

Economy

FRIDAY, FEBRUARY 7, 2020

Quick View



Civil services recruitments fall

THE NUMBER OF civil services personnel recruited by the UPSC has declined in the last four years and reached its lowest of 2,352 in 2018-19, the Rajya Sabha was informed on Thursday. A total of 3,750 candidates were recommended by the UPSC in 2015-16, 3,020 in 2016-17, 3,083 in 2017-18 and 2,352 in 2018-19, according to the data given by minister of state for personnel Jitendra Singh in a written reply to the upperhouse.

BSNL, MTNL in spectrum auction

PARTICIPATION OF BSNL and MTNL in the spectrum auction may create efficacy- and fairness-related apprehensions in the telecom industry and lead to conflict of interest, Union minister Sanjay Dhotre informed the Rajya Sabha on Thursday. He was citing a letter of the Department of Telecom (DoT) to the Solicitor General of India on the matter of allocation of spectrum to BSNL.

More Aadhaars than population

SEVEN STATES HAVE more Aadhaar holders than their respective projected population as on December 31, 2019, the Rajya Sabha was informed on Thursday. Minister of state for electronics and IT Sanjay Dhotre said this could however not be attributed to deceased Aadhaar holders, as the estimated number of deaths (of Aadhaar holders) has been accounted in Aadhaar saturation. These could be attributed to error in projection of population and migration of people, Dhotre said.

ED questions PFI officials

THE ED HAS questioned some Popular Front of India (PFI) officials in connection with a money laundering probe against it and an NGO linked to it, officials said on Thursday. They said about half a dozen office bearers of the Kerala-based organisation were questioned about the finances, expenditure, various sources of funding and beneficiaries of the funds generated or distributed by it.

I-T dept launches e-calculator

The Income Tax Department has launched an e-calculator for individuals to estimate their tax liability if they opt for the new tax slabs, without claiming deductions and exemptions, for ITR filing as announced in the Budget, officials said on Thursday. The calculator for resident individuals (financial year 2020-21) has been hosted on the official e-filing website of the department — <https://www.incometaxindiaefiling.gov.in>

EMISSION NORMS

14 non-compliant power plants get CPCB notice

ANUPAM CHATTERJEE
New Delhi, February 6

THE CENTRAL POLLUTION Control Board (CPCB) has sent show-cause notices to 14 coal-based power plants with 13,060 megawatt (MW) of generation capacity, asking them to explain why should not they be fined and closed for not complying with the mandate to install emission-reducing equipment within the stipulated deadline of December 31, 2019.

Of these units, nine with an aggregate capacity of 9,440 MW are located in and around Delhi. Their upgrade was expected to play a role in controlling high pollution levels in the National Capital Region.

While most of the units are owned by the respective state governments, notices have also been sent to power plants run by NTPC (for 630 MW units in Dadri and 1,500 MW units in Jhajjar) and subsidiaries of private companies like L&T (1,400 MW in Nabha) and Hinduja Group (520 MW in Vizag). According to the copies of the CPCB notices,



reviewed by FE, the ministry of environment, forest and climate change has invoked the Environment (Protection) Act, 1986 to direct power generators to respond to the charges by February 15.

Power plants had been directed by the CPCB to meet the revised norms through staggered installation of flue gas de-sulphurisation (FGD) units and electrostatic precipitators (ESP) between 2019 and 2022. The plants which received the CPCB notices were supposed to have executed

them by 2019-end.

According to the last update published by the Central Electricity Authority, as on September 2019, most of these plants were in various stages of implementing the environmental mandate. While addressing queries on this issue, Union power minister RK Singh said in a post-Budget press conference on Saturday, "The plants are expected to go to court and ask for more time. I believe that if one has been diligent and taken steps in the right direc-

tion, then probably the CPCB and NGT may take a liberal view and grant them extra time, and if they are not, they will have to be shut down."

It requires an estimated around ₹40 lakh per MW for FGD installation, but for some plants, the landed cost goes up to 77% higher than the government estimate. According to a report by SBI Caps, NTPC has been the frontrunner in bidding over FGD tenders, awarding 27.5 GW till December 15, 2019. CLP India's 1,320 MW Jhajjar Power plant is the only station to have commissioned such equipment till September 2019.

As FE recently reported, as many as 29 power plants in the country with a combined capacity of about 12,000 MW will require to be shut down by early 2022 in order to ensure that India meets its international environmental commitments under the 2015 Paris Agreement. These power plants will be 25 years of age by then and do not have adequate space to install FGDs and ESPs.

Sanjeev Sanyal sees further scope for monetary easing

BANIKINKAR PATTANAYAK
New Delhi, February 6

THE NEW PERSONAL income tax (PIT) regime isn't designed as a consumption stimulus to boost growth, but is part of a broader, longer-term drive towards simplifying the overall tax structure by removing assorted exemptions, according to Sanjeev Sanyal, the principal economic adviser in the finance ministry. However, if it does boost consumption along the way, there need not be any issue, he said.

In an interview to FE, Sanyal asserted that the listing of LIC, touted to be the mother of all initial public offerings in India, will lead to greater transparency and governance at the insurance behemoth, as the market has its own unique way of disciplining entities. Even though the government is still expected to retain at least 90% of its stake in LIC, he said the stringent minority shareholders' norms will ensure greater disclosures and discipline. Also, "you got to start at some point".

On a day when the monetary policy committee (MPC) held on to rates, discounting an estimated 50-basis point rise in fiscal deficit for FY20 and FY21 from the targeted levels, Sanyal said there is further scope for monetary easing. He endorsed the stance taken by the MPC, which has left the doors open for further rate cuts. "The underlying price pressure has been benign. Moderating energy prices will help further in keeping a lid on headline inflation," he said, holding that the breach in the deficit target is mainly due to a drop in revenue mop-up, and not an expansionary fiscal policy. The revised fiscal deficit targets now stand at 3.8% for this year and 3.5% for the next.

Asked about a cut in alloca-



tion for the Mahatma Gandhi National Rural Employment Guarantee Scheme to ₹61,500 crore for FY21, against the revised estimate of ₹71,002 crore for FY20, when the rural economy is still not out of the woods, Sanyal said the outlay can be raised if there is demand. "However, with the growth momentum picking up, we estimated that demand for such work may drop in FY21. Nevertheless, these schemes are demand-driven, and the government is always committed to allocation against offtake."

Highlighting the importance of a bilateral netting law, as proposed in the Budget, Sanyal said it is a crucial move towards creating a credit default swap market, which, in turn, is crucial to a well-functioning, liquid bond market.

Bilateral netting typically refers to a process of consolidating all swap agreements between two parties into one single agreement. Such a practice would allow companies, especially banks, to set aside much lower capital based on their net positions, instead of the existing practice of gross settlements.

However, Sanyal stressed that this market has to be regulated properly. "Unnecessarily complex derivatives should be discouraged. At the same time, we have to ensure that we have a well-function credit-swap default market," he said.

'Small agri warehouses must be on board for 100% geo-tagging'

THE GOVERNMENT WILL have to bring all stakeholders, including small ones having one-two warehouses, in a mission mode project in next two years to achieve 100% geo-tagging of agricultural warehouses and cold storages with estimated 162 million tonne capacity across the country. Geo-tagging of warehouses is key to repealing the Essential Commodities Act, which is considered a major stumbling block in the growth of the agri-

culture sector. "Most of the warehousing companies in the organised sector have already geo-tagged their entire operation managing through their own software. Through developing a proper technology, these companies can be integrated with the government-promoted software. But the real challenge will be to bring small warehouses in the proposed plan," said Sandeep Sabharwal, CEO of SLCM group. **FE BUREAU**

India betters score in global IP Index of GIPC

SAJAN C KUMAR
Chennai, February 6

REFLECTING THE COUNTRY'S growing investment in intellectual property (IP)-driven innovation, India's overall score has increased to 38.46% in the International IP Index 2020 by Global Innovation Policy Center (GIPC) of the US Chamber of Commerce. The country's score was at 36.04% in the 2019 Index. The US tops the scorecard with 95.28% out of an 100% scale, while the UK (93.92%), France (91.50%), Germany (91.08%), Sweden

(90.56%) and Japan (90.40%) follow closely.

India stands at 40th place out of 53 economies in global IP Index 2020, released on Wednesday, as against 36th place out of 50 economies in the 2019 Index. In the eighth edition, the US Chamber International IP Index ranked 53 global economies, representing over 90% of global GDP, including India, on 50 IP-specific indicators.

In this latest Index, the review has found that India has embraced a series of reforms and issued court rules

The index has reported that India's key areas of strength in IP domain include continued strong efforts to combat copyright piracy

that strengthen IP enforcement, address administrative inefficiencies and increase penalties for IP infringement.

The 2020 index includes three new countries — Dominican Republic, Greece, and Kuwait — and five new indicators, meaning that a

Bali talks: RCEP return hope ebbs as India skips meeting

APART FROM India, the RCEP talks have involved 10-member Asean and five other countries — China, Japan, South Korea, Australia and New Zealand.

Much of the RCEP communications take place through the Asean secretariat.

India pulled out of the RCEP talks in Bangkok on November 4 last year and made its return incumbent on adequate redressal of its concerns. Commerce and industry minister Piyush Goyal had then said New Delhi was unwilling to budge on its demands for an "auto-trigger" mechanism for safeguarding its industry from dumping and strict rules of origins of imported products to check the abuse of tariff concessions, despite pressure from potential partners. Also, it was steadfast in certain demands, including credible steps and market access to address India's \$105-billion trade deficit with RCEP members, change in the base year to implement the tariff abolition from 2014 to 2019 and a more balanced deal on services.

Although the 15 other nations went ahead with the RCEP pact in November 2019, some of them were keen to address India's concerns. However, China's willingness to consider its demands has fallen far short of New Delhi's expectations.

Most members wanted to conclude the negotiations in 2019 so that a formal RCEP deal could be formally signed in 2020.

Interestingly, at the Raisina Dialogue last month, external affairs minister S Jaishankar said India hadn't shut its doors on RCEP. "Where RCEP is concerned, we have to look at cost and benefit. We will evaluate

RCEP on its economic and trade merit. We have not closed our mind to it."

However, some of India's demands, such as the one for tough rules of origin, could be too hard for countries like China to accede to. Upon India's insistence on the 35% value addition clause in the RCEP agreement, other partners, mainly China, wanted to limit the list of tariff lines with such a level of value addition to just 100. "India rejected such a short list," a source had earlier said.

New Delhi feels without strict rules of origin, its different tariff concessions for different countries (the offers are least ambitious for Beijing) and safeguard/anti-dumping tools against any irrational spike in imports will be rendered meaningless. Even the Budget for 2020-21 last week reiterated India's intention to tighten such rules.

To protect its industry, India had decided to trim or remove tariffs on Chinese goods only in phases over a period of 20-25 years. Similarly, its tariff concessions were to be the least ambitious for China — it offered to reduce or abolish import duties on a total of 80% of imports from China, against 86% from New Zealand and Australia, and 90% from Asean, Japan and South Korea. Even without RCEP, India's merchandise trade deficit with China stood at \$53.6 billion in FY19, or nearly a third of its total deficit, even without factoring in the deficit with Beijing-proxy Hong Kong. Its deficit with potential RCEP members (including China) was as much as \$105 billion in FY19.

'Digital platforms pious, but fake news a concern'

...GIRLFRIEND AND boyfriend split up and then

Regulations for LLPs get stricter, cos brought under Section 460

RISHI RANJAN KALA
New Delhi, February 6

LIMITED LIABILITY PARTNERSHIP (LLP) firms can no longer get away with lapses in filing of assorted information with the Registrar of Companies (RoC). The Ministry of Corporate Affairs has made the regulatory norms for them stricter, even as it allows them to approach the respective RoCs for condoning of fines/punishment for delays in filing of documents. The move is being seen as part of the government's efforts in tracking doubtful companies as well as to have a stricter compliance environment.

The MCA has made Section 460 of Companies Act, 2013 applicable for LLPs through a notification issued last month. It deals with condonation of delays by the government in case of default in submission of any application or filing of documents with the RoC within the specified time period. Hitherto, default in filing of documents with RoC used to attract penalty, but LLPs, under a much liberation regulatory regime, used to circumvent such imposts.

As of 2019, India had a little over 1.55 lakh active LLPs. A major part of these are in busi-

ness services, followed by trading, manufacturing and real estate & renting. LLPs as a form of entity was introduced in India in 2009 and it combines advantages of a partnership with those of a company.

AMRG & Associates chief executive Gaurav Mohan said this move can be seen as the beginning of imposition of sections of Companies Act to LLPs. "Presently, LLPs have easier compliance norms as a result of which there is a limitation on the power of RoC to inspect affairs of such entities. Imposition of more provisions of the Act would bring inspection and inquiry of LLPs in the ambit of the power of RoC which is presently limited to companies alone. Imposition of more compliance norms will be a pioneering move in unmasking doubtful organisations which have taken the LLP route to stay at bay from compliance requirements of Companies Act 2013."

Vishwas Panjari, a partner at Nangia Andersen, explained that it has been observed that large percentage of companies and LLPs have not filed statutory documents, making them liable for penalties and prosecution because of such non-compliance.

The MCA has been taking steps for regularising such non-compliant entities and has introduced Company Law Settlement Scheme, 2014 and Condonation of Delay Scheme 2018, wherein companies were given a chance to condone the delay in filing documents and granting them immunity from prosecution and reduced additional fee.

Recently, the MCA amended Section 460 of the Act to make it applicable for LLPs. Many instances have been reported to the ministry wherein LLPs have not been able to file the annual documents with RoC due to various reasons like disqualification of designated partners/directors, requirement of affixation of digital signature certificate of two designated partners (DP) on annual forms and de-activation of DIN of such disqualified DPs, he said.

"Unfortunately, the LLP Act does not provide any cure for such a situation unlike Companies Act. This amendment now enables the government to come up with schemes to provide an opportunity to defaulting LLPs to make their default good by filling these belated documents without prosecution and penalty," Panjari said.

focus on India's relative score increase of 6.71% best reflects the positive momentum on IP in India, according to official sources at the GIPC.

The index has reported that India's key areas of strength in IP domain include continued strong efforts to combat copyright piracy through 2019 by issuing of dynamic injunction orders, precedent-setting case law on online trademark infringement and damages, new pilot patent prosecution highway (PPH) programme and generous R&D along with IP-based incentives.

India remained a global leader on targeted administrative incentives for the creation and use of IP assets for SMEs while the country's strong awareness-raising efforts on the negative impact of piracy and counterfeiting have made a mark in the overall IP spectrum.

Sources said since the release of the 2016 National IPR Policy, the Indian government had made a focused effort to support investments in innovation and creativity through increasingly robust IP protection and enforcement.

From the Front Page

with technology, Prasad said India is a democracy and some things should move on the democratic process. "But the law must be after wide consultation possible. On data protection law, we set up a committee of jurists... now select committee is also having consultation. You must allow this process to exhaust itself, what must come out will be good," he said.

Regarding Amazon, he said India is a good place for doing business. "The \$5 trillion economy we are aiming for, \$1 trillion will come from digital. How is it that India is biggest recipient of Facebook, WhatsApp and Twitter, electronics manufacturing etc, because India is peopled by young men and ordinary Indians who have passion for technology. Come and do business here but follow the law of India," the minister added.

About China restricting digital firms' presence while India deciding to be open, Prasad said, "India is democracy. China closed its doors, we won't and we should not."

Digital world is a borderless world and problems of unreal or virtual world are also felt in the real world. "I am a minister who is freedom loving but I am also accountable to people and Parliament. They ask me questions, so therefore taking cue from what Anant said, I am appealing to all of you, it is time for you to enjoy the success of digital India, it will create a golden opportunity for you but also be responsible and accountable," the minister added.

Long-term refinancing: No rate cut but cheaper loans

PK GUPTA, MD, State Bank of India (SBI), said it was possible his bank could lend around Rs 40,000-50,000 crore to these segments.

Other bankers noted that yields on loans to MSMEs were relatively high and could be lowered now thanks to the twin benefits from restructuring and the CRR-exemption. However, given the shortage of creditworthy customers banks might not rush to lend.

The central bank has lowered India GDP growth forecast to 5.5-6% for H1 2020-21 from 5.9-6.3%; for Q3, growth is now pegged at a better 6.2%. "We expect the recovery in FY21 to be a shade softer than RBI, at just under 6%," Pranjud Bhandari, economist at HSBC, wrote.

RBI governor Shaktikanta Das observed the RBI "recognises that there is policy space available for future action". While the outlook for inflation "is highly uncertain at this juncture", economic activity is yet to "gain traction in a more broad-based manner", the governor said.

Das said that while headline inflation had risen to multi-year highs - 7.35% - the rise in prices was expected to taper off by end 2020. Inflation is expected to ease slowly and projected to come in at 3.2% in Q3FY21.

The MPC noted that there is a need for adjustment in interest rates on small saving schemes but said the external benchmark system introduced from October 1, 2019 has strengthened monetary transmission.

A 14-day term repo at a variable rate would serve as the main liquidity management tool while the daily fixed repo rate and the four 14-day term repos, every fortnight would be withdrawn. That might make it harder for banks since they will still need to maintain a minimum 90% of the prescribed CRR on a daily basis. However, the RBI has assured the markets it would support liquidity through a suite of products when necessary.



DIGITAL PUSH

Ravi Shankar Prasad, IT minister

I don't want to comment on an individual (Bezos). I only want to say India is a good place of doing business. Of the \$5-trillion economy we are aiming for, \$1 trillion will come from digital.