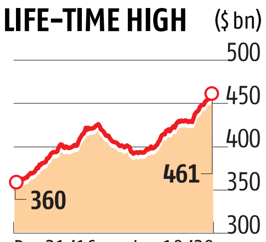
IN BRIEF

SC to hear plea in March on stalling bullet train project

The Supreme Court will hear a group of farmers seeking to halt land acquisition for India's maiden high-speed rail project, funded by Japan. A two-judge Bench headed by Justice Deepak Gupta issued a notice to the Centre on Friday seeking its view on the petitions. The apex court will hear the case on March 20. Meanwhile, Maharashtra Deputy Chief Minister Ajit Pawar said the state government will consider pursuing Hyperloop, a futuristic transport system, after it is shown to be practicable in other countries. AGENCIES

Forex reserves rise to record high of $461.21 billion

LIFE-TIME HIGH ($ bn)



Compiled by *BS* Research Bureau Source: RBI

India's foreign exchange reserves rose by $58 million to reach a life-time high of $461.21 billion in the week to January 10, the RBI data showed. In the previous week, the reserves had increased by $3.689 billion to $461.15 billion. PTI

Nirbhaya rape convicts may be hanged on Feb 1

A Delhi court on Friday issued fresh death warrants for February 1 against the 4 convicts in the Nirbhaya gang rape case. The court was hearing a plea by Mukesh Kumar Singh seeking postponement of the date of his execution (January 22). PTI

Punjab Assembly adopts resolution against CAA

The Punjab Assembly on Friday adopted a resolution seeking immediate repeal of the Citizenship (Amendment) Act (CAA) and Chief Minister Amarinder Singh announced that the state will move the Supreme Court against it. PTI

BPCL, Concor sale to lay foundation for others: Garg

Successful disinvestment of Bharat Petroleum, Container Corporation of India and Shipping Corporation will lay the foundation for a much ambitious programme for stake sale in the central public sector undertakings, former finance secretary Subhash Chandra Garg (*pictured*) said on Friday. From the perspective of non-tax income and receipts, 2019-20 will be an eventful year witnessing some extraordinarily positive events and a few misses, Garg said in a blog. "Initiation of strategic stake sale in BPCL, CONCOR and SCI was a path-breaking measure and if carried to its logical end, privatisation agenda would come back on track," he wrote. PTI

L&T Finance's Q3 pre-tax profit falls to ₹725.22 crore

L&T Finance Holding's consolidated pre-tax profit for the third quarter fell to ₹725.22 crore from ₹775.81 crore in the year-ago period. The net profit rose to ₹591.47 crore in the quarter ended December 31, 2019 from ₹580.96 crore in the previous year. Its net interest margin plus fee improved to 7.29 per cent in the quarter under review from 6.79 per cent last year. BS REPORTER

Insurance may go telecom way: Irdai

Regulator warns firms against unfair competition and predatory pricing; says it will ensure industry runs sustainably

SOMESH JHA
New Delhi, 17 January

The insurance industry may meet the fate of aviation and telecom sectors if product prices are kept low, Insurance Regulatory and Development Authority of India (Irdai) Chairman Subhash C Khuntia warned on Friday.

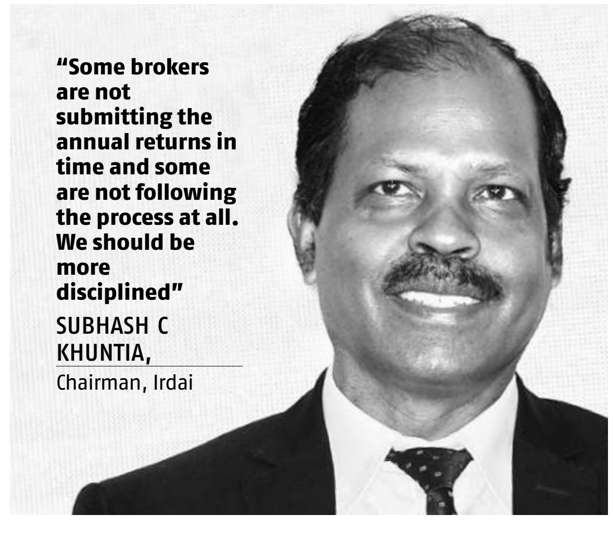
Khuntia said insurance brokers account for around 43 per cent of the premium collected in the case of group health insurance products. "But, I need to give a word of caution here. Though the share is very high, the loss ratio is also high. It's not sustainable at present. Insurance companies, intermediaries and policyholders need to unite to create a sustainable atmosphere," Khuntia said in New Delhi at an event organised by the Insurance Brokers Association of India.

He said in the case of "unfair competition", other industries, particularly aviation and telecom, have suffered but their customers have not. "But we cannot afford such a situation in the insurance industry as it protects customers. If the insurance industry suffers, the clientele will also suffer and as a regulator, we would not like that to happen."

Aviation is a highly competitive sector where a low-fare regime has been a cause of concern for some airlines. The government has often termed it as "predatory pricing" and cautioned industry against keeping airfares too low in a bid to elbow out competition.

Similarly, the telecom industry is reeling under stress because of fierce competition, especially after Reliance Jio entered the market three years ago. Bharti Airtel and Vodafone Idea posted their biggest losses ever recently.

Asked if companies are engaging in predatory pricing to raise their volume, Khuntia acknowledged it, saying "of course, of course". "The regulator will have to ensure that industry runs sustainably. There will be a host of actions, not one kind of action (to check predatory pricing) but we will ensure that the health of insurance industry does not deteriorate," he said.



"Some brokers are not submitting the annual returns in time and some are not following the process at all. We should be more disciplined"

SUBHASH C KHUNTIA,
Chairman, Irdai

The regulator also told insurance brokers to be more disciplined in filing their returns and said it is working on consolidating regulations related to insurance intermediaries in a bid to do away with multiplicity of rules.

"I have told officers that there is multiplicity of regulations for intermediaries and there should be common norms to the extent possible and specific norms for different categories. We need to bring all intermediaries in one regulation," he said.

Irdai introduced a Business Analytics Project portal six years ago, automating the process of registration and other connected activities of insurers, brokers, among others. Khuntia said of the 459 brokers, 364, or about 80 per cent, filed return for the financial year 2018-19.

"Some brokers are not submitting the annual returns in time and some are not following the process at all. We should be more disciplined," he said.

Asked about his view on raising foreign investment in the insurance sector from the current 49 per cent, he said Irdai had sought opinions of stakeholders on raising foreign holding to 74 per cent and comments received have been forwarded to the government.

"Now, according to the Insurance Act, 49 per cent is the maximum limit for foreign direct investment. If it goes to 74 per cent, naturally, the Act has to be amended," he said. However, he was non-committal on ownership and control. No decision has been taken, he added.

With inputs from Press Trust of India

Exporters want clarity on tax refunds, key schemes

SUBHAYAN CHAKRABORTY
New Delhi, 17 January

Exporters have said the Budget should look at the issue of slow disbursement of tax refunds and uncertainty over major promotional schemes, blaming these issues along with currency volatility for slowing growth.

In December, merchandise exports contracted for the fifth straight month as processed petroleum shipments saw lower receipts and a broad-based decline continued to plague all other major foreign exchange-earning sectors. Shrinking by 1.8 per cent as of December, outbound trade has reduced in six of the first nine months of the fiscal year 2019-20 (FY20).

"With exporters' claim for over five months still pending, liquidity has been wiped out and the process of finalising new contracts has been held up," said Sharad Kumar Saraf, president of the Federation of Indian Export Organisations (FIEO). Last month, the government said over 83,500 exporters have already been paid refund of Integrated Goods and Services Tax (IGST), amounting to over ₹1.12 trillion. It said refunds of only ₹3,604 crore are pending with the Central Board of Indirect Taxes and Customs (CBIC).

But FIEO has pointed out that the classification of major exporters as "risky" has further compounded the liquidity problem as their GST and drawback claims have also been held up. Risky exporters are those who are suspected to be claiming excessive input tax credit (ITC) based on fake invoices.

Saraf said in many instances actual payment of GST to the government is very low as compared to IGST refund since few goods are subject low GST, while many services used by exporters have high GST.

"Therefore, if a merchant exporter has taken goods at a rate of 5 per cent and services at 18 per cent, he has sufficient ITC to pay for 5 per cent IGST at the time of exports. He may either not pay IGST in cash or pay only a fraction of that while claiming complete refund of IGST," he added. FIEO wants the issue to be solved before the upcoming Budget.

A total of 6,421 exporters, constituting 3.4 per cent of the 185,000 registered exporters, have been identified as risky by the CBIC and, hence, red flagged. This includes eight "star exporters" as well who were not traceable at the addresses given by them. Star exporters are certified by the government on the basis of export performance and extended certain benefits, including customs clearance on self-certification basis and exemption from furnishing bank guarantee under certain schemes.

TOP EXPORTS

(Figures in $ bn)	April-Dec ('18-19)	April-Dec ('19-20)	% change (YoY)
Engineering goods	61.0	59.7	-2.0
Petroleum products	36.6	33.5	-8.2
Gems & jewellery	29.7	27.8	-6.3
Chemicals (organic & inorganic)	16.4	16.9	2.7
Pharma	13.9	15.6	12.0
Apparel	11.3	11.4	0.8
All other forms of textiles	12.1	11.1	-8.2
Plastic	6.5	5.8	-9.5
Electronic goods	6.2	8.8	40.0
Marine products	5.4	5.4	0.8

Source : Commerce Department

Schemes awaited

Exporters also hope the Budget will clear the confusion around the old Merchandise Exports from India Scheme (MEIS), which has been discontinued by the government as well as the uncertainty over the awaited Remission of Duties or Taxes on Export Products (RoDTEP) scheme. Introduced in 2015 under the Foreign Trade Policy, the mega MEIS was created out of a merger of five existing reward schemes. It incentivises merchandise exports of more than 8,000 items now and is the biggest of its kind. Exporters earn duty credits at fixed rates of 2 per cent, 3 per cent, and 5 per cent, depending upon the product and country. Officials said the new RoDTEP would also be based on this method but the rates are yet to be decided.

The Confederation of Indian Textile Industry has said rates should be immediately announced as exporters would need time to factor in the same while finalising new orders and making their transition to the new scheme smooth. For the garment and made-ups sector, the government has withdrawn MEIS benefits retrospectively from March 7, 2019, dealing a deadly blow to cash-starved exporters.

Volatile times

Apart from a fluctuation in commodities prices and especially crude oil, a major constituent of India's exports, the currency volatility has also hit exports. While the value of the rupee has fallen, the depreciation was of a smaller magnitude of just 1 per cent, compared with 8 per cent last year during the same period, the data shows. This negatively affected Indian exports given the current environment of trade wars and the fact that most emerging market currencies also depreciated during this period, experts say.

"If rupee depreciation results from troubled geo-political situation in West Asia, it may not be of advantage; rather the trade disruption can be much more severe for shipments to the region," said Ravi Sehgal, chairman of the Engineering Export Promotion Council. "The currency advantage can occur if a persistent trend is maintained over a long period of time. However, that too has to combine with several other factors like cost of raw material and capital and the transaction cost."

Secondary metal firms seek duty cut on imports

DILIP KUMAR JHA
Mumbai, 17 January

BUDGET INSIGHT OUT 2020-21

Secondary metal producers have asked the government to cut Customs duty on imported metallic scrap and curb cheap imports, arguing they need a level-playing field.

In a pre-Budget recommendation to Union Finance Minister Nirmala Sitharaman, Sanjay Mehta, president, Material Recycling Association of India (MRAI), said metal recycling should be treated as a priority sector.

The industry faces an inverse duty structure: it pays 2.5 per cent Customs duty on imported metallic scrap of aluminium and copper; and 5 per cent on zinc and lead.

However, finished products of these metals imported from countries that have free-trade agreements with India enjoy "nil" duty. Imported raw material, thus, are 2.5-5 per cent costlier than finished products, and processing them escalates costs, making Indian products cost uncompetitive in the world market.

"The usage of metal scrap the world over is promoted, as an environment-friendly material. While the Indian government is levying basic Customs duty on metal scraps in the range of 2.5 to 5 per cent, it needs to be zero per cent to minimise the environment impact. This would provide a level-playing field and settle the issue of inverse duty stricture for the benefit of domestic secondary metal produces," said Mehta.

Scrap processing offers biggest benefits of energy saving versus virgin material — 74 per cent for iron and steel scrap, 95 per cent for aluminum scrap, 85 per cent for copper scrap, 76 per cent for zinc scrap and 65 per cent for lead scrap. Also, recycling of scrap has employed 8-10 million people across India directly and indirectly.

"Of India's scrap consumption, 35 per cent metal scrap is being generated by domestic collection and the balance 65 per cent is met through imports. But some of aluminium scrap grades are almost 90 per cent, depending on the imported source since such scrap grades are not generated in India."

It is largely because of the availability of good quality of scrap material, which is limited in India, because of a lack of proper scrap collection," said Mehta.

Reserve Bank should act as lender of last resort for NBFCs: SBI

PRESS TRUST OF INDIA
Mumbai, 17 January

With difficulties in NBFCs continuing, economists at State Bank of India (SBI) on Friday pitched for the Reserve Bank of India (RBI) playing its role as the lender of last resort, something the central bank has avoided since the start of troubles in 2018.

In its report on Budget expectations, the economists said the RBI should "seriously think" of providing liquidity to non-banking financial companies (NBFCs) against the assets held by the lenders.

"Given the crisis of confidence in the financial markets, it is imperative that central banks don't forget their primary function of being the lender of the last resort," they said.

The NBFC sector has been impacted since August 2018 after the collapse of Infrastructure Leasing and Financial Services (IL&FS).

So far, the RBI has refused to play its role as the lender of last resort, terming the problem at select NBFCs as one created because of asset-liability mismatches, where entities depended on short-term liabilities to fund long-term assets and found the going difficult with hike in rates.

ED lens on profit sharing of Edelweiss firms

SHRIMI CHOUDHARY
New Delhi, 17 January

The Enforcement Directorate (ED) is examining the profit sharing structure within Edelweiss group companies, among other matters.

This is to check whether there is any forex regulation contravention, said a senior official at the federal agency.

This is apart from the Capstone Forex matter in which Edelweiss Group founder and chairman Rashesh Shah was questioned by the probe agency early this week.

However, Shah, in a press statement, rejected all the alleged violations of Foreign Exchange Management Act (FEMA), and also denied any relationship with Capstone.

Besides, the ED is looking into the alleged irregularities in import of pulses, and the role of Edelweiss firms in the merger of ICICI Bank with Bank of Rajasthan in 2010.

These are part of the income tax (I-T) department's findings that were shared with the enforcement agency.

The I-T department had seized several crucial documents about the bank's merger and profit sharing within group companies during its search operation on Edelweiss Commodities in 2015. This was in connection with a pulses import case. The I-T department has recommended further probe in the case.

Several other importers/trading houses were also searched by the tax department during that period for allegedly manipulating prices of different categories of pulses.

An email sent to the Edelweiss Group did not get any response.

I-T had seized several crucial documents during its search operation on Edelweiss Commodities in 2015 in connection with a pulses import case

However, sources in the financial services firm said, "These issues pertain to an old matter raised in 2015-16 for which the company had provided all the necessary material as asked for by the relevant authorities.

The company unequivocally continues to stand by the statement it had made on January 10 that it has absolutely no connection with Capstone which is allegedly linked to Sanjay Nathalal Shah. He had stepped down on Tuesday from the board of a few group companies.

The sources said Edelweiss has also written to market regulator Securities and Exchange Board of India (Sebi) and requested investigation into possible price manipulation due to reports on Shah being summoned.

Further, the company is learnt to be in the process of a full-fledged investigation into this subterfuge and will take all steps to ensure the culprits are booked or exposed.

The probe agency is learnt to have ascertained facts about Capstone Forex, Sanjay N Shah and related matters during the questioning of Shah.

Sources say the probe agency may examine some more executives for certain other issues. All the issues may be consolidated, as different teams are handling it in Delhi and Mumbai.

Capstone Forex is learnt to have violated certain provisions of FEMA involving foreign exchange to the tune of ₹740 crore.

Meanwhile, the federal agency is learnt to have also sought inputs from regulatory bodies on the resignation of prime suspect Sanjay Nathalal Shah as Edelweiss board member.

On profit sharing, an internal source said Edelweiss followed an inorganic growth strategy and acquired many direct and indirect subsidiaries.

To simplify and streamline the structure, some firms were closed, sold and merged with other companies over the last few years.

The Edelweiss group exited international commodities trading business in 2016. As part of this exit strategy, many companies have been sold or reassigned within the group, said an internal source.

FinMin raises GST mop-up target

INDIVJAL DHASMANA
New Delhi, 17 January

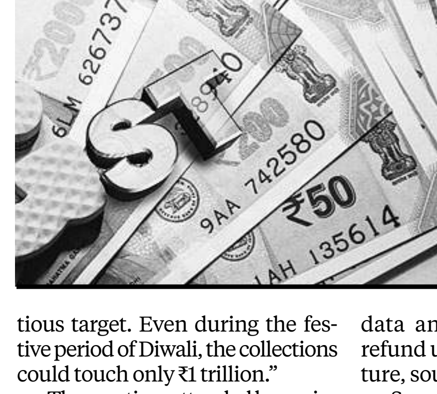
Weeks ahead of the Budget, the finance ministry has revised its target for goods and services tax (GST) collection in January and February — to ₹1.15 trillion each, from the earlier ₹1.1 trillion. This would be achieved by detecting fraudulent input tax credit using data analytics.

At a meeting convened by the Department of Revenue, under the finance ministry, the target for March was retained at ₹1.25 trillion.

This means the government aims to collect ₹10,000 crore more than what was targeted earlier at a time when all months till December in the current financial year (FY20) yielded less than ₹1.1 trillion, except for April.

Last month, the target for December, January, February and March was set at ₹1.1 trillion each, with one of the months to yield ₹1.25 trillion. However, the December collection stood at ₹1.03 trillion. Four of nine months in FY20 have delivered less than ₹1 trillion.

Parag Mehta, partner at NA Shah Associates, said, "Considering the sluggish economy, it is an ambitious target. Even during the festive period of Diwali, the collections could touch only ₹1 trillion."



EXPECTED COLLECTION

- ₹1.15 trillion/month new target
- ₹1.1 trillion/month earlier target
- ₹1.25 trillion target for March. It has not been changed
- ₹10,000 extra mop-up govt hopes to get in 2 months

The meeting, attended by senior officials of the Central Board of Indirect Taxes and Customs and the Central Board of Direct Taxes, highlighted that the GST authorities would look into the mismatch of supply and purchase invoices, failure of filing returns, and over-invoicing, among other things.

The authorities would also look at fake or excess refunds availed beyond the permissible limits, plugging tax leakages, fake or huge input tax credit (ITC) claims, and data analytic review of all the refund under inverted duty structure, sources said.

Sources said SMSs and emails will be sent to those claiming fraudulent or excess ITC, defaulters, non-filers and those who provide mismatched information in their returns or over-invoice or who have been identified through data analytics for evading tax by duping the system via rogue modus operandi.

Taxpayers who have taken ITC wrongfully can repay an amount equal to inadmissible credit before verification and punitive action is taken against them, sources said.