

PRE-BUDGET CONSULTATIONS: SUGGESTIONS GIVEN ON M&As, TAXES

Industry seeks further ‘ease of doing biz’, better rate transmission at meet with FM

ENS ECONOMIC BUREAU
NEW DELHI, DECEMBER 19

IMPROVEMENT IN ease of doing business, policy stability, income tax cuts, better transmission of interest rate cuts, to boost consumption to support growth were some of the issues taken up by industry leaders, including Bharti Enterprises chairman Sunil Bharti Mittal, CII president Vikram Kirloskar and Assocham president Balkrishna Goenka during their pre-Budget consultations with Finance Minister Nirmala Sitharaman Thursday.

Mittal said making business easy was his main suggestion to the government, adding that a combination of low tariffs and high consumption is affecting the telecom industry and the Telecom Regulatory Authority of India (Trai) needs to intervene to strike a balance between protecting investments and consumer interest. “I have come here today to discuss only one thing: make doing business easy in the country. That was what my thrust was,” he added. Mittal further said the issue has been on investments side and new technologies have to be put in, 5G has to be ushered into this country, adding that average revenue per user (ARPU) should go up from Rs 200.

“My view is Rs 200 is to eventually going to Rs 300 ... at the lower end, Rs 100 for a customer over a month of consuming rich data, voice and other services and on the upper end Rs 450-500 ... therefore, blended eventual landing point of Rs 300 a month, which will still be \$4 a month ... by far, the lowest anywhere in the world and yet consuming two or three times more data than anywhere else in the world.

Unions urge FM to hike I-T ceiling, minimum wages

New Delhi: In a pre-Budget consultation with Finance Minister Nirmala Sitharaman on Thursday, trade unions urged the government to provide minimum wage of Rs 21,000, minimum pension of Rs 6,000 under Employees’ Pension Scheme and tax exemption on annual income of up to Rs 10 lakh. The unions have also raised concerns over rising unemployment in the country, saying “employment generation has nose-dived in recent period”.

During the meeting, they suggested that massive public investment in infrastructure, social sectors and agriculture would generate employment and the Union Budget should give it a priority and allocate necessary funds for this. They also demanded that vacant sanctioned posts in various government departments should be filled through fresh recruitment. **ENS**



Union Finance Minister Nirmala Sitharaman along with senior officials at a pre-Budget meeting with industrialists, in New Delhi, on Thursday. *PTI*

“That’s the balance we need to get to try and Trai has to work on this because the industry has not been able to have an orderly mechanism to get to that point via getting this industry in a manner which is not conducive for industry and that’s why we need Trai intervention,” he said.

Suggestions around mergers and acquisitions (M&As), demerger, National Company Law Tribunal (NCLT) process, certain sections of income tax which were coming in the way of M&A or slowing them down were also made during the meeting. Assocham president Balkrishna Goenka said for “ease of doing business, states have to play an important role” and last mile issues are there that need to be resolved. Confederation of Indian Industry (CII) president Vikram Kirloskar said, “We talked about the ease of doing business, which are the issues concerning many industries.”

The industry body also raised the issue of delayed payments and contract enforcement, along with raising the issue of how price controls lead to uncertainty and lack

of confidence in the functioning of markets. RP-Sanjiv Goenka Group chairman Sanjiv Goenka said the discussions “centred more around what can be done to stimulate growth, to facilitate the ease of doing business”.

On the current slowdown and its impact on capacity utilisation across industries, he said, “We all recognised that it is going to take a couple of quarters, three quarters, four quarters, before this capacity gets utilised. We understand that, and that is the reality of the situation.”

Fici president Sandip Somany said the industry representatives gave suggestions to the Finance Minister “to reduce income tax for those who earn less than Rs 20 lakh in a year so that there is more disposable in the hands of consumers and the economy benefits”.

He added, “We have also asked the FM to take measures about reducing EMIs (equated monthly installments), which can happen only if the banks reduce the interest rates on loans.”

Stating that while the Reserve Bank of India has cut 135 basis

points (bps), banks have reduced only 45 bps, Somany said, “If there can be more transmission of RBI’s cut to consumers, then the EMIs will be reduced and it will also improve consumption.”

“During the interactive session lasting over two hours, prominent industrialists spoke about improving regulatory environment to safeguard investments through ease of doing business, increasing export competitiveness, reviving private investment and kick-starting growth measures,” a Finance Ministry statement said.

In the pre-Budget consultations in connection with the forthcoming General Budget 2020-21, industrialists also suggested many ways to boost the rural economy, especially to increase consumption, the statement further said.

Other suggestions included improvement in insolvency process in relation to NCLTs and banks; faster M&As and demerger processes, ways to reduce time for foreign direct investment (FDI) approval; structural changes in laws for effective and stable business environment; and time-bound decisions for augmenting

EXPLAINED Focus on reviving pvt investment, growth

IMPROVING REGULATORY environment to safeguard investments through ease of doing business, increasing export competitiveness, reviving private investment and kick-starting growth measures, were particularly in focus at the meeting.

Issues related to mergers and acquisitions (M&As), demergers, National Company Law Tribunal (NCLT) process, certain Sections of income tax which were coming in the way of M&As or slowing them down, were also flagged.

ease of doing business both at the central and state levels.

Other industry leaders who took part in the consultations were GMR Group chairman BVN Rao, Ashok Leyland managing director and chief executive officer Vipin Sondhi, Wipro Global chief financial officer Jatin Dalal, K Raheja Corp Group president Ravi Raheja and Patanjali Ayurved Ltd chairman Acharya Balkrishna, among others.

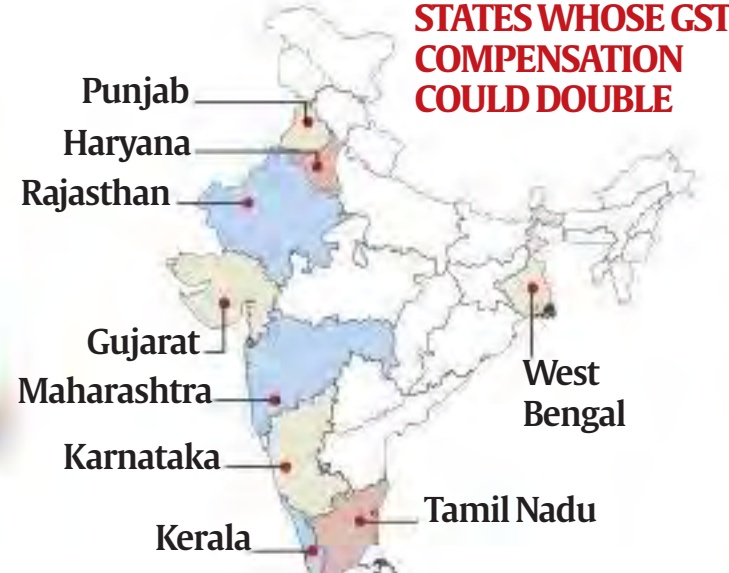
‘GST compensation of 9 states could double in FY20’

GST compensation payment of nine select states, including Gujarat, Maharashtra and Kerala, is expected to double to ₹ 60,000-70,000 crore in 2019-20, according to a report by ICRA

The timing of release of such grants by the Government of India (GoI) to these states would critically affect their cash flows, ICRA said in a report.

3.7% Rise in headline GST collections in April-November 2019, which was muted due to subdued economic growth and reductions in GST rates

2.7% Year-on-year contraction recorded in CTD to all 29 states in April-October 2019



STATES WHOSE GST COMPENSATION COULD DOUBLE

CAPEX BELOW BUDGETED LEVEL: A reduction in capital expenditure, or capex, below the budgeted level appears imminent in the current fiscal

CONSIDERABLY LOWER SGST COLLECTIONS: The actual SGST collections this current fiscal will likely be considerably lower than the level of revenues protected under the GST (Compensation to States) Act, 2017

RISE IN GST COMPENSATION GRANTS: The lower collections would necessitate a significant rise in the GST compensation grants required by the states from the Centre

Source: *PTI*

Draft Bill proposes autonomy for National Statistical Commission, gives govt power to make final decision

Advisory nature of NSC retained

AANCHAL MAGAZINE
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STATING THE need for creation for an independent “apex advisory body for official statistics”, the government has placed a draft National Statistical Commission (NSC) Bill for public comments that seeks to establish NSC as the nodal and autonomous body for all core statistical activities. Along with retaining the advisory nature of NSC, the draft Bill states that the decision of the central government, whether a question is of policy or not, shall be final, a proposal which experts say goes against the long pending demand to grant more powers to the NSC.

In a crucial change, the draft Bill also seeks to change the composition of the Commission by replacing NITI Aayog Chief Executive Officer with the Finance Ministry’s Chief Economic Advisor as the ex-officio member along with giving member status to Chief Statistician of India from the current status of secretary to the NSC.

As per the draft Bill, the NSC will have a Chairperson, five whole time members along with

Deputy Governor of Reserve Bank of India (RBI), Chief Statistician of India (CSI) as other members and Chief Economic Advisor, Ministry of Finance, as the ex-officio member. The Chairman and the members of the Commission shall be appointed by the central government on the recommendation of a search committee, as prescribed, it said, adding that no appointment of a Chairperson or any member of the Commission shall be “invalid merely by reason of absence of any member in the meetings of the search committee”.

The draft Bill stated that the central government may, from time to time, issue directions to the Commission as it may think “necessary in the interest of the sovereignty and integrity of India, the security of the State, friendly relations with foreign states, public order, decency or morality”.

It also said that the Commission “shall in exercise of its powers or the performance of its functions, be bound by such directions or questions as the Central Government may give in writing to it from time to time. Provided that the Commission shall, as far as practicable, be given an oppor-

VIEWS SOUGHT

■ NSC will have a Chairperson, five whole time members along with Deputy Governor, RBI, Chief Statistician of India as other members and CEA as ex-officio member

tunity to express its views before any direction is given.”

The draft Bill states that the government shall seek advice from the Commission on any matter relating to official statistics. However, central government or a state government may issue directions as necessary to any government agency under its administrative control along with a report on reasons for not accepting any advice to the commission. A report on reasons for not accepting any advice of the commission shall be laid before Parliament or a state legislature for a total period of thirty days. Outlining the general powers of the NSC, the draft Bill states that the NSC shall have power to review the statistical system of any government agency in the light of concepts, definitions, standards, methodologies and es-

tablished policies, and recommend measures for enhanced performance; to prescribe a code of practice. Also, the Commission shall participate in, and in consultation with the central government coordinate with, national statistical organisations on matters of statistical standards, methodologies and classifications.

All nodal officers designated in central ministries/departments /state government shall be professionally responsible to Chief Statistician of India on core statistics, the Bill said. The Ministry of Statistics and Programme Implementation (MoSPI) has sought comments and suggestions from the public on the draft Bill by January 19, 2020. The Bill comes at a time when several statistical reports such as the unemployment survey were withheld and consumption expenditure survey was decided to be not released by the government. In January this year, the then acting chairman of NSC, PC Mohanan, a career statistician, and JV Meenakshi, Professor at the Delhi School of Economics, had resigned from NSC protesting against the withholding of the NSSO’s first Annual Survey on Employment and Unemployment for the year 2017-18.

DEMAND WEAKENED FOR MANUFACTURING

Corporate profits fall 54.3% as demand drops: RBI

GEORGE MATHEW & SANDEEP SINGH
MUMBAI/NEW DELHI, DEC 19

THE ONGOING economic slowdown hit the corporate sector badly with a group of 2,696 firms reporting a 54.3 per cent fall in net profit for the second quarter ended September 2019 as “demand conditions facing the manufacturing sector weakened, with contraction in nominal sales that became broad based across industries”.

A big factor in the drop in aggregate profits has been the huge losses announced by Bharti Airtel and Vodafone Idea Limited (VIL) during the quarter on account of provisioning for adjusted gross revenue (AGR). While Bharti announced a loss of Rs 23,045 crore, VIL announced a loss of Rs 50,922 crore for the quarter.

While the group of 1,706 companies in the manufacturing sector saw their sales decline 7.7 per cent, their profits grew by 17.4 per cent. A group of 505 companies in the services sector had an aggregate loss of Rs 53,167 crore and 166 firms in IT sector announced a 8.4 per cent rise in net profit for the quarter.

The RBI said softening of commodity prices resulted in lower in-

MAJOR FACTOR IN DROP WAS AIRTEL, VIL LOSSES

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put costs (including cost of raw materials), which partly offset the decline in sales of manufacturing companies. The raw material cost for manufacturing companies fell 11.5 per cent during the quarter.

According to data released by the Reserve Bank of India (RBI), the fall in profits was steep as these companies had posted a 41.7 per cent rise in profits in the same period of last year (September 2018). The RBI said the study is based on abridged quarterly financial results of 2,696 listed non-government non-financial (NGNF) companies. Sales of these companies fell by 4.5 per cent in September 2019 as against a rise of 18.2 per cent in the previous year. On December 5, the RBI slashed the real GDP growth for 2019-20 downwards from 6.1

per cent in the October policy to 5 per cent, saying that it can even go down to 4.9 per cent. The lowering of growth rate by the RBI — which has a strong research department — has come after the government said the GDP growth in September 2019 quarter had plunged to a six-year low of 4.5 per cent, the lowest since the three months ended March 2013. India’s industrial output contracted 3.8 per cent in October, against a 4.3 per cent contraction in September, according to the Index of Industrial Production (IIP) data released by the Centre on December 12.

“Operating profit of the manufacturing sector contracted by 11.8 per cent, mainly due to the production slowdown. Non-IT services companies, especially in

La Fin, which the latter challenged, citing that the insolvency plea was barred by limitation.

In their respective judgments, the NCLT and NCLAT held that IFIN’s plea was not barred by limitation as it was filed well within the time limit of three years from December 1, 2016, when IBC was introduced. The SC, however, overturned the decision and said that IFIN’s plea was barred by limitation as it was filed well beyond three years from August 2012, when the first default occurred. It also held that IFIN had approached the courts only when La Fin saw its net worth erode in 2015. “That does not mean there is no prospect of the company ever making a profit in the future. It does not also mean that the company abandoned its business and therefore will not be able to pay,” the apex court had said.

Experts point out that the difference in interpretation could be as these laws have to be read in consistency with the IBC. “Even for laws that are well established, for example, the ones on laws of limitation are not being read in isolation. They have to be read with the code,” said Karan Mitroo, partner at L&L Partners.

DIFFERENT FORUMS, VARIED VERDICTS

CASE: ESSAR STEEL FORUM

NCLT: Approved Suggested Rs 42,000 crore be distributed among financial and operational creditors in 85:15 ratio

NCLAT: Modified plan to give higher payout to operational creditors, fixed pay for everyone at 60.7%

SC: Reversed NCLAT decision, upheld primacy of CoC, restored original payout planned by CoC

CASE: LA FIN FINANCIAL FORUM

NCLT: Allowed insolvency proceedings filed by IFIN against La Fin

NCLAT: Upheld NCLT judgment, said plea by IFIN filed within time

SC: Reversed both NCLT & NCLAT judgment, said case filed after limitation period exhausted, disallowed insolvency

CASE: RAVE SCANS FORUM

NCLT: Approved resolution plan, rejected plea for equal pay by dissenting creditor, the Hero Fin Corp

NCLAT: Reversed NCLT decision, said CoC must treat Hero Fin Corp on par with other financial creditors, give 45% of admitted dues

SC: Reversed NCLAT decision, held that since resolution plan and process was already in place, it could not have been altered

CASE: SEVEN HILLS HOSPITALS FORUM

NCLT: Held that Municipal Corp of Greater Mumbai pleas are self contradictory, approved resolution plan

NCLAT: Barred MCGM from taking action, including claiming land as own, said would hamper the resolution process

SC: Held that MCGM must uphold its public duty and claim over BMC land, set aside the resolution plan approved by NCLT, NCLAT

CASE: BK EDUCATIONAL SERVICES FORUM

NCLT: Held that the filing of plea was barred by limitation and thus insolvency could not have been initiated

NCLAT: Reversed the NCLT decision, held that there was no scope of rejection of insolvency application if there was a continuous effort to recover debt

SC: Reversed NCLAT decision, said laws of limitation applicable to insolvency applications