IN BRIEF

IAF plane using bio-fuel mixture to help cut crude oil imports: PM

Prime Minister Narendra Modi on Sunday hailed the use of a mixture of 10 per cent indigenously produced bio-jet fuel to fly an Indian Air Force transport aircraft, saying such efforts will not only help bring down carbon emissions, but also reduce the country's dependence on imported crude oil. Addressing his monthly *Mann ki Baat* radio address, he said "history was made" when an IAF AN-32 aircraft took off from Leh's Kushok Bakula Rimpoche airport using a mixture of 10 per cent Indian bio-jet fuel. "This was the first time that this mix was used in both engines. Not just that, the airport from which this plane took off from Leh is not only one of the highest altitude airports in India but also in the world," the prime minister said. He pointed out that the bio-jet fuel is prepared from "non-edible tree borne oil" and is procured from various tribal areas of India. PTI

SC rejects Adani Gas' plea on piped gas distribution award

The Supreme Court has upheld an award for piped gas distribution network in Chennai and Tiruvallur districts in Tamil Nadu to a Gujarat-based firm by the Petroleum and Natural Gas Regulatory Board. A bench dismissed the appeal filed by Adani Gas and others and justified the action of PNGRB saying calling the bidders with the highest composite scores cannot be faulted. PTI

Centre keen to sell stake in THDCIL, NEEPCO this fiscal

The Centre is keen to sell its stake in THDC India and NEEPCO to NTPC in this fiscal year, according to a source. The deal is expected to fetch ₹10,000 crore to the exchequer. "The NTPC would acquire government's stake in THDCIL and NEEPCO this fiscal year only for meeting revised disinvestment target of ₹65,000 crore for FY20," the source said. PTI

1.8 mn pay ₹20 crore for entering FASTag lanes without tag

The National Highways Authority of India (NHAI) on Sunday said it had collected ₹20 crore from 1.8 million defaulters who entered the FASTag lanes at electronic toll plazas on national highways without the tag. Over 15.5 million FASTags have been issued through multiple point of sale locations. PTI

Govt notifies levy of 28% GST on lotteries effective March 1

A 28 per cent goods and services Tax (GST) will be levied on lotteries from March 1, according to a notification. The GST Council had in December decided to impose a single rate of 28 per cent on state-run and authorised lotteries. The revenue department notified the GST rate on supply of lotteries and amended Central Tax (Rate) notification. PTI

Top FinMin, NITI, DoT officials talk relief measures for telcos

MEGHA MANCHANDA & PTI
New Delhi, 23 February

An inter-ministerial group comprising officials from the finance ministry, NITI Aayog, and Department of Telecommunications on Sunday discussed urgent relief measures that could be extended to the telecom industry on adjusted gross revenue (AGR) issue.

The telecom department officials remained tightlipped after the high-level meeting on Sunday. The meeting comes at a time when the companies stare at ₹1.47 trillion in unpaid dues — ₹92,642 crore in unpaid licence fee and another ₹55,054 crore in outstanding spectrum usage charges.

Of the estimated dues that include interest and penalty for late payments, Airtel and Vodafone Idea owe about 60 per cent. Airtel has raised $3 billion in the past few months and is expected to have sufficient funds to tide over the AGR crisis. Vodafone Idea, which has paid just 7 per cent of its total ₹53,000-crore statutory dues, remains vulnerable.

Bharti Airtel Chairman Sunil Mittal had last week appealed to the government for cut in levies and taxes, in order to pull the sector out of what he had described was an "unprecedented crisis".

The government, meanwhile, is looking to strike a balance between complying with the Supreme Court order on AGR dues, ensuring health of the sector and safeguarding consumer interest.

Both Mittal and Vodafone Idea Chairman Kumar Mangalam Birla continued to meet top government functionaries throughout the last week to seek prompt measures that would offer a breather to the sector.

A top government official had recently said attempts were being made to balance the need for health of the sector, consumer interest while complying with the Supreme Court order on statutory dues.

Although the official had not elaborated, sector watchers had said the statement alluded to the government keen on ensuring adequate competition by retaining the present three-plus-one model of competition (three private players and one public sector company). The statutory dues arose after Supreme Court, in October last year, upheld the government's position on including revenue from non-core businesses in calculating the annual AGR of telecom companies, a share of which is paid as licence and spectrum fee to the exchequer.

The government is looking to strike a balance between complying with the Supreme Court order on AGR dues, ensuring health of the sector and safeguarding consumer interest

The Supreme Court earlier this month rejected a plea by mobile carriers such as Bharti Airtel and Vodafone Idea for extension in the payment schedule and asked all of them to deposit an estimated ₹1.47 trillion in past dues for spectrum and licences. It threatened to initiate contempt proceedings against top executives of these firms for non-payment.

Some telecom firms are already struggling with mounting losses and debt and the additional liability has raised concerns of them defaulting on existing loans.

COAI: DoT needs to ensure consistency in calculation

Terming 'test checks' proposed by the department on telecom companies' adjusted gross revenue (AGR) arithmetic as standard audit procedure, the Cellular Operators' Association of India (COAI) has said the DoT needs to ensure consistency among its different circles on calculation of dues to minimise any differences.

The COAI also cautioned that any decision to encash bank guarantees will be "disastrous" for the telecom industry, which only has three private players. "Any move to encash bank guarantees will precipitate an already precarious situation," COAI Director General, Rajan Mathews said.

Mathews termed the 'test checks' being proposed by the telecom department to examine deviation in calculation of dues by companies as a "standard audit procedure." He said while amounts need to be finalised as soon as possible, operators too should be given a fair opportunity to explain the deviations in calculation. "There should be consistency amongst all LSAs (Licensed Service Areas) of the DoT (Department of Telecommunications) on how the amounts are calculated, so the differences are minimised," he said.

The government has made it clear that it will verify the companies' claims on AGR math and examine any deviations from its own calculation, through random 'test checks' before March 17. The government will conduct 'test check' for any one year (of telcos' dues) to examine variances between telecom companies' assessment and the government's own calculation of AGR liabilities.

The test check will happen for all telecom firms, but could start with those, which have already claimed they have made full and final settlement towards their statutory liabilities, like Tata Teleservices. PTI

IDFC First to raise ₹2K-cr debt capital

ABHIJIT LELE
Mumbai, 23 February

IDFC First Bank is raising up to ₹2,000 crore in tier-II debt capital via bonds to strengthen capital base, improve buffers and support business growth.

The private lender's capital adequacy ratio (CAR) was 13.29 per cent at the end of December 2019, which is considered strong. The regulatory requirement for total CAR is 10.87 per cent with CET-1 ratio at 8.87 per cent, according to the Reserve Bank of India's norms.

IDFC Bank also has significant headroom for raising tier-1 and tier-2 bonds to increase capital adequacy beyond 18 per cent, the bank said in filing with the BSE. Rating agency CRISIL has assigned its 'AA/Stable' rating to the ₹2,000 crore tier-II bonds (under Basel III).

The strategy of the bank has been to conserve capital by not increasing the loan book and yet raise margins by growing the proportion of retail book. It would continue to conserve capital in the future, too. Funded assets of the bank rose marginally to ₹1.06 trillion in December 2019 from ₹1.04 trillion a year ago. IDFC First Bank came into being on December 18, 2018, following the merger of IDFC Bank and Capital First (CFL).

In the initial few quarters after the merger, IDFC First pro-actively recognised and provided for stressed assets as well as invested in expanding its reach for building a strong retail franchise.

CRISIL said capitalisation is healthy, as reflected in the overall CAR of 13.29 per cent as on December 31, 2019, despite moderation from 15.47 per cent, as on March 31, 2019.

The capital position is supported by a sizeable networth of ₹15,240 crore and a healthy cushion against asset side risks.

Furthermore, with incremental growth coming from the retail portfolio coupled with scaling down of the wholesale loan book, capital consumption is expected to be at lower levels than seen in the past.

The 'AA' rating reflects the bank's healthy capitalisation, increased focus on retailisation of the loan book, and expectation of improvement in earnings profile.

These strengths are partially offset by the relatively low, albeit increasing proportion of current account and savings account (CASA) deposits in borrowings, CRISIL said.

INDIA REMAINS FAVOURITE WITH FPIs DESPITE A STEADY DETERIORATION IN MACROS

India has traditionally been one of the favourite destinations for foreign portfolio investors (FPIs). In the past 12 months, Indian equity market received nearly $18 billion worth of FPI inflows, highest among the emerging markets.

FPI's love for India shows in the premium valuation on Dalal Street. At 25.2 times trailing earnings BSE Sensex is the most expensive benchmark index in the emerging markets. It is nearly 50 per cent expensive, compared to benchmark equity indices in Indonesia, Brazil, China, and Mexico and over three times expensive compared to its Russian peer.

Strong capital inflows, however, contrast with a steady deterioration in the country's macro-economic fundamentals. According to the International Monetary Fund, India saw one of the sharpest declines in headline economic growth in 2019 and lost the tag to the world's fastest growing economy to China among key countries and Bangladesh over all.)

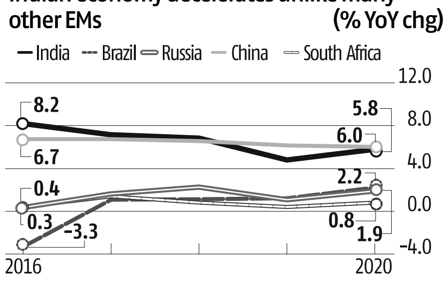
IMF expects a gradual recovery in growth in 2020 but China, Vietnam, and Bangladesh are likely to grow faster. Slowdown is also visible in India's merchandise exports and consumer demand domestically. The net result has been a slump in overall demand in the economy, hitting the job market and corporate earnings.

According to Bloomberg, the underlying earning per share (EPS) of BSE Sensex (in dollar terms) is expected to grow by 11.8 per cent in calendar year 2020, underperforming other indices with the exception of Russian market.

India's macros have also been muddled by a rising fiscal deficit and public borrowing to fund it. At around 7.5 per cent of GDP, general government borrowing in India is on the higher side among EM peers. KRISHNA KANT

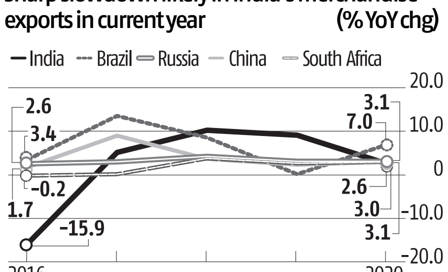
GDP GROWTH AT CONSTANT PRICES

Indian economy decelerates unlike many other EMs (% YoY chg)



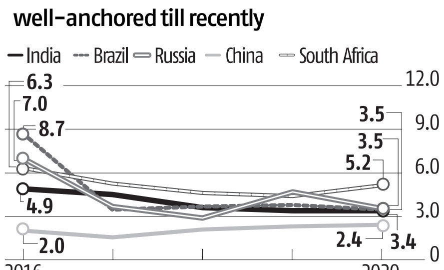
TREND IN MERCHANDISE EXPORTS

Sharp slowdown likely in India's merchandise exports in current year (% YoY chg)



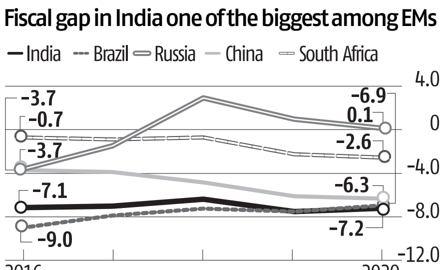
CONSUMER INFLATION (%)

Consumer inflation in India was well-anchored till recently



GOVERNMENT BORROWINGS/LENDING (as % of GDP)

Fiscal gap in India one of the biggest among EMs



GROWTH IN CORPORATE EARNINGS ($)

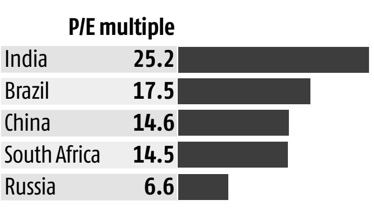
Corporate earnings growth in India tepid and so has been index return in constant currency

	EPS* growth		3-year index return (%)**
	3-Yr CAGR	CY20 (Est)	
India	5.4	11.8	-6.5
Brazil	21.3	13.8	19.2
Russia	19.2	-10.9	7.3
China	4.8	29.3	-2.2
South Africa	13.1	1.8	-3.0

*Earnings per share growth in benchmark indices;
**Index return in $

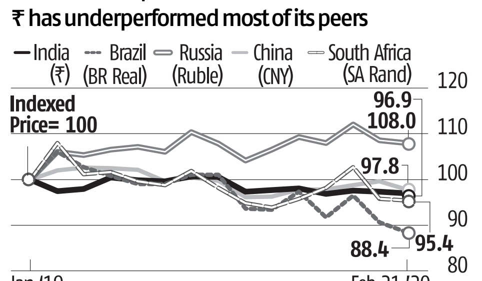
PRICE TO EARNINGS MULTIPLE OF BENCHMARK EQUITY INDICES

Indian equity remains most expensive in EMs



RELATIVE MOVEMENT IN EMs' CURRENCIES AGAINST US $ SINCE JANUARY 2019

₹ has underperformed most of its peers



Source: International Monetary Fund, Bloomberg

FROM PAGE 1

BSNL, MTNL users put on hold as VRS hits service

Together, they have around 123 million subscribers (mobile and landline) in the country out of a total telecom user base of over 1.2 billion. In landline, these two hold over 60 per cent of the market share.

Admitting that BSNL was overstaffed, another senior BSNL executive said the overall impact of the VRS on the company's operations was minimal. In fact, both MTNL and BSNL executives claimed it was business as usual.

Of the total number of BSNL employees who took VRS, a majority — 55,000 — made up for non-executive staff. In the case of MTNL too, the non-executive category formed the chunk in taking VRS.

"The retirement scheme was opted by employees of all levels at our company and there was no cadre-based differentiation while offering the scheme," said Purwar. Age (above 50) was the only condition for accepting the application and there has been no rejection.

Outsourcing for future

The state-level executives, however, sounded more realistic.

In BSNL's Gujarat circle, for instance, tenders are being floated across the circle units for roping in outsource partners following guidelines from the corporate office recently. Of the roughly 10,000 workforce in the state, around 6,468 opted for VRS, leaving the circle with staff strength of just 3,532.

"We are looking at improving our services, though there are no details yet on any further investments. The outsourced partners will manage our copper lines for landline connections. This is because majority of those who opted for VRS are from among the Group C staff who used to maintain these lines," said an executive from the Gujarat circle. Maintenance of optic fibre network may also be outsourced.

Similarly, at BSNL offices in Hyderabad, officers managing the post-VRS situation have redeployed staff from back-end administrative work at customer service centres.

"Manning the customer service centres and handling of fault rectification are our priority. We are trying to ensure the least possible disruption at this difficult juncture. The tenders for outsourcing of these functions are already at an advanced stage," a senior BSNL executive said in Hyderabad.

In Chennai, where almost 33 exchanges out of the total of over 200 in the city and its suburbs barely had any staff since February 1, the unions have been active. "Our union had to immediately talk with the management here and make some arrangements, so that at least skeletal staff was allocated in these exchanges and they are not closed," said C K Mathivanan, senior vice-president of the National Federation of Telecom Employees at BSNL.

As for the customer service centres in Chennai, around 22 out of a total of 52 may be eventually closed down or handed over to private franchise.

The impact is seen even at the centres where BSNL has subsidiaries.

Bhanu Kiron Chakraborty, a retired Damodar Valley official has been lamenting the deterioration in Calcutta Telephones' service quality. Chakraborty (79), a supporter of nationalised enterprises, has been using this connection since 1972. "I'm too old to get used to smartphones and so have kept this connection," he said.

But, according to Chakraborty, the quality of voice service as well as data speed has been falling for the past two years, much before the VRS was offered.

Banking on contract labour

In Uttar Pradesh (UP), where the decision to outsource some of the services has already been taken, a BSNL executive pointed out that manpower crunch was real. The remaining BSNL staff now shoulder greater responsibilities, he said.

Across two circles — UP (East) and UP (West) in the state — where the staff strength has shrunk to nearly 3,300, from about 6,900, the mobile phone base is at an estimated 16 million.

It seems while the mobile subscriber base has remained constant in UP even after the VRS, the landline services are facing the heat of the sudden staff reduction.

Although some of the centres are actively looking for ad-hoc and contractual employees, the process would take time for BSNL and MTNL, which the policymakers have been wanting to merge for several years but have failed to because of resistance from unions.

The VRS package

A couple of days before Diwali in October 2019, the Union Cabinet had approved a relief package worth nearly ₹70,000 crore for BSNL and MTNL, followed by a merger of the two entities.

The package includes a sovereign bond issue worth ₹15,000 crore to be serviced by the two telecom companies.

Both BSNL and MTNL will be allotted 4G spectrum at administered price (or an internal pricing structure) at 2016 auction prices and the real estate assets of the two companies would be monetised. The details of the scheme will be finalised by the two companies. The process for asset monetisation and roll-out of 4G spectrum is yet to commence.

In the VRS package, the government has approved ₹17,169 crore as ex-gratia component and ₹12,768 crore for advancement of pensionary benefit.

The government plans to monetise MTNL and BSNL assets worth ₹37,500 crore over a period of three years to raise resources for retiring debt, servicing of bonds, network upgrade, expansion and meeting the operational fund requirements. The assets include land as well as rental and leasing of buildings. MTNL has around 29 retail outlets in Delhi alone.

The fact that historically private telecom companies have been spending 5-10 per cent of their total expenditure on staff, against 70 per cent by BSNL and MTNL, brings out the size and impact of the VRS at the two state-owned telcos. From a strength of 198,000 employees till a few months ago, BSNL and MTNL are down to almost half. The service shake-up has to accompany such a major staff reduction exercise, as an old-timer pointed out.

Firms to be allowed direct foreign listing

The Ministry of Corporate Affairs (MCA) is also planning to introduce an enabling provision in the law to ensure large unlisted companies have to file quarterly results on the MCA21 portal.

"We will define a class of companies that will be covered under this proposed law," the official said.

However, the ministry will decrease the compliance burden on certain categories of private companies that list debt securities.

All private firms are treated similar to listed companies in terms of compliance if they list debt securities. Finance Minister Nirmala Sitharaman in her Budget speech had said the government would amend the Companies Act to remove the criminality clause.

The ministry is planning a fresh categorisation of 23 compoundable offences, to be dealt with in the in-house adjudication framework, and make penalties for them milder. Also, it seeks to impose only fines and remove imprisonment for 11 offences.

Based on the recommendations of the Companies Law Committee to improve "ease of doing business", the government is planning a lower time frame to hasten rights issues for fundraising by companies and not levying penalties for delay in filing annual returns and financial statements in certain cases.

Currently, under the Act, companies are required to give at least 15 days' notice for offering shares.