

Economy

WEDNESDAY, FEBRUARY 5, 2020

IN PARLIAMENT



'Number of cyber crimes increasing'

NEARLY 6,900 cases of online banking frauds were registered in India in 2017-18, the Lok Sabha was informed on Tuesday. Union minister of state for home G Kishan Reddy said with the rapid increase in use of cyber space, the number of cyber crimes is also rising.

FDI at \$34.9 bn till Nov of FY20

FOREIGN DIRECT INVESTMENT (FDI) in India has been increasing on an annual basis and was at \$34.90 billion till November of this fiscal, Parliament was informed on Tuesday.

PMFBI: 4 insurance firms debarred

THE CENTRE on Tuesday told Parliament that some states like Rajasthan, Karnataka and Gujarat have debarred four insurance firms — SBI General Insurance, Tata AIG, Shriram General Insurance and UIIC — from participating in tender of the Pradhan Mantri Fasal Bhima Yojana (PMFBI) for one or more seasons.

'GDP EXPANSION LIKELY AT 4.9% IN FY20'

India's growth projections ambitious, says Moody's

PRESS TRUST OF INDIA
New Delhi, February 4

MOODY'S INVESTORS SERVICE on Tuesday said economic growth projections made by finance minister Nirmala Sitharaman in her Budget for 2020-21 appear ambitious given the structural and cyclical challenges facing the Indian economy.

The Budget expects nominal GDP growth of 10% in 2020-21, followed by 12.6% and 12.8% in FY2022 and 2023. But Moody's saw GDP growth rising to around 8.7% in the next financial year beginning April 1 from about 7.5% in the current fiscal.

Stating that growth outlook will remain weak, it has put real GDP growth during the current fiscal ending March 31 at 4.9%, slightly below the government's forecast of 5%. For the next fiscal, it estimated real GDP growth of 5.5%, lower than the 6-6.5% projected by the government's Economic Survey.

"Growth has remained relatively weak as a prolonged deleveraging cycle and ongoing stress among non-banking financial institutions (NBFI), which has constrained the financial system's overall provision of credit, weigh on consumption and investment," it said in a detailed commentary



on the Budget. For the next 2020-21 fiscal, it lowered real GDP growth forecasts to 5.5% from 6.3% previous estimate. And for the following fiscal, it put the real GDP growth at 6% from 6.7% projected earlier.

"The significant slowdown in financial sector credit growth from NBFI liquidity constraints and asset quality issues among public sector banks has exacerbated prolonged weakness in private investment and a material decline in consumption, due in part to financial stress among rural households and weak job creation," Moody's said.

The nominal GDP growth, it said, has also declined significantly. Following 11.2% expansion in 2018-19, the government had forecast 12% nominal GDP growth in its July 2019 budget for the current fiscal.

However, according to the government's first advance

estimate of GDP last month, nominal GDP growth is likely fell to a much lower rate of around 7.5% for full 2019-20.

"These forecasts (made the Budget) appear ambitious given the combination of structural and cyclical challenges that the Indian economy faces," it said.

Moody's said the government will face challenges in achieving its deficit target for the fiscal year ending March 2021, amid persistent structural and cyclical headwinds to growth.

Sitharaman is targeting narrowing of fiscal deficit to 3.5% of the GDP in the next financial year from 3.8% in the current — wider than the 3.3% that the government previously predicted.

"While the latest budget targets a narrower deficit, prolonged weakness in nominal GDP growth in India, combined with lower revenue collections, has dampened the outlook for

PM: Attempts to mislead people on Bud

PM NARENDRA MODI said on Tuesday that attempts were made to mislead people on the Union Budget; however, even critics now accept that it is the best Budget under the prevailing global economic scenario. PTI

fiscal consolidation, raising the risk that the debt burden may not stabilize," says Gene Fang, a Moody's associate managing director.

"The debt burden is sensitive to nominal GDP growth, which we expect will remain lower on average than in the past. In light of India's weak fiscal health compared with its rating peers, any slippage in debt reduction will be credit negative."

The slippage in meeting fiscal deficit targets "reflects significantly weaker economic growth and revenue collection than the authorities forecast in July 2019," Moody's said. "Any material strengthening in India's public finances is unlikely in the near term as obstacles to growth persist."

Bolstered tax data to improve revenue collection: CBDT chief

SUMIT JHA
New Delhi, February 4

THE AMOUNT OF information and data being gathered by the income tax department would serve the dual purpose of improving revenue collections through better compliance as well as preparing pre-filled return forms starting from assessment year 2020-2021, Central Board of Direct Taxes (CBDT) chairman Pramod Chandra Mody told FE on Tuesday.

"Getting pre-filled forms ready is our aim, and we are progressing very fast on that. We have information coming from reporting entities including our indirect tax counterpart, which would help the taxpayers to judge for themselves whether their high-value transactions have actually been factored into their returns of income or not. That very information can also be used for pre-filling the returns also," Mody said. He said the department was scaling up the extent of pre-filled information after it was rolled out for salaried taxpayers earlier.

Mody said that the revised estimates for direct tax collection were realistic, adding he felt pretty confident of meeting the target based on the information flows from third party as well as reporting entities. He said data flow would start reflecting in the current fiscal itself and help department meet the personal income tax target which is pegged to grow

RENEWABLE ENERGY PROJECTS

RK Singh, renewable energy minister

Renewable energy capacity of 7,591.99 MW has been commissioned in the year 2019-20 up to December 2019. Another 34,160-MW RE capacity is under various stages of implementation



CBDT chairman Pramod Chandra Mody

at 18% over the collections last year. However, the collections in the April-December period have been muted, recording a growth of just over 5%.

The Budget launched a dispute resolution-cum-amnesty scheme for 4.83 lakh direct tax cases, which could apply to cases related to disproportionate cash deposit during demonetisation if they are already in dispute. However, Mody said it wasn't possible to estimate the exact number of cases to come under the scheme. "What the scheme says is that whatever is in dispute at appellate level is covered under the scheme. Incidentally, in all those cases (demonetisation), the assessment have been finalised, and if a taxpayer isn't happy about assessment then he would go for an appeal. And such cases are covered under the scheme."

He added that scheme was a reasonable offer made by the department to taxpayers as it only the original tax demand would be collected while interest and penalty would be

waived off. Additionally, there would not be prosecution. "Everything gets settled and if interest and penalty is what is in dispute, then a taxpayer has to pay 25% of that amount. Offer is till March 31, but taxpayers who come forward to avail the scheme thereafter then the assessee would have to pay 10% extra on the original tax demand. And if it's a penalty and interest case, then instead of 25%, those who come after March 31 would pay 30%."

Reacting to the criticism that the new personal income tax regime would benefit to only a small section of taxpayers, he said that taxpayers in the lower income bracket would benefit from the regime, especially those who have just entered the work force and are still not used to deductions and exemptions. "I do foresee that more and more people would opt for the new regime because whenever you make investment for tax purposes, you have to keep an account of that which can be cumbersome for many," Mody added.

Explaining the proposed 'taxpayer charter' proposed in the Budget, Mody said that it would provide statutory recognition to administrative framework and hence would be enforceable. "This would empower the taxpayer more... The charter would be enforceable in the manner that a taxpayer can take the department to the court if the promises made in the charter are not delivered," he added.

From the Front Page

October-December: Bharti cuts losses at ₹1,035 cr

Consolidated revenue during the quarter at ₹21,947 crore was up 3.86% sequentially, while Ebitda at ₹9,350 crore was up 4.6%. Margin expanded 30 bps on a sequential basis to 42.6% driven by the December tariff hikes.

The company, which has adjusted gross revenue dues of ₹35,586 crore, said that it has successfully raised ₹21,502 crore of funding through a combination of fresh equity issuance via qualified institutional placement and issue of convertible bonds. "The company intends to use these proceeds to augment its long term resources and strengthen its balance sheet. Pursuant to the infusion of fresh equity and long-term financing via convertible bonds subsequent to the reporting period ended December 31, 2019, and available liquidity/facilities with the Group, the management has concluded that the previously reported material uncertainty on the Group's ability to continue as a going concern no longer exists," Bharti Airtel said in a statement.

During the quarter, the company's India mobile services revenues grew 1.7% compared to the preceding quarter at ₹11,165 crore. India business revenue grew 2.83% quarter-on-quarter at ₹15,797 crore.

Apart from Arpu, on other key operating metrics also Bharti performed well during the quarter. Its total voice traffic on the network increased 5.9% sequentially at 758,897 million minutes. Minutes of usage per month, per user increased 5.8% to 898 minutes. This is higher than Jio's 760 minutes during the same quarter.

Total data consumption also saw a jump of 15% compared to the preceding quarter at 55,47,223 million MBs while data usage per customer per month was 6.2% at 13,928 MB. This is again higher than Jio's 11,100 MB during the same quarter.

AGR or no AGR, govt to miss telecom receipt target

Meanwhile, economic affairs secretary Atanu

Chakraborty said on Monday that the government has not accounted AGR dues payment in telecom receipts either for the current fiscal or the next. In that scenario, the government can't get more than ₹36,195 crore — around ₹16,000 crore from licence fees and spectrum usage charge and another ₹20,195 crore from deferred spectrum instalments. It can only touch ₹59,000 crore, if some — ₹22,805 crore — comes as upfront payment as AGR dues. However, the DEA secretary says the government has not accounted for that money and till the time the SC does not take up the modification petition, it is difficult to speculate what shape staggered payment would take, even if one assumes that the apex court would allow for it.

Supposing the SC does not allow for staggered payment, then the entire ₹1.47 lakh crore dues the operators owe together would need to be paid upfront. Of this, the dues of three operators — Bharti Airtel, Vodafone Idea and Tata Teleservices — comes to ₹1.02 lakh crore. But it is unlikely that Vodafone Idea would be able to pay if asked to pay the entire ₹53,039 crore in one go. In that case the guaranteed payment can come only from Bharti Airtel (₹35,586 crore) and Tata Tele (₹13,823 crore), which totals ₹49,409 crore.

If this amount comes this fiscal, the target would be surpassed but then the next year's target would be widely missed. If the ₹49,409 crore is deferred to next year, the government will get only ₹16,000 crore additional from licence fee and spectrum usage charge. A bigger chunk of ₹21,000 crore as deferred spectrum instalment will not come as a two-year moratorium on such payment has been given by the government.

The government will say that it expects to garner revenue from spectrum auctions planned for March/April this year but operators have already said that they are not in a position to bid considering their financial condition, which has worsened with the AGR due burden.

Therefore, whichever way one looks, the government is surely going to miss its target for telecom revenue receipts be it for FY20 or FY21.

Google breaks out YouTube, cloud revenue for first

Hyundai has built up a huge production capacity in China

time

That business is much smaller than Google's, but it has grabbed more lucrative shopping-related searches in recent years.

In online video, YouTube is an important asset for Google. But that division spent much of 2019 responding to criticism that it doesn't do enough to limit the spread of toxic videos and misinformation. YouTube was also forced to end targeted ads on clips that are made for kids, a large and growing audience.

During a conference call following the results, Ross Sandler, an analyst at Barclays, asked why YouTube growth decelerated in the fourth quarter. Justin Post, an analyst at Bank of America Merrill Lynch, estimated that YouTube generates \$7 to \$8 in revenue per user and asked if there was room for improvement.

YouTube also shares a lot of ad revenue with partners, including video creators and larger media companies. That shows up in Traffic Acquisition Costs, or TAC, which grew 14% to \$8.5 billion in the fourth quarter, from the same period a year ago.

Alphabet also reported cloud results for the first time. Sales, including a service that rents computing power and G Suite internet-based productivity software, totaled \$2.6 billion, up 53% from a year earlier. Google is pouring money into this business to try to catch up with Amazon and Microsoft.

Under cloud boss Thomas Kurian, the internet giant is also making acquisitions, buying four companies in the booming sector last year.

Until now, cloud and YouTube had been bundled together in an opaque Google metric known as Other Revenue.

While it increased disclosure on YouTube and cloud, the company also stopped sharing information on how many times people click on Google ads and how much Google charged for each of those clicks. Those statistics used to be closely followed, but had become less important in recent years.

BLOOMBERG

Coronavirus: Hyundai to halt S Korea output on parts shortage

Hyundai has built up a huge production capacity in China

over the past two decades.

"South Korean parts makers followed and built their own facilities along with Hyundai," Lee said.

South Korea imported \$1.56 billion worth of auto parts from China in 2019, up from \$1.47 billion in 2018, trade data show.

Most of Hyundai's South Korean factories will be fully idled from February 7, while some production lines are expected to restart on February 11 or February 12, a union official said, declining to be identified given the sensitivity of the matter.

Schedules for suspension will vary by production line, a Hyundai spokeswoman said.

The move follows a shortage of wiring harnesses which Hyundai sources mainly in China, industry officials said.

Two of the affected suppliers, Kyungshin and Yura Corporation, said they were trying to boost production at their factories in South Korea and Southeast Asia to compensate for the disrupted supply from China.

They both also plan to resume production at their Chinese factories after February 9.

"We are in an emergency," a Kyungshin official told Reuters.

Hyundai has seven factories in South Korea, catering to the local market and the US, Europe, West Asia and other markets.

Hyundai's production in South Korea accounts for about 40% of its global output.

Hyundai's decision to halt assembly lines at home could delay supplies of its popular sport utility vehicles (SUVs) such as the Palisade and Genesis GV80.

The automaker recently turned in its best quarterly profit in more than two years and said it was on track for higher profit margins, aided by more sales of SUVs.

The virus outbreak may slow manufacturing activities in automobiles and other sectors, Japanese trading house Mitsui & Co has warned.

REUTERS

Airbus bribe probe: AirAsia CEO Fernandes steps aside, denies charges

The AirAsia co-founders, who bought Caterham in 2011, issued a joint statement on Tuesday reiterating that they

did nothing wrong.

"Caterham F1, the company alleged to have been sponsored improperly by Airbus, was at the relevant time a Formula 1 racing team that had gone round the globe promoting amongst others AirAsia, AirAsia X, GE and Airbus," Fernandes and Kamarudin said in the statement.

"Throughout the period we were shareholders in Caterham, the company made no profit and was eventually disposed of for 1 pound sterling in 2014. From start to finish, this was a branding exercise and not a venture to make profit."

The allegations by Britain's Serious Fraud Office on Friday concerned a 2012 sponsorship agreement between the now-defunct racing team and Airbus's then-parent, EADS.

AirAsia runs an all-Airbus fleet of 274 planes. It is the world's largest customer of the A321neo single-aisle aircraft. Shares of AirAsia fell 5% as the stock market opened in Kuala Lumpur on Tuesday. Those of long-haul subsidiary AirAsia X Bhd lost 8%.

Malaysia's MIDF Research downgraded its recommendation on AirAsia stock to "neutral" from "buy" on Tuesday whereas AmlInvestment Bank maintained its "sell" rating.

"We find it difficult to argue for a case that 'business as usual' will prevail in the absence of the direct involvement of Fernandes and Kamarudin in the management and decision-making process of the company," AmlInvestment Bank said in a client note.

"The duo are the founding members, visionaries and key strategists for the group. This could not have happened at a worse time, amidst the Wuhan coronavirus epidemic that is severely hurting the demand for air travel (which is partially offset by plunging prices of crude oil, and hence jet fuel)."

REUTERS

Paris pact: 29 power units to shut by 2022

Currently, coal-based power plants across the country are in the process of installing and upgrading equipment to meet the environmental norms. The actions include installing flue gas de-sulphurisation (FGD) units and electrostatic precipitators (ESP) in power plants. However, the government has found out that many old power plants will not be able to install

such equipment because of space crunch, and have to be shut down by 2022. About seven acres of free land is needed to install FGDs in a 1,000 MW plant. Typically, about one acre of land is needed to house every MW of coal-based power generation capacity.

In an earlier estimate by the power ministry, 33 power plants with a capacity of 16,789 MW were seen to be shutting down due to scarcity of space. This list also included units from four major plants run by NTPC. However, some units from this list with more than 5,000 MW capacity have decided to instal pollution reducing equipment which will fit inside the plants with newer technologies.

Currently, as much as 1,61,402 MW of generation capacities are installing FGDs and another 64,525 MW are in setting up ESPs in a phased manner.

As reported earlier by FE, about 14,000 MW of power plants around the national capital region have missed the first deadline of installing FGDs by December, 2019. Another 26,330-MW power capacities are required to set up FGD units in 2020, 64,268 MW in 2021 and 64,055 MW in 2022. CLP India's 1,320 MW Hajjar Power plant is currently the only station to have commissioned such equipment.

The country will start effectively implementing its intended nationally determined contribution, under the Paris Agreement in 2015 on a "best effort" basis, in 2021. The target is to reduce the emissions intensity of its GDP by 33-35% by 2030 from 2005 level.

FY20 RE: ₹1-lakh-cr shortfall in tax receipts likely

The RBI had transferred a record ₹1.48 lakh crore to the government this fiscal.

The Centre's GTR stood at ₹13.83 lakh crore in April-December, down 2.9% y-o-y.

The RE pegs GTR growth at 3.8%.

As per an FE analysis, the approximate shortfall in each tax category from the respective REs could be as follows: personal income tax: ₹63,000 crore; corporate tax: ₹37,000 crore; GST (including compensation cess): ₹11,000 crore; customs: ₹21,000 crore; excise: ₹21,000 crore. While these add

Govt plans GST lottery offers of ₹10 lakh to ₹1 crore

PRESS TRUST OF INDIA
New Delhi, February 4

THE GOVERNMENT IS planning to introduce lottery offers between ₹10 lakh and ₹1 crore under the GST to encourage customers to take bills while making purchases.

Central Board of Indirect Taxes and Customs (CBIC) member John Joseph said every bill under the goods and services tax (GST) regime will provide a chance to the customers to win a lottery and that would act as an incentive for them to pay the tax.

"We have come with the new lottery system. Every bill under GST is supposed to be a price-winning lottery ticket. It will go for a draw and price are so high that people will say that by not saving 28%, I have a chance of winning ₹1 crore or ₹10 lakh. It is a question of changing the consumer behaviour," Joseph said at an Assocham event here.

As per the plan, the purchase bill would be uploaded on a portal and a draw would be held automatically and the winners would be informed.

Under the four-tier GST, goods and services are taxed at 5%, 12%, 18% and 28%. Besides, cess is levied on luxury, sin and demerit goods on top of the highest tax rate.

The GST Council, chaired by finance minister Nirmala Sitharaman and comprising state counterparts, would vet the proposed lottery scheme.

The council would also decide on the minimum threshold for bills that would be included in the lottery. As per the plan, the money for the lottery would come from the consumer welfare fund, where the proceeds of anti-profiteering are transferred.

To plug leakages in GST revenue, the government is considering various options in business-to-consumer deals, including lotteries and incentivising QR Code-based transactions.

The government has constituted a committee of officers to suggest measures to augment GST revenue collections.

The panel has been tasked to suggest systemic changes in GST, including checks and balances, to prevent misuse and measures to improve voluntary compliance.