

Economy

TUESDAY, JANUARY 7, 2020

Quick View



'No carbon tax on coal a risk to renewables'

FITCH SOLUTIONS ON Monday said the Centre's proposed carbon tax waiver on coal may pose substantial downside risks to India's renewable sector growth. In a bid to alleviate significant debt levels in the power industry, India has proposed to waive carbon taxes on coal (₹400/tonne), it said.

Room ACs to now have default temp of 24°C: BEE

THE BUREAU OF Energy Efficiency on Monday said all room air conditioners should have a default temperature of 24 degrees Celsius. This means that when the room air conditioner is switched on, it will start at 24 degree Celsius.

No Delhi-specific schemes in Union Budget, says EC

THE UNION BUDGET cannot have state specific schemes and the Budget speech also cannot highlight the government's achievements with regard to the city due to the model code which has come into effect on Monday following the announcement of Delhi's poll schedule.

● SABKA VISHWAS

₹35,000 cr to be paid in taxes, may be accounted for in FY20

With the deadline looming for dispute resolution scheme, about 87% of eligible taxpayers have opted for it

FE BUREAU
New Delhi, January 6

WITH THE DEADLINE looming for the Sabka Vishwas dispute resolution scheme, about 87% of eligible taxpayers have opted for the scheme and committed to pay about ₹35,000 crore as taxes to the government, officials said. This has come as a



relief to the government, which is grappling with a huge shortfall in tax revenue this fiscal. However, about 23,000 (about 12.5% of the total) eligible taxpayers have not yet opted for the scheme. These are

mainly large taxpayers and in 7,100 such cases, a total tax amount of ₹1.7 lakh crore is under litigation, they added. "The vast majority of the smaller taxpayers have already opted for the scheme," official

PM meets top industrialists to discuss growth, investments

FE BUREAU
New Delhi, January 6

PRIME MINISTER NARENDRA Modi on Monday met renowned industrialists, including Ratan Tata, Reliance Industries chairman Mukesh Ambani and Bharti Airtel chairman Sunil Mittal, and is learnt to have discussed ways to arrest the ongoing economic slowdown, attract private investments and boost job creation.

Modi's latest meeting follows his series of parleys with various stakeholders, including captains of industry, electronics players and textile and garment companies, in recent weeks as well as a two-day brain-storming meeting with

the council of ministers and important secretaries on January 3 and 4. The scores of meetings assume importance in the backdrop of growth having tattered to a six-and-a-half-year low of 4.5% in the September quarter and other key indicators, including industrial production, exports and credit growth, continuing to falter.

Recently, in another meeting with industrialists, Modi is understood to have sought specific inputs on what policies are working and what are not. In the meeting with ministers and secretaries last week, he reviewed the state of the economy and the vision documents of various ministries for the next five years. Other industrialists who

attended Monday's meeting with the Prime Minister were Gautam Adani, N Chandrasekaran, Anand Mahindra, Sajjan Jindal, AM Naik, Anil Agarwal and Venu Srinivasan.

Some of the ideas presented in the meetings in recent weeks are expected to find mention in the next Budget. These meetings also focus on ways to boost private investments and help India turn into a \$5-trillion economy by 2024-25, as envisioned by the Prime Minister.

The economy is going through a critical phase. Already, citing growth concerns, Moody's recently trimmed India's sovereign rating outlook to "negative" from "stable".

sources said.

When the scheme was announced in September, it was estimated that about 1.8 lakh taxpayers had legacy excise and service tax cases pending at different forums. The total tax revenue locked in these cases was ₹3.6 lakh crore. The scheme expires on January 15.

Sources said that one of the reasons for big taxpayers not opting for the scheme could be resistance from the vast array of intermediaries including tax consultants, lawyers, etc, employed by these taxpayers. "For obvious reasons, the immediate settlement of these long pending cases is not seen in the best interests of these intermediaries," sources said.

Services sector activity growth touches 5-month high in Dec

PRESS TRUST OF INDIA
New Delhi, January 6

INDIA'S SERVICES SECTOR activity gained momentum and touched a five-month high in December, supported by uptick in new business orders that boosted output as well as employment, a monthly survey showed on Monday.

The IHS Markit India Services Business Activity Index improved from 52.7 in November to 53.3 in December, highlighting the second-strongest rate of increase in output in over a year, after July. "The news of sustained job creation, robust new order growth and a pick-up in business confidence suggest that expansion can be maintained in the early part of 2020," said Pollyanna de Lima, principal economist at IHS Markit. Survey members linked the



rise to better market conditions and new business growth. Moreover, total sales expanded for the third consecutive month at the end of the year, and at the quickest pace since October 2016.

On the prices front, input costs increased further in December, with monitored firms citing higher charges for food, fuel, medical products and transport. "Worryingly, inflationary pressures intensi-

fied, with the fastest rise in input costs for almost seven years pushing output charge inflation to a 22-month high," the survey said.

On the employment front, driven by rise in new business orders, service providers continued to hire extra staff in December and employment increased for the 28th month in succession. The survey further noted that Indian services firms expect marketing efforts and favourable economic conditions to boost business activity during 2020. However, the overall level of positive sentiment remained below its long-run average.

Meanwhile, the Composite PMI Output Index that maps both the manufacturing and services sector, rose from 52.7 in November to 53.7, reflecting stronger rates of expansion in both the manufacturing and service sectors.

Action against corrupt shouldn't be seen as govt crackdown on corporates: PM

PRESS TRUST OF INDIA
New Delhi, January 6

PRIME MINISTER NARENDRA Modi on Monday said action against a few corrupt entities should not be seen as the government crackdown on the corporate sector, as he sought to allay doubts over his regime's intentions.

Speaking at the centenary celebrations of Kirloskar Brothers, he said the attempt was to allow the industry to create wealth fearlessly in a transparent environment where there are no obstacles.

In this endeavour, the government is attempting to rid the industry of web of laws, the Prime Minister said, adding dur-



Prime Minister Narendra Modi with Kirloskar Brothers chairman Sanjay Kirloskar at the company's centenary celebrations in New Delhi on Monday

ing the past five years his government has worked honestly.

The attempt has been to bring transparency, efficiency and accountability in tax system, and reduce human interface with the tax department, he said. Also, corporate tax has been reduced to their lowest so as to propel corporates to invest, he said. The Prime Minister asked industry to shun pessimism, saying the government will stand shoulder to shoulder with India Inc in its attempt to expand business in any nook and corner of the country.

He said the target to nearly double the size of the economy to \$5 trillion is just a phase and the targets are bigger and higher.

From the Front Page

Markets take a nosedive as US-Iran tensions flare up

The Nifty tumbled around 234 points to close at 11,993.05 losing 1.91%. The yield on the benchmark bond climbed six basis points to end the session at 6.571%.

UR Bhat, director, Dalton Capital Advisors, cautioned any further rise in crude oil price prices would weaken the country's trade gap hurting the currency and interest rates. "If oil companies are unable to pass on the higher prices to consumers we will see further fiscal slippages," Bhat said.

Bhat added it was possible Monday's risk-off trade could become more severe. The nervousness in the markets was reflected in the India VIX, which jumped 16% on Monday. The broader markets also came under strong selling pressure today with BSE mid-cap and small cap indices falling over 2% each.

Gold prices hit an all-time high in New Delhi to touch ₹41,730 per 10 g while prices of silver soared to ₹49,430 per kg, globally gold traded with gains at \$1,575 per ounce and, likewise, silver also quoted higher at \$18.34 per ounce. Brent crude prices have shot up by more than 5% higher in the last two sessions – crossing the \$70 per barrel mark with investors scared of the fallout from the US air strike that killed a top Iranian general.

Mallya can't use pendency of plea to stall cases abroad: SC

Mehta further sought clarification from the Bench the pendency of any case in India would not affect proceedings in the UK court, he said.

While Mallya's lawyer Mahesh Agarwal sought an adjournment, the CJI said an adjournment would be given subject to Mallya not using the issue of pendency of his case in the apex court as a cause for

stalling proceedings "anywhere in the world".

The matter has been posted for hearing on Friday.

The fugitive businessman had last year moved the apex court against the confiscation of his and his relatives' properties. The business tycoon, who is facing extradition proceedings in UK, in his appeal against April 24 order of the Bombay HC that refused stay on the procedure for the confiscation of his properties by government agencies, said he wanted attachment of only those properties which are related to Kingfisher Airlines. He has also questioned the power conferred on ED under Fugitive Economic Offenders Act, 2018, for confiscation of all properties of a fugitive economic offender without assessing whether or not the properties under confiscation were tainted or part of the alleged proceeds of crime.

An SBI-led consortium of banks had in 2016 filed an appeal seeking recovery of around ₹9,000 crore from Mallya, who fled India in March 2016 and has been living in the UK since then.

Synergy Group submits fresh EoI for Jet

Following the grounding of Jet Airways, the government had reallocated the domestic slots to other airlines.

After talks with Synergy Group reached a stalemate, the committee of creditors (CoC) of Jet Airways invited a fresh round of EoIs late last month. This is the third time the CoC has called for EoIs for Jet Airways, which was admitted for insolvency in June 20. Apart from Synergy Group, Hyderabad-based Turbo Aviation, a Dubai-based fund and the Hinduja Group are understood to be examining submitting an EoI for Jet Airways. Turbo Aviation, an entity engaged in charter flights and aircraft maintenance services, has also submitted an EoI. The deadline for submitting EoIs is January 15.

Jet Airways was grounded in April last year, and was admitted for insolvency in June following multiple failed attempts

to sell the airline. Following this, the State Bank of India (SBI) initiated insolvency proceedings against the grounded Jet Airways. According to the latest data available on Jet's websites, creditors have filed claims worth over ₹36,000 crore with the airline, of which the RP has so far admitted claims worth over ₹14,000 crore.

Shares of Jet closed at ₹35.90 on the BSE, up 5% on Monday.

India-Iran trade thrived during sanctions, but things may change now

This problem wasn't there up to the last fiscal because India had a goods trade deficit with Iran (\$10 billion in FY19), thanks to massive oil imports, so our exporters didn't face much problem in getting payments via rupee. Thanks to the halt to oil imports from Iran, India's total imports from the Persian Gulf nation have collapsed 88% in the first eight months of this fiscal from a year before. Uncertainties about payment to exporters, unless sorted quickly, will likely hit bilateral trade very hard.

Compounding exporters' worries, US President Donald Trump has threatened to impose fresh sanctions like never before if Iran retaliates against the killing of its top general last week in an American drone attack. "As of now, there is not much impact on our exports due to the tension. But if the tension flares up and the US slaps fresh sanctions against Iran, we have to be ready," said Ajay Sahai, director general and chief executive at exporters' body FIEO. If the US puts sanctions against supplies of farm items and medicine to Iran, which are now allowed on humanitarian grounds, India's agriculture and pharma exports could get hit. Cereals, especially basmati, made up for about 40% of India's exports to Iran last fiscal.

Mohit Singla, chairman of

Trade Promotion Council of India, said, "India has been an old and reliable trading partner of Iran since ages and our diplomatic and trade relations are deep and above these pressing issues. As for the impact on trade, Iran imports all the essential commodities from India which will always be sustainable in terms of demand."

Iran emerged as a very good destination for Indian basmati rice in 2012 and the very next year it became India's top importer of the aromatic rice variety topping Saudi Arabia. Last year, basmati rice export to Iran hit an all-time high as many new traders joined the business and had offered the shipments on credit. This resulted in some ₹1,500 crore of payment default, which was taken up with the Iranian authority by India.

Around 2011-12, a rupee-rial mechanism was put in place where up to 45% of India's purchases of Iranian crude could be effected in rupees in exchange for items like rice, wheat and medicines that were not sanctioned by the UN.

Tata Sons' conversion: No specific slur on RoC, says NCLAT

Pronouncing its judgment on the RoC appeal on Monday, the NCLAT said, in the absence of any prescription of minimum paid-up share capital required for a private company, the RoC cannot wield any power or jurisdiction to carry out any changes in the Register of Companies or certificate of incorporation of Tata Sons and the Memorandum of Association of the Tata Sons.

While the Companies Act, 2013 defined a private company as one which has a minimum paid-up share capital "of one lakh rupees or such higher paid-up share capital", the amendment to the Act that came into being with effect from May 29, 2015, omitted such threshold.

During the course of the hearing, the MCA on behalf of

the RoC had submitted that in the absence of any prescription by the central government under any rule in terms of section 2 (66) of the Act, the paid-up share capital should be read as "zero".

The two-member NCLAT bench, headed by its chairperson justice SJ Mukhopadhyaya, however, is not willing to accept the submission of the MCA. It said, "such submission can not be accepted as there cannot be a private company or public company. For the said reason, the amended Section 2(68), it is specifically mentioned that 'as may be prescribed by the central government'. In view of the aforesaid position of law, the prayer for amendment in the judgement dated December 18, is rejected." "We find there is a wrong perception of the RoC as no observation has been made against the RoC, Mumbai, nor anything alleged against him," the NCLAT said.

In reply to NCLAT's earlier direction to clarify why the Companies Act has been silent on the relevant criterion since 2015 amendments to it, director-prosecution at MCA Sanjay Shorey said there has been no prescribed capital limit for any public or private company in order to ensure the ease of doing business.

Tata Sons was initially a 'private company', but after insertion of Section 43A (1A) in the Companies Act, 1956, on the basis of average annual turnover, it assumed the character of a deemed 'public company' with effect from February 1, 1975. In September, 2017, Tata Sons had received its shareholders' nod to convert itself into a private limited company from a public limited company. It got the RoC approval for the conversion on August 6, 2018.

JNU, the day after: No arrest, Delhi Police silent on mob rampage

JNU Students' Union president Aishe Ghosh, who was among the injured and received 16 stitches for her wounds at

AIIMS, alleged it was an organised attack, and some "RSS-affiliated professors" were promoting the violence.

Vice-president of the union, Saket Moon, alleged the students' body called up police for two hours but did not get any help. "It was an organised attack. They were singling out people and attacking. There is a clear nexus of JNU administration, security police and the ABVP vandals. They did not intervene to stop violence," Ghosh told reporters. "For last four-five days, some RSS-affiliated professors were promoting violence to break our movement. Are we wrong to ask for safety from JNU and Delhi Police?" she added.

On Monday, too, members of the ABVP, some right-wing groups and local supporters started a march around 4 pm on a section of the road near the JNU north gate, but were stopped by police barricades a few metres ahead. By 5 pm, hundreds of people managed to go around the police barricade and made their way to the north gate by going through narrow lanes of nearby colonies. After gathering at the gate, the crowd began chanting slogans such as 'vaam panth ki ek dawai, joota chappal aur pitai', 'Gaddaron ki kabar khudegi, Savarkar ki dharti pe', 'Dilli police lath bajao, hum tumhaare saath hain' and 'Desh ke gaddaron ko, goli maaro saalon ko' as police personnel looked on.

Eyewitnesses to the Sunday attack and many of those injured have said the men belonged to the ABVP — a charge the RSS-affiliated student outfit has denied.

While Ghosh said she sent a text message to a senior police officer about "students being beaten up in the University" at 3 pm on Sunday, DCP (South-west) Devender Arya said, "The first PCR call was made at 4.57 pm from Periyar hostel."

Arya claimed the complaint was about "stone pelting by the Left party", and that a second PCR call was made at 7.12 pm Sunday wherein "the aggressor was the 'other party'". He said a call was also made by JNU administration, and that at 7.40 pm, a written letter was received, requesting entry of police inside campus.

Both teachers and students injured in the violence said no one from the JNU administration had reached out to check on them. "There has been no call or any kind of reaching out from the Vice-Chancellor or anyone from the administration. There hasn't even been a single message sent," said professor Shukla Sawant, who was injured during the stone-pelting by masked men.

The JNU vice-chancellor, meanwhile, issued a statement, seeking to link the violence to protests against the hostel fee hike. "The origin of the present situation in JNU lies in some agitating students turning violent and obstructing the academic activities of a large number of non-protesting students. The protesting students damaged the communication servers to disrupt the winter semester registration," said V-C M Jagadeesh Kumar, suggesting that the Left outfits and JNUSU, which have been leading the protests, were to blame. Repeated calls to him remained unanswered Monday.

Sabarmati Hostel, which saw maximum property damage in the attack, saw the resignation of its senior warden and warden (recreation), who said they had put in their papers as they were not able to ensure the safety of students. The administration did not confirm if their resignation had been accepted.

The campus on Monday also saw a press conference called by the JNU Teachers' Association, which reiterated its demand for the removal of the V-C and said a judicial or judiciary-monitored probe in the incident should take place.

"No more evidence is required that the VC is incapable of running an educational institution... This is terror tactic raised to a different level," said JNUTA secretary Surajit Mazumdar.

Tamil Nadu MP and VCK chief Thol Thirumavalavan also visited the campus Monday evening and condemned the violence. "Without knowledge of higher authorities, without knowledge of V-C, ABVP goons wouldn't have done like this. I condemn the brutal attack. The Modi government is responsible for this," he said.

Speaking to *The Indian*

● EYE ON AI

Piyush Goyal, commerce minister

We in the government believe that AI (artificial intelligence) can, in different forms, help us achieve the \$5-trillion mark, which we have set for over (next) five years.