Airtel, Voda remove cap on free calls

PRESS TRUST OF INDIA
NEW DELHI

Bharti Airtel and Vodafone Idea have removed the cap on free outgoing calls to other networks under new plans for pre-paid customers that came into effect from December 3.

They had earlier capped outgoing calls to other networks at 1,000 minutes in plan with 28-day validity, 3,000 minutes in plan with 84-day validity and 12,000 minutes in 365-day validity plan.

Beyond this, customers were to pay 6 paisa per minute for outgoing calls made to other networks.

"Enjoy unlimited calling to any network in India with all our unlimited plans," Bharti tweeted.

Vodafone Idea, too, tweeted similarly.

Personal income tax rate may be cut

GST rates have to be rationalised eventually and the entire tax system has to be simplified, says FM

PRESS TRUST OF INDIA
NEW DELHI

Finance Minister Nirmala Sitharaman on Saturday said the government is working on more steps, including rationalisation of personal income tax rates, to revive the sagging economy.

The GDP growth slowed to more than a six-year low of 4.5% in the second quarter of the current fiscal from the 5% recorded in the first quarter. The government has taken several measures during August and September to boost the economy, she said at an event here.

There has been a clamour for lower personal income tax rates following a slowdown in growth and consumption. • PTI

Eye on consumption

Besides, she said, public sector banks had disbursed nearly ₹5 lakh crore, without compromising on prudential norms, in the last two months to boost consumption in the hinterland. "So, there are ways for giving stimulus for consumption. We are adopting a direct method and also the method through which we are spending on infrastructure, whose spillover can go to core industries, labour and so on," she said.

When asked if the government is considering rationalisation of the personal income tax rate for putting more money in the hands of people, the Finance Minister said, "[It is] one among many things that we are thinking of." Following the reduction in corporate tax in September, there has been a growing demand for a cut in the personal income tax to buttress consumption.

In the biggest reduction in 28 years, the government in September slashed corporate tax rates by up to 10 percentage points as it looked to pull the economy out of a six-year low growth, with a ₹1.45-lakh crore tax break.

Assuring citizens that there would be no harassment of taxpayers, Ms. Sitharaman said the intent of the government is to further simplify taxation systems, including removal of exemption.

Citing the example of corporate tax, she said, "From now on, they're moving towards a [more] simplified and exemption-free [system]." On the Goods and Services Tax (GST), the Finance Minister said, the rate structure will have to be decided by the GST Council.

Eventually, the rates have to be rationalised and the entire tax system has to be simplified, she added.

Seeking too much data

"One, the tax per se, is getting complicated because of this unstructured bringing down of rates. Another, it's also getting complicated because you want to be sure that you're doing everything correct, but end up asking for so much more information in a technology-driven system. People just get fed up of wanting to give so much information. So, we have problems on both the hands," she said.

L&T has exposure of about ₹42,700 crore in Maharashtra and any delay may impact its execution cycle. • REUTERS

Slowdown impacts L&T order book

Firm may miss guidance on order flow

PIYUSH PANDEY
MUMBAI

Engineering and construction major Larsen & Toubro (L&T) is likely to miss its FY20 order inflow guidance of 10-12%, reflecting the economic slowdown.

The company has received just four orders in the third quarter so far, with three of them worth below ₹2,500 crore each and just one contract worth over ₹7,000 crore.

The company had won orders worth ₹1,76,834 crore at the group level during the year ended March 31, 2019, registering a growth of 16% over the previous year.

On a cumulative basis, L&T's order inflow for the half year ended September 30, 2019 stood at ₹86,992 crore, meaning that the company will have to bag orders of over ₹1 lakh crore in less than four months, to maintain its guidance of 10-12%

According to L&T MD & CEO S.N. Subrahmanyan, the company is anticipating some big orders but client decisions on orders are getting pushed for one reason or the other. "The capital expenditure in the private sector is not happening except for airport, and government orders are taking time," said Mr. Subrahmanyan.

"It looks difficult... to bag ₹1 lakh crore of orders in less than four months when the company could not do it in the first eight months," said a Mumbai-based analyst.

L&T Group CFO R. Shankar Raman is, however, optimistic about meeting the order inflow guidance of 10-12%.

While new orders are hard to come by, execution of existing orders are also likely to get delayed. After Andhra Pradesh, the new government in Maharashtra is reviewing major infrastructure projects including the Mumbai-Nagpur Samriddhi Corridor, Coastal Road Link, Trans-Harbour Sea Link and Thane Creek. Besides, the bullet train project and Nanar Refinery in Ratnagiri have also been kept on hold.

L&T has total exposure of about ₹42,700 crore in Maharashtra, or 14% of the total order book and any delay is likely to impact L&T's execution cycle.

Sharekhan by BNP Paribas, however, expects the near-term uncertainties to iron out and has maintained its 'buy' rating on the stock.

CIL eases payments for NRS customers

SPECIAL CORRESPONDENT
KOLKATA

A new payment facility, earlier extended only to big power generating companies, will now be extended to non-regulated sectors (NRS) such as steel, sponge, cement and aluminium industries by Coal India Ltd. (CIL)

Buyers will now be given a 'letter of credit' and thus, they do not need to make 100% advance payment as earlier. The facility is extended to micro, small, medium enterprises and independent power plants as well. In 2018-19, about 73 million tonnes (MT) of coal was supplied to the NRS sector, of a total coal offtake of 608 MTs, CIL said in a release.

VA Tech Wabag to foray into South Africa

Firm eyes ₹3,000 crore revenue in FY20

SPECIAL CORRESPONDENT
CHENNAI

Water treatment solution provider VA Tech Wabag Ltd. will foray into the South African market as part of its expansion programme, said a senior official.

"We have operations in 30 countries. Going forward, we are looking at entering South Africa as there are immense opportunities," said Rajneesh Chopra, global head, business development, VA Tech Wabag.

The company recycles 423 million litres of water per day (MLD) in India and 1,250 MLD globally. It plans to close the current fiscal with revenue of ₹3,000 crore compared with ₹2,781 crore last year. "We have an order book of ₹11,500 crore of which some would be converted this year," he said. He added the company had bagged a ₹1,477-crore order from the U.P. government for operation and maintenance of sewage treatment plants in Agra and Ghaziabad.

Rajneesh Chopra

Technology biggest focus area for stock brokers, finds survey

But not many are prepared for the changing landscape

SPECIAL CORRESPONDENT
MUMBAI

Technology has become one of the biggest focus areas for stock brokers even as a large chunk of the broking community does not seem to be adequately prepared for the changing technological landscape, revealed a survey by the Association of National Exchanges Members of India (ANMI), the umbrella body of stock brokers.

While the survey showed that nearly 80% of the brokers are actively investing in technology and 'algos' (or algorithms) are becoming increasingly popular, a majority do not have a dedicated technology budget.

> **A majority said they were ready to raise technology budgets, with some even willing to up the allocation by 50%.**

"More than 72% respondents said their technology spend was 'as and when required'. This indicates the lack of preparedness among broking industry players for dealing with the challenges of an ever-changing technology landscape in the industry and their need to keep pace with technology developments around the world," a release stated.

The survey, among the 900-member broker community, also showed nearly 80% of brokers were actively investing in technology and 'algos' are becoming increasingly popular.

"The other technology software that most brokers – around 58% – will invest in, in 2020 is the algo, which indicates precision and speed in execution of trades will continue to be the focus areas for broking services even as brokers move towards automation and do-it-yourself models," it said.

About 86% of respondents said they believed technology would be a key criteria for their business in 2020. A majority also said they were ready to increase technology budgets, with some even willing to raise the allocation by 50%.

A good start but challenges begin now

Shaktikanta Das has taken efforts to improve government-RBI relationship

MANOJIT SAHA
MUMBAI

Shaktikanta Das took charge as the 25th Governor of the Reserve Bank of India (RBI) on December 12, 2018 at a time when the relationship between the government and the central bank had touched a new low.

The relationship had turned sour, particularly with Mr. Das's predecessor Urjit Patel, over issues such as the bank's capital framework and governance issues. Finally Mr. Patel quit. The government quickly found a replacement in Mr. Das.

Mr. Das was able to deflect media focus away from the RBI-government tussle. While a committee was appointed to look into the issue of economic capital, the issue regarding RBI's governance took a back seat at the board meetings.

After taking charge, Mr. Das went for an extensive consultation exercise with all stakeholders, including banks, non-banks and industry houses, in the process giving a signal that he was ready to listen to divergent viewpoints.

This was a departure from the tenure of Dr. Patel who was often accused of not giving a ear to the stakeholders.

Under Mr. Das, the Reserve Bank's post-monetary policy press conferences became more interactive as he made it a point to give every journalist a chance to ask questions – a clear departure from his predecessor's tenure when only a few questions were taken.

Setting interest rates, which is the primary policy-making responsibility of the RBI, in the first year of Mr. Das' tenure was not a complicated process. Inflation remained benign, while growth was coming down rapidly.

In such a scenario, the debate was not whether interest rates should be reduced but on the quantum. Between February (Mr. Das's first policy) and October, the RBI had reduced the interest rate on all the five occasions when the monetary policy committee met, by a total of 135 basis points (bps).

The first sign that policy-making will not be as straight forward was evident in the December 5 policy. As October's retail inflation went beyond the central bank's medium term target of 4%, the RBI decided to pause on rate cuts. The move surprised the market, with yields on the 10-year benchmark government bonds jumping 20 bps in two trading sessions.

PROGRESS REPORT

Shaktikanta Das took charge as the 25th Governor of the RBI at a time when the relationship between the government and the central bank had touched a new low

Some positives...

- Appointed panel to look into vexatious issue of capital framework
- Held extensive consultations with all stakeholders, including banks and industries
- Welcomed questions from the media
- Central bank has so for cut rates by a total of 135 basis points
- India's foreign exchange reserves crossed $450 billion earlier this month

But challenges remain...

- Falling economic growth
- Rising food inflation
- Sustainable foreign fund flows
- Poor transmission of rate cuts
- Single digit year-on-year credit growth of banks

NEWS ANALYSIS

The complication in setting interest rates was evident from the RBI's statement and the Governor's comment during the interaction with the media.

While keeping the rates unchanged, the RBI maintained an 'accommodative' stance, meaning further rate cuts are not off the table.

But the central bank lowered the GDP growth estimate to 5% for FY20, sharply down from the 6.1% estimated during the October policy. Inflation projection for the second half of the current financial was raised to 4.7-5.1% compared with 3.5-3.7% projected in October.

The growth-inflation conundrum had kicked in for the RBI Governor. Mr. Das acknowledged there was a case to look through the spike in inflation, which was primarily due to food prices, but decided to be on a wait-and-watch mode, for more clarity on the inflation front, the outlook for which was also clouded by an increase in telecom tariffs.

He would also wait for the Union Budget to be presented in early February for clarity on government's action to revive growth.

And, there could be complications on the exchange front also. While there were few occasions of volatility, the exchange rate has been relatively stable in the last one year on the back of steady inflows.

FDI flows

Net foreign direct investment increased to $20.9 billion in the first half of 2019-20 from $17 billion a year ago, while net foreign portfolio investment was $8.8 billion in April-November 2019 as against a net outflow of $14.9 billion in the same period last year. This also helped the central bank to shore up the foreign exchange kitty that recently crossed the $450-billion mark for the first time.

> **Under Mr. Das, post-monetary policy press meets became more interactive**

India's foreign exchange reserves stood at$ 451.7 billion on December 3, 2019 – an increase of $38.8 billion over end-March 2019.

Pressure on rupee

But with the economy on a downhill path, how long inflows will sustain needs to be seen. Once the outflows start, it will put pressure on the rupee though the import cover of 11 months acts as a cushion. Depreciation of the rupee could make policy-making further complicated.

Perhaps the biggest challenge for Mr. Das in his second year would be to address the risk-averse nature of the banks. This was evident from the inadequate monetary transmission. In response to the 135 bps policy rate cut by the RBI, the one-year marginal cost of funds-based rates of banks came down only by 49 bps. The gap between the 10-year benchmark bond yields and repo rate is 155 bps. Year-on-year credit growth of banks is in single digits.

Mr. Das, aware of the emerging growth-inflation dynamics, took it head-on, as evident from the pause button the RBI the pressed in the December monetary policy. The RBI cannot mechanically go on cutting interest rates every time, he had said.

True, given the challenges the country faces, a mechanical approach will not help. A consultative approach, for which Mr. Das is known, could help the central bank navigate the current economic environment.