

IN THE NEWS

NTPC acquisition of THDCIL, Neepco unlikely this fiscal

STATE-RUN power giant NTPC is unlikely to conclude its about ₹10,000-crore acquisition deal to buy the government stake in THDC India (THDCIL) and North Eastern Electric Power Corporation (Neepco), according to a source, reports PTI. The government was keen to complete the transaction in the ongoing fiscal so as to meet its overall disinvestment target of ₹1.05 lakh crore for the 2019-20 fiscal. The source further said that NTPC is awaiting evaluation of the deal by SBI Capital.

European House to vote on anti-CAA resolution on Jan 30

THE EUROPEAN Parliament is set to debate and vote on a resolution tabled by some of its members against the Citizenship Amendment Act, which it says marks a "dangerous shift" in the country's citizenship regime, reports PTI. The resolution, tabled by the European United Left/Nordic Green Left Group in Parliament earlier this week, will be debated next Wednesday and voted on the day after. "The CAA marks a dangerous shift in the way citizenship will be determined in India and is set to create the largest statelessness crisis in the world..." it notes.

DIRECT TAX MOP-UP

Budget may unveil income tax amnesty

Under the liberal scheme, starting in FY20 itself, govt to fetch a tidy sum

SUMIT JHA
New Delhi, January 26

WHILE THE BUDGET is expected to tweak personal income tax (PIT) slabs to give relief to large sections of taxpayers and prop up sagging consumption, the government may also seek to offset the resultant short-term revenue loss by unveiling a liberal dispute resolution scheme. The new amnesty would enable the government to garner big chunks of revenue in FY21 but there is a possibility that it could commence in the current financial year itself.

According to sources privy to the Budget discussions, the scheme would be modelled on a similar one — Sabka Vishwas — that existed for four and half months till January 15, helping settle 95% of indirect tax disputes it was dealing with.

The initiative comes at a time when direct tax collections have been hit hard. Till January 15 this year, the gross collections (before transfers to states but post-refunds) were down 5% on



year, as against a growth of 17% required to meet the budget estimate of ₹13.35 lakh crore.

Although latest amount stuck in disputes between the taxman and the taxpayer in the direct tax arena isn't known, the disputed amount was revealed to be a whopping ₹6.23 lakh crore at the end of FY18, including ₹4 lakh crore locked up over corporate tax disputes. While demonetisation helped boost personal income tax collections

— the mop-up grew 22% in FY17 — that proved to be a blip and the growth has since fallen steeply. The government has had only modest success so far in proving the unmet tax liabilities of those who deposited huge amounts of cash in banks during demonetisation.

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■ Govt stares at ₹2-lakh-cr tax shortfall; room for PIT relief limited; Page 3



Republic Day in Ladakh
Indo-Tibetan Border Police personnel mark the 71st Republic Day at a 17,000-ft-high snow-clad field in Ladakh on Sunday
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EARLY BIRDS

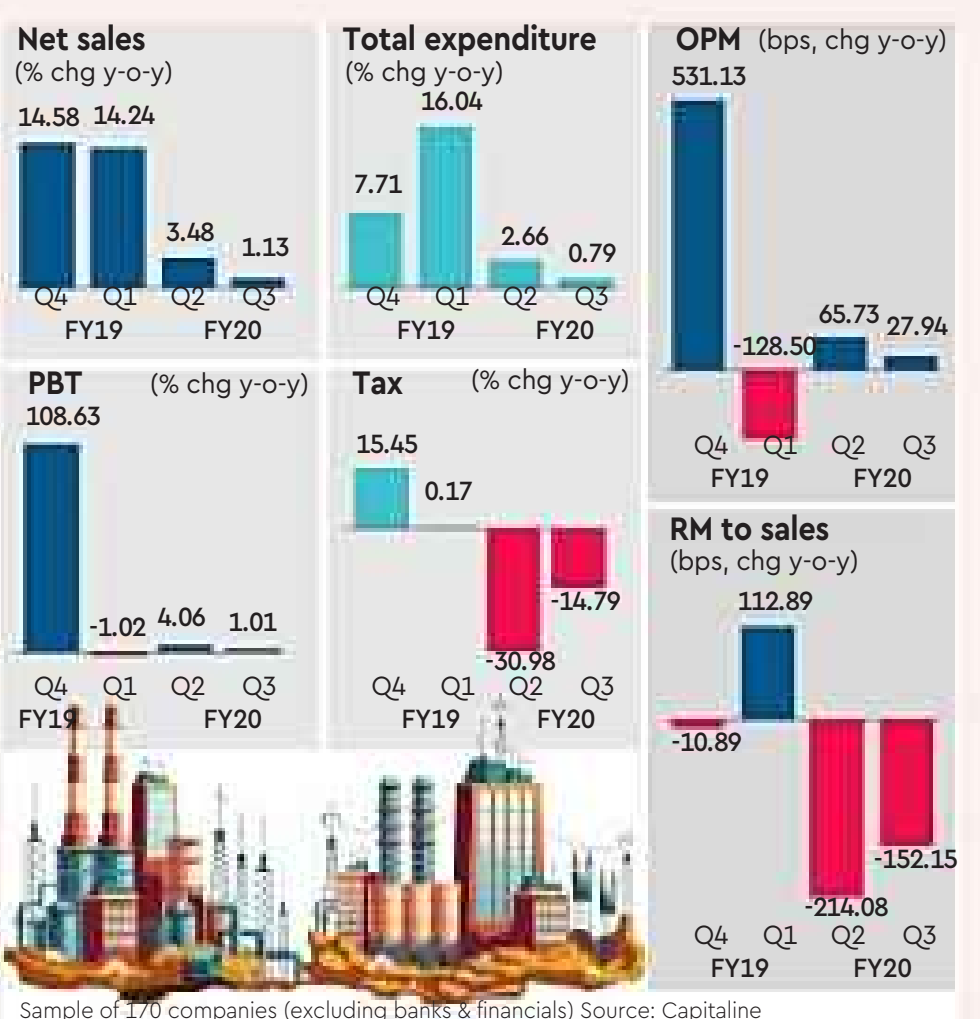
India Inc profits, revenues under pressure in Q3 FY20

Cutting costs, benign commodity prices help firms protect their operating margins

FE BUREAU
Mumbai, January 26

THE FIRST LOT of numbers from corporate India for the three months to December 2019 is disheartening because even a festive quarter didn't help alleviate the stress. Companies are struggling to grow their topline — revenues for a sample of 170 companies (excluding banks and financials) grew just 1.1% year-on-year.

However, many have been able to protect their operating margins by resorting to cost-cutting measures and added help from benign commodity prices. The expenditure for the same set of companies went up



by just 0.79% y-o-y allowing for a 28 bps rise in operating profit margins. If the net profit numbers don't look so bad — up 6.38% y-o-y — it's thanks to the lower tax rate, like at Larsen & Toubro, for example.

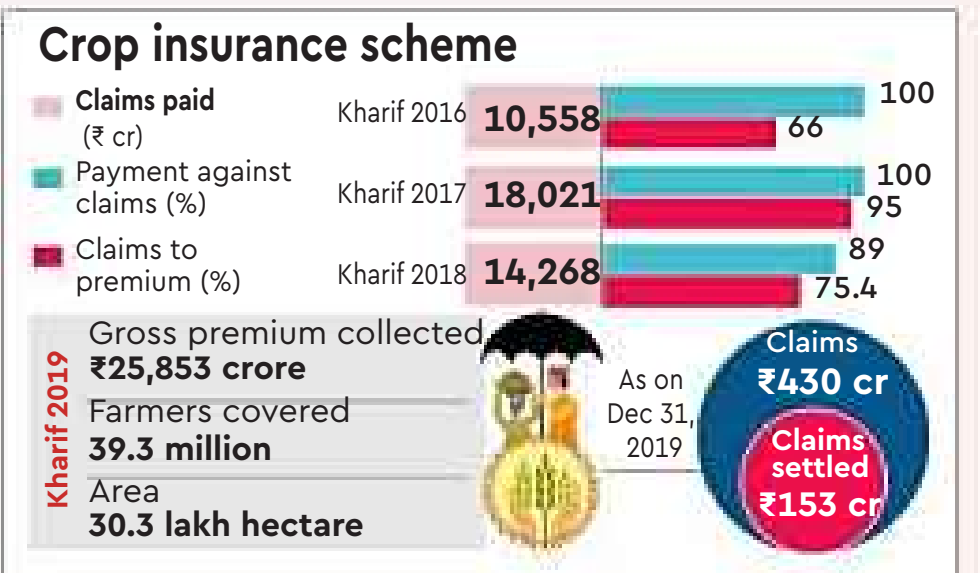
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POST-POLL SEASON PMFBY back in the slow lane

PRABHUDATTA MISHRA
New Delhi, January 26

EVEN AS SOWING for the winter crop 2019-20 is about to conclude, settlement of crop insurance claims pertaining to the last kharif season is progressing at a tardy pace. Until December 31, the total claims honoured by insurers for kharif 2019 crop damages reported by farmers under PM Fasal Bima Yojana (PMFBY) were just ₹153 crore, while the previous summer crop saw insurance payouts to the tune of ₹14,500 crore.

What's also puzzling is a



trend of lower-than-expected claims — ₹430 crore till December 31 — despite large-scale crop damages in the season, owing to prolonged monsoon showers.

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FE SPECIALS



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Old gadget, new box
Amazon and Flipkart are eyeing the refurbished goods market in India. Will the bet pay off?

■ eFE, P8
Building a wall of protection
New companies are helping enterprises not let hackers get the better of them and their customers

■ PERSONAL FINANCE, P9
Rushing to buy insurance now?
Don't end up buying the wrong policy in haste. Understand the policy terms and conditions first

■ INFRASTRUCTURE, P11
All set to ferry commuters
Work on Pune Metro has gained pace, with the first stretch of 5 km likely to be operationalised in April

■ SCIENCE & TECH, P12
Schrodinger's Cat
Can Facebook have your data and yet not have it? Decentralised AI may make that possible

SALES SLUMP

Two-wheeler inventory touches a high, again

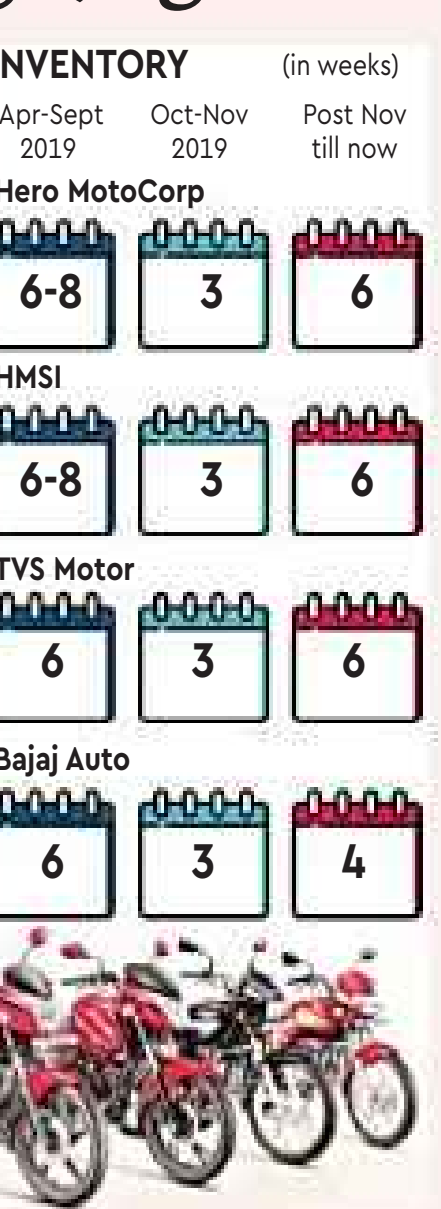
PRITISH RAJ
New Delhi, January 26

TWO-WHEELER INVENTORY at dealers has once again gone up to six-weeks level as manufacturers, including Hero Moto-Corp, Honda Motorcycle and TVS Motor, despatched excess BS-IV stocks in December and January despite the slump in retail demand, dealers said.

Executives at Federation of Automobile Dealers Association (Fada) said as retail sales during the festive month in October and November improved slightly, manufacturers expected similar trend would continue thereafter. "Usually sales fall after the festive months but still excess stocks came in December and continues to come this month," one of the dealers said.

Retail two-wheelers sales rose 5% year-on-year (y-o-y) in October and 3% y-o-y in November on account of festive demand and steep rise in discounts. As a result, inventory had come down to three-week levels. However, retailers — vehicles sold by dealers to consumers — fell by a huge 16% y-o-y in December.

Even though manufacturers have been producing fewer units for the past one year on account of a prolonged slowdown in demand, dealers said a steeper cut in output is required



for stock levels to come down to normal. They further said manufacturers produced high numbers in anticipation that consumers would rush to buy the BS-IV stocks, given that discounts are high and prices will increase once BS-VI models start coming in around April 2020.

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QUALITY CONTROL

No child's play! Govt to harden crackdown on toy imports

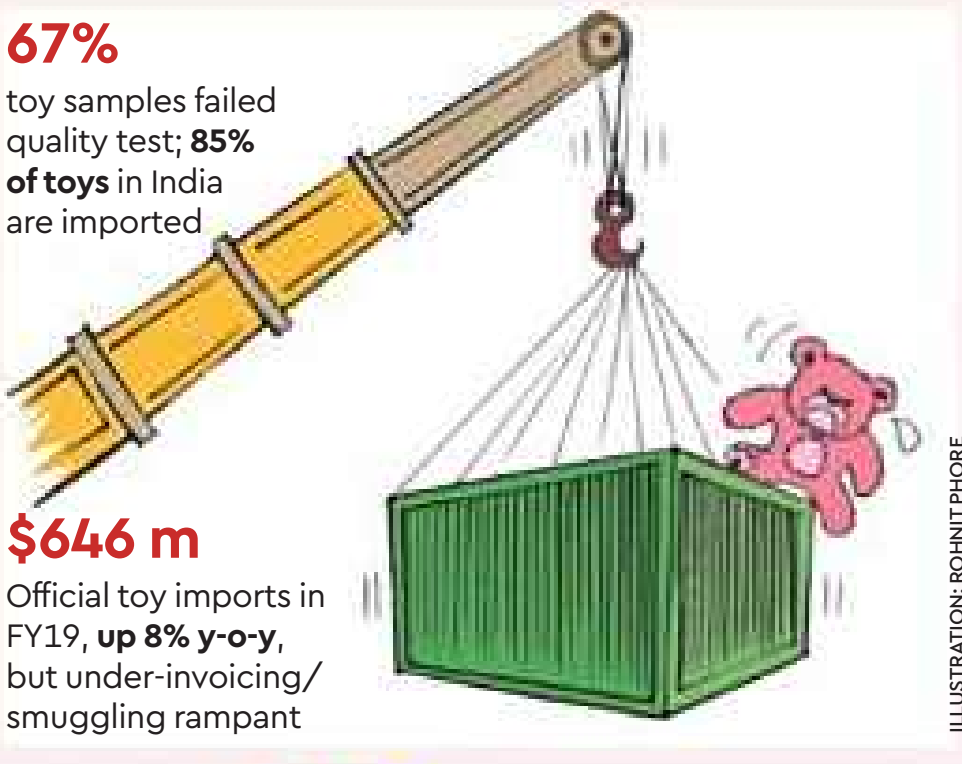
BANIKINKAR PATTANAYAK
New Delhi, January 26

SOON, EVERY TOY will have to carry an identification number and the address of the manufacturer if a proposal being discussed by the government is finally approved. Importers may have to recall toys placed in the market or take swift remedial action, if the products don't conform to domestic quality standards.

Alarmed by the massive imports of sub-standard toys that pose huge risks for children, the commerce and

industry ministry is not just favouring a sharp hike in import duties on them but also considering bringing in stringent standards through a quality control order.

The move comes after a report by the Quality Council of India (QCI) in November 2019 warned that as many as 67% of samples across 121 varieties of toys in prominent markets of Delhi had failed a basic quality test. The commerce ministry has already recommended to the revenue department that the basic customs duties on toys be



raised five times from up to 20% now.

Over 85% of toys in India are imported, mainly from China, followed by Sri Lanka and Malaysia. The country's imports of toys and related items grew almost 8% to \$646 million in 2018-19, although the purchases dropped 7.6% on year, up to November this fiscal to \$403 million, partly due to stricter monitoring of inflows. Nevertheless, most of these sub-standard imported products still make their way into the local market, as they are cheaper, a senior govern-

ment official told FE, citing representations from the domestic toy associations. A substandard Barbie doll imported from China, for instance, can be 50% (or more) cheaper than the one manufactured by a local company that conforms to quality standards.

Senior industry executive said the actual import value of toys will be much higher than the official estimate, as suppliers and importers often connive and resort to under-invoicing to pay less duty here.

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