

Business Standard



THE MARKETS ON THURSDAY		
		Chg#
Sensex	40,653.7	▲ 184.0
Nifty	12,012.0	▲ 46.0
Nifty Futures*	12,048.0	▲ 35.9
Dollar	₹71.0	₹71.0**
Euro	₹78.7	₹78.7**
Brent crude (\$/bbl)**	62.5**	62.0**
Gold (10 gm)**	₹38,169.0	₹106.0

*(Nov.) Premium on Nifty Spot; **Previous close; # Over previous close; ## At 9 pm IST; ### Market rate exclusive of VAT; Source: IBIA



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IN SIGN OF THAW, US & CHINA AGREE TO PHASE OUT TARIFFS

COMPANIES P2
INTERESTED IN INDIGO, NOT AI: QATAR AIRWAYS CEO

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COGNIZANT TO HIRE 23,000 IN 2020, SAYS INDIA HEAD

Cognizant, the global information technology services entity, will hire around 23,000 people from tech institutions in the country during 2020, excluding its campus hiring for Business Process Outsourcing operations. Ramkumar Ramamoorthy, chairman and managing director at Cognizant India, said this in the backdrop of an earlier announcement of global job cuts, of around 7,000 jobs in the middle to senior levels, besides closing of its content moderation business, which would affect another 6,000 jobs.

ECONOMY P6 A third of firms don't cooperate: Raters

Credit-rating agencies, which have come under fire from regulators for their alleged role in giving misleading ratings, have cited lack of cooperation from firms as one of the main reasons for this. As of end-March, close to a third of total ratings were of companies which did not readily cooperate in sharing data. Around 32 per cent of the 50,600 ratings in the country were in the 'issuers not cooperating' category. "Such instances are more prominent in the below investment grade category," said an official. **AMRITHA PILLAY** reports

INDIA JUSTICE REPORT P4

Maharashtra tops in justice delivery, UP last

Maharashtra topped the list of 18 large- and mid-sized states in justice delivery, according to the India Justice Report published by Tata Trusts. Uttar Pradesh has scored the lowest in almost all the parameters. The report assesses states on four key pillars: Judiciary, police, prisons, and legal aid. **GEETIKA SRIVASTAVA** reports

RESULTS RECKONER

Quarter ended Sep 30, 2019; common sample of 715 companies (results available of 799)

SALES		
Sep 30, '18	25.5%	₹11.56 trillion
Sep 30, '19	0.7%	₹11.65 trillion
PROFIT BEFORE TAX		
Sep 30, '18	5.3%	₹1.27 trillion
Sep 30, '19	14.1%	₹1.45 trillion
NET PROFIT		
Sep 30, '18	3.3%	₹88,805 cr
Sep 30, '19	26.0%	₹1.11 trillion

Companies with zero sales excluded; Given the change in corporate tax rates, to give a fair comparison the profit before tax has been considered; Compiled by BS Research Bureau; Source: Capitaline

Govt considers tighter presumptive tax norms

May restrict deductions to health, education, housing, and savings

DILASHA SETH
New Delhi, 7 November

The government, given the grim revenue position and clamour for tax cuts for the salaried classes, is considering a tighter presumptive taxation scheme.

This is among the measures being examined to make rationalising income-tax slabs a revenue-neutral exercise in the upcoming Budget. The direct tax panel to overhaul income-tax legislation has recommended this. It has projected a revenue gain of close to ₹10,000 crore if such a measure is implemented.

The presumptive taxation scheme allows businesses having a turnover of less than ₹2 crore in a financial year to estimate their net income at 8 per cent of the turnover and are not required to maintain books of accounts.

This means if a business declares a turnover of ₹1 crore, tax



Finance Minister Nirmala Sitharaman may announce rationalisation of tax slabs for the salaried class in the next Budget to boost consumption

will be levied on its net income estimated at ₹8 lakh, despite profits being close to ₹50 lakh.

According to officials in the Income Tax Department, the presumptive taxation scheme, under Section 44AD of the Income-tax

Act, is resulting in huge revenue slipping away because of players operating on big margins but paying very little tax. The direct tax panel also recommended allowing a revision of the next six years' income without any fear of scruti-

ny or prosecution to improve compliance.

Doing away with deductions barring those related to housing, education, health, and savings is another option being explored.

The slab-rationalisation exercise will cost the exchequer ₹70,000-80,000 crore, the panel to overhaul the Income-tax Act has estimated.

"Slab rationalisation for the salaried classes may come in the Budget to boost consumption. It will need to be packaged with revenue-raising measures to neutralise the impact on the exchequer. Several measures including those recommended by the panel are being examined," said a government official.

The panel, headed by Central Board of Direct Taxes member Akhilesh Ranjan, has suggested an increase in the threshold for exemption from income tax to ₹5 lakh a year from the current ₹2.5 lakh.

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RBI set to recast inter-creditor pact

New framework likely to be introduced even before default happens

PROPOSED MODEL

- Inter-creditor agreement (ICA) to be made more than a post-default mechanism
- Pre-default ICA to ensure there is visibility in case of default or difficulty in borrower's account
- To ensure that, relative access to security and its seniority is laid out a priori
- Enlarging pool of participants, issue of lien on funds and the terms of its appropriation to be examined
- Status of offshore lenders, and that of urban cooperative banks under ICA may be up for a review



RAGHU MOHAN
Mumbai, 7 November

The inter-creditor agreement (ICA) is in for a makeover with the Reserve Bank of India (RBI) weighing options to clear the logjam in the resolution of bad assets due to bottlenecks in its working.

Among the aspects that can be looked into by the central bank is the feasibility of weaving the ICA right from the start of a relationship within consortiums and multiple banking arrangements, so that there is visibility on what needs to be done when an account defaults or faces difficulty.

"This is to ensure that relative access to security and its seniority is laid out a priori," said a senior regulatory official.

The threshold of a relation-

ship beyond which the ICA is to be woven at the pre-default stage is a matter that could be left to the discretion of banks.

This is to be seen in the context of the RBI's June 7 circular on the resolution of stressed assets. The circular had said all stressed accounts of over ₹2,000 crore would come under its purview with immediate effect.

It will be January 1, 2020, for stressed accounts between ₹1,500 crore and ₹2,000 crore, according to the circular, which was silent on cases below ₹1,500 crore.

An interlinked issue to be weighed is the widening of the ICA to include mutual funds, private equity, alternative investment funds, and platforms with interest in the distressed assets market.

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SBI Caps spots 12 stuck projects in first funding round

Internal rate of return may be around 15%

ABHIJIT LELE & ANUP ROY
Mumbai, 7 November

SBICAP Ventures has shortlisted about 12 stalled housing projects with an investment of ₹100-200 crore to provide last-mile funding under a special window.

Work on forming and registering an Alternative Investment Fund (AIF) with the Securities and Exchange Board of India (Sebi) has begun. At the same time, SBICAP Ventures, which will work as investment manager for the fund, has scanned housing projects that are either delayed or stuck.

Sanjiv Chadha, managing director and chief executive, SBI Capital Markets (parent of SBICAP Ventures), said while about 12 projects had been shortlisted, the list would grow.

Most of the stalled projects are in eight large cities and 60 per cent of them are in the Mumbai Metropolitan Region and National Capital Region.

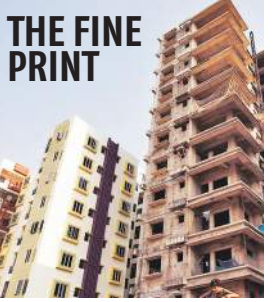
Chadha said the first closure of the fund was expected by the end of December this year.

The government will act as sponsor and infuse up to ₹10,000 crore. Financial sector players like State Bank of India and Life Insurance Corporation will contribute in accordance with exposure norms prescribed by regulators.

Banks can take exposure of up to 10 per cent of the fund corpus, which is pegged at ₹25,000 crore.

A bank's investment in an AIF, such as the real estate fund being mooted, was capped at 10 per cent by the Reserve Bank of India (RBI) in September 2017.

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- Each project needs ₹100-200 cr investment
- First closure of fund expected by Dec-end
- Fund to tap overseas investors
- NPAs, NCLT cases eligible to get money
- Bulk of stalled projects are in Mumbai Metropolitan Region and National Capital Region

FLIPKART, AMAZON LOOK OUT! SOON, PUBLIC MAY GET ACCESS TO GeM

In a move set to bring the government in direct competition with e-marketplaces like Flipkart and Amazon, the Government e-Marketplace (GeM) portal will soon be opened up to private buyers.

The official procurement portal is currently restricted to government departments, but will soon allow private entities to place bulk purchases. It will subsequently be broadened to small-ticket buying as well, GeM Chief Executive Officer Tallen Kumar said. Government contractors will also get access to the portal, he added. A Cabinet note to this effect has been floated, officials said.

SUBHAYAN CHAKRABORTY reports



'We are addressing BSNL's legacy issues via VRS'

In his first interview after the recent Cabinet nod to a ₹70,000-crore relief package for the two state-owned telecom operators, **P K PURWAR**, chairman and managing director of Bharat Sanchar Nigam (BSNL), spoke to Megha Manchanda on the proposed merger of the telcos, the voluntary retirement scheme (VRS) offered to the employees, 4G rollout by next year, expansion plans and more. Edited excerpts:

'FOR ANY ORGANISATION THAT IS TOO BIG, BECOMING AN OUTCOME-ORIENTED ORGANISATION IS CHALLENGING'

Now that the government has announced a relief package, how soon do you think BSNL can be revived?

The various elements of the VRS package, implementation of 4G services, as well as debt recasting need to be completed in a time-bound manner. We want to make BSNL a positive and vibrant organisation. We have kept two goals for that: Two years down the line, BSNL should become EBITDA positive and five years down the line, it should be PAT (profit after tax) positive.

But many analysts see the revival package as putting BSNL on a ventilator before pulling the plug. Do you agree?

No, not at all. BSNL is a strong organisation with a 120-million subscriber base. It has certain structural legacy issues that the government is trying to address in the form of a VRS. This is because the employee cost was very high and the VRS is expected to address the issue. Also, BSNL did not have spectrum to launch 4G services. Now, with

this package, the company's structure can improve.

When will BSNL get 4G spectrum?

I have written to the Department of Telecommunications (DoT) asking for allocation of the spectrum from March 1 onwards. The 4G rollout is expected to start at the beginning of the financial year in a progressive manner. We will invest ₹12,000 crore in rolling out 4G services.

But the narrative has now shifted to 5G services. If all your rivals offer 5G, how will BSNL compete with them?

I have no reservation in conceding that BSNL should have had 4G spectrum earlier. But estimates suggest that by 2025, there would be only 25 per cent subscribers on 5G, while 4G would be the dominant services.

Once we roll out 4G services, we will look forward to upgrading to 5G.

Do you think the government's allocation of 4G spectrum to BSNL is too little too late?

Rather than looking at faults, I would say that today there is a decision to allocate 4G services and we have to work aggressively to roll out the services. Yes, as I said, it is a delayed start for BSNL.

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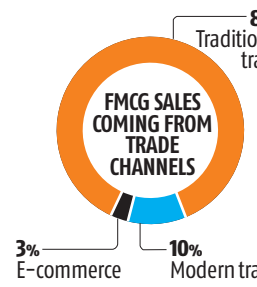
Tussle between traders, FMCG firms worsens

Federation of All India Distributors Association steps in to lend support

VIVEAT SUSAN PINTO
Mumbai, 7 November

An ongoing stir involving fast-moving consumer goods (FMCG) companies and distributors in Gujarat over differential product pricing and low margins is threatening to go national. This comes as the Federation of All India Distributors Association (FAIDA), which comprises 24 member state bodies, steps in to lend support to the agitation, which has seen the Gujarat-based distributors boycott products of a few companies for the past few days. Companies whose products have

TRADE TROUBLE



REACH IN TERMS OF OUTLETS
8.5 mn HUL
7 mn ITC
5 mn DABUR

FMCG TRADE UNIVERSE IN INDIA

Number of retail outlets (in mn)



not been picked up for distribution in the state under a "non-cooperation movement" include Marico, Dabur, Emami, Britannia, Reckitt Benckiser (RB), and Godrej Consumer Products. These firms, distributors allege, have been supplying directly to modern trade and e-tailers, bypassing them.

"For years, the authorised local distributor is the channel through which companies have been supplying to all retailers including kiranas, paan shops, and modern trade. However, as organised retail and e-commerce have grown in the past few years, companies now supply to them directly at lower prices.

This impacts our business. Besides, the inventory we get from companies is priced higher and margins are lower," said Arun Parikh, chairman, Federation of Gujarat FMCG Distributors Association, which is leading the stir.

The price differential between modern trade and traditional trade in some categories is as high as 25-35 per cent, driving traffic to the former, added Parikh.

A distributor from Vadodara that *Business Standard* spoke to said small distributors had been exiting the business over the past few months, while others had to contend with shrinking margins across categories.

The Gujarat distributors association is also mulling legal options against a few firms and has received letters of support from the FAIDA as well as associations from other states.

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