NCLAT rejects tax dept. plea against Jio

PRESS TRUST OF INDIA
NEW DELHI

The NCLAT has dismissed petitions filed by the Income Tax Department, against the approval for Reliance Jio Infocomm's scheme to hive off its fibre and tower businesses into two separate units.

The Ahmedabad-bench of the National Company Law Tribunal had earlier this year granted permission for the demerger. The I-T department challenged it before the National Company Law Appellate Tribunal, claiming that by this arrangement, Reliance Jio Infocomm had sought to convert redeemable preference shares into loans, which would cause a revenue loss to the Department. The NCLAT dismissed it, saying the NCLT had already dealt with the issue. "The mere fact that a scheme may result in reduction of tax liability does not furnish a basis for challenging," its validity.

NITI member bats for 2 GST slabs

Frequent rate changes cause problems, annual review okay, says Ramesh Chand

PRESS TRUST OF INDIA
NEW DELHI

Government think-tank NITI Aayog Member Ramesh Chand on Wednesday made a case for only two slabs under the Goods and Services Tax (GST) regime as against the current multiple slabs, and said rates should be revised annually, if required.

The GST, which replaced almost all the indirect taxes, came into force on July 1, 2017 and the tax rates have been revised several times since then.

Currently, there are four GST rate slabs – 5%, 12%, 18% and 28%. Several items fall in the exempt or nil duty category. Besides, cess is also levied on five goods.

Teething problems

Mr. Chand said that when a large taxation reform such as GST is brought in, there are always 'teething problems' but soon they stabilise. He said most of the countries took a long time for GST stabilisation.

Bigger picture: GST issues are much larger than merely asking for rates, according to Ramesh Chand. ▪G. RAMAKRISHNA

The NITI Aayog Member, who looks after the agriculture sector, is also strictly against frequent changes in GST rates as it leads to problems.

The GST Council, presided over by the Union Finance Minister and comprising State Finance Ministers, decides the rates for particular goods and services.

Besides frequent demand for reduction in the rates on various goods and services, there has also been a clamour for a slash in the number of tax slabs.

"It has become a tendency of every sector to ask for lower GST. I feel GST issues are much larger than asking for rates," Mr. Chand said.

And, "we should not fiddle with rates or change rates frequently... We should not have many rates. Have only two rates," he said.

Mr. Chand said the focus should be on steady increase in revenue collection from the new indirect tax regime rather than tinkering with rates. He prescribed that if at all rates needed to be changed, it should be done annually.

On demands for lower GST on processed food such as dairy products, Mr. Chand, an agri-economist, said the 5% GST on such products was "very, very reasonable."

Mr. Chand said that while every sector was demanding a lower rate, they should also understand governments need revenue to spend on development works.

"We always ask from the government and forget to give back. This trend is not good. From where will the government get the money to spend for development?" asked Mr. Chand, who is also a member of the 15th Finance Commission.

He said in the agriculture sector alone, the Central government was providing a subsidy of ₹1.2 lakh crore and the States, put together, spend about ₹1 lakh crore.

NTPC to invest ₹50,000 cr. for 10 GW solar capacity

Power major eyes 2022 deadline; green bonds to fund plans

PRESS TRUST OF INDIA
NEW DELHI

State-owned power giant NTPC is planning to add 10 GW of solar energy generation capacity by 2022, which entails an investment of around ₹50,000 crore, to be funded mainly by green bonds, a source has said.

At present, NTPC has installed renewable energy capacity of 920 MW, which constitutes mainly solar energy. It has formulated a long-term plan to become a 130 GW company by 2032 with 30% non-fossil fuel or renewable energy capacity.

"The company will complete tendering of 2,300 MW of solar energy capacity by the end of this fiscal. Thereafter, it has planned to add 4 GW each in 2020-21 and 2021-22," the source said.

The source added that NTPC was "open to any borrowing option in the market, which is economical. However, it would mainly rely on green bonds which are offered for pure clean energy projects. The company wants to raise money through domestic as well as overseas green bonds."

NTPC's plans to add 10 GW solar energy capacity assume significance in view of India's ambitious target of having 175 GW of clean energy by 2022.

The source said that the power major would also set up some of its solar energy projects under a scheme where it gets viability gap funding to keep the tariff below the ₹3-per-unit level.

Besides, the company will also set up solar energy projects without long-term (25 years) power purchase agreements as it aims to sell the electricity to industrial as well as commercial consumers and also at energy exchanges, the source said.

The Central Electricity Regulatory Authority has already approved the real-time power market, which is expected to kick in by April 1, 2020. There would be 48 sessions of half an hour each in a day, to allow consumers to get the desired power supply within an hour of buying at the exchanges. Power is now traded for two hours in a day from 10 a.m. to 12 a.m., where a consumer can schedule delivery a day in advance.

Mid- and small-cap stocks may shine in 2020

Surge in benchmark indices have come amid weak macroeconomic factors

ASHISH RUKHAIYAR
MUMBAI

While the current year has seen the benchmark indices – Sensex and Nifty – touch record levels, the coming year could see the side counters finally coming into the limelight after staying low for two consecutive years.

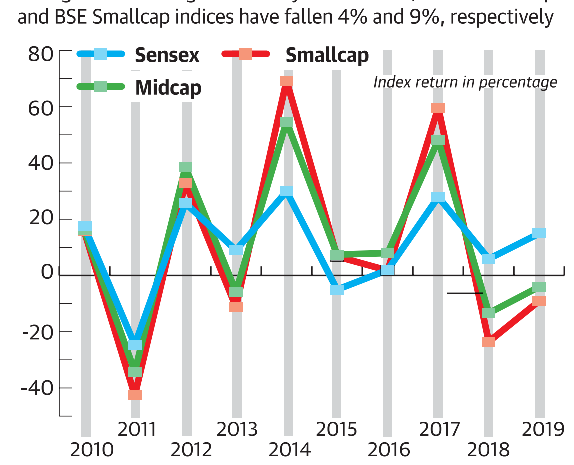
Most market participants are ready to bet on mid-cap and small-cap stocks at a time when the surge in the benchmarks have been witnessed amid weak macroeconomic factors, including growth numbers at multi-year lows.

"Valuations have turned expensive thanks to the recent run-up in equities making the time ripe for increasing allocation in quality mid-cap companies," said Sharekhan, in its outlook report for 2020.

"After the recent run-up, the benchmark indices are not cheap any more and India trades at substantial premium to the MSCI Emerging Market Index. Consequently, there is a case for increasing allocation in quality mid-cap companies for relatively better returns in the next 12-24 months," it added.

Too much money chasing too few stocks?

Though the Sensex gained nearly 15% in 2019, the BSE Midcap and BSE Smallcap indices have fallen 4% and 9%, respectively



Source: BSE

While the 30-share Sensex has gained nearly 15% in the current calendar year till date, the BSE Midcap and BSE Smallcap indices have fallen 4% and 9% respectively.

A similar trend was seen in 2018 when the Sensex gained nearly 6% and the broader indices lost between 13% and 24%.

"The valuation risk should not divert us from the core bottom-up issue in India, however – that of sharp polarisation in valuations between 'high-quality' stocks and the rest – reflected in the huge valuation discount that Indian small-caps are trading at," highlighted BNP Paribas in its outlook report for 2020.

'Sensex may hit 44,500'

The French financial major is currently overweight on India and has a target of 44,500 for the Sensex in 2020 as it plans to focus on "quality and select attractively-valued turnaround candidates among consumer and consumer proxies."

In a similar context, ICICI Securities expects "small-/micro-caps to outperform mid-caps as the former asset classes have much higher probability in terms of the risk-spread over large-caps."

"Widening of risk-spreads is a result of significant underperformance of small- and micro-caps to large-caps since the peak of January 2018. Risk spreads for micro-caps over large-caps in particular have risen considerably and become very attractive," it had said in an earlier note.

Centre promises free Wi-Fi to 48,000 villages till March 2020

'2.5 lakh gram panchayats to be connected via optical fibre'

YUTHIKA BHARGAVA
REWARI

To promote uptake of the Internet in rural areas, Telecom and IT Minister Ravi Shankar Prasad on Wednesday promised free Wi-Fi to about 48,000 villages, which are connected through the government's flagship Bharatnet project, for the next three months.

"We have already connected 1.3 lakh gram panchayats through Bharatnet... Our target is to take this to 2.5 lakh gram panchayats... To promote utilisation of Bharatnet services, we will provide Wi-Fi for free in all villages connected through BharatNet till March 2020," the Minister said. With the BharatNet initiative, the Centre aims to connect all 2.5 lakh gram panchayats through optical fibre. Till now, about 48,000 villages have been connected to Wi-Fi using BharatNet.

He was speaking at the inauguration of Digital Village Gurawara in Rewari (Haryana). Mr. Prasad added that the government is aiming to convert at least 15% of the total villages to digital village in the next 3-4 years.

Ravi Shankar Prasad

Digital Village, which was conceptualised by the Common Service Centre (CSC) SPV under he Ministry of Electronics and IT, is a village where citizens can avail various e-services of the central and the State governments, as well as of private players. These include banking, insurance, tele-medicine, pension and e-governance services. Such villages are also equipped with LED bulb assembly unit, sanitary napkin unit, and rural-Wifi infrastructure.

CSC SPV CEO Dinesh Tyagi said, initially, the scheme was unveiled at five locations as a pilot. "Considering the success of the pilot, we have been given the task of setting up 700 Digital Villages across the country, one in every district."

In the interim budget this year, then Finance Minister Piyush Goyal had announced the government's target of one lakh villages as Digital Villages over the five years. This, he had said, would be achieved by expanding the reach of CSCs in the country. Mr. Tyagi said there were about 3.6 lakh CSCs in the country covering 2.25 lakh gram panchayats.

GST watchdog fines J&J ₹230 crore

SPECIAL CORRESPONDENT
MUMBAI

The National Anti-profiteering Authority (NAA) has asked Johnson & Johnson(J&J) India to deposit a little over ₹230 crore with the Centre and States for making profits by not passing the GST benefits to consumers. J&J has been asked to deposit the amount in three months.

The NAA said that the methodology adopted by J&J to pass on GST rate cut benefits to consumers was "unreasonable, arbitrary and incorrect and thus can not be accepted."

As per the order, when GST rates were reduced from 28% to 18% on products sold by J&J from November 2017, the company did not fully pass on the financial benefits to customers. NAA said the benefits of input tax credit should have been passed on to the recipients by way of commensurate reduction in prices.

Soap-makers' body urges tech adoption

Convenes meet on modern methods

SPECIAL CORRESPONDENT
CHENNAI

Tamil Nadu Small Scale Soap & Detergent Manufacturers Association (TANSDMA) is educating its micro, small and medium enterprise (MSME) members to adopt modern technologies in a bid to combat competition from larger corporates.

"Unlike other industries, we don't face any problem from the unorganised sector. Every region has a specific brand.

"We urge them to use modern technology and the latest equipment so that they also thrive and the industry gets bigger. It is our way of combating large corporates," said V. S. Manimaran, member, executive committee, TANSDMA.

"We represent MSMEs, having currently about 600 members," said K. Dhanapal, president, TANSDMA. "The total revenue of our members from Tamil Nadu is about ₹1,500 crore to ₹1,700 crore," he added.

Market share

According to him, member-companies of the association command a cumulative market share of 60% in detergent cakes in Tamil Nadu, while the rest is held by the large corporates.

In the case of detergent powder and liquid, it is the reverse.

To combat competition, the association, as a first step, has convened a national conference on modern techniques in soaps and detergents in Chennai on December 29 and 30.

V. S. Manimaran

Mr. Manimaran said the industry witnessed a phenomenal growth from 2016 to 2019. It was time for them to expand.

Low-cost product

"Our president is bent upon helping swadeshi companies go in for expansion and produce quality soap and detergent products at a low cost. They have presence in Tamil Nadu and this would enable them to expand to neighbouring States too," Mr. Manimaran said.

He added that earlier, the industry had been paying taxes at 28% and that this had come down substantially due to availability of input tax credit under the Goods and Services Tax.

"We have been growing at 10% every year and would be hitting the ₹2,000-crore mark in revenue soon," he added.

India eyes 60% share of global ship recycling business, says Minister

'Contribution from such activities to GDP will reach $2.2 bn'

PRESS TRUST OF INDIA
NEW DELHI

With a new legislation in place, India aims to garner at least 60% of the global ship recycling business and emerge as a key destination for recycling warships and other ships, Union Minister Mansukh Lal Mandaviya said.

Holding the independent charge of the Shipping Ministry, Mr. Mandaviya also exuded confidence that contribution from ship recycling activities to the country's GDP would reach $2.2 billion, almost double compared to the current level.

> With the Recycling of Ships Act, 2019, the likes of Japan, U.S., Europe could send their ships for recycling to India

According to Mr. Mandaviya, Gujarat's Alang, the world's biggest shipyard, was ready to cater to the projected increase in the number of ships for recycling.

Currently, India recycles around 300 of the 1,000 ships which are demolished per annum globally.

However, the likes of Japan, the United States and Europe were not sending their ships for recycling to India in the absence of ratification of a global convention. That scenario is set to change with the Recycling of Ships Act, 2019.

The Act ratifies the Hong Kong convention and would facilitate an environment-friendly process of recycling ships and adequate safety for yard workers.

Leap India to deploy more pallets

Firm buoyed by growth in demand for warehousing

SPECIAL CORRESPONDENT
MUMBAI

Warehousing player Leap India has announced plans to expand the number of pallets it provides on lease to customers.

This comes on the back of increased demand for warehousing coming from FMCG, beverages, auto parts, food, e-commerce and large logistics entities that prefer palletised cargo for efficient handling and storage as well as distribution of consignments.

The demand for pallets-on-lease is estimated to go up to four million pieces this year, an increase from the three million deployed last year. LEAP India, with 70% market share in pallets and foldable large containers (FLC), is planning to deploy a bulk of it, it said.

Leap's network comprises 22 warehouses, 25 contract manufacturing centres and a team of 450 employees serving over 550 customers at over 7,000 touch points in India.

The company currently has 55,000 FLCs deployed across India, it said. Increasing demand for warehousing from both domestic and international players is driving demand for efficient and international practices of storing and moving goods.

Internationally, goods are stored and moved with the help of forklifts which drives the demand for storing and transporting goods in pallets, it said.

Sunu Mathew, MD, Leap India, said, "Achieving the milestone of three million pallets is very encouraging. With this, we have become a leader in bringing palletisation to the country and are happy to work with each and every leading brand from FMCG, beverages, automobiles, food, e-commerce and large logistic players in the country."

"We see enough opportunity in both pallets and FLCs. We are all geared up to tap this huge opportunity as we are well positioned to expand our pallets base," he added.