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SURJIT S BHALLA

Corp tax data shows **cutting tax rates** will help increase revenue

EDITORIAL

Relook **data protection law**, even Justice Srikrishna has deemed it vulnerable to legal challenge

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DISPUTE WITH CHINESE BANKS

Anil Ambani says he is now worth nothing

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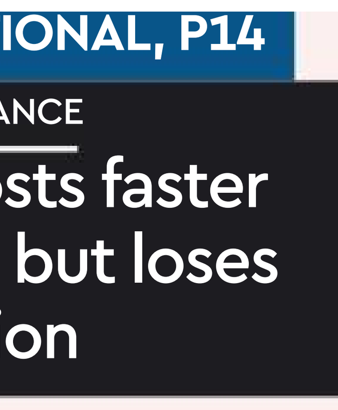
Q4 PERFORMANCE

Uber posts faster growth, but loses $1.1 billion



NEW DELHI, SATURDAY, FEBRUARY 8, 2020

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IN THE NEWS

Coronavirus: Visas of foreigners from China not valid

INDIA HAS cancelled all visas issued to foreign nationals coming from China as it stepped up efforts to combat the spread of novel coronavirus after 150 passengers were identified with symptoms of the deadly virus and sent to isolation units, reports **PTI**. Making a suo motu statement in Rajya Sabha, health minister Harsh Vardhan said the government has asked people not to travel to China, the epicentre of the deadly virus.

'Start-ups need to think of opting for IPO'

INFOSYS CO-FOUNDER and Axilor Ventures chairman Kris Gopalakrishnan on Friday made a strong case for start-ups to think of initial public offerings (IPO) in order to tackle the fund crunch situation and provide longevity to their fledgling enterprises, reports **PTI**. "Start-ups are hesitant to do IPO, which is not difficult. My biggest issue with the startup ecosystem today is that they are not doing an IPO. Let the Indian public own these companies. They get the wealth being created," he said in Kochi.

ALLAYING FEARS

No longer need policy nudge for savings: FM

'Using tax sops to influence investment decisions is old-fashioned, don't want to limit taxpayers' options in such a manner'

FE BUREAU
Mumbai, February 7

NIRMAL HARINDRAN

I feel most of us are underestimating Indian taxpayer. If he has money in his hand, he is the best judge to decide where he wants to put it – whether to save it or spend it on a house or vehicle or insurance

— **NIRMALA SITHARAMAN**, FINANCE MINISTER

INDIAN TAXPAYERS ARE now mature enough to make their savings and investment decisions independent of policy nudges by the government, finance minister Nirmala Sitharaman said on Friday, seeking to allay concerns over a further dip in the savings rate due to the progressive removal of various tax exemptions and deductions meant to promote savings.

The recent Budget removed 70 of over 100 incentives linked to savings and investments in designated instruments like insurance policies for those who opt for the new simplified, lower-rates personal income tax (PIT) regime. The move, a section of analysts and the insurance, mutual funds and real-estate players have said, could further reduce the already-depleted domestic savings pool and dry up funds for investors, in a slowing economy.

Addressing market participants and representatives from the financial sector here, Sitharaman said that the 'old-fashioned' way of directing investments to insurance policies and other products was limiting the options of taxpayers on what they could do with their money. She said, "We thought we should open it up and leave it to that person who has got the money to decide where he wants to put it."

Continued on Page 2

RAILWAYS

'Hiked fares will compensate barely 5% of ₹55k-cr losses'

PRESS TRUST OF INDIA
New Delhi, February 7

INDIAN RAILWAYS HAS made a "miniscule" hike in fares of up to 4 paise per km that will barely compensate 5% of the ₹55,000-crore losses incurred during the year, railway minister Piyush Goyal said in the Rajya Sabha on Friday.

The railways hiked passenger fares with effect from January 1 this year.

"As against ₹8,000 crore which was the loss on passenger services in 2004, in the current period we are losing about ₹55,000 crore on passenger services provided throughout the country. However, passenger fare increase is a very sensitive subject....A very nominal increase was done," Goyal said replying to a query during Question Hour.

He said while there is no increase in fares in suburban services. In case of non-suburban services, a nominal increase of 1 paisa per km has been done and in case of non-AC and AC classes in Mail and Express trains, the fare has been increased by two paisa per km and 4 paisa per km respectively.

"Costs keep going up. In fact after (implementation of) the 7th Pay Commission, costs have gone up drastically and therefore there is a... miniscule increase. Considering the cost and losses of ₹55,000 crore, this will barely compensate 5% of ₹55,000 crore over the whole year," the minister said.

He said as against the current ₹55,000 crore losses, Indian Railways suffered ₹8,000 crore losses in 2004.

Continued on Page 2

CORONAVIRUS

Suzuki looking at procuring parts from outside China

Coronavirus spread in the country threatens to disrupt vehicle production in the firm's biggest market, India

■ Suzuki does **not produce or sell any cars in China,** but procures some components from there for its India plants

■ Its **global production hasn't been hit yet,** but it's looking at possibility of procuring **'made in China'** parts from other regions

REUTERS
Tokyo, February 7

SUZUKI MOTOR CORP said on Friday it was considering sourcing vehicle components from outside China, as the spread of a new coronavirus in the country threatens to disrupt vehicle production in its biggest market, India.

The Japanese firm is the latest auto maker bracing for disruption in production and supply chains, as the epidemic spreads fast. Its bigger rival Toyota Motor Corp said on Friday production at all of its China plants would remain suspended through February 16.

Continued on Page 2

Toyota output at China plants suspended till Feb 16

NAOMI TAJITSU
Tokyo, February 7

TOYOTA MOTOR CORP on Friday said production at all of its China plants would remain suspended through February 16, joining a growing number of automakers facing stoppages due to supply chain issues as the coronavirus spreads.

The Japanese automaker operates 12 vehicle and components factories in the country.

Continued on Page 2

Impact of coronavirus

FE BUREAU

China GDP could fall to 3.9% in worst-case

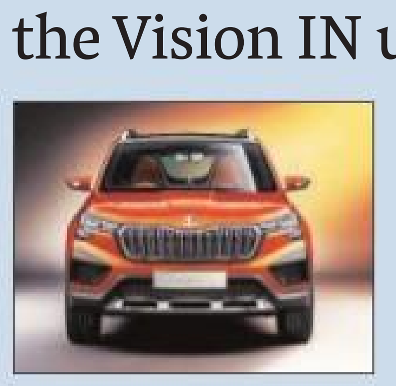
The coronavirus infections are much worse than SARS in 2003, and China accounts for 16% of global GDP now vs 4% then. If infections peak by the end of the month, Nomura feels China's Q12020 GDP could fall to 3.8% but bounce back in Q2. If infections peak by end-June, 2020 GDP could fall to 3.9% from 2019's 6.1%. Hong Kong will be the worst affected.

Real GDP	2019		2020		2021	
Japan	1.0		0.2		0.5	
Australia	1.8		2.2	▼ 1.9	2.5	▲ 2.8
China	6.1		5.7	▼ 5.6	5.5	▲ 5.6
Hong Kong	-1.2		0.1	▼ -0.2	2.0	
India	**4.9**		5.5	▼ **5.4**	**6.5**	
Indonesia	5.0		5.1	▼ 4.9	5.6	▼ 5.4
Malaysia	4.3	▲ 4.4	4.2	▼ 3.8	4.4	▲ 4.6
Philippines	5.9		6.7	▼ 6.4	6.8	
Singapore	0.7		1.3	▼ 0.3	2.1	▲ 2.5
South Korea	2.0		2.2	▼ 2.1	2.2	▲ 2.3
Taiwan	2.7		2.0	▲ 2.3	2.2	▲ 2.4
Thailand	2.5	▼ 2.3	2.7	▼ 1.9	3.0	▲ 3.3
Asia Ex-Japan, Aus	5.2		5.2	▼ 5	5.4	▲ 5.5
Asia	4.7		4.6	▼ 4.5	4.9	

Source: IMF, CEIC, Bloomberg, Nomura

Special Features

What makes the Taigun and the Vision IN unique



These upcoming SUVs by Volkswagen Group will be connected, compact and heavily inspired by Indian tastes. Both will arrive in 2021, and will compete with Creta/Seltos
■**Motobahn**, P13

A strong performance by Titan in the third quarter

FY21e earnings up 2% to factor in higher jewellery growth expectations; target price raised to ₹1,450 from ₹1,350 due to rollover; a top pick in the sector; 'Add' maintained
■**Investor**, P13

LIQUIDITY

SBI cuts MCLR by 5 bps; term deposit rates also slashed

FE BUREAU
Mumbai, February 7

■ **SBI made cuts** in its term deposits rates by **10-50 bps** in the retail segment and **25-50 bps in the bulk segment**

■ The one-year MCLR of the bank now stands at **7.85%** per annum

■ With the introduction of **long-term repo operations**, the banks' dependence on term deposits has been reduced

STATE BANK OF India (SBI) on Friday cut its marginal cost of funds-based lending rate (MCLR) by 5 basis points (bps) across all tenors, a day after the Reserve Bank of India's move to allow term repos for 1-year and 3-year tenors. This will effectively reduce the cost of funds for the bank. Meanwhile, the lender made larger cuts in its term deposits rates by 10-50 bps in the retail segment and 25-50 bps in the bulk segment, citing surplus liquidity in the system.

The one-year MCLR of the bank now stands at 7.85% per annum. In comparison, the largest private sector lender HDFC Bank has its one-year MCLR pegged at 8.15% p.a. effective February 7. The one-year MCLR for Bank of Baroda stands at 8.25%. "The impact of recent RBI policy measures and reduction in deposit rates will be reflected in the next review of MCLR," the lender said in a release.

With the introduction of long-term repo operations, the banks' dependence on term deposits has been reduced as borrowing from the RBI can be done at a cheaper price. For retail term deposits in tenor of '1 year to less than 2 years' at SBI, the interest rate has been reduced to 6% for the public, down 10 bps from 6.1%.

Continued on Page 2

RBI PLAN

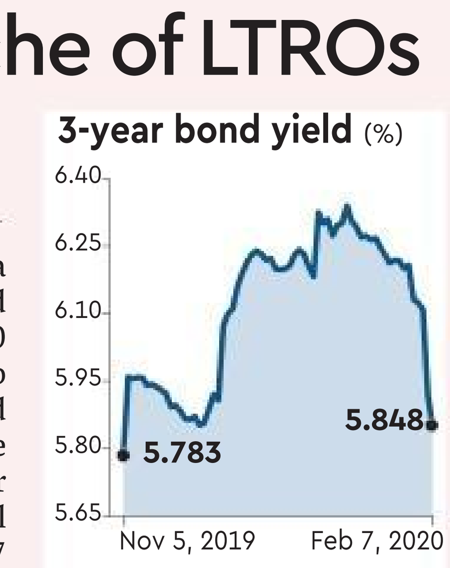
Equal share for 2 tenors in 1st tranche of LTROs

BHAVIK NAIR
Mumbai, February 7

THE RESERVE BANK of India (RBI) on Friday announced that it will conduct ₹50,000 crore worth of long-term repo operations (LTRO) that would be equally split between the one-year and three-year tenors. The 3-year LTRO will be conducted on February 17 while the one-year LTRO will be done on February 24.

The central bank clearly stated that banks would be required to place their requests for the amount sought under LTRO at the prevailing policy repo rate and bids below or above the policy rate will be rejected.

The announcement was first made during Thursday's monetary policy where the central bank stated it will conduct term repos of one-year and three-year of appropriate sizes for up to a total amount of ₹1 lakh crore at the policy repo rate.



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FINAL BOOST

CPSEs scale up capex; move to push FY20 GDP

These entities will expend ₹5.1 lakh crore as capex in the year, up 14% from initial estimate

PRASANTA SAHU
New Delhi, February 7

THE ECONOMIC GROWTH rate in the second half of the current financial year, especially during the last quarter (Q4), might get a push from robust capital expenditure by central public sector enterprises and other government undertakings like NHAI and the railways (CPSEs). While budgetary capex for FY20, as per the latest budget, is slated to be ₹3.49 lakh crore, up 3% from the budget estimate made in July last year, CPSEs among themselves will expend ₹5.1 lakh crore as capex in the year, up 14% from the initial estimate.

Although no aggregate data is currently available on capex undertaken by CPSEs so far in the current fiscal year, information furnished by some of the large CPSEs indicate that they are largely on track with the budget estimate. Oil CPSEs, for instance, spent ₹63,000 crore or 68% of their FY20 target by December. If the revised budget figures and the usual trend of aggressive spending in Q4 are any indication, these companies could have already accelerated their capital spending.

Economic expansion is estimated to crawl to just 5.7% in FY20, the lowest since FY13, as a slowdown in investment and private consumption might linger through the second half of the fiscal. The growth in H1 averaged 4.75% (the FY19 GDP has recently been revised down).

The Centre, CPSEs and state governments undertake capex roughly in the 2:3:3 ratio. State PSEs too spend on asset creating ventures.

Continued on Page 2

QuickPicks

Tata Steel posts ₹1,229-cr net loss in Q3 on weak demand

TATA STEEL on Friday reported a consolidated net loss of ₹1,228.53 crore for the October-December quarter of 2019, against a profit of ₹1,753 crore a year ago, missing the Bloomberg consensus estimate of ₹278 core profit as overall weak demand impacted the operational performance of the company, reports **fe Bureaus** in **Mumbai/New Delhi**. Consolidated Ebitda for the third quarter fell more than 50% y-o-y to ₹2,873.62 crore. **PAGE 6**

Finmin expects at least 80% of taxpayers to move to new regime

THE FINANCE ministry expects at least 80% of the taxpayers to move to the new income tax regime, revenue secretary Ajay Bhushan Pandey said on Friday, reports **PTI**. Budget 2020-21 has introduced more tax slabs and offers higher limits provided the taxpayer is ready to forego all existing exemptions and deductions including home loan interest, other tax savings investments. "We feel at least 80% of the people will come to the new scheme," Pandey said during an interaction with opinion makers.

Ten PSBs' aggregate net profit in Q3 less than HDFC Bank's

THE AGGREGATE net profit of 10 public-sector banks (PSBs) that have so far declared their financial results for the December quarter was lower than that of HDFC Bank, showed data from Capitaline, reports **fe Bureau** in **Mumbai**. The low profit figure of ₹5,021.47 crore for the PSB pack was the result of two large banks, Bank of Baroda (BoB) and Punjab National Bank (PNB), posting losses for Q3FY20. BoB's net loss stood at ₹1,407 crore and PNB's at ₹492 crore. **PAGE 10**

REVENUE AVENUES

Mumbai to tax garbage collection

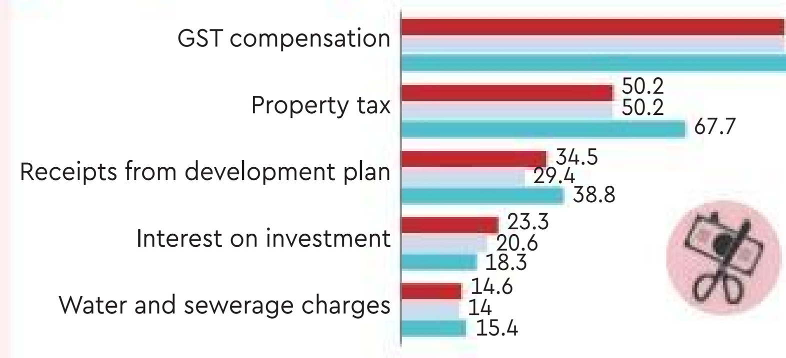
ASHUTOSH JOSHI
Mumbai, February 7

MUMBAI, THE COUNTRY'S financial hub and its richest municipality, is exploring new ways to boost revenue as a slowing economy hurts earnings from real estate.

This includes tax on garbage collection and additional levies on services such as issuing birth certificates. The Municipal Corporation of Greater Mumbai, which covers half the area of the city of New York but houses 50% more people, sees revenue dropping 5% from its previous target to ₹238.5 billion in the year through March 31.

Tighter finances

Mumbai pencils in higher revenues despite economic slowdown



Source: Calculation by Care Ratings based on Mumbai's public documents/Bloomberg

Deteriorating finances in Mumbai — whose budget is bigger than several of the states — bodes ill for India's economic revival because local expenditure has a bigger impact than that by Prime Minister Narendra Modi's administration.

Every ₹1 spent by states yields ₹1.07 in extra output versus ₹0.4 for the Central government, according to a working paper published by the Reserve Bank of India.

For now, Mumbai plans to increase spending by almost 9% in the year starting April 1, including on better storm-water drains to prevent flooding during the city's annual monsoon, and an ambitious and controversial coastal road that will hug the city's shoreline from Marine Lines — called the Queen's Necklace — in the south to the crowded northern suburbs.

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