

CORPORATE WATCH
STARTING NEW BIZ TO TAKE LESS TIME
 New Delhi: The Corporate Affairs Ministry would introduce the form SPICE+ to offer 10 services which would help in "saving as many procedures, time and cost for starting a business in India," it said in a public notice. **PTI**

UNUSED INFRASTRUCTURE TO BE USED TO EXPAND PRESENCE IN RURAL INDIA
Private telecom firms look to cut capex, approach BBNL to lease 'dark fibre'

AASHISH ARYAN
 NEW DELHI, FEBRUARY 9

IN A bid to cut down on capital expenditure, the three major telecom service providers — Reliance Jio Infocomm, Bharti Airtel and Vodafone Idea — have reached out to state-run Bharat Broadband Network Limited (BBNL) to use the dark fibre laid by the latter.

The hitherto unused infrastructure will be used by these companies to expand their presence in rural India and offer 4G as well as other long-term evolution (LTE) mobile telephony services, according to official documents accessed by *The Indian Express*.

The bandwidth requested by all the telecom service providers is a part of the dark fibre laid out by BBNL while working on the BharatNet project.

Dark fibre is the extra optical fibre laid by companies in order to avoid cost repetition when more bandwidth is needed.

Reliance Jio, Bharti Airtel and Vodafone Idea did not respond to emailed queries on how much

EXPLAINED
Will help in savings, expansion for telcos

THE TELCOS' plan to lease hitherto unused dark fibre from BBNL is likely to lead to savings for them on capital expenditure for the next 10 years. These telcos, which most often have connectivity till block level, will find it easy to expand into villages and offer services such as 4G to new customers. It could also lead to BBNL finding it easier to carry out maintenance work as the presence of a user at the end of the fibre would keep it updated about the status of the optical fibre laid.

money they were willing to invest in the project and whether they had been handed over any service ready gram panchayat so far.

The move by telcos to use BBNL's infrastructure is likely to result in savings on capital expenditure for them.

The telcos have so far deposited a small amount of Rs 17.86 crore in total as advance for BBNL to start work on handing over the dark fibre to them.

pate in a BBNL tender to participate in the BharatNet programme. BBNL — which is the implementing agency for BharatNet — had then come out with a Rs 10,000-crore tender, "to provide Broadband services through WiFi Hot Spots", for a period of five years.

The implementing agency, BBNL had then said, was also to undertake end-to-end maintenance and marketing to "enhance use of BharatNet network". The 2017 tender also failed as "the rules then mandated that telcos mandatorily provide WiFi services" if they bid for the project, sources in the Department of Telecommunications told *The Indian Express*.

"So we had at that time offered that we will give around Rs 80,000 per WiFi they set up. For the telecom service providers, the cost of setting a base transceiver station was coming to around Rs 1.3 crore. That was not viable for them," a Ministry source said.

This time around, the cost for telcos will be significantly lower as they are looking only to lease

INTERVIEW WITH EXPENDITURE SECRETARY
'Aim has been to give as much stimulus as possible without compromising sustainability'

HAVING JOINED the Finance Ministry just seven weeks before the Budget, Expenditure Secretary TV SOMANATHAN had a crucial balancing act of managing expenditure with slowing revenues amid the overall economic slowdown. The government's aim in the Budget was then to push for higher expenditure, without creation of long-term problems such as servicing of debt, Somanathan said. In an interview to AANCHAL MAGAZINE, Somanathan — who earlier served in the Prime Minister's Office for over two years and then was posted as Principal Secretary with the Tamil Nadu government — said the government didn't want to do anything "imprudent". "Our aim has been to provide as much stimulus as possible without compromising long-term sustainability. We don't want to get into a situation where we do so much that we run into a crisis after two years on servicing our debt. We didn't want to do anything that is imprudent," he said. Edited excerpts:



"There is no increase in arrears or unpaid bills of central government to CPSEs; in fact, if anything, it has come down"
TV SOMANATHAN

of non-tax revenue, and then you have disinvestment. The tax revenue numbers, I think they are pretty sound. The 10 per cent nominal growth is very likely. So if you get to 10 per cent with no structural changes in taxes, I think 1.2 buoyancy on taxes is very reasonable. So 10 per cent nominal, 12 per cent tax growth is what has been estimated.

Others, you may have some risks on the downside, but I think there is some upside on the tax. So, overall, I think the risks on the expenditure side are moderate.

The outstandings of the government of India with various CPSEs: How are you placed right now in terms of shortfall, or in terms of payments?

There is no increase in arrears or unpaid bills of central government to CPSEs; in fact, if anything, it has come down. As regards payments by CPSEs to their suppliers, that the government has really focused on and brought down substantially since September, with several rounds of reviews, including in the Expenditure Department, in the Cabinet Secretariat, and there has been a substantial reduction. Very few of them have dues above 45 days, the time expected in the MSME Act. The last time we reviewed, there were only 12 CPSEs, who had some balances above 45 days and even those have now been brought down. So, we made a big push.

something that requires careful study and calibration. Also, the implications of the EBRs are different because they do not place a load on the bond market.

Planning for the Budget, how much of it weighed on your mind that we are in probably the worst slowdown phase and private investments have not picked up?

Our aim has been to provide as much stimulus as possible without compromising long-term sustainability. We don't want to get into a situation where we do so much that we run into a crisis after two years on servicing our debt. We didn't want to do anything that is imprudent. So it's a line, it's a judgment. And there was a strategy around this, which even the FM has also said: push expenditure, but up to the point where it doesn't create or store up long-term problems. So that is what we have striven to achieve. I think we have got it approximately right. So, it is not 3.3 per cent (fiscal deficit as percentage of GDP), we will go to 3.8 per cent, that is the plus 0.5 per cent. We will do a little more by shifting some liabilities to off-budget borrowings, but not more than that. And so, in a way, we've done everything we can, which doesn't store up a long-term problem. That has been the effect and that is exactly what we were trying to do.

You have made certain disclosures in the Budget. Do you think that over the coming year, the government make many things above the line?

I think transparency is more important than the accounting policy, which even in the private sector varies: you can have US GAAP or you can have IFRS so, as long as you can understand each set of accounts, it is not a problem. The accounting is also complicated by the following: you take something like food subsidy, ideally it should be in the Budget. You see some other extra budgetary resources (EBRs) which we provide, it's actually for a productive investment, which might generate some returns. It's a little more questionable whether they should be in the Budget. Some people take a very extreme view which I don't think is correct.

Suppose SBI takes a deposit from you, SBI is government controlled, is that government borrowing? You wouldn't say that. Say, ONGC takes a market borrowing from abroad or in India, is it? No. Why? Because it's a business, it stands on its own footing, it has assets, it has revenue streams, it will manage its services, it's not a contingent liability on the Government of India. So, actually, it's not black and white. FCI has no revenue stream. We will have to pay it back. NHAI is in between, some roads are viable and some are not. For the long term situation, what I am saying is, obviously many of these liabilities are liabilities of the government in some form. So I wouldn't say put everything into the Budget. No. I would say that transparency is important so that everyone can see what the implications are. But how much needs to go into the Budget is

Regarding the escape clause of the FRBM Act that has been used by the Centre for its fiscal deficit target, there have been similar demands from states. What about them?

Their Acts don't have escape clauses, states don't have flexibility in their FRBM Acts and that is the way the architecture is right now. States have less flexibility in terms of resource management. If it builds up into their debt, they have fewer levers to meet that future increase, the Centre has more flexibility to address future debt.

The Budget has lower share for states...

As regards the states percentage share in revenues being lower, one is an accounting reason — partly in the RE (Revised Estimates) and more so in next year's BE (Budget Estimates), & J&K is not in the states column, it's in the Centre's column. Second is that there is an entry for the GST compensation cess, which unlike everything else, is 100 per cent to the states. That item has not grown. I'm talking about the collection of GST compensation cess. So when the biggest proportionate source of the states doesn't grow and the ones that are growing are things where the Centre has a much bigger share, in aggregate it changes the ratio.

Falling volumes, low demand keep Q3 profits muted across sectors

ENS ECONOMIC BUREAU
 MUMBAI, FEBRUARY 9

EVEN IN a festive quarter, India Inc has struggled to grow the top line, with most companies unable to push through volumes. Most companies have been unable to meet even the tempered expectations, though some like Bharti Airtel did well after many quarters. However, the pain can be seen in that revenues in the three months to December, remained flat year-on-year (y-o-y).

The increase in the profit after tax is mostly the result of the lower tax rate, else for a clutch of 713 companies, the profit before tax barely grew.

A glance at the results of banks and NBFCs makes it clear that business is dull. Leading lenders have reported a contraction in their corporate loan portfolios.

Commenting on the demand, the management at Shriram Transport observed customers were postponing purchases and making do with existing fleet. Even where purchases were being made, these were, more often than not, used vehicles rather than new ones.

The Sobha management cited modest demand trends as a reason for slower launch activity in Q3FY20. The Hero Moto Corp management, while referring to some positives such as a good monsoon, also highlighted that a sustained recovery would take time.

Retailers like Shoppers Stop have barely posted an increase in same-store sales and even at Avenue Supermarts, these rose by just 6-7 per cent y-o-y.

Drug firms like SunPharma reported strong growth in their domestic revenues — up 18 per cent y-o-y, but the overall sales growth was pulled down by a poor show in the US where sales fell 3 per cent y-o-y.

Again, although realisations at HeroMotoCorp improved 4 per cent y-o-y, revenues fell 11 per cent y-o-y on the back of falling volumes which dipped 14 per cent y-o-y. At GSK Consumer, sales were up just 3.8 per cent y-o-y. **FE**

EXPRESS NEWS SERVICE
 KOLKATA, FEBRUARY 9

IN THE Union Budget, the central government has laid the foundation of increasing consumption, while ensuring that its investment is deployed to build infrastructure leading to a \$5-trillion economy by 2024-25, Finance Minister Nirmala Sitharaman said Sunday.

"I think we have laid the foundation for increasing consumption, ensuring that capex (capital expenditure) and government's investments will go towards spending on building of assets in infrastructure which should have cascading effects both in the short term and in the long term.

"In order to address rural distress, 16 focused action points have been announced in the Budget. So I expect all this will lead to a five trillion dollar economy," Sitharaman said while speaking to reporters here.

She also pitched for rationalisation of goods and services tax (GST) rates once a year and not every three months as was the trend so far.

Responding to queries on what West Bengal has received from the Union Budget, the Finance Minister said, "I do not

you have made certain disclosures in the Budget. Do you think that over the coming year, the government make many things above the line?

I think transparency is more important than the accounting policy, which even in the private sector varies: you can have US GAAP or you can have IFRS so, as long as you can understand each set of accounts, it is not a problem. The accounting is also complicated by the following: you take something like food subsidy, ideally it should be in the Budget. You see some other extra budgetary resources (EBRs) which we provide, it's actually for a productive investment, which might generate some returns. It's a little more questionable whether they should be in the Budget. Some people take a very extreme view which I don't think is correct.

Suppose SBI takes a deposit from you, SBI is government controlled, is that government borrowing? You wouldn't say that. Say, ONGC takes a market borrowing from abroad or in India, is it? No. Why? Because it's a business, it stands on its own footing, it has assets, it has revenue streams, it will manage its services, it's not a contingent liability on the Government of India. So, actually, it's not black and white. FCI has no revenue stream. We will have to pay it back. NHAI is in between, some roads are viable and some are not. For the long term situation, what I am saying is, obviously many of these liabilities are liabilities of the government in some form. So I wouldn't say put everything into the Budget. No. I would say that transparency is important so that everyone can see what the implications are. But how much needs to go into the Budget is

PITCHES FOR RATIONALISATION OF GST RATES ONCE A YEAR
Laid foundation for increasing consumption in Budget: FM



Finance Minister Nirmala Sitharaman speaking to reporters in Kolkata on Sunday. Partha Paul

know how I answer this question of *kisko kya mila* (which state gets what). I am looking at the point of macro-economic stability, building assets in the country, money directly going to hands of individuals because of reduced tax rates and so on.

Earlier in the day, Sitharaman — while interacting with industrialists and businessmen in the state — said the government wants continuous engagement with industries and will act as a facilitator for hassle-free payments of taxes.

"The broad message which is apparent is that the government wants continuous engagement with industry and business. And

my presence here is not in response to what is happening inside (country) and outside," Sitharaman added.

Referring to issues relating to GST, she said it is not just for the Centre to initiate steps for reduction of rates but the state ministers should also represent cases so that a synergy could be built.

Responding to Tea Board Chairman PK Bezbuarah's remarks on the scarcity of ATMs in the tea belts of Assam and West Bengal, the Finance Minister said, "I know that number of ATMs is minuscule in the tea growing regions. The government is ready to set up such facilities in these areas."

Decriminalise laws, change criminal penalties to civil penalties: CII to govt

ENS ECONOMIC BUREAU
 NEW DELHI, FEBRUARY 9

TO IMPROVE business environment and remove obsolete laws, industry body CII has suggested the government to decriminalise several provisions in business-facing laws, arguing that "offences which are of a technical nature or those that do not affect public interest prejudicially should be considered to be decriminalised".

The Confederation of Indian Industry (CII) has recommended 12 alternate ways to work towards decriminalisation of laws and amend legislations to change criminal penalties to civil penalties. CII said many company directors and senior management personnel are fearful of the criminal implications of the various laws.

In its suggestions shared with Prime Minister Narendra Modi and Finance Minister Nirmala Sitharaman, CII suggested making summons cases concerning relatively minor offences compoundable, transparent mechanism for no-guilt admission and settlement of technical offences with penalties and not prosecution, introduction of dispute settlement mechanism, deferred prosecution agreements with exceptions and one-time settlement schemes.

award of costs where courts have observed that there is frivolous litigation, creating a process for a without-admission-of-guilt settlement of tax and economic offences with exceptions, among others. "There have been increasing incidents recently where commercial and civil disputes are being treated as criminal complaints, thereby creating a fear factor among company directors, young entrepreneurs and foreign investors," CII said, adding directors today are fearful, and this impacts corporates negatively since they are resigning due to the fear of criminal implications of the laws.

"For such business and economic legislations which fall within the domain of arbitration or civil courts, the government should consider decriminalising the laws, unless there is an intent of fraud or misdoings," CII president Vikram Kirloskar said.

However, periodic or habitual offenders should be treated differently and punished with higher penalties as may be decided by the adjudicating authority. "This will not only increase confidence of both domestic and global players but also provide boost to ease of doing business in India," he said.

In the Budget 2020-21, the Centre has stressed that criminal liabilities for Acts that are civil in nature will be amended in the

Over ₹4 lakh crore of cost overruns in 400 infra projects

As many as 400 infrastructure projects, each worth ₹150 crore or more, are hit by cost overruns of more than ₹4 lakh crore owing to delays and other reasons, according to the MoSPI's report for November 2019



REASONS FOR TIME OVERRUNS:

- Delays in land acquisition, forest clearance and supply of equipment
- Fund constraints
- Geological surprises
- Slow progress in civil works
- Shortage of labour

INVESTMENT POST BUDGET
FPIs invest ₹6.3K cr in debt segment, pull out ₹1,172 cr from equities

ENS ECONOMIC BUREAU
 MUMBAI, FEBRUARY 9

FOLLOWING THE benchmark Sensex's rally of over 1,400 points after the Budget day crash of 988 points, foreign portfolio investors (FPIs) pulled out Rs 1,172 crore from equities during the February 3-7 period.

However, FPIs remained net buyers in Indian capital markets for a sixth straight month in February, putting in a net amount of Rs 5,177 crore mainly in the debt segment in the month so far, according to data from the National Securities Depository Limited (NSDL). FPIs put Rs 6,350 crore in the debt segment between February 3-7, NSDL data showed.

The Sensex rally after the Budget was led by domestic institutions which made heavy purchases and the Sensex recovered by 917 points on February 3. While announcing the Union Budget on February 1, Finance Minister Nirmala Sitharaman said certain government securities will be open for foreign investors, adding that the Centre plans to increase investment limit for FPIs in

REMAIN NET BUYERS IN FEB

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corporate bonds from 9 per cent to 15 per cent. Besides, the government also proposed to remove dividend distribution tax (DDT) on companies, and henceforth the tax burden will be shifted to recipients at the applicable rate. Markets regulator Sebi recently came out with a common application form for registration of foreign portfolio investors in order to enhance operational flexibility and ease of access to Indian capital market. Depository participants have been asked to continue to accept in-transit FPI registration applications, for a period of 60 days, Sebi said in a circular.