

18 ECONOMY

WILL HELP PROJECTS RATED BELOW ‘AA’

Govt plans to set up Credit Enhancement fund to boost infrastructure projects

SUNNY VERMA
NEW DELHI, JANUARY 11

THE GOVERNMENT plans to set up a Credit Enhancement fund to support infrastructure projects that are rated below ‘AA’.

The fund will provide credit enhancement to such lower rated projects, enabling them to raise loans at better rates while improving their viability. “The proposal has been discussed a number of times. The idea is to either set up a professionally managed credit enhancement fund or a well capitalised institution for the same purpose,” a senior government official said.

Since institutional investors put in money only in top rated infrastructure projects, augmenting ratings of projects that are otherwise viable but do not have early cash flows, would help in attracting investors.

Sources said the Union Budget 2020-21, set to be presented on February 1, is ex-

EXPLAINED Will help lower rated projects raise funds

The Credit Enhancement fund will enable lower rated projects to raise loans at better rates while improving their viability.

Since institutional investors put in money only in top-rated infrastructure projects, augmenting ratings of projects that are otherwise viable, but do not have early cash flows, would help in attracting investors.

pected to make an announcement in this regard. The Credit Enhancement fund can also be jointly run and managed by the government and private sector company — just on the lines of the National Investment and Infrastructure Fund. Right now, most of the infrastructure projects are rated below ‘AA’, which essentially means large institutions do not fund such projects. Through

credit enhancement, a borrower or a bond issuer tries to improve its credit worthiness, which helps in lowering interest outgo. A Credit Enhancement fund provides partial guarantee against loan losses to the lenders, enabling the borrower to enhance its credit ratings.

Such a facility can be provided to projects that have strong viability and visibility but the companies executing

them presently have weak balance sheet or cash flows, which is usually the case for infra projects where revenues start accruing in later years. The agency providing the facility usually charges a fee for providing its services. A Finance Ministry panel that recently finalised the National Infrastructure Pipeline has also made the case for credit enhancement facility for infra projects, along with the need to channelise pension and insurance funds’ money into the infrastructure sector.

The Finance Ministry, last month, unveiled Rs 102 lakh crore of infrastructure projects that will be implemented between fiscal year 2020 and 2025, with the central government contributing nearly 39 per cent towards these projects, states accounting for another 39 per cent and the private sector 22 per cent. Of the total project capital expenditure during fiscals 2020 to 2025, sectors such as energy (24 per

cent), urban (16 per cent), railways (13 per cent) and roads (19 per cent) are estimated to account for more than 70 per cent of the projected infrastructure investments in India.

The government’s push to improve funding for infra sector comes in the backdrop of eight core sectors’ production contracting by 1.5 per cent in November, the fourth consecutive month of contraction. Eight core sectors — coal, crude oil, natural gas, refinery products, fertilizers, steel, cement and electricity — are a lead indicator of industrial performance.

The collapse of Infrastructure Leasing & Financial Services (IL&FS) has created a funding void in the infrastructure sector, with many projects facing uncertainties and rating downgrades.

Apart from resulting in liquidity shortage last year and affecting NBFCs, the IL&FS fiasco has had a negative impact on funding availability for long duration infra projects.

MDR compensation: Govt turns down banks’ demand

SUMIT JHA
NEW DELHI, JANUARY 11

THE GOVERNMENT has turned down a request from commercial banks for compensation to the tune of Rs 2,000 crore a year for the loss of revenue arising out of the waiver of merchant discount rate (MDR) on digital payments through RuPay cards and Unified Payment Interface (UPI).

The waiver, effective January 1, is aimed at incentivising digital payments and is in sync with the policy objective of moving towards a less-cash economy.

Sources said the Finance Ministry reckons that with digital payments picking up momentum as a result of MDR waiver, banks will only stand to gain on a net basis. Banks will save substantially on their expenditure shared with the RBI on currency printing, transportation, storing, replacing, and handling due to the incremental rise in assorted digital transactions. It is estimated that banks spend some Rs 21,000 crore annually for currency-related costs.

Effective January 1, the government waived MDR on payments made through prescribed

Banks had sought compensation worth Rs 2,000 crore a year for the loss of revenue arising out of the waiver of merchant discount rate (MDR) on digital payments through RuPay cards and UPI

electronic modes. It has made it a must for every business with a turnover above Rs 50 crore to provide the option of digital payments through UPI, RuPay card and QR code to all customers without any MDR charges.

Sources said the government looked at MDR charges as a big disincentive for consumers and merchants in adopting a cashless economy while it served as a money-spinning business for service providers. With digital transactions valued at around Rs 14 lakh crore per month, the MDR comes in at around Rs 7,000-8,000 crore annually. Of this, nearly 55 per cent of revenue goes to the private fintech players and the balance goes to

banks of various categories.

Citing market estimates, sources said there are more than 50 crore RuPay debit cards in the market and 40 lakh points of sale (PoS) machines processing debit card payments. MDR varies from 0-2 per cent of the transaction value, and is paid by a merchant to a bank for accepting payment from their customers via debit cards. This levy is then distributed among the bank, PoS machine vendors and card companies.

MDR charges were earlier charged by banks subject to a cap of 0.60 per cent of card-based transactions for payments over Rs 2,000. As for transactions below the threshold, the digital cost was borne by the Ministry of Electronics and Information Technology (MeitY).

The banks in their representations to the government have also claimed that the MDR waiver policy would nullify years of hard work done by domestic companies in expanding digital payments network and would put National Payments Corporation of India in a competitive disadvantage over international rivals operating in the market, sources said. **FE**

BRIEFLY

Ordinance on coal mines promulgated

New Delhi: The government on Saturday announced the promulgation of the Ordinance for amendment in the Mines and Minerals (Development and Regulation) (MMDR) Act, 1957 and the Coal Mines (Special Provisions) Act, 2015, aimed at opening up the coal sector completely for commercial mining for local as well as global firms.

Lupin gets 2 observations from USFDA

New Delhi: Drugmaker Lupin Saturday said it has received two observations from the US health regulator after the inspection of its Nagpur manufacturing facility.

‘DGCA suspends pilot of AirAsia India’

New Delhi: Aviation regulator DGCA has suspended the pilot-in-command of an AirAsia India flight for three months as he caused a runway incursion incident at Mumbai airport on November 5, a senior official said on Saturday. **PTI**

‘Mercedes to build smart brand cars with Geely’

Beijing/Shanghai: Mercedes-Benz will build smart-branded electric cars with Zhejiang Geely Holding Group in the Chinese city of Xian from a base with annual capacity of around 150,000 vehicles, an official from its German parent Daimler AG said. **REUTERS**

‘US, China agree to semi-annual talks’

REUTERS
BENGALURU, JANUARY 11

THE UNITED STATES and China have agreed to hold semi-annual talks aimed at pushing for reforms in both countries and resolving disputes, the *Wall Street Journal* reported on Saturday.

The negotiations will be announced on January 15 as part of the signing of a Phase 1 trade deal between the US and China, but will be separate from any second-phase trade negotiations, the Journal reported, adding the effort will be lead by US Treasury Secretary Steven Mnuchin and Chinese Vice Premier Liu He.

‘Policy changes, JioMart’s entry pose rising risks to global e-comm players in India’

Fitch Solutions said international e-commerce firms in India face the risk of increasingly coming under pressure in the current year due to key policy changes and Reliance Retail venturing into the digital market space

WHAT NOW?: The government is examining the possibility of setting up a regulatory authority to resolve disputes between large online retailers and small enterprises

BRIEF ON THE EARLIER DRAFT GUIDELINES: They ban global online retailers

E-COMM POLICY
It is still in the works. It is likely to take effect in March

from selling products from companies or affiliates in which they own an equity interest

OUTLOOK: Despite continued investment,

Fitch’s view is that international e-commerce players (including Amazon India and Flipkart) face the risk of increasingly coming under pressure in 2020 due to key policy changes and Reliance Retail entering the digital market space with new e-commerce platform JioMart, in January 2020

WHY ARE SMALLER PLAYERS MIFFED?: Smaller retailers have been claiming that companies such as Amazon India and Flipkart are pricing them out of the market

DISCOUNTS MAY NOT LAST: The days of deep price promotions on online platforms are likely to be numbered in India, said Fitch

UNDER THE NEW POLICY

■ International e-commerce companies in India would be banned from influencing pricing, employing unfair promotional activities as well as misrepresenting the quality or features of their product offering, Fitch Solutions said

■ E-commerce players will be compelled to store generated data on servers in India. This will put additional burden on international players

Source: Fitch Solutions/PTI

Huawei executive can be extradited to US, Canada attorney general says

AGENCE FRANCE-PRESSE
MONTREAL, JANUARY 11

CANADA’S DEPARTMENT of Justice said a Huawei executive arrested in Vancouver could be extradited to the United States because her offense is a crime in both countries, according to documents released late Friday.

Huawei chief financial officer Meng Wanzhou, who was originally detained on a US warrant in late 2018, faces an extradition hearing in Vancouver that begins on January 20.

The United States accuses Meng of lying to banks about violating Iran sanctions.

However Meng’s lawyers maintain that she cannot be turned over to the United States, because in order for that to hap-

pen, her offense would have to meet a “double criminality” standard — meaning it is a crime in both countries.

Violating US sanctions against Iran, they say, is not a crime in Canada.

However, in the documents filed in Vancouver Friday, which were widely cited by media, Canada’s attorney general said the “essence” of her banking interactions amounted to fraud, which is a crime in the country.

The first week of Meng’s extradition hearing will be devoted to the question of double criminality.

Meng, who lives under house arrest at her mansion in Vancouver, denies the US allegations and says Canadian authorities violated her rights during the arrest.

Amazon boss to face protests from traders during India visit

REUTERS
NEW DELHI, JANUARY 11

THOUSANDS OF small-scale traders in India are planning to organise protests against Amazon.com Inc founder Jeff Bezos, who will visit the country next week for a company event and potential meetings with government officials.

Bezos will participate in an Amazon event in New Delhi aimed at connecting with small and medium-sized enterprises, three sources told *Reuters*.

He has also sought meetings with the Prime Minister and other government officials.

Details of Bezos’ visit, including his arrival date and the duration of his stay are not known.

Amazon did not respond to a request to confirm the visit. The Prime Minister’s office also did not

ON THE AGENDA

■ Amazon founder Jeff Bezos will participate in an Amazon event in New Delhi aimed at connecting with small and medium-sized enterprises, sources told Reuters

■ He has also sought meetings with the Prime Minister and other government officials

■ The CAIT said it will protest across 300 cities

respond to requests for comment.

The Confederation of All India Traders (CAIT), a group representing roughly 70 million brick-and-mortar retailers, said it will protest across 300 cities during Bezos’ stay in the country. CAIT has since 2015 waged a battle against online retailers Amazon

and Walmart-controlled Flipkart, accusing them of deep discounts and flouting India’s foreign investment rules. “We plan to organise peaceful rallies against Jeff Bezos

in all major cities such as Delhi, Mumbai, Kolkata as well as smaller towns and cities,” Praveen Khandelwal, the group’s secretary general told *Reuters*.

“We expect to mobilise at least 1,00,000 traders in the protests.”

Discounts have helped lure Indians to shop online for everything from groceries to large electronic devices, a phenomenon which traders say has unfairly hurt their business.

No need to panic about crude prices: Pradhan

PRESSTRUST OF INDIA
NEW DELHI, JANUARY 11

UNION PETROLEUM and Natural Gas Minister Dharmendra Pradhan on Saturday said there is no need to panic about oil prices owing to present tensions between Iran and the US.

“The government has taken a position to wait and watch and there is no need to panic,” he said on the sidelines of a CII event here.

There are tensions in the Persian Gulf due to geo-political reasons, the Union Minister said.

“There is no dearth of crude oil in the global market. Yes, there has been some spike in oil prices, but for the last two days it is subdued,” Pradhan said.

Crude prices rose to a three-month high of almost \$72 a barrel soon after Iranian air strikes at US-Iraqi military bases, but cooled off



Petroleum and Natural Gas Minister Dharmendra Pradhan. *Express file photo*

amid speculation that Tehran is opting for limited retaliation over the killing of its top general.

Iranian strikes followed the killing of General Qassem Soleimani last week on US President Donald Trump’s orders.

Tensions between the two nations have flared since the US reimposed sanctions on Iran last year.

MUILENBURG WAS FIRED IN DECEMBER AS BOEING FAILED TO CONTAIN FALLOUT FROM A PAIR OF FATAL CRASHES

Boeing’s ousted CEO departs with \$62 mn, even without severance

REUTERS
WASHINGTON, JANUARY 11

BOEING’S OUSTED chief executive officer, Dennis Muilenburg, is leaving the company with \$62 million in compensation and pension benefits, but will receive no severance pay in the wake of the 737 MAX crisis.

Muilenburg was fired from the job in December as Boeing failed to contain the fallout from a pair of fatal crashes that halted output of the company’s best-selling 737 MAX jetliner and tarnished its reputation with airlines and regulators.

The compensation figures



Ex-Boeing CEO Dennis Muilenburg at a Senate Committee hearing on ‘Aviation Safety and the Future of Boeing’s 737 MAX’ in Washington. *AP file photo*

were disclosed in regulatory filing late on Friday in a difficult week for Boeing when it also released hundreds of internal messages — two major issues hanging over the company before new CEO David Calhoun starts Monday.

The messages contained harshly critical comments about the development of the 737 MAX, including one that said the plane was “designed by clowns who in turn are supervised by monkeys.”

The 737 MAX has been grounded since March following the second of two crashes that together killed 346 people within a span of five months.

“It is incredibly heart wrench-

ing to see the man at the heart of our loss walk away with a reward,” said Zipporah Kuria, whose 55-year-old father from Kenya died in the second crash.

Lawmakers also blasted Boeing. “346 people died. And yet, Dennis Muilenburg pressured regulators and put profits ahead of the safety of passengers, pilots, and flight attendants. He’ll walk away with an additional \$62.2 million. This is corruption, plain and simple,” US Senator Elizabeth Warren said on Twitter.

FAA seeks to fine Boeing

The Federal Aviation Administration (FAA) said on Friday it was seeking to fine

Boeing \$5.4 million, alleging it failed to prevent the installation of defective parts on 737 MAX airplanes.

The FAA alleged Boeing “failed to adequately oversee its suppliers to ensure they complied with the company’s quality assurance system, ... Boeing knowingly submitted aircraft for final FAA airworthiness certification after determining that the parts could not be used due to a failed strength test.”

The FAA proposed a \$3.9 million-civil penalty against Boeing for the same issue in December involving 133 737 NG airplanes, which is the prior generation of the 737.