ECONOMY

GOLD	RUPEE	OIL	SILVER
₹38,930	70.97	$62.07	₹46,510

*Indian basket as on November 6, 2019

SENSEX: 40,653.74 ▲ 183.96 NIFTY: 12,012.05 ▲ 46.00 NIKKEI: 23,330.32 ▲ 26.50 HANG SENG: 27,847.23 ▲ 158.59 FTSE: 7,415.43 ▲ 18.78 DAX: 13,260.77 ▲ 80.88

*International market data till 1900 IST

POLICY WATCH
RCEP

Failure of dumping duties on China weighed on govt before pullback

PRABHA RAGHAVAN
NEW DELHI, NOVEMBER 7

APART FROM political considerations, India's decision to pull out of the Regional Comprehensive Economic Partnership (RCEP) earlier this week was precipitated by the realisation that existing safeguards against a flood of imports from countries, such as China, had largely failed.

Prime Minister Narendra Modi on Monday walked out of the mega trade deal, citing unresolved "significant outstanding issues". Commerce and Industry Minister Piyush Goyal said the decision is "absolutely final" unless "all" of India's demands are met and its national interests are safeguarded "without allowing India to become the dumping ground for other countries".

The decision assumes significance in the wake of complaints filed by the domestic industry on dumping of products. For instance, despite anti-dumping duties covering 75-80 per cent of Chinese steel products, India was unable to prevent the neighbouring country from pumping them into the country. Steel imports from China recorded an 8 per cent increase in the 12 months ended March 31, 2018, states a Parliamentary committee report submitted in February.

"This clearly shows that anti-dumping measures have become completely ineffective," stated the committee in its report. The Department of Commerce's view was that an increase in basic customs duty "will not be able to check the imports arriving from countries with which we have FTAs ... Hence, it is suggested that the current trade remedial measures (i.e. anti dumping on various products) may be converted to fix duty rates in USD per tonne in lieu of existing reference prices".

The Finance Ministry in October took action on dumping of flat rolled steel products from RCEP countries like China, Korea and Vietnam, imposing anti-dumping duties between $28 and $200 per metric tonne for six months.

The Parliamentary committee also found trade remedial measures like anti-dumping or countervailing duties to be ineffective in certain cases of imports as Chinese suppliers were "apparently re-routing the products from markets of other countries with which India has Free Trade Agreements". Such evasions of duties were depriving the government of "huge revenue." "One estimate suggests that due to the dumping of Chinese solar panel there is a loss of nearlytwo lakh jobs as nearly half of our domestic industry capacity remains idle," it said.

RCEP, touted to be the "largest" regional trade pact, will be signed in 2020 by ASEAN nations, China, Korea, Japan, New Zealand and Australia.

EXPLAINED E.

The reasons behind the decision

DESPITE ANTI-DUMPING duties covering nearly 75-80 per cent of Chinese steel products, steel imports from China recorded an 8 per cent increase in the 12 months ended March 31, 2018.

Combined with this, the Department of Commerce's view that a rise in basic customs duty "will not be able to check" the imports arriving from countries with which preferential trade pacts are in place, led to India's decision to pull out of RCEP.

Various stakeholders had raised concerns that joining RCEP would leave India vulnerable to a "flood" of cheaper, mass-manufactured products, especially from China. The Commerce Ministry's Directorate General of Trade Remedies (DGTR) had initiated 888 investigations against imports from various countries till early this year. Between April 1, 2014 and November 6, 2019, DGTR had overseen 87 anti-dumping cases, of which nearly 68 per cent were against China.

The cost of initiating trade defence measures is high and, by the time duties are notified after "protracted" investigations by the Directorate General of Anti-Dumping and Allied Duties, "the injury caused to the domestic industry leaves it weak and bleeding forever," it stated.

Some trade experts had also flagged issues with implementation of the proposed "auto-trigger" mechanism that India had been pushing for during RCEP negotiations.

"Implementating safeguard mechanisms can prove difficult ... It is complicated to establish the causality between the increased imports and injury to the industry … Chinese firms often escape via the net in anti-dumping cases. Even if Indian firms make valid arguments, establishing dumping by China becomes a tricky issue," said JNU Professor Biswajit Dhar.

In order to address the "poor implementation" of DGTR findings, quarterly coordination meetings have been conducted since August 2018 with Department of Revenue and Customs officials, wherein various issues are discussed.

PROJECT-BASED NET-WORTH CRITERIA TO HELP JAYPEE CUSTOMERS

About 40% stalled units to benefit from special window, say analysts

SANDEEP SINGH & SUNNY VERMA
NEW DELHI, NOVEMBER 7

THE GOVERNMENT'S decision to expand the scope of the special window to provide last mile funding for stressed housing projects classified as NPA or those undergoing resolution at the National Company Law Tribunal (NCLT) is likely to benefit a large number of homebuyers, including customers of Jaypee Group's housing project.

Industry insiders say the special funding window may help completion of around 40 per cent of nearly 5 lakh housing units that currently stand stalled.

Customers of Jaypee Group's housing projects may finally see some light of the day as experts say that since the positive net-worth criteria will be looked at project level, some Jaypee projects would qualify for this funding.

"Jaypee projects may also get funding. Since the government has said that net-worth criteria will be seen at project level and not at company level, so the towers that will have positive net-worth can come under this and qualify for funding," said Pankaj Kapoor, founder and MD, Liases Foras, a real estate research firm.

In an FAQ released on Thursday, the government clarified that net-worth positive projects stand for projects where value of receivables plus the value of unsold inventory is greater that the completion cost and outstanding liabilities at the project-level.

"The idea is to fund viable projects that are stuck due to lack of funding on account of market failure, which could be due to liquidity crunch. Since the criteria of net worth is being looked at at the project level, and not at the company level, the scheme will cater to many projects even of companies that may be having negative net worth," a Finance Ministry official said. Since projects have their projected cash flows from sold and unsold inventory of housing units, even after accounting for all construction and completion costs, the project may be viable to deliver positive expected returns to the special fund, the official said.

According to a study done by Liases Foras, there are around 2,000 stalled residential projects across the country with around 5 lakh housing units. Delhi-NCR accounts for almost 35 per cent of such housing units with stalled units amounting to 1.76 lakh. While Mumbai Metropolitan Region accounts for 92,000 such housing units, Bengaluru, Pune and Chennai have 37,000, 36,000 and 23,000 such housing units, respectively. The remaining are in other cities across the country.

Ramesh Nair, CEO and country head, JLL India, said Delhi-NCR contributes to over 60 per cent of delayed residential units, followed by Mumbai, which constitutes nearly one-fifth of the delayed units across the top seven cities.

Kapoor said since all stalled projects have positive net-worth, around 1.5 lakh units may benefit from the same. "NCR has the largest number of stalled projects and units but projects with receivable potential are much lower in NCR than in MMR," he said.

Nair said stringent criteria with respect to projects being net worth positive, registration with RERA, appraisal by investment committee will ensure "safety and protection of commercial returns for the investors." While the real estate industry players welcomed the government's Wednesday announcement, they now await the implementation of ground.

Sanjay Dutt, MD and CEO, Tata Realty and Infrastructure said, "This is a much-required boost to bring the real estate sector back on its feet and alleviate the concerns of homebuyers that were facing the burden of unfinished projects. However, the deployment time of this initiative holds the key to its success."

On Wednesday, Finance Minister Nirmala Sitharaman announced the creation of a special window to provide last-mile funding for stressed housing projects. While the commitment of funds to be infused by the Centre in the affordable and middle-income group housing sector via the special window was set at Rs 10,000 crore, the fund would seek matching contributions from banks, LIC and others to generate a corpus of about Rs 25,000 crore, said the Centre in its FAQ on Thursday. It stated AIFs created/funded under the window would solicit investment into the fund from the Centre and other private investors, including cash-rich financial institutions, sovereign wealth funds, public and private banks. The government has decided to raise the scope of investments to include NPA and NCLT projects.

STATE OF HOUSING PROJECTS

Area/City	Stalled units
Delhi-NCR	1,76,000
Mumbai Metropolitan Region	92,000
Bengaluru	37,000
Pune	36,000
Chennai	23,000
Total	5,00,000*

*The remaining stalled units are from the rest of the country
Source: Liases Foras

CBIC makes DIN mandatory for probe-related communications

ENS ECONOMIC BUREAU
NEW DELHI, NOVEMBER 7

No search authorisation, summons, arrest memo, inspection notices can be issued without a computer- generated DIN, a CBIC circular said

AFTER THE mandatory usage of Document Identification Number (DIN) by income tax authorities, the Central Board of Indirect Taxes (CBIC) has also decided to make DIN mandatory for investigation-related communications for Goods and Services Tax (GST), customs and excise beginning on Friday.

No search authorisation, summons, arrest memo, inspection notices and letters issued in the course of any enquiry shall be issued by any officer under the Board to a taxpayer or any other person without such computer- generated DIN being quoted in the communication, a CBIC circular said.

Revenue Secretary Ajay Bhushan Pandey on Thursday said, "The DIN system would ensure greater accountability and transparency in the indirect tax administration as well. It would also provide the taxpayer a digital facility to verify any communications."

"Further, the DIN system would be extended to other communications by the end of next month. No communication would be issued without DIN except only if it is in the specified exceptional circumstances," he added. The CBIC circular states that communication may be issued without DIN where there are technical difficulties, and that when the communication is required to be issued at short notice or in urgent situations, the same nonetheless needs to be regularised within 15 working days of its issuance.

The genuineness of the communication can be checked and verified by visiting the CBIC's website by GST taxpayers and recipients of summons, search warrants. "The Board, in exercise of its powers under Section 168(1) of the CGST Act, 2017 and Section 37B of the Central Excise Act, 1944, directs that no search authorisation, summons, arrest memo, inspection notices and letters issued in the course of any inquiry shall be issued by any officer under the Board to a taxpayer or any other person, on or after the 8th day of November, 2019 without a computer generated Document Identification Number (DIN) being duly quoted prominently in the body of such communication," the CBIC said.

It added that any specified communication not bearing electronically-generated DIN shall be treated as invalid and deemed to have never been issued.

It said this move is aimed at increasing transparency and accountability in indirect tax administration and this would create a digital directory for maintaining a proper audit trail of such communications.

The directive requires immediate mapping of authorised officers who need to generate the DIN, in order to successfully add users for the DIN utility and enable them to electronically generate DINs. "The circular would help taxpayers verify the genuineness of the communication along with creating a digital directory for maintaining a proper audit trail of such communication," Tanushree Roy, Director—GST, Nangia Andersen Consulting, said.

'Startups giving growth impetus to economy'

The recent 'slowdown' in the Indian economy notwithstanding, startups are emerging and playing a crucial role of not only sustaining but also giving growth impetus to the overall economy, a KPMG report said

Impetus from 'golden triangle': The 'golden triangle' of government, private sector and academia are important players who can provide the impetus needed to grow the startup ecosystem

NBFC credit crisis behind 'slowdown': The economic 'slowdown' could be partly blamed on credit crisis due to NBFC funding being 'dried up' and banks' continued struggle with NPAs

Breakdown of investment cycle: With liquidity being sucked out of the system, there has been a near complete breakdown in the investment cycle

Traditional businesses limiting investments: Traditional businesses that relied on banks for funding significant portions of their planned capex were holding further investments

Startups giving boost to economy: With traditional businesses holding further investments, startups are emerging and helping not only sustain but also give a growth impetus to economy

$7.67 billion: Capital inflow in the startup economy in first three quarters of CY2019

21: Number of fundings to startups that crossed the $100-million mark

29: Number of 'unicorns' in India

₹2,000 notes can be demonetised: SC Garg

ENS ECONOMIC BUREAU
NEW DELHI, NOVEMBER 7

Former Finance Secretary Subhash Chandra Garg said off-Budget borrowings need to be discontinued to bring the fiscal deficit down to 3%

AN ACTIVE policy of de-nationalising public sector undertakings and promoting privatisation, self management by the government of its own debt instead of the RBI, discontinuing off-Budget borrowing, and demonetising Rs 2,000 notes are some suggestions given by former Finance Secretary Subhash Chandra Garg in a note published on Thursday.

Garg, who demitted office as Power Secretary on October 31 after opting for voluntary retirement, after being shifted out as Finance Secretary, in a 72-page note said India's fiscal management system "uses practices that are not sound and stable and runs levels of deficits and debt which are high and unsustainable".

Garg said the high debt levels are "a deterrent on our credit ratings" and a big part of the revenues go in serving these debts. He further said there would be no impact of bank consolidation on expansion of credit and that the government's shareholding in 5-6 large consolidated entities (SBI, BoB and others) should be transferred to "a holding company (Indian Banking and Insurance Assets Corporation)", which should be managed as a sovereign wealth fund along with reforming cooperative banks.

Listing 100 major policy and governance reforms and investment stimulating measures across the economy and financial system, Garg in his note said that he "left a copy of this note with the senior functionaries of the government" before demitting office.

" ... Off-Budget borrowings, payment of food subsidies by extending loans from NSSF, deferring of fertiliser subsidies by enabling availing of loans from banks — all this needs to be discontinued and merged in the goal of 3 per cent," Garg said.

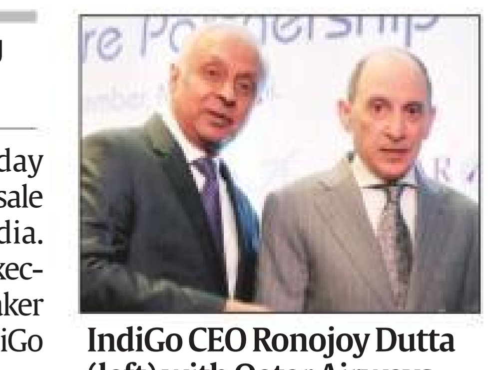
It was under his term as the Economic Affairs and Finance Secretary that the government pegged fiscal deficit at 3.3 per cent of GDP in its full Budget for 2019-20, as against 3.4 per cent in the interim Budget.

On the Rs 2000 currency notes, Garg said, "A good chunk of Rs. 2000 notes are actually not in circulation, having been hoarded. Rs 2000 note, therefore, is not presently working as a currency of transaction. It can be demonetised, without causing any disruption."

Garg suggested forming a Land Management Corporation, which could be a sovereign wealth fund. All the land and buildings of loss-making PSUs that are to be closed should be transferred to this corporation and the surplus land of PSUs, which are to be privatised, should be transferred to this Corporation, he said. He pushed for the need to raise Sovereign Bonds in foreign currency.

Have no interest in AI, only IndiGo: Qatar Airways CEO

ENS ECONOMIC BUREAU
NEW DELHI, NOVEMBER 7



IndiGo CEO Ronojoy Dutta (left) with Qatar Airways CEO Akbar Al Baker in New Delhi on Thursday. *Amit Mehra*

QATAR AIRWAYS on Thursday ruled out participation in the sale of national carrier Air India. However, the airline's chief executive officer (CEO) Akbar Al Baker said it can look to invest in IndiGo at an appropriate time.

"We have no interest in buying stake in Air India. We are interested in buying stake in IndiGo, but this is not the right time as issues among promoters are yet to be resolved," Baker told reporters.

In the past, Baker has expressed interest in picking up stakes in an Indian carrier and setting up a domestic airline.

Meanwhile, IndiGo and Qatar Airways have signed a one-way codeshare agreement giving the middle-eastern carrier further access into the Indian market. The codeshare pact will enable Qatar Airways to place its code on IndiGo flights between Doha and Delhi, Mumbai and Hyderabad. It means that Qatar Airways can now sell IndiGo tickets for onward journey from these three cities.

IndiGo CEO Ronojoy Dutta said both carriers were working on a reciprocal agreement which would be announced soon. This is the second codeshare agreement for IndiGo as part of its growth strategy for international markets; it signed a two-way codeshare agreement with Turkish Airlines in December last year.

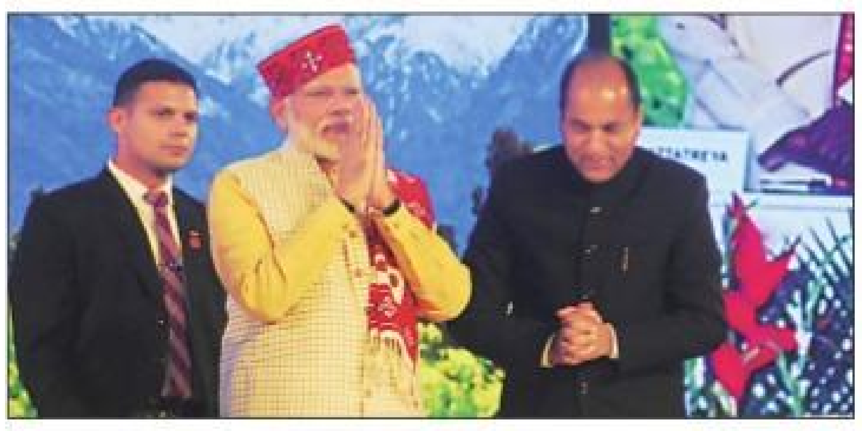
Qatar Airways has been looking to increase its presence in one of the fastest growing aviation markets in the world. The full-service carrier has been urging the government to increase the bilateral flying rights between Qatar and India.

Under the current bilaterals, both have a quota of 24,292 weekly seats each. As per the Civil Aviation Ministry, the Qatari side has exhausted its quota, utilising 24,655 seats with 102 weekly flights between Doha and 13 destinations in India. FE

RISING HIMACHAL GLOBAL INVESTORS' MEET 2019

Cooperation of different states can help India become a $5-trillion economy: PM

PRABHA RAGHAVAN
DHARAMSHALA, NOVEMBER 7



Prime Minister Narendra Modi and Himachal Pradesh Chief Minister Jai Ram Thakur in Dharamshala. *Pradeep Kumar*

EVERY STATE has the potential to and will play a crucial role in achieving India's target of becoming a $5-trillion economy by 2030, said Prime Minister (PM) Narendra Modi on Thursday at Himachal Pradesh's first global investors meet.

"This dream of achieving a $5 trillion economy does not belong only to the Centre. This goal can only be achieved with the cooperation of different states," said the PM at the Rising Himachal Global Investors' Meet, taking place till Friday.

"In our country, every state has a lot of potential. Every district of these states hold great potential," he said. "The sooner this potential is exploited by our MSMEs and our services sector … the faster our country will progress."

As per him, states have moved on from an era of using sops to attract investment, and are now engaged in creating an easier environment for businesses to invest. Their "healthy" competition can boost India's own global competitiveness, he said.

"Some decades ago, our country saw a situation where (states would compete over who) would give more 'charity', or which state would give more incentives. Some would offer tax cuts, some would give free electricity and some, land," said the PM, adding that giving such sops did not yield expected results.

"Because of this, the investors would also stall their investments in the hopes for a better opportunity in another state," he said.

"Now the states are taking initiatives to change systems, change the laws and do away with redundant rules. The more such competition increases…the more empowered our industries will be to compete on a global platform," he said. The PM also stressed the importance of creating a "transparent and clean" system to attract investments, and said overt interference from governments would be detrimental to the country's growth.

"It is essential for an investor to find a suitable ecosystem. It should be free from 'inspector raj' and not become a victim of 'permit raj'. Nowadays, states are trying to compete in provide such an ecosystem," said Modi.

"Too much of the government's interference will somehow or the other slow down the growth of the industry," he said.

The PM, who calls Himachal Pradesh his second home, pushed for the state as an attractive investment destination, citing its share of the country's improving infrastructure and the quality of the state's manpower. The Centre has taken steps to improve the state's rail and road connectivity.

"The country's investment of Rs 100 lakh crore in its overall infrastructure in the past few years is also set to benefit Himachal Pradesh," said Modi.

"There is an innate enterprising spirit within the people of Himachal Pradesh which should be taken advantage of by investors…Himachal's community and its potential, along with your capital (of the investors) and clarity in the government's policies, can help be a medium for making a big difference," he said.

"Himachal is going to shed new light on India's growth story," he added.

BUSINESSMAN'S OVERTURE
B R Shetty, founder and chairman, BRS Ventures, said: "I came here as a *karyakarta*, Modiji's follower… Modi*ji*, I am here, as I said, your *chela*, but I am also here to fulfill your dreams".

'BRAND' FACTOR
The crowd flocked to actress Yami Gautam, the brand ambassador of the event, when the Prime Minister left.