GST) Council meeting. Usually, officer-level meetings have always taken place a day before the GST Council meetings, mainly to discuss measures outlined in the Council's meeting agenda.

As slowing revenues under the GST have become a concern, officials from the states and the Centre will discuss measures for anti-evasion, revenue augmentation, compliance, returns filing and online system, officials said. The rates of goods and services will, however, not be discussed since those pertain to the GST Council, they said.

Officials said this meeting would be more broad-based, wherein states and the Centre would have a common platform to discuss measures to streamline and regularise many pending issues under the GST. The tax officials are expected to take up issues related to e-way bills, delay in filing returns, IT matters, pending legislative changes, and methods to ensure greater coordination between states and Centre under GST, they said.

"This method to have a common platform for discussion between states and Centre is being tried for the first time. The idea was not to club it with a GST Council meeting and have an open agenda meeting. This was felt necessary so as to develop a mechanism for similar discussions going ahead. The officer-level meetings before Council meetings, otherwise, have too

This will mark a first of its kind interaction between central and state tax officers, delinked from the agenda of the GST Council meeting

many agenda items and not everything gets discussed in detail," one of the officials said. Apart from the administrative-and-implementation-related issues, pending legal changes would also be discussed. Another official said many states have not followed up on the amendments in the Central GST (CGST) Act with changes in their respective State GST (SGST) Acts, so much so that in some places there is a time lag of six months. "Such issues need to be prioritised since they are creating a hurdle in proper implementation of GST and would be raised in the meeting," the official said.

The plan to hold this meeting comes even though the Council last month constituted a committee of officials from states and the Centre for revenue augmentation and looking into wider range of reforms such as systemic changes in the GST, including checks and balances to prevent misuse, measures to improve voluntary compliance, improved compliance monitoring and anti-evasion measures. The committee, which was earlier supposed to submit its report within 15 days, has so far met only once and is now likely to be given an extension of 1-2 months, officials said. "The committee has a wide range of topics in its terms of reference, so it would take time," an official said.

GST collections in October contracted by 5.29 per cent to Rs 95,380 crore from Rs 1,00,710 crore in the year-ago month, marking the third instance of a contraction since the July 2017 roll-out of the indirect tax regime.

CONFUSION OVER WHICH LAW TAKES PRECEDENCE

IBC-PMLA deadlock: Govt plans system for smooth resolution

SUNNY VERMA
NEW DELHI, NOVEMBER 6

EVEN WITH the recent enforcement actions by investigative agencies creating fresh challenges for resolution under the Insolvency and Bankruptcy Code (IBC), the government does not expect it to derail the entire process. The Centre is working on a mechanism for smooth working of the IBC, a senior government official said.

The recent attachment of Bhushan Power & Steel Ltd's (BPSL's) assets by the Enforcement Directorate (ED) has created fresh doubts among bankers for using the IBC. Potential bidders under the insolvency process will be wary of buying out companies as many bad loan cases undergoing resolution under the IBC may have elements of fraud, thereby bringing them under the ambit of the Prevention of Money Laundering Act (PMLA). "The NCLAT (National Company Law Appellate Tribunal) has already asked the government to give its views on this matter (of attachment of assets for companies under IBC). We are having internal consultations on this matter and believe this issue can be sorted out amicably," an official familiar

EXPLAINED

Any clarity will act as a fillip to the insolvency process

POTENTIAL BIDDERS under the insolvency process will be wary of buying out companies as many bad loan cases undergoing resolution under the IBC may have elements of fraud, thereby bringing them under the ambit of the Prevention of Money Laundering Act (PMLA). This hinders the resolution process. Any clarity or simplification by the government will be a boost to the insolvency process in the country.

with the matter told *The Indian Express*. He said the government will submit its views to the NCLAT on how this issue should be addressed.

While hearing the BPSL case, the NCLAT, last month, asked "the two wings of the same government, same ministry" to sit together and settle the issue. Finance Minister Nirmala Sitharaman later said that the Finance Ministry and the Ministry of Corporate Affairs were both working to see how to resolve this issue. The NCLAT had also put the Rs 19,700-crore payout by the JSW Steel to buy debt-ridden BPSL on hold until further orders. The ED, last month, said

it has attached land, building, plant and machinery of BPSL, Odisha, worth Rs 4,025 crore, under the PMLA in a bank fraud case.

Apart from BPSL, other IBC cases in which the ED has recently attached properties include Kudos Chemie Ltd, wherein the agency has attached, under PMLA, plant and machinery at Kuranwala and Saidpura, Mohali worth Rs 234.11 crores in a bank fraud case. Another IBC resolution case is of SPS Steel Rolling Mills Ltd, wherein ED attached properties worth Rs 92 crores under PMLA in a bank fraud case in September. "This opens a new Pandora's box as

many bad loan cases will have fraud element and their assets can be attached under PMLA. This could bring the resolution process under IBC to a standstill," a banker with a PSB said.

Sources in the Insolvency and Bankruptcy Board of India (IBBI) said the issue pertains to a handful of cases and will not affect the overall resolution process. "See, a total of around 3,000 cases are undergoing resolution under various benches of the National Company Law Tribunals (NCLT). But only a handful cases are being looked into by the investigative agencies. I don't think in terms of number of companies undergoing resolution it will be more than 1-2 per cent of the total cases. Although a recent high value case has created worries about derailment of the IBC process, we don't think that is the case," sources in IBBI said.

However, a senior banker and a corporate lawyer working as a resolution professional said bidders are now worried that even after they win a company under the IBC, the ED can attach properties under the PMLA, even after the new management takes over. "This is a big issue that needs resolution at the earliest," the lawyer said. The government may bring in amendments to the IBC to iron out these and other issues.

Maruti, Toyota to set up vehicle dismantling and recycling joint venture

ENS ECONOMIC BUREAU
NEW DELHI, NOVEMBER 6

MARUTI SUZUKI India (MSIL) and Toyota Tsusho Group on Wednesday announced the setting up of a vehicle dismantling and recycling joint venture. The plant, which will be set up in Noida by 2020-21, will have an initial capacity to dismantle 2,000 vehicles per month.

The new joint venture (JV) extends the existing partnerships between Suzuki Motors and Toyota Motor Corporation in India. The firms had said they will develop electric and hybrid vehicles for Indian market, in 2017, and then set up a lithium-ion battery manufacturing plant in Gujarat. Besides these, they also have a collaboration for vehicle cross badging, among others.

Each partner will own 50 per cent equity in the entity, which will be named Maruti Suzuki Toyotsu India Pvt Ltd (MSTI), said the companies.

The announcement to set up the plant comes ahead of the scrappage policy, which is expected to come out over the next couple of weeks. While MSTI will source the end of life vehicles from dealers and customers and dismantle them, its processing will include "complete solid and liquid waste management as per the Indian laws and globally approved quality and environment standards," said the statement issued by MSIL.

Kenichi Ayukawa, MD and CEO, MSIL said, "Through this joint venture, MSTI, we aim to promote recycling and support in resource optimisation and conservation while using environment friendly systems and processes. Scrapping of older vehicles in a scientific and environment friendly manner will help to reduce pollution and

THE DEAL

■ The plant will be set up in Noida by 2020-21. It will have an initial capacity to dismantle 2,000 vehicles per month

■ The new entity will be called Maruti Suzuki Toyotsu India Pvt Ltd

■ Each of the partners will own 50 per cent equity, said the firms

■ The announcement comes ahead of the scrappage policy

also make the roads safer."

Naoji Saito, CEO (Metal Division), Toyota Tsusho Corporation, said that while his company started ELV recycling in Japan since the 1970s, "we will be able to contribute to Indian society through our knowledge and experience for ELV business. The first vehicle dismantling and recycling unit of MSTI is just the initial step and we are eager to expand to pan-India base with Maruti Suzuki."

While Mahindra & Mahindra has already set up a motor vehicle recycling company CERO in a JV with MSTC (a government enterprise under the Ministry of Steel), the move from Maruti Suzuki and Toyota Tsusho will further formalise the scrapping and recycling sector.

Scrapping and disposal of vehicles, which have exhausted their useful life, has been a big issue in India. The Ministry of Road Transport and Highways is expected to come out with the draft scrappage policy later this month.

'Revenue growth of road developers in EPC segment may be halved in FY20, FY21'

Road developers in the engineering, procurement and construction (EPC) segment could see their revenue growth halve in the ongoing fiscal and the next, rating agency Crisil Ratings said

REASONS BEHIND DECLINE

- SLOWER AWARDING** of projects
- DELAYED RECEIPT** of 'appointed date', which is the kick-off date for start of a project, from the National Highways Authority of India (NHAI)

REVENUE GROWTH
Road developers could see revenue growth halve in fiscals 2020 and 2021 to 15 per cent, compared to 30 per cent in fiscal 2019

7,400 km
The National Highways Authority of India awarded a whopping 7,400 km in fiscal 2018, which slowed down the following year to about 2,200 km

4,000 km a year
worth of projects awarded, which is expected in the current and next fiscal year

LAND ACQUISITION

One of the main reasons behind the delay in declaring appointed dates for the projects awarded

119
The analysis of 119 hybrid annuity model (HAM) projects shows almost 30 per cent of these have not received appointed dates more than a year after these were awarded

₹2 lakh crore
The amount of order book the companies had as of last fiscal, which is at over three times their revenue in fiscal 2019

SoftBank reports \$6.5-bn quarterly loss on falling valuations of Uber, WeWork

REUTERS
TOKYO, NOVEMBER 6

SOFTBANK GROUP Corp plunged on Wednesday to a quarterly loss that was far larger than analysts' estimates, hit by the falling valuations of some of its biggest tech bets such as WeWork and Uber Technologies.

The Japanese investment giant recorded an operating loss of 704 billion yen (\$6.46 billion) in the July-September quarter. SoftBank recorded an operating profit of 706 billion yen in the same period a year earlier.

The loss compared with an operating loss of 48 billion yen forecast on average by four analysts, according to Refinitiv.

The group's first quarterly loss in 14 years casts doubt on founder Masayoshi Son's high-risk strategy of investing in cash-burning startups, as he is trying to raise a second giant investment fund.

The investment conglomerate said its \$100 billion Vision Fund recorded an unrealised loss of 537.9 billion yen for the six months as the value of its tech bets such as WeWork and Uber tumbled.

The Saudi Arabia-backed Vision Fund, which is run by ex-Deutsche Bank banker Rajeev Misra, has invested \$70.7 billion in 88 companies at the end of September. Those investments are now worth \$77.6 billion excluding exits, it said.

Committed to work with India before deal can be finalised: NZ

ENSECONOMIC BUREAU
NEW DELHI, NOVEMBER 6

A TRADE agreement like Regional Comprehensive Economic Partnership (RCEP) would offer certainty and all 15 countries would like to work with India before reaching final agreement, New Zealand's Minister of State for Trade & Export Growth and Minister of Agriculture Damien O'Connor said on Wednesday.

"We would love to see India as part of the RCEP agreement. We understand the sensitivities here domestically and we're committed, all the 15 countries, to work with India before the final agreement can be reached," O'Connor, who is also New Zealand's chief negotiator for RCEP, said at the sidelines of an industry interaction organised by Confederation

"We still have good relationships with all countries and whether India is part of the agreement, that's up to India and its ministers to decide ... We will have good relationships with your country (India) regardless of ... a trade agreement"

DAMIEN O'CONNOR
MINISTER OF STATE FOR TRADE AND EXPORT GROWTH, NEW ZEALAND

of Indian Industry (CII). On Monday, India decided to hold off on signing the RCEP agreement until "significant outstanding issues" were resolved, even as all other 15 countries involved in the negotiations stated that they were ready to sign the mega trade deal in 2020.

The purpose of the deal is to create an integrated market spanning all 16 countries, which would mean that it would be easier for the products and services of each of these countries to be available across the entire region.

'Xerox considers takeover offer for HP'

REUTERS
BENGALURU, NOVEMBER 6

XEROX HOLDINGS Corp is considering making a cash-and-stock offer for personal computer maker HP Inc at a premium to its market value of about \$27 billion, the Wall Street Journal reported on Tuesday.

Xerox's board discussed the possibility on Tuesday, the newspaper said, citing people familiar with the matter. There is no guarantee that Xerox will follow through with an offer or that one would succeed, it added. Norwalk, Connecticut-based Xerox has also received an informal funding commit-

ment from a major bank, the Journal said. HP does not comment on rumors or speculation, a company spokeswoman told Reuters.

Xerox did not respond to a

request for comment. On Monday, Xerox had said it will sell its 25 per cent stake in Fuji Xerox, its joint venture with Fujifilm Holdings, for \$2.3 billion, after investor activism scuppered a deal involving the two companies.

Xerox had scrapped its \$6.1 billion deal to merge with Fujifilm last year after lobbying by two of its main investors, Carl Icahn and Darwin Deason.

HP has been struggling with its printer business segment recently, with the division's third-quarter revenue dropping 5 per cent on-year.

In October, it had announced a plan to cut up to 9,000 jobs as part of a restructuring program aimed at cutting costs.

ENSECONOMIC BUREAU
MUMBAI, NOVEMBER 6

NANDAN NILEKANI, co-founder and chairman of Infosys, came out to defend the company's accounting and corporate governance standards at an analysts' meet on Wednesday by saying rather dramatically that "...even God could not change the numbers in the company". In a bid to win investor confidence, the company made it clear that it was focussed on growth despite allegations made by whistleblowers in two anonymous letters recently.

Addressing analysts at the company's Electronics City campus in Bengaluru, along with the entire senior management,

'Deal can provide opportunities for India's exports'

Beijing: China on Wednesday sought to assure India over RCEP, saying the trade deal could provide many opportunities for India's exports.

Vice Commerce Minister Wang Shouwen said he understood those concerns, but the deal could benefit Indian exporters and help create more local jobs. "We understand that some industries in India will have some concerns, but RCEP will also bring huge export opportunities to the Indian industry," he said. **REUTERS**

'Even God couldn't change Infosys' numbers'

Nilekani said the goal was to conclude the investigation in an appropriate manner, but refused to give a timeline for its completion. The senior management conveyed that the building blocks for future growth were in place, which would be supported by a strong margin discipline.

Nilekani added that he would remain with the company "...till I am dispensable". Reiterating that no further evidence was shared with the company, Infosys said that it followed a process while dealing with such anonymous complaints and that in FY19 too it had received several such complaints. The company reiterated that no further evidence was shared by the whistleblowers through email, attach-

ENSECONOMIC BUREAU
MUMBAI, NOVEMBER 6

THE BENCHMARK BSE SENSEX on Wednesday rallied 222 points to a life-time high of 40,469.78, amid hopes of more reform measures in the banking, financial and real estate sectors to boost growth.

After touching an all-time intra-day high of 40,606.91 in late-afternoon trade, the Sensex finally ended 221.55 points, or 0.55 per cent, higher at 40,469.78. The previous closing high was 40,301.96, hit on November 4. Similarly, the broader NSE Nifty briefly reclaimed the 12,000 level, before closing at 11,966.05 — a gain of 48.85 points, or 0.41 per cent.

On Tuesday, Finance Minister Nirmala Sitharaman hinted that the government is working on some sops for the real estate sector, particularly for homebuyers, and support to senior citizens in the wake of the decline in interest rates. Stock indices have been rising on the back of strong earnings, hopes of more economic stimulus from the government and positive cues from global markets.

"The market clocked a new high based on commitment from the FM to speed up reforms in the near future. Realty and financials outperformed in expectation of new measures while metal stocks gained owing to easing global

trade war. Better results from index heavyweights kept expectations high for earnings growth, influencing investors to stay in the market," said Vinod Nair, head-research, Geojit Financial Services.

Top gainers in the Sensex pack included ICICI Bank, Infosys, HDFC, IndusInd Bank, Tata Motors, Kotak Bank, Axis Bank, L&T, Yes Bank and HUL, spurring up to 2.64 per cent. On the other hand, Bharti Airtel, RIL, Bajaj Finance, ONGC, HCL Tech, ITC and Sun Pharma slipped up to 3.31 per cent. Sectorally, BSE realty, banking, finance, metal, IT, industrials and capital goods indices rose up to 2.59 per cent. On the other hand, consumer durables, telecom and energy fell up to 5.30 per cent.

The rupee fell 28 paise to close at 70.97 against the US dollar, amid uncertainty over the US-China trade deal

Meanwhile, the rupee tumbled 28 paise to close at 70.97 against the US dollar on Wednesday, as continuing uncertainty over the US-China trade deal affected currency market sentiment worldwide. However, robust foreign fund inflows and easing crude oil prices restricted the fall for the domestic currency.

day with analysts. Parekh said he was focused on transforming Infosys. In his presentation, he said enterprise, data and cloud would be the three mega drivers of growth for the company in the coming days. The investment phase of the company was over in FY19 and capabilities have been built. He also said that he was strengthening the large deals engine, which helped the company report double-digit growth for four straight quarters. Infosys today has industry leading automation capabilities. Parekh added that the investment phase of the company closed in the fourth quarter of FY19 and that the focus was on operational excellence, which would drive margins in the coming quarters. **FE**