

18 ECONOMY

LAUNCHES E-AUCTION PLATFORM TO SELL ATTACHED ASSETS OF DEFAULTERS

No MDR charges applicable on payment via RuPay, UPI from Jan 1: Sitharaman

ENS ECONOMIC BUREAU
NEW DELHI, DECEMBER 28

IN ORDER to promote digital transactions, Finance Minister Nirmala Sitharaman on Saturday said no Merchant Discount Rate (MDR) charges will be applicable on transactions through home-grown RuPay and UPI platforms beginning January 1, 2020. The government launched a common e-auction platform to sell attached assets of defaulters for improved realisation of value. The Department of Revenue (DoR) will soon notify RuPay and UPI as the prescribed modes of payment for digital transactions without any MDR, the FM said after meeting with heads of state-owned and private sector banks. Top officials from the Finance Ministry, Reserve Bank of India, the National Payments Corporation of India (NPCI) and the Indian Banks' Association attended the meeting.

All companies with a turnover of Rs 50 crore or more will be mandated by the govern-



Union Finance Minister Nirmala Sitharaman, along with Finance Secretary Rajiv Kumar, at a review meeting with chiefs of various banks in New Delhi on Saturday. PTI

ment to provide the facility of payment through RuPay Debit card and UPI QR code to their customers. MDR is the cost paid by a merchant to a bank for accepting payment from their customers via digital means, which is usually recovered from the customer. The merchant discount rate is expressed in percentage of the transaction amount.

"After extensive consultation with stakeholders, banks and so on. I'm happy to say that announcement which was made in the Budget will see the notification coming on January 1, 2020 whereby those modes which are getting notified will not have charges under the MDR being levied on them," she said. Indigenously developed digital

payment medium like RuPay and BHIM UPI will now have edge over the payment gateway promoted by foreign companies. In her Budget speech in July, Sitharaman proposed that businesses should offer low cost digital modes of payment such as BHIM UPI, UPI QR Code, Aadhaar Pay, Debit Cards, NEFT, and RTGS to their customers, and no charge or MDR shall be imposed on customers to promote digital payment.

Banks will also start a campaign to popularise RuPay Debit card and UPI. The Finance Minister said the government has already amended two laws — Income Tax Act and the Payments and Settlement Systems Act, 2007 — to give effect to these provisions. Sitharaman also launched a common e-auction platform to sell attached assets of defaulters for improved realisation of value. The platform is equipped with property search features and navigational links to all PSB e-auction sites, provides single-window access to information

on properties up for e-auction as well as facility for comparison of similar properties, and also contains photographs and videos of uploaded properties.

A total of 35,000 properties have been uploaded on the platform by PSBs. PSBs have attached assets worth over Rs 2.3 lakh crore over the last three financial years. To strengthen banks, in addition to the recent infusion of Rs 60,314 crore, additional infusion of Rs 8,855 crore (Rs 4,360 crore to Indian Overseas Bank, Rs 2,153 crore to Allahabad Bank, Rs 2,142 crore to UCO Bank and Rs 200 crore to Andhra Bank) has been approved, the Ministry said.

The government said recent reforms have restored banks to health, with the gross NPAs of PSBs declining from Rs 8.96 lakh crore in March 2018 to Rs 7.27 lakh crore in September 2019, their provision coverage ratio rising to their highest level in seven years, and banks returning to profitability, with as many as 13 banks reporting profits in first half of current fiscal year.

DoT's hope for 2020: Good bidding for 5G spectrum; telcos likely to disagree

AASHISH ARYAN
NEW DELHI, DECEMBER 28

IN 2016-17, when the Department of Telecommunications (DoT) conducted the last telecom spectrum auction, it managed to raise roughly Rs 65,000 crore, just a tenth of its Rs 5.63 lakh crore base price target. The auction was conducted one year after the launch of mobile telephony services by Mukesh Ambani-led Reliance Jio Infocomm. Incumbents Bharti Airtel, Vodafone, and Idea Cellular were then in a price war with Reliance Jio, and had little to splurge.

The total spectrum up for auction in FY17 was nearly 2,355 megahertz (MHz), of which the government managed to sell 965 MHz across seven bands. Having burnt its fingers, the government did not auction any spectrum in FY18 and FY19.

The DoT has planned another telecom auction of 8,300 MHz spectrum, including in the 5G band next calendar year. Bharti Airtel, with a net debt of Rs 1,082 billion, and Vodafone

OUTSTANDING DUES

| Company name | Total outstanding (₹cr) |
|------------------------------------------------------------|-------------------------|
| Idea Cellular | 8,485 |
| Vodafone Group of companies | 19,824 |
| Bharti Airtel Group of companies | 21,682 |
| Telenor India | 1,950 |
| Tata Group of companies | 9,987 |
| Reliance Jio Infocomm | 13 |
| Bharat Sanchar Nigam Limited | 2,099 |
| Mahanagar Telephone Nigam Limited | 2,537 |
| Aircel Group of companies | 7,853 |
| Etisalat DB Telecom | 29 |
| Quadrant Televentures | 116 |
| S.Tel | 42 |
| Videocon Telecommunications | 1,033 |
| Sistema Shyam Teleservices | 302 |
| Reliance Communication Ltd/ Reliance Telecommunication Ltd | 16,457 |
| Loop Telecom | 233 |

* TSPs wise Provisional License Fee outstanding demand up to July '19

ment officials said.

What 2020 holds?

In October this year, the Supreme Court's judgment on AGR saddled Bharti Airtel and Vodafone Idea with the obligation to deposit Rs 43,000 crore and Rs 54,000 crore, respectively, by January 23. These amounts have to be paid by the telcos to the DoT to avoid a contempt of court.

The two incumbents — Bharti Airtel and Vodafone Idea — are learnt to have approached the DoT for relief. While the government declined to waive off the penalty amount, a two-pronged relief package was suggested: A staggered payment schedule of the AGR dues and an indication that any move by the incumbents to hike tariffs would be 'facilitated' on an industry-wide basis. Sure enough, all three major telecom players hiked their tariffs in November.

It could provide Bharti Airtel and Vodafone Idea with a possible opportunity to repair their finances and become sustainable, analysts said. Estimates by analysts and rating agencies suggest that as operating cash flows improve, telcos will be in a better position to arrange funding for AGR-related payouts that they have to make. They could see stabilisation of their user base as Reliance Jio has also started charging users across all its services.

The story of lack of financial freedom of the telecom sector, however, did not write itself overnight. It has been in the making for some time now, triggered by the cancellation of 122 telecom licenses by the Supreme Court seven years ago.

The downfall

In February 2012, the apex court cancelled all the 122 unified access service licenses issued in January 2008. An investment of nearly Rs 40,000 crore, made majorly by Uninor and Sistema went down the drain. Other than these two, the telecom licenses obtained by S Tel, Videocon, Idea Cellular, Tata Teleservices, Loop Telecom, and Etisalat DB also were cancelled. For incumbent players such as Bharti Airtel and Vodafone, the judgment was a bonanza. Bharti Airtel had, on the day of judgment, gained as much as 7 per cent on the BSE. Apart from the obvious gain in the subscriber base, the fringe benefit was

more spectrum for these players.

The launch of Jio

For two years thence, Bharti Airtel, Vodafone, and Idea Cellular reigned supreme. The unchallenged run of the incumbents, however, was hit by the Reliance Jio, which had deep pockets and offered free services for the longest time. The first casualty for Bharti Airtel and Vodafone Idea, was the fall in Average Revenue Per User (ARPU).

Bharti Airtel, which had an ARPU of Rs 150.88 in the January-March quarter in 2015, reported revenue at Rs 121.81 in the corresponding quarter two years later. Similarly, Vodafone, which then functioned as a standalone company, reported an ARPU of Rs 143.98 between January and March 2015, and Rs 116.95 in the corresponding quarter two years later.

To sustain themselves, the incumbents had to keep cutting prices to survive the freebies being offered by Reliance Jio. It left Bharti Airtel and the present combined entity of Vodafone Idea with little to spend other than on basic necessities.

The AGR shock

Barely had Bharti Airtel and Vodafone Idea managed to come out of the woods, the Supreme Court handed them more trouble. In its judgment upholding the definition of AGR as set by the government, the apex court said that not only should the telcos pay the overdue AGR, but they should also pay interest and penalties.

The contention over AGR is not new though. Following the roll-out of the New Telecom Policy in 1999, the government suggested that telcos could migrate from the regime of "fixed licence fee" to a "revenue-sharing model. Against the recommendations of Trai, the DoT had then decided to include the income of telcos, their interest income on short-term investments, discounts on calls, revenues from other activities separately licensed, and the reimbursements under the Universal Service Fund under AGR. Though challenged, the apex court ultimately upheld this definition.

The telcos have filed review petitions in the apex court. Any immediate relief, however, is unlikely. The AGR petitions were heard by a three-judge Bench, and thus a review of the judgment, if allowed, will have to be done by a five-judge Bench.

BRIEFLY

'GoM to oversee revival plan of BSNL, MTNL'

New Delhi: A seven-member Group of Ministers (GoM) has been constituted to fast-track and oversee the implementation of the Rs 69,000 crore revival plan for state-owned telecom corporations BSNL and MTNL, sources said. The high-level group will expedite smooth implementation of recent decisions taken on revival of BSNL and MTNL that includes crucial elements like allocation of 4G spectrum and asset monetisation, official sources told PTI. The GoM includes Defence Minister Rajnath Singh, IT and Telecom Minister Ravi Shankar Prasad, Home Minister Amit Shah, Finance Minister Nirmala Sitharaman, Commerce Minister Piyush Goyal and Oil Minister Dharmendra Pradhan, they added.

Piramal Ent to raise ₹2,750 cr through bonds

New Delhi: Piramal Enterprises on Saturday said its board has approved raising up to Rs 2,750 crore by issuing bonds on private placement basis. "At the Meeting of Administrative Committee of the Board of Directors held today, the Committee approved the issue of secured, rated, unlisted, redeemable Non-Convertible Debentures aggregating up to Rs 2,750 crore on private placement basis," it said in a regulatory filing. Piramal Enterprises said the money can be raised in one or more tranches from time to time. PTI

Forex reserves climb \$456 mn to record \$455 bn

The country's foreign exchange reserves increased by \$456 million to a fresh lifetime high of \$454.948 billion in the week to December 20, according to RBI data

LAST WEEK'S PERFORMANCE In the previous week, the reserves had swelled by \$1.070 billion to \$454.492 billion

REASONS FOR THE RISE In the reporting week, the rise in reserves was mainly on account of an increase in foreign currency assets, a major component of the overall reserves, which surged by \$311 million to \$422.732 billion, weekly data released by the Reserve Bank showed

WHAT DOES THIS MEAN?



Expressed in dollar terms, the foreign currency assets include the effect of

appreciation or depreciation of non-US units like the euro, pound and the yen

held in the forex reserves

GOLD RESERVES increased by \$164 million to \$27.132 billion

THE SPECIAL DRAWING RIGHTS with the International Monetary Fund dipped \$1 million to \$1.443 billion

THE RESERVE POSITION with the International Monetary Fund also declined by \$17 million to \$3.642 billion, the data showed

Source: RBI/PTI

New policy will ban passing on of losses to consumers: Power Minister

PRESSTRUST OF INDIA
PANAJI, DECEMBER 28

UNION POWER Minister R K Singh said here on Saturday that the new power tariff policy, which will be unveiled within a month, will prohibit power companies from passing on their losses to consumers beyond a limit.

The policy is currently under the Union government's consideration, Singh told reporters here.

"The policy is pro-consumer and transparent," he said.

"In the new policy, we are

building the rights of the consumers. Right now there is no charter of rights of electricity consumers," Singh said.

"In the policy, we will give (prescribe) standard of service. For example, if I make a call, I will get the response in stipulated time. If distribution company violates that then a penalty would be imposed," the Minister said. It will also prohibit power distribution companies from passing on their losses to the consumers, he said.

"So if I (the company) am inefficient or not able to do the meter reading, billing or collection, I

cannot pass on the burden to consumer beyond a certain level," he explained.

"Another thing we have already done is if I am a generating company and tied up with another company to supply power, then it is incumbent to supply power from the most efficient plant so that the power purchase cost is minimum," he said.

"Only when first plant is fully online, generating full capacity, then the second plant will be run. The least efficient plant would not be run at all," the minister added.

Mar 20: FinMin to organise lecture to honour Jaitley

PRESSTRUST OF INDIA
NEW DELHI, DECEMBER 28

THE FINANCE Ministry will organise a conference 'Arun Jaitley Memorial Lecture' on March 20 next year to pay tribute to the former Finance Minister.

Jaitley, who as the Finance Minister ushered in India's biggest tax reforms and was the chief trouble-shooter of the Bharatiya Janata Party and the Modi government, died on August 24 after battling multiple health issues for several months.

"The @FinMinIndia to hold Shri. Arun Jaitley Memorial Lecture. The first of this annual program will be on Friday, 20 March 2020. An Economists Conclave shall be held the next day. Eminent economists shall be invited. Grateful to @PMOIndia for consenting to launch this event," Finance Minister Nirmala Sitharaman tweeted on Saturday.

"Honoured to announce this on Shri Jaitley's birthday, today. Thankful to Shri. @narendramodi to have come up with this thought and to have given it a structure," she added.

US eyes customs deal with Mexico

REUTERS
MEXICO CITY, DECEMBER 28

THE UNITED States is looking at ways to cooperate with Mexico on customs along their border to curb flows of illicit arms, drugs and money, the US ambassador to Mexico said on Friday.

Speaking after what he called a fruitful meeting with Mexico's finance ministry, Ambassador Christopher

Ambassador Christopher Landau said US Attorney General William Barr will visit Mexico next month

Landau said that US Attorney General William Barr would visit Mexico next month to discuss cooperation.

"What we want to do on the border is see if we can combine

our customs so that, together, we can control what comes into Mexico and also what leaves Mexico and enters the United States," Landau told reporters.

The goal is to eliminate "contraband on both sides, the drugs on one side, and the arms and money on the other," he said.

Barr visited Mexico in early December to discuss issues including security, arms trafficking and money laundering with President Andres Manuel Lopez Obrador and other top officials.

REUTERS
BEIJING, DECEMBER 28

CHINA'S CENTRAL bank will use the loan prime rate (LPR) as a new benchmark for pricing existing floating-rate loans, in a step that analysts say could help lower borrowing costs and underpin economic growth.

Beijing has unveiled a raft of pro-growth measures this year, including tax cuts, more infrastructure spending, reductions in the amount of cash banks must keep on reserve and lending rates to

LOAN PRIME RATE IS NEW GAUGE

■ From January 1, financial institutions will be prohibited from signing floating-rate loan contracts based on the previous benchmark bank lending rate, the People's Bank of China (PBOC) said

boost credit.

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based on the previous benchmark bank lending rate, the People's Bank of China (PBOC) said in a statement on its website on

Saturday. Floating-rate loans, excluding individual housing loans tied to state provident funds, that have been signed before 2020 will be priced in line with the LPR, the central bank said.

Under the new rate regime unveiled in August, the revamped LPR is linked to the medium-term lending facility (MLF), a key policy rate of the PBOC.

"The purpose of the step is to make interest rates more market-driven and help lower financing costs," said Wen Bin, an economist at Minsheng Bank in Beijing.

The one-year loan prime rate

(LPR) is at 4.15 per cent, down by 16 basis points from August.

The previous benchmark bank lending rate has been kept steady at 4.35 per cent since October 2015. The five-year LPR is at 4.80 per cent.

Analysts expect the central bank to cut the MLF rate by 20-30 basis points in 2020, which could pave the way for lowering the LPR further. China's economic growth slowed to 6.0 per cent in the third quarter, a near 30-year low, but full-year growth is expected to be within the government's target of 6-6.5 per cent.

China sets out move to liberalise IPO rules to streamline listings

REUTERS
BEIJING, DECEMBER 28

CHINA WILL gradually liberalise rules governing initial public offerings (IPOs) of stocks, expanding a simple registration-based route to market rather than the current system of pre-approval by regulators, according to an amended Securities Law that was approved by parliament on Saturday.

The amended legislation, due to take effect from March 1, removes complex and time-consuming watchdog scrutiny before

listings and is designed to streamline listing procedures for companies eager to go public.

But in a move to discourage market manipulation, it also contains provision for heavier punishment on stocks violations and pledges better protection for investors in general.

China's top securities regulator said last month that the registration-based mechanism for IPOs that underpinned the successful launch of Shanghai's Nasdaq-style STAR Market will be rolled out on Shenzhen's start-up board ChiNext.

The new registration-based

system must be implemented step by step given complex market structures, state media quoted Cheng Hehong, an official at the China Securities Regulatory Commission (CSRC), as saying.

The CSRC will consider the pace of stock issuance and the market's ability to cope with such listings, Cheng said.

"We will improve the information disclosure system, strengthen supervision according to law, increase penalties for securities violations, and strive to build a stronger mechanism for protecting investors' rights and interests," Cheng said.