MARKET WATCH

FPIs REMAIN NET BUYERS IN JAN

New Delhi: Foreign portfolio investors (FPI) remained net buyers in the Indian capital markets in January so far despite heightened geopolitical tensions between the United States and Iran and domestic economic challenges. **PTI**

CABLE LAID OUT IN PHASE ONE BEING REPLACED, CAUSING MORE ISSUES

BharatNet phase two: Only 7.45% of 1.5 lakh gram panchayats service ready

AASHISH ARYAN
NEW DELHI, JANUARY 19

AFTER THE inordinate delay in the implementation of phase one of BharatNet, the second phase of the flagship project is also lagging way behind schedule, documents accessed by *The Indian Express* showed.

Under BharatNet phase two, against the target of providing last mile connectivity to 1.5 lakh gram panchayats (GPs), only about 7.45 per cent of these have been made service ready so far. As against a target of laying down 3.11 lakh km of optical fibre cable, only about 92,283 km of cable has been laid down as of December end.

Compounding the problem further, an estimated 19,952 km of optical fibre out of the 27,534 km laid by Bharat Sanchar Nigam Limited (BSNL) under phase one is now being pulled out and replaced by new optical fibre, the documents showed.

The progress in states such as Andhra Pradesh, Jharkhand, Maharashtra, and Odisha under BharatNet phase two is among the worst. The number of service ready GPs in these states has not even touched 1 per cent of the total 28,623 villages planned to be connected by March 2019. The four states have so far spent about Rs 950 crore, nearly 17 per cent of approved project cost, according to the documents.

PROGRESS OF VARIOUS STATES

STATE	SERVICE READY GPs	FUNDS UTILISED	INITIAL TARGET DATE
Andhra Pradesh	0.2% (27)	20% (₹214 cr)	Oct 14, '19
Chhattisgarh	8% (472)	20% (₹362.19 cr)	Oct 13, '19
Gujarat	47% (3581)	50% (₹1,183.06 cr)	Oct 25, '19
Jharkhand	1.2% (19)	20% (₹108.10 cr)	Feb 29, '20
Maharashtra	0.8% (109)	20% (₹541.9 cr)	Nov 3, '19
Odisha	2.2% (65)	20% (₹84.57 cr)	Mar 29, '20
Tamil Nadu	NA*	NA*	NA*
Telangana	NA*	NA*	NA*
Madhya Pradesh**	9.9% (581)	—	Mar 31, '19
Sikkim**	0.00%	—	Mar 31, '19
Uttar Pradesh**	3.65% (702)	—	Mar 31, '19

**Data not applicable for Tamil Nadu and Telangana as no work has started there*
***BharatNet phase two being implemented by BSNL. Fund utilisation data not available for these states*

While Andhra Pradesh and Maharashtra have already missed their revised work completion deadline of October and November 2019, respectively, Jharkhand and Odisha have 45 to 60 days to achieve their targets. In total, these states managed to lay about 25 per cent of the 1.32 lakh km of optical fibre needed to connect the villages and GPs under the second phase.

The project in these states is being implemented by private agencies in these states, instead of debt-laden Bharat Sanchar Nigam Limited (BSNL). That, however, has made little difference. In states where the project is being implemented by state-run BSNL, the project timelines are further off. The state-run telecom company is in-charge of the project in Madhya Pradesh, Sikkim, and Uttar Pradesh.

In Madhya Pradesh, barely 10 per cent of the total 5,832 GPs have been made service ready, while not even a single village or GP has been made service ready in Sikkim and Uttar Pradesh West region. In the Uttar Pradesh East region, only 702 GPs of the total 17,032 that are to be connected are service ready so far.

All these regions have long overshot their target completion dates of March 31, 2019.

E. EXPLAINED

Little progress in phase two

WHILE PHASE one of the flagship project was plagued by implementation failings by nodal agencies, lack of detailed project report, dearth of funds and absence of implementing agencies have stifled progress of the second phase.

In all these regions, there had been little or no work between April and December last year due to the lack of funds with BSNL. On December 27, Bharat Broadband Network Limited cleared BSNL's dues worth Rs 770 crore, after which the work has resumed, albeit slowly, the documents showed. The revised date of completion of the project in these areas has now been set to March 31, 2020, "subject to availability of fund" to the project implementation agencies.

The lack of approved detailed project report, non-existent project implementing agencies, and non-availability of funds has been attributed as the reason for the delay for most of these projects, according to internal documents of the Ministry of Electronics and Information Technology accessed by *The Indian Express*.

In Assam, West Bengal, Rajasthan, Himachal Pradesh, and Uttarakhand, the Centre has proposed to finish pending work from BharatNet phase one and start work on phase two under a public-private-partnership (PPP) model. The work, however, has still not started in nearly 1.25 lakh GPs in these areas due to lack of final approval to the proposed work structure and the viability gap funding.

The work for BharatNet phase two has not even started in Tamil Nadu and Telangana, owing to lack of agreements with project implementation agencies, the internal documents showed.

Overall, as of January 10, 2020, only about 1,33,300 GPs had been made service ready on both fibre and satellite against the target of connecting 2.5 lakh GPs under BharatNet, according to another set of documents.

The government had aimed to connect all GPs and villages in the country via BharatNet by March 2019. Though the government had initially planned to connect only one lakh GPs under phase one, it later increased its target to nearly 1.3 lakh GPs, which also delayed the completion of phase one, the documents showed.

Don't want a law that treats every business with suspicion, says FM

ENS ECONOMIC BUREAU
NEW DELHI/CHENNAI, JAN 19

Express file photo

"I have gone through this [Companies Act] with a comb. We are working to decriminalise companies and ensure no other Acts, including Income Tax and PMLA, have such provisions"

NIRMALA SITHARAMAN
FINANCE MINISTER

DECRIMINALISING CORPORATE laws, settling tax disputes and rapid privatisation of state-owned companies are among the measures the government is working on to put the country on the path to a $5-trillion economy, Finance Minister Nirmala Sitharaman said Sunday.

The Finance Minister also said the government was working to remove criminal provisions, that relate to penalty and jail terms, in the Companies Act.

"I have gone through this with a comb. We are working to decriminalise companies and ensure no other Acts, including Income Tax and PMLA, have such provisions," Sitharaman asserted. She added the government does not want a law that treats every business house with suspicion. Sitharaman was speaking at the Palkhivala memorial lecture on 'Road map to $5-trillion economy' in Chennai.

The minister also emphasised the need for quick resolution of pending tax-related disputes so that firms, especially micro, small and medium enterprises (MSMEs), can get a new life in a technology-driven regime without the need for face-to-face interaction with tax administration.

She further said the dispute resolution scheme launched last year for indirect taxes had been a success and that the ministry would replicate the same for income tax cases.

"Nearly 95 per cent cases are closed. About Rs 35,000 crore has been settled (for cases related to excise and service tax regime). The total value of cases was over Rs 2 lakh crore.

"There is another 5 per cent cases which didn't opt for the scheme, and they will be fought in courts," she said, adding that most MSMEs disputes have largely been sorted.

Acknowledging that the government had not moved fast on privatisation, Sitharaman noted that despite Cabinet clearances for sales of a list of government-owned companies, progress has been unsatisfactory. "Whether it's Air India or other companies, the process hasn't moved at all. Every time it moved two steps forward two steps you had to take a step back," she observed.

Addressing the perception that bank officials are apprehensive of enforcement agencies, Sitharaman said the government has made it clear to the banks no genuine commercial decisions would be questioned.

However, she added government would not deter from taking action if clear evidence of wrongdoing was found.

The Finance Minister said the swiftness with which the new government brought clarificatory amendments to Insolvency and Bankruptcy Code was an example of facilitation measures the government required to undertake for a $5 trillion economy.

Sitharaman, however, brushed aside criticism of demonetisation and said it was a necessary measure to suck the idle money out of the system. "The money was brought into the system and it ensured that the transactions could be registered formally. The collateral benefit was also seen in the rapid adoption of digital mode of transactions," she said. The FM also counted the newly created position of chief of defence staff as a measure that would contribute to a $5 trillion economy. This, she said, would bring together cohesion and synergy among the defence force arms and help domestic industry in exporting sophisticated defence equipment and parts. **FE**

ComMin looks to curb imports of liquor, cigarettes

BANIKINKAR PATTANAYAK
NEW DELHI, JANUARY 19

It has suggested to the Finance Ministry that customs duties on nearly 300 products be raised, as part of a broader crackdown on "non-essential" imports

SOON, TRAVELLERS may get to lay their hands on only one litre of liquor, instead of two, and no cigarettes at duty-free shops at airports if the Commerce Ministry has its way. It has also suggested to the Finance Ministry that customs duties on as many as 300 products, ranging from footwear, furniture and TV parts to chemicals and toys, be raised in the upcoming Budget, as part of a broader crackdown on what it considers "non-essential" imports, official sources said.

Nevertheless, the Finance Ministry may raise the duties on just a limited number of items, as it has made it clear that any such hike will be effected only after the concurrence of the administrative ministries overseeing these products, said one of the sources. As for the purchase of liquor and cigarette at the duty-free outlets, the Commerce Ministry feels this needs to be discouraged, as it only adds to "non-essential" imports.

Currently, only purchases above two litres of alcohol by a customer attract the usual basic customs duty (BCD) of 100-150 per cent, depending on the variety. Similarly, one can buy up to 100 cigarettes/25 cigars or 125 gms of tobacco products at zero duty beyond which a BCD of 100 per cent will kick in, according to a senior government official.

However, if the proposed curbs are finally implemented, they would hit the revenue of these outlets just when airport retail was supposed to take off in a big way in India, as liquor is the most sought-after item at duty-free shops. **FE**

FDI hike in insurance: Management control among key issues for govt

GEORGE MATHEW
MUMBAI, JANUARY 19

THE INSURANCE industry is expecting a hike in foreign direct investment (FDI) in the sector to 74 per cent from 49 per cent in the forthcoming Budget, as indicated by Finance Minister Nirmala Sitharaman last year. However, the success of a hike in FDI will hinge, to a large extent, on sorting out the ownership and management control which is currently under Indian promoters and investors, experts said.

Allowing 100 per cent FDI in the intermediaries sector while presenting the Budget for 2019-20, the Finance Minister had said the government would hold discussions with stakeholders to relax FDI rules in the aviation, media, animation and insurance sectors and ease rules for single-brand retailers.

Capital-starved insurance players are keen on a hike in the FDI to 100 per cent. The industry, which was liberalised in 2000, has now over 60 players but many of them are low on profitability and high on expenses.

When asked about his view on raising foreign investment in insurance sector from the current 49 per cent, Insurance Regulatory and Development Authority of India (Irdai) Chairman Subhash Khuntia had last week 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 said. Currently, the majority of board of directors, excluding independent directors, will have to be nominated by Indian promoters or investors. The chief executive will have to be appointed by the board or by Indian promoters and investors. Foreign investors can appoint a key management person but he/she will have to be approved by the board controlled by Indian promoters.

According to insurance sources, foreign players are unlikely to raise stake to 74 per cent and pump in money without getting more say in management. "Why would they invest more when the company is controlled by Indian investors and promoters," noted a senior official of a company.

Experts said the Centre's decision to review FDI cap needs to be made along with a revisiting of the Indian ownership regulations, to enable a fair playing ground with board control. "The FDI limit could be made 100 per cent, encouraging international players to set up in India and expand their footprint, with their own long-term strategies and best practices. However, adequate provisions will need to be made to safeguard Indian customers against the adverse effects, if any, of the FIIs international businesses," said RM Vishakha, MD and CEO, IndiaFirst Life Insurance.

Many foreign insurers increased their stake in their joint ventures when FDI went up from 26 per cent to 49 per cent few years ago. Some of them have exited the Indian market as well. "If the FDI goes beyond 49 per cent, the most important question to answer is how we will balance ownership with control. Anyone investing beyond 49 per cent would want to have control, so the key question to be answered will be who owns control," said the CEO of an insurance company.

"74 per cent FDI in insurance companies makes more sense than 100 per cent FDI in insurance intermediaries. The inflow will be substantial compared to the insignificant inflow in intermediaries. The other expectation is the BoB-Dena-Vijaya Bank type merger of the three PSU non-life insurers. Doubtful if government will infuse capital but allow the company to raise subordinated debt for solvency requirements," said former Irdai Member KK Srinivasan.

Atul Sahai, CMD, New India Assurance, said the hike in FDI will bring in more technology and efficiency in the segment and boost insurance penetration. "This potential would surely attract many more players in the industry especially after the government's move to raise FDI for insurance intermediaries and to review FDI cap of 49 per cent for the India Insurance Sector," he said.

BRIEFLY

Social media campaign on Budget

New Delhi: In its effort to demystify the Budget for common man, the Finance Ministry will start a social media campaign from January 22. Through the '#ArthShastri' campaign, the Ministry would explain several economic terms through interesting animated videos to help common man and students understand the Budget exercise in a simple way, an official said. The Ministry also undertook this exercise before the Budget last year as well, the official added.

'India may miss tax collection target for FY20'

New Delhi: The Centre's tax collection is likely to fall short of its estimate by Rs 2.5 lakh crore or 1.2 per cent of GDP in 2019-20, former finance secretary Subhash Chandra Garg said Sunday, while calling for scrapping of dividend distribution tax. Garg in a blog said that from the tax revenues perspective, 2019-20 is proving to be a dysfunctional year. **PTI**

SpaceX conducts rocket failure test

Cape Canaveral: Elon Musk's SpaceX simulated a successful emergency landing on Sunday in a dramatic test of a crucial abort system on an unmanned astronaut capsule, laying the foundation for its mission to fly NASA astronauts for the first time. The test had been deferred on Saturday due to bad weather. **REUTERS**

'Half of world economy dependent on nature'

Ahead of its 50th Annual Meeting, the World Economic Forum (WEF) in its Nature Risk Rising Report said businesses are more than dependent on nature with an estimated exposure of $44 trillion or half of the world gross domestic product (GDP)

25%
Share of world's assessed plant and animal species that are threatened by human actions, with a million species facing extinction, many within decades

TOP THREE ECONOMIES WITH HIGHEST ABSOLUTE AMOUNTS OF GDP IN NATURE-DEPENDENT SECTORS:
China: **$2.7 TRILLION**
European Union: **$2.4 TRILLION**
United States: **$2.1 TRILLION**

$44 tn
Economic value generation – over half the world's total GDP – which is moderately or highly dependent on nature and its services and, as a result, exposed to risks from nature loss

$13 tn
Economic value generated by industries which are highly dependent on nature, i.e. 15 per cent of global GDP

$31 tn
Economic value generated by industries which are moderately dependent on nature, i.e. 37 per cent of global GDP

THREE LARGEST INDUSTRIES DEPENDENT ON NATURE:
Construction: **$4 TN**
Agriculture: **$2.5 TN**
Food & beverages: **$1.4 TN**

Source: WEF/PTI

50TH ANNUAL MEETING OF WORLD ECONOMIC FORUM AT DAVOS

Trump, Merkel to attend; over 100 Indian CEOs to be present as well

PRESS TRUST OF INDIA
DAVOS, JANUARY 19

AS THE rich and powerful from across the globe assemble this week in this Swiss ski resort town to discuss a 'cohesive and sustainable world', over 100 CEOs as also some union ministers and chief ministers from India would also be present. US President Donald Trump, Britain's Prince Charles, German Chancellor Angela Merkel, Afghanistan's Ashraf Ghani and Pakistan Prime Minister Imran Khan would be among the world leaders attending the five-day 50th Annual Meeting of the World Economic Forum (WEF) beginning Monday.

The WEF Annual Meeting 2020, from January 20 to 24, will focus on establishing stakeholder capitalism as a way of addressing the world's greatest challenges, from societal divisions created by income inequality and political polarization to the climate crisis being face by the world today, the Geneva-based International organisation for public-private partnership has said.

From India, over 100 CEOs as well as political leaders including union ministers and chief ministers will take part. Underpinning the meeting will be the Davos Manifesto 2020, a document that builds on the original Davos Manifesto of 1973, which set out for the first time the stakeholder concept that businesses should serve the interests of all society rather than simply their shareholders'.

The Davos Manifesto 2020 sets a vision for stakeholder capitalism that focuses on a range of important issues of our time, including fair taxation, zero tolerance for corruption, executive pay and respect for human rights.

A general view shows one of the conference rooms of the World Economic Forum annual meeting at the congress centre in Davos, Switzerland, on Sunday. *Reuters*

"Business has now to fully embrace stakeholder capitalism, which means not only maximizing profits, but use their capabilities and resources in cooperation with governments and civil society to address the key issues of this decade. They have to actively contribute to a more cohesive and sustainable world," said Klaus Schwab, WEF founder and executive chairman.

This year's programme focuses on achieving maximum impact on the Forum's platform for public-private cooperation across six core areas of activity: Ecology, Economy, Society, Industry, Technology and Geopolitics.

Among the initiatives to be launched at the Annual Meeting is one that aims to plant 1 trillion trees over the next decade and to equip 1 billion people with the necessary skills in the age of the Fourth Industrial Revolution.

Besides Trump, Merkel, Prince of Wales, Ghani and Khan, top political leaders taking part include Han Zheng, Vice-Premier of China; Giuseppe Conte, Prime Minister of Italy; Ursula von der Leyen, President of the European Commission; Simonetta Sommaruga, President of the Switzerland; Sebastian Kurz, Federal Chancellor of Austria and Ivan Duque, President of Colombia.

Leaders from international organizations include Antonio Guterres, Secretary-General, United Nations; Kristalina Georgieva, Managing Director, IMF; Roberto Azevêdo, Director-General, WTO; Mohammad Sanusi Barkindo, Secretary-General, OPEC; Filippo Grandi, United Nations High Commissioner for Refugees; Liu Fang, Secretary-General, International Civil Aviation Organization; Tedros Adhanom Ghebreyesus, Director-General, WHO; Angel Gurría, Secretary-General, Organisation for Economic Co-operation and Development; Christine Lagarde, President, European Central Bank; Peter Maurer, President, International Committee of the Red Cross.

CII: Announce convergence of all corporate tax rates to 15% in Budget

PRESS TRUST OF INDIA
NEW DELHI, JANUARY 19

THE CONFEDERATION of Indian Industry (CII) has urged the Centre to converge multiple corporate tax rates to 15 per cent by April 2023 without any exemptions, and make the announcement in the upcoming Budget to facilitate investment decisions.

"The Union Budget could announce a roadmap for convergence of all corporate tax rates to 15 per cent, with no exemptions and incentives, by April 1, 2023. A signaling to this effect could help further boost investor sentiment and encourage investments," CII president Vikram Kirloskar said.