ECONOMY

CAPITAL BOOST

EXIM BANK TO GET ₹1.3K CR IN FY21

New Delhi: The Centre has decided to pump Rs 1,300 crore into state-owned Export-Import Bank of India (Exim Bank) to fund its business growth in the upcoming fiscal. Last year, the Centre doubled its authorised capital from Rs 10,000 crore to Rs 20,000 crore. **PTI**

POST BUDGET, FIIs PUMP IN ₹24,623 CRORE INTO INDIAN CAPITAL MARKETS

Strong FPI inflows, fall in global oil prices push forex reserves to record $473 bn

SANDEEP SINGH
NEW DELHI, FEBRUARY 16

A SIGNIFICANT jump in foreign portfolio investment inflows over the first two weeks this year, coupled with drop in foreign currency outflow on account of sharp decline in global crude oil prices and dip in imports from China over the last month following the outbreak of coronavirus — which has till now claimed over 1,400 lives in China and is threatening its exports and economy — has resulted in a spike in India's foreign exchange reserves.

The reserves jumped to an all-time high of $473 billion in the week ended February 7, as they grew by $1.71 billion over the week ended January 31.

In one of the biggest expansions in forex reserves in recent times, the reserves have grown by $10.86 billion in last three weeks. Earlier, in the three-week period between September 20 and October 11, the reserves swelled by $11.3 billion. This was after the Finance Minister announced a sharp cut in corporate tax rates from 30 per cent to 22 per cent (exclusive of surcharge and cess).

As the reserves rose again in the week ended February 7, the sweet run of forex expansion has now continued for the 20 weeks — or five months — since September 20, 2019.

According to the data released by the Reserve Bank of India, while the foreign exchange reserves increased by $1.71 billion in the reporting week ended February 7, the rise in reserves was mainly on account of an increase in foreign currency assets that rose $1.94 billion to $439.18 billion. The gold reserves in the same week declined by $218 million to $28.77 billion.

Since the Budget announcement on February 1, foreign institutional investors (FIIs) have pumped in a net of Rs 24,623 crore into Indian capital markets.

Since September 20, 2019, when Finance Minister Nirmala Sitharaman announced a cut in corporate tax rates, foreign portfolio investors (FPIs) have pumped in a net of Rs 78,676 crore (around $11 billion).

In the same period, the foreign exchange reserves have grown $44.4 billion — from $428.5 billion in September 20, 2019 to $473 billion in the week ended February 7, 2020.

It is important to note that, while there was a sudden spike in global crude oil prices in January — following the geopolitical tensions between the United States and Iran and hit a 8-month high of $70.25 per barrel on January 6, 2020 — it fell sharply following the de-escalation of tensions and then the outbreak of coronavirus in China.

While the Brent crude price hit a low of $53 per barrel on February 10, it was trading at around $57 per barrel on Friday.

The continued inflow of funds by foreign investors, despite a slowdown in economic growth, has fuelled the rise in forex reserves.

While investor sentiment turned weak after the Budget announcement last July to impose higher surcharge, market participants say that the impact of the government's decision to reverse its Budget 2019 decision on higher surcharge on FPIs along with a cut in the corporate tax rate in September played a significant role in turning the investors' mood and draw them to invest in the Indian economy and markets.

While a decline in global crude oil prices has played an important role in keeping India's import bill under check, the impact of coronavirus on China's economy over the next few months is likely to keep global crude oil prices lower.

EXPLAINED

Crude prices may stay low due to coronavirus impact

WHILE RISING foreign fund inflows and lower crude oil prices have helped India raise its foreign exchange reserves to record highs, the impact of coronavirus on China's economy activity over the next few months may keep the global crude oil prices lower, thereby benefitting India by way of lower import bill.

RISING FOREX RESERVES

Week ended	Forex ($ bn)
Sept 20	428.57
Sept 27	433.59
Oct 4	437.8
Oct 11	439.7
Oct 18	440.75
Oct 25	442.5
Nov 1	446.09
Nov 8	447.8
Nov 15	448.2
Nov 22	448.5
Nov 29	451.08
Dec 6	453.4
Dec 13	454.49
Dec 20	454.9
Dec 27	457.46
Jan 3	461.15
Jan 10	461.21
Jan 17	462.15
Jan 24	466.69
Jan 31	471.3
Feb 7	473.01

Source: Reserve Bank of India

INTERVIEW: UK'S DEPUTY HIGH COMMISSIONER FOR WESTERN INDIA

'Enforcement of contracts in courts an area where investors would like to see progress'

UK'S TRADE Commissioner for South Asia and Deputy High Commissioner for Western India CRISPIN SIMON spoke to GEORGE MATHEW about Indo-UK trade ties and the prospects for investments in the wake of Britain leaving the European Union. Excerpts:

"We're here to promote British investment in India and British exports to India, and the same the other way around"

CRISPIN SIMON

The UK economy is facing recession. Bank of England recently cut growth forecast to 1.1 per cent in the next three years ... Major sectors like steel and auto are hit. What's your assessment on the economy?

I would not be overly concerned about one quarter. The UK grew quite well through the whole of 2019 and grew faster than many other countries in Europe. I would like European growth to be as fast as it can be as well because it promotes everybody's prosperity. I think that a lot of people said that, when we, after we had the referendum, there would be a collapse in the UK economy and it just hasn't happened. The UK economic outlook is good.

How do you assess the trade between the two countries at a time when both are facing slowdown?

We're very interested in how the two countries can help each other. And not just in how we can sell more stuff to India. And so if you add the growth rate of the two countries together in terms of trade, Indian exports to the UK and UK exports to India, it grew by 6 per cent last year. And that's a very satisfactory number. In fact, Indian exports grew faster than British exports, and that's fine.

There're reports that companies moved out of the UK due to Brexit. Do you agree?

There was talk about companies leaving, but there have been no substantial exits. I'm sure you will be able to find one or two examples. But there has been huge new increase in investment into the UK. One that I was particularly pleased with was the announcement by Tata Motors of hundreds of millions of pounds in electric vehicles in the UK to convert the Jaguar line from diesel to electric. And I find it particularly exciting, because obviously it was from a country outside the European Union, which is where we want to be developing our investments.

Do you think London would lose its position as the leading financial centre in the wake of Brexit?

I don't agree with that. I think that ultimately whether or not London retains its preeminence as a financial centre, is if you provide products and services that people want to buy, right? It has sustained its market share through the last two and a half years. And I see no reason why it shouldn't continue to do so.

How do you assess investments by UK companies in India?

We're here to promote British investment in India and British exports to India, and the same the other way around — bilateral trade and bilateral investment. So there are some huge investments by British companies here. For example, BP has an enormous joint venture with Reliance group in oil exploration, and JCB, the digger manufacturer. As I drive around India, in every town and village, I see big JCB yellow diggers and they're made across India in six plants, including a huge one in Navi Mumbai. And indeed, a lot of JCBs are exported to Africa.

So now you're looking at a kind of three-way trading relationship ... where you've got a design and engineering done in the UK, manufacturing done in India and then the final product ending up in Africa. I think that's an exciting collaboration.

What are the major hurdles UK companies face when they make investments in India?

This is a glass half-full-half-empty question. India has made fantastic progress over the last three years moving from 144 to 66 in the ease-of-doing business ranking, and clearly it has been a huge effort by the central government and the states are also involved. That is the glass half full interpretation. And it would be great if they continue to improve. And secondly, I think there needs to be a focus in the minds of a lot of companies who are international investors on the issue of the courts ... India still has a weaker performance in terms of the ability to resolve contractual differences ... in enforcement of contracts in the courts. I think that is an area in which oversees investors would like to see continued progress.

Do you think Indian firms are nervous about investing in the UK?

An investment going the other way is Genpact acquisition in Glasgow, Scotland, as part of an extension of their wealth management business. That's a financial services business and a big Indian company wanted to go in there. So if it had been nervous about the UK, if they had been nervous about financial services, then it wouldn't have made that investment.

What're your focus areas in terms of investments in India?

We've brought 15 companies in the field of artificial intelligence for the ongoing Nasscom conference. And this is the time that we want to give more investment in financial technology because it's changing so fast and growing so fast, and secondly, to green technology, because there is such a significant need in the planet. In offshore wind, for example, Britain has gone from nothing to it contributing around 20 per cent of our energy needs at peak times. And that's a lot of energy.

And we would love to share that with a country with such an enormous coastline and some pretty significant winds at certain times of year. So we are putting special emphasis this year on green technology.

How's the trade in South Asia?

In the South Asia region — India, Bangladesh, Sri Lanka and Nepal — India accounts for 85 per cent ... I think growth rate in Bangladesh has been consistently ... And Sri Lanka is developing some free ports just outside Colombo ... So it's a competitive world for inward investment. It's a competitive world and India will need to compete for overseas investment just like everybody else.

BRIEFLY

Deloitte to stop select services in India

New Delhi: Deloitte Haskins & Sells and its network firms in India will no longer offer non-audit services to public interest entities that they audit in the country, the company said on Sunday. It said that this voluntary action is in the spirit of self-regulation and extends beyond non-audit services permissible under prevailing rules and regulations in India.

'Budget was disappointing; lacking vision'

New Delhi: The Union Budget was "disappointing" as it lacked a vision, though measures like relaxing the fiscal deficit target and simplifying income tax are positives, Ashima Goyal, part-time member of the Economic Advisory Council to the Prime Minister (EAC-PM), said. She also said that it was a "surprise" not to have a mention of the word 'slowdown' in Finance Minister Nirmala Sitharaman's nearly three-hour long speech.

Coronavirus: Impact on trade to be assessed

New Delhi: The Finance Ministry will hold a meeting on Tuesday to assess the impact of coronavirus outbreak and any disruptions posed by it to the country's trade or Make in India initiative. "On the impact of #CoronavirusOutbreak and any disruptions to #MakeinIndia or to Indian export/import @FinMinIndia is scheduled to hold a meeting on Tuesday 18 Feb. Stakeholders welcome. If unable to attend please email your inputs at fmo@nic.in," Finance Minister Nirmala Sitharaman tweeted Sunday. **PTI**

'Online retailers seek rollback of proposed tax'

New Delhi: Amazon and Walmart's Flipkart are among online retailers demanding that India scale back a proposed tax on third-party sellers on their platforms, saying the burden of compliance will hurt the industry, as per documents seen by *Reuters*. **REUTERS**

'Discoms' outstanding dues to gencos up 50% in Dec'

Total outstanding dues owed by discoms to power gencos, rose nearly 50 per cent to ₹88,177 crore in December 2019 over the same month last year, according to PRAAPTI portal

₹59,015 CRORE: Amount owed by distribution companies, or discoms, to power generation companies, or gencos, in December 2018

₹78,174 CRORE: Total overdue amount not cleared by discoms in December 2019, even after 60-day grace period offered by gencos

₹44,464 CRORE: Total overdue amount in December 2018

₹82,414 CRORE: Total outstanding dues on discoms in November 2019

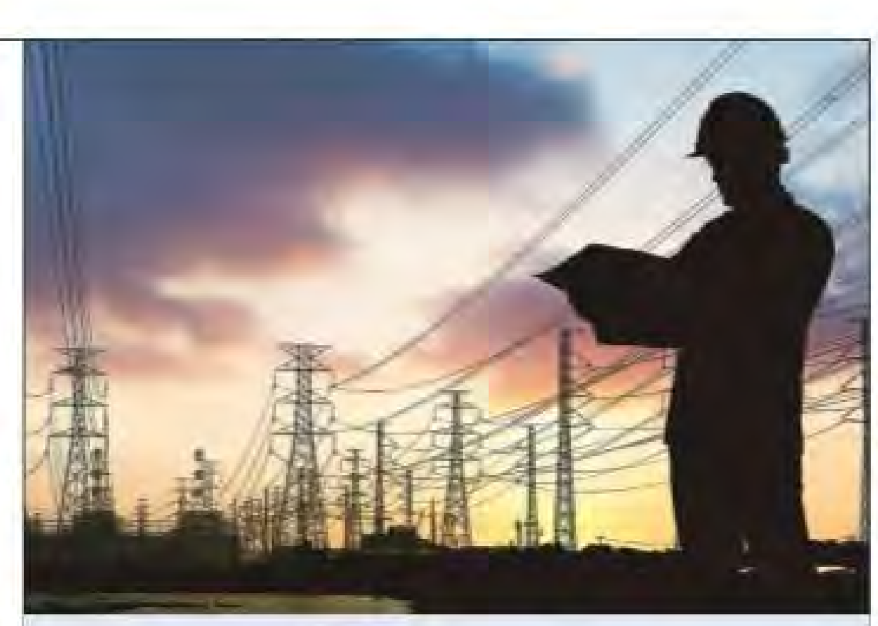
OVERDUES OF CENTRAL PUBLIC SECTOR GENCOS ON DISCOMS:

NTPC:	₹15,695.65 crore
NLC India:	₹5,010.69 crore
NHPC:	₹3,165.09 crore
THDC India:	₹2,136.30 crore
Damodar Valley Corporation:	₹822.09 crore

OVERDUES OF PRIVATE GENCOS ON DISCOMS:

Adani Power:	₹3,201.68 crore
Lalitpur Power Generation Company Ltd:	₹2,212.66 crore
GMR:	₹1,930.16 crore

OUTSTANDING DUES AND OVERDUES: Gencos give 60 days to power discoms for paying bills for supply of electricity. After that, outstanding dues become overdue and generators charge penal interest on that in most cases



₹73,175 CR: Total overdue amount on power distribution companies in November 2019

₹6,739.47 CR: Overdues of non-conventional energy producers like solar and wind in December 2019

25.45%: Share of overdues of independent gencos with total overdue amount of ₹78,174 crore on discoms

PRAAPTI: Payment Ratification And Analysis in Power procurement for bringing Transparency in Invoicing of generators (PRAAPTI) portal was launched in May 2018

Source: PRAAPTI/PTI

Non-payment of AGR dues: DoT set to issue show-cause notices to telcos

KIRAN RATHEE
NEW DELHI, FEBRUARY 16

THE DEPARTMENT of Telecommunications (DoT) is likely to go ahead and start issuing show-cause notices to telecom operators, starting Monday, asking why action should not be taken against them for non-payment of adjusted gross revenue (AGR) dues within the stipulated timeframe.

According to official sources, a financial penalty can be imposed on operators for not complying with its order to make payments by midnight of February 14, the day the Supreme Court expressed its displeasure over the companies not making any payment by January 23. It even pulled up the DoT for issuing orders to its field offices for not taking any coercive action against the companies for not making the payment.

Contempt proceedings have been initiated on the matter against the DoT and the telecom operators, and the next date of hearing on the matter is March 17.

Following a hard rap on February 14, all the field offices of DoT had issued notices to telecom operators to make immediate payments by midnight. However, no telecom operator has made the payment so far, though they have indicated that they would do so before March 17. Still, the offices are expected to send the compliance report to DoT headquarters on Monday and seek instructions for the next course of action.

The notices issued by the controller general of communication accounts of all telecom circles, clearly stated that in case of non-payment, action will be taken as per the licence agreement.

According to officials, a penalty can be imposed on operators for non-compliance and notices issued asking why their licences should not be cancelled. **FE**

Oil India to move TDSAT against DoT

New Delhi: Oil India is likely to move the Telecom Disputes Settlement and Appellate Tribunal (TDSAT) this week against the telecom department seeking about Rs 48,500 crore in past dues on the surplus bandwidth capacity it had leased to third parties, the state-owned company's CMD Sushil Chandra Mishra said. **PTI**

Have not really breached FRBM in Budget: FM

ENS ECONOMIC BUREAU
HYDERABAD, FEBRUARY 16

A DAY after Reserve Bank of India (RBI) governor Shaktikanta Das sought to allay fears of the Budget proposal on fiscal slippage causing a spike in inflationary pressure, finance Minister Nirmala Sitharaman reiterated on Sunday that the Budget 2020-21 has nOt violated the fiscal discipline.

Addressing a gathering of industry representatives here, she said, "We have not really breached the FRBM. We have not gone outlandish on it. We have kept fiscal discipline, which is a USP for both the Atal Bihari Vajpayee and Narendra Modi governments."

Speaking to reporters, alongside Sitharaman, after a meeting of the RBI board in New Delhi on Saturday, Das too had said the government had largely remained within the deficit road map set by the Fiscal Responsibility and Budget Management (FRBM) Act.

"We have not really breached the FRBM. We have not gone outlandish on it. We have kept fiscal discipline, which is a USP for both the Atal Bihari Vajpayee and Narendra Modi governments"

NIRMALA SITHARAMAN
FINANCE MINISTER

Acknowledging that the FM hadn't really succumbed to the temptation to launch a fiscal stimulus to pump-prime the economy, former RBI governor D Subbarao wrote in *The Indian Express* on February 12, " It has long been known that the true fiscal deficit is higher than what the government's books show. To her credit, the finance minister took a step towards transparency by admitting to off-balance sheet borrowings of 0.8 per cent of GDP for both the current and next fiscal years — acknowledging that the fiscal deficit would actually be higher at 4.6 per cent and 4.3 per cent of GDP respectively. This is already excessive. Add to this the unrealistic projections of revenue growth and disinvestment proceeds for next year and we have a potentially unsustainable fiscal situation. Any stimulus on top of this would have been clearly unwarranted, and for many reasons".

Invoking an escape clause, the Budget FY21 proposed to inflate fiscal deficit by 50 basis points for this fiscal and the next to 3.8 per cent and 3.5 per cent of GDP, respectively, amid a sharp cut in the corporate tax rate and a shortfall in revenue mop-up following a broader economic slowdown.

On the Budget, the FM said several novel measures have been initiated to address the demand side and allocations have been made to enhance consumption.

She said capital-stressed MSMEs were offered additional terms loans through their respective banks and given them additional working capital.

On the GST, she said from April 1, a "simplified regime" will begin also to ease technical glitches, if any (thanks to the new, simplified monthly returns). She asked the Central Board of Indirect Taxes and Customs to reach out people and clarify their doubts.

She also said the Centre is trying to reduce the dependence of the pharma industry on active pharmaceutical ingredient (APIs). "We were at one point of time dominant producers of API. Today, we don't any of them left. The government of course is spending a lot of time on how best we can encourage production of the API ... So, some work is going on partly addressing the issue." **FE**

AHEAD OF US PRESIDENT DONALD TRUMP'S TWO-DAY VISIT STARTING FEBRUARY 24

Details yet to be drawn, no final word on limited Indo-US trade deal

ENS ECONOMIC BUREAU
NEW DELHI, FEBRUARY 16

PERSISTING DIFFERENCES on sticky issues — including Washington's demand for greater access to agriculture, dairy and ICT products, have cast a shadow over the prospect of a limited trade deal being signed during US President Donald Trump's two-day visit to the country, starting February 24.

Fresh speculations about disagreements have gathered pace, as US Trade Representative Robert Lighthizer, who was widely expected to come before Trump to finalise the broad contours of the deal, hasn't landed here yet, with no clarity on his arrival.

Importantly, the US last week reportedly changed a key exemption to its trade remedy laws to make it easier to penalise several developing countries, including India and China, in the latest move to underscore its anxieties over New Delhi's trade policies.

While the quantum of incentives involved in the deal is unclear, it was initially expected to cover products with a total bilateral trade of over $10 billion. The limited deal was supposed to be signed during Prime Minister Narendra Modi's visit to the US in September last year but a lack of consensus had then stalled it.

US TRADE REPRESENTATIVE YET TO LAND

- **Sticky issues, including US' demand for greater access to agriculture, dairy and ICT products, have cast a shadow over the prospect of a limited trade deal**
- **Fresh speculations about disagreements have gathered pace, as US Trade Representative Robert Lighthizer has not landed in India yet**

Both the countries haven't yet reached a consensus on the US demand that India scrap an up to 20 per cent duty on seven ICT products, including mobile phones worth over Rs 10,000 and smart watches. Nevertheless, India has strived to narrow the stark differences through hard negotiations over the months.

New Delhi has already conveyed that while an across-the-board cut of import duties on the seven items would cost it a massive $3.2 billion a year and help only third parties (like China and Korea) that supply more, it is willing to lower duties on those ICT products where it would benefit the US. The US made up for only 2 per cent of the Indian imports of the seven products in FY18.

As part of the initial deal, India is learnt to have agreed to sweeten its offer on the price control regime for medical devices and apply trade margin on coronary stents and knee implants at the first point of sale (price to stockiest), instead of imposing it on the landed prices, as was planned earlier.

Last month, Commerce and Industry minister Piyush Goyal had held a meeting with Lighthizer in Davos, where both are learnt to have discussed the deal.

For its part, India is pitching for an exemption from the extra duty imposed by the US on steel (25 per cent) and aluminium (10 per cent) and a complete restoration of duty-free export benefits for some Indian goods under the Generalised System of Preferences. **FE**