

Quick View

PMLA probe: ED summons PFI officials

THE ED has summoned seven office-bearers of PFI and an NGO linked to it in connection with a money laundering probe against them, officials said on Tuesday. Office-bearers of the Kerala-based Popular Front of India and those from Rehab India Foundation have been asked to depose before the investigating officer of the case on Wednesday. The case under the PMLA against the PFI was filed by the ED in 2018.

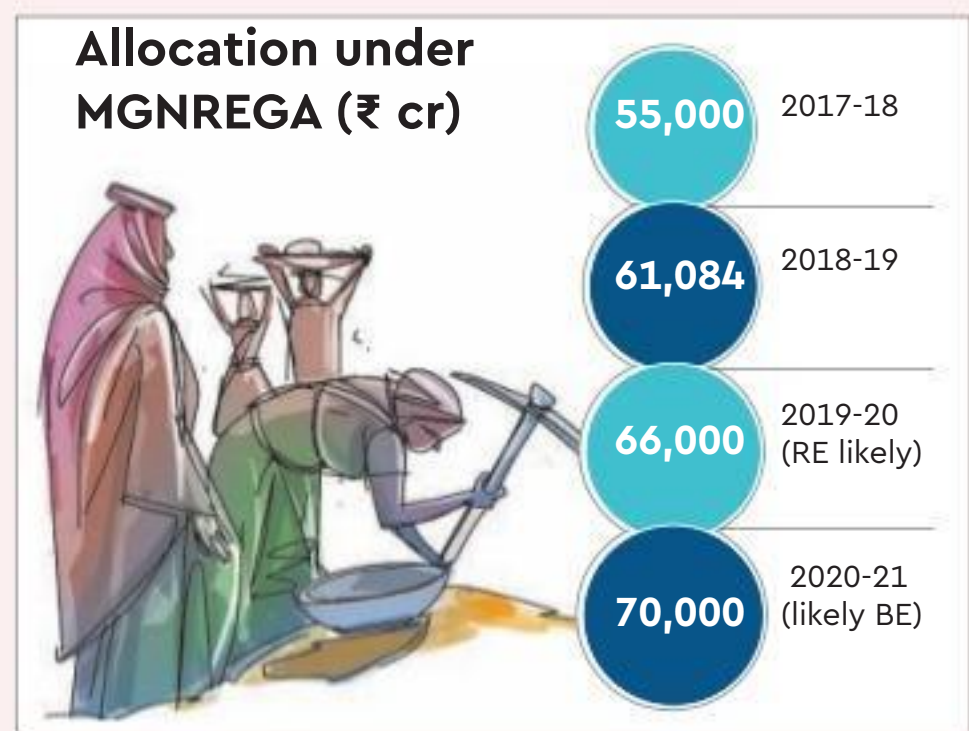
Vadra case: Court sends Thampi to jail

A DELHI court on Tuesday sent NRI businessman CC Thampi to judicial custody in a money laundering probe related to a case against Robert Vadra for acquisition of alleged illegal assets abroad.

Fill vacancies on time: Govt to depts

THE CENTRE has asked all departments under it to fill existing vacancies in a time-bound manner, a personnel ministry order said. The order comes after Cabinet Committee on Investment and Growth headed by Prime Minister Narendra Modi in its meeting held on December 23, 2019, gave directions to take time-bound action to fill existing vacancies in ministries and departments.

Govt may keep ₹70,000 cr for MGNREGA in FY21



SURYA SARATHI RAY
New Delhi, January 28

THE GOVERNMENT IS likely to allocate close to ₹70,000 crore for the Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA) scheme in financial year 2020-21, up 16% from the budget estimate for the programme for the current FY.

In the last Budget (2019-20), the outlay for the popular scheme saw a marginal decline to ₹60,000 crore from ₹61,084 crore (revised estimate) for 2018-19.

However, given the unmet demand for daily jobs under guaranteed wages under the scheme, the finance ministry has recently increased the outlay for 2019-20 by ₹6,000 crore to ₹66,000 crore.

According to official data, a

sum of ₹53,634 crore was spent under the MGNREGA scheme as on January 26 in the current fiscal, of which ₹38,524 crore was spent on wages and ₹12,823 crore on purchase of materials.

The MGNREGA scheme provides for a minimum of 100 days of wage employment in a financial year to every rural household whose adult member volunteers do unskilled manual work. An additional 50 days of wage employment are provided over and above 100 days in the notified drought-affected areas or natural calamity areas and to every scheduled tribe household in a forest area.

Wage rates for workers under MGNREGA, 2005, are notified annually based on Consumer Price Index-Agricultural Labourers (CPI-AL) by the Centre.

BEFORE TRUMP'S VISIT
Lighthizer to discuss trade deal with India

ARCHANA CHAUDHARY
New Delhi, January 28

US TRADE REPRESENTATIVE Robert Lighthizer will be in India in the second week of February to finalise a trade deal ahead of President Donald Trump's expected visit, according to people with knowledge of the matter.

India is keen to sign an agreement during Trump's visit and commerce minister Piyush Goyal has invited Lighthizer to discuss the details of a possible pact that has been stalled since before Prime Minister Narendra Modi's US visit in September. India expects to sign deals to raise its defence and energy purchases from the US during the president's visit, said the people asking not to be identified citing rules.

Trump's visit may come in the midst of an impeachment trial that is currently underway in Washington. A long line-up of witnesses is likely to drag the trial over weeks or months.

New Delhi and Washington are still working out the contours of a possible deal and the Indian side has indicated its willingness to ease pricing caps on medical equipment. The US



US Trade Representative Robert Lighthizer

in turn may consider at least partially restoring an exception that had allowed India duty-free exports of about 2,000 products until last year, one of the people said.

The ministry of external affairs declined to comment. The commerce ministry did not reply to an email seeking clarification, while the White House referred questions to the US Trade Representative's office, which did not immediately respond to a request for comment.

Following a "phase one" trade pact with China, a partial trade treaty with India could help Trump register another policy win in an election year. An agreement

would also help Modi who is struggling to shore up an economy that's set to expand at 5% in the year ending March 2020 — the weakest pace in more than a decade.

Lighthizer's visit will come soon after the Union Budget on February 1, in which finance minister Nirmala Sitharaman is expected to announce measures that will provide some stimulus to the sputtering economy.

Sinking deals

A likely trade pact will come after India abandoned a China-backed trade agreement citing national interest. The country continues to face pressure from nations of the Regional Comprehensive Economic Partnership, or RCEP — especially Japan — to reconsider its stand.

India's plans to renegotiate bilateral trade deals with nations, including Japan and members of the Association of Southeast Asian Nations, or Asean, have also hit a roadblock. New Delhi is facing tougher negotiations after Japan and some Asean members sought India's joining of RCEP as a precondition to start bilateral trade talks, according to one of the people. — BLOOMBERG

HIGHWAY PROJECTS' FUNDING

Nitin Gadkari, road transport minister

About five banks are willing to give us around ₹2.5 lakh crore for highway projects. Our projects are economically viable. NHAI has 480 bankable projects and its toll-operate-transfer (TOT) model has been a success.

BMS slams Air India sale, says govt should not judge PSUs only on profit & loss

FE BUREAU
New Delhi, January 28

BHARATIYA MAZDOOR SANGH (BMS), an RSS-affiliated trade union, on Tuesday slammed the Centre's plan to privatise Air India. It urged the government to think "a hundred times" before going for privatisation of the airline.

"While calculating profit and loss of Air India, we need to think of the fact that Air India has been operating many of the low-profit or loss-making routes only to serve the passenger and connecting people with one another, promoting national unity; no private player will operate like that. Privatisation of AI can have a cascading impact; like many of those airports which would lose flights may face further crises; many of the emerging cities may face the crisis of connectivity, etc," BMS said in a statement.

The Centre on Monday sweetened its offer for the sale of the debt-laden carrier. The government now intends to offload its 100% stake from 76% proposed in a 2018 attempt. Apart from retaining a large part of the debt, the government has also restrained a provision that substantial ownership and effective control of the airline must remain



with an Indian entity.

"Keeping these issues in mind, BMS urges the government to think a hundred times before going for disinvestment of Air India," BMS general secretary Virjesh Upadhyay said.

Saying that it was "unfortunate" that PSUs were being sold in the name of resource mobilisation to fund social spending, BMS said selling PSUs to private players will not help the government as privatisation would not free the government from its responsibilities.

It further said that judging performance of PSUs solely on the basis of monetary profit and loss is a wrong practice as the aims and objectives of these PSEs are different from those of the private sector enterprises.

"PSEs are to serve the nation, to create decent jobs, decent living standards, decent consumption and responsible social behaviour," it added.

Power ministry asks regulators to reduce tariffs for prepaid meter users

FE BUREAU
New Delhi, January 28

IN ORDER TO persuade consumers to pay electricity bills in advance, the Union power ministry has asked state electricity

regulators to come up with discounted tariffs for users subscribing to prepaid meters.

Prepaid meters have been envisaged as one of the ways to turn around distribution entities (discoms) by reducing their

gap between the cost of power supply and revenue realised by ensuring timely payments.

"In cases of prepayment, the carrying costs will come down, leading to reduced requirement of working capital for discoms,"

a notice from the power ministry sent to all state regulators said.

Additionally, large-scale roll-out of smart meters is also seen to reduce the aggregate technical and commercial losses of discoms by improving billing and collection through removal of manual intervention and reducing meter tampering by consumers. The ministry has asked the regulators to incorporate these aspects while calculating a discounted tariff rate for such users.

The power ministry wants all meters across the country to be 'smart prepaid' by the end of FY22. The draft version of the

proposed amendments to the tariff policy says electricity supply shall shift from "a postpaid basis to prepaid basis" within three years and "accordingly, the meters will be smart meter in a prepaid mode for bigger consumers and simple prepaid meter for smaller consumers".

A clutch of states, including Bihar, Maharashtra, Karnataka, Rajasthan and West Bengal, are among the states that have started installing prepaid electricity meters at public facilities. The mechanism was envisaged mainly to ensure timely payments from bulk consumers such as local civic bodies and state government departments. Mounting dues of government departments have been a long-standing cause of concern, rising from ₹36,900 crore in FY18 to ₹41,743 crore on a pan-India basis in October, which is about 85% of the amount that discoms owed to power generators at that time.

Mounting dues of government departments have been a long-standing cause of concern, rising from ₹36,900 crore in FY18 to ₹41,743 crore on a pan-India basis in October, which is about 85% of the amount that discoms owed to power generators at that time.

However, as earlier reported by FE, in its initial phase of roll-out in Rajasthan such meters failed to achieve the desired results as discoms in the state were practically not being able to cut the power supply of government departments even if they fail to recharge them on time. There have been instances of prepaid meters getting removed from various public buildings that house courts and health centres due to the inability of the system to adapt to the new payment processes. This has happened in spite of discoms offering 5% discount on power bills for using prepaid meters.

WHEN EXPERTS TAKE STOCK OF THE BUDGET

Understand what Budget 2020 truly holds for you and the economy as it is analyzed by some of India's most insightful minds. Corporate heads, leading economists, sector experts together with senior FE editors de-code the Union Budget and its implications.

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From the Front Page

Massive tax shortfall to upset budget maths, hit states hard

As the accompanying chart shows, the states' share of taxes in the GTR has been on the decline since the FY16, the first year under 14th FC while revenue from cesses and surcharges, which the Centre can lay hands on, has surged to significantly increase its share in GTR.

As far as direct taxes are concerned, the Centre collected ₹5.6 lakh crore or just 42% of the budget estimate for the whole of FY20 till November 30. Considering trend of about 48% of the direct tax receipts getting collected in the first eight months and the balance in the remaining months, the direct tax shortfall against the budget estimate (BE) this year could be around ₹1.8 lakh crore.

When it comes to indirect taxes, the biggest component of goods and services tax revenue will likely be short of the Centre's budget estimate — including CGST, IGST and compensation fund — of ₹6.63 lakh crore by ₹45,000 crore. Further, the combined collections from excise and customs could fall short by ₹1.2 lakh crore, as big contraction in imports and subdued fuel consumption have dented the collections. According to data released by the Controller General of Accounts, the Centre's gross taxes during April-November this year grew just 0.8% — direct taxes at 2.7% and indirect taxes at (-)0.9%. FE has learnt that by January 15, direct taxes growth on an annual basis was (-)5%.

with China scare; Asian stocks slump

This may lead Hon Hai or the government to close factories to prevent further contamination, Bloomberg Intelligence analyst Matthew Kanterman wrote.

Apple has roughly 10,000 direct employees in China, across its retail and corporate entities. Its supply chain also has a few million workers manufacturing products like the iPad, iPhone and Apple Watch. Many of those employees have been home the past few days for the holiday, and the company hasn't said if it is asking them to stay home for longer to prevent the virus spreading.

Of the three US restaurant chains, Starbucks, McDonald's and Domino's Pizza, Starbucks is the most exposed to the outbreak, as measured by percentage of worldwide revenue and operating income, according to Guggenheim analyst Matthew DiFrisco.

"China represents a high growth region and a meaningful contributor to the longer-term global revenue growth goals for all three companies," DiFrisco said in a note. The Seattle-based chain has about 4,100 cafes in China.

Clothing retailer H&M has closed a total of 13 stores in the region. Svenska Dagbladet reported. China is the company's 5th biggest market in terms of revenue, with 524 stores as of August 31.

Accounting firm PricewaterhouseCoopers has suspended all business travel to Wuhan and employees returning from the city required to work at home for two weeks before coming to the office, a spokeswoman said.

Automakers Honda, Nissan and Groupe PSA, the French

maker of Peugeot cars, also plan to evacuate most of their expatriates and their family members from Wuhan. Honda will evacuate from Wuhan about 30 Japanese workers and family using a government charter aircraft, Teruhiko Tatebe, a Tokyo-based spokesman, said by phone. Groupe PSA said it will evacuate its expatriate staff and their families from the Wuhan area. A total of 38 people will leave, the company said in a statement.

Tesla and Nio are also likely to feel the impact of the virus scare. About 8 million cars were sold last year in the roughly 40 Chinese cities that have 10 or more diagnosed coronavirus cases, or 36.8% of total retail volumes in the country, Bernstein analysts estimate. Those cities accounted for 82.5% of Tesla's retail volumes, and 68% of NIO's, the analysts wrote in a note. "The latter looks especially vulnerable to a prolonged slump in EV sales," they said.

Virus fears also hit Asian stocks as Japanese shares headed for their worst back-to-back daily losses since last August's trade-war worries. South Korean stocks slumped more than 3% as that market reopened after holidays, and Australia's benchmark also underperformed. The yuan stabilised after a sharp slide Monday that left it at its weakest since December, and the yen gave up a sliver of recent gains. Treasuries also steadied, and the sell-off in crude oil moderated. But Chinese stock futures fell almost 1% after a near-6% plunge on Monday.

Hong Kong markets are scheduled to reopen on Wednesday after lunar new year holidays, while latest guidance from China's markets is for a reopening on Monday.

"Risk appetite is unlikely to

improve until we start getting news that the virus is under control," DBS Group Holdings strategists Philip Wee and Eugene Leow wrote in a note. "For now, the lack of positive news flow is likely to keep investors on the defensive."

DHFL's administrator orders three transaction audit reports

The administrator also informed lenders that a third report would completely focus on instances of fraud, identifying and reviewing irregular accounts. Grant Thornton will study all underlying documents and security made available by the company to lenders and its enforceability.

FE had earlier reported that three banks — SBI, Union Bank of India and IndusInd Bank — have red-flagged the exposure to DHFL as fraud account. A draft forensic report by KPMG found the lender had disbursed loans and advances to inter-connected entities, which were likely linked to the promoters. Moreover, loans and advances totalling Rs 24,594 crore had been disbursed with inadequate loan documentation to 65 entities that had minimal operations.

The draft report also suggests that funds could have been diverted by DHFL and the Serious Fraud Investigation Office (SFIO) is carrying on a parallel investigation. The stressed mortgage financier has been served show cause notices by Securities and Exchange Board of India (Sebi) and National Housing Bank (NHB), the housing finance regulator, over non-compliance with their guidelines.