Sebi targets defaulters

■ **NEW DELHI:** Capital market regulator Sebi is planning to attach a "difficult to recover" tag for individual defaulters who are found to be "untraceable" as also for cases facing parallel proceedings by other agencies or in various courts and tribunals.The proposal, likely to be discussed at Sebi's board meeting next week, is aimed at better utilisation of resources towards cases with higher chances of recovery, a senior official said. PTI

GST norm

■ **NEW DELHI:** Importers and exporters will have to mandatorily declare GSTIN in documents from February 15 as the revenue department moves to crack down on evaders and plug the GST revenue leakage. In a circular, the Central Board of Indirect Taxes and Customs (CBIC) said certain cases have come to notice where the importer or exporter did not declare their GSTIN in the Bill of Entry/Shipping Bill despite being registered with GSTN. PTI

HDFC Bank

■ **MUMBAI:** HDFC Bank has appointed Anjani Rathor as its new group Head - digital banking. Rathor has been designated chief digital officer and will be responsible for taking the bank's digital transformation journey to the next level. PTI

Duty shield

■ **NEW DELHI:** The government may impose anti-dumping duty on the imports of a chemical, used in foam making, from four regions, including the EU and Saudi Arabia, to guard domestic players from cheap shipments. PTI

New companies

■ **NEW DELHI:** Continuing its efforts to improve ease of doing business, the government will introduce an integrated electronic form for incorporating new companies from February 15, wherein EPFO and ESIC registration numbers will also be allotted at the same time. PTI

Tax mop-up

■ **NEW DELHI:** A 12 per cent growth in tax collections next fiscal may look ambitious to some but for revenue secretary Ajay Bhushan Pandey it is achievable in an economy that is projected to clock a 10 per cent nominal GDP growth. PTI

BOTTOM LINERS

"Remember, you get what you pay for... until you stop paying for it."

The Telegraph
BUSINESS
CALCUTTA MONDAY 10 FEBRUARY 2020
XXCE

"We are all working in an integrated way to deal with the situation

Indian Pharmaceutical Alliance secretary-general **Sudarshan Jain** on the impact of coronavirus on domestic pharma

FM wants GST rate rejig once a year

OUR SPECIAL CORRESPONDENT

Calcutta: The GST Council is working towards taking up the rate rejig exercise only once a year, moving away from frequently tinkering the slabs in an effort to weed out uncertainty from the system.

Union finance minister Nirmala Sitharaman said she had informally discussed within a small group of the GST Council to not to take up rate rationalisation every three months but once a year.

This will help, she argued, in a better planning of the revenue projection for states and the Centre and also help businesses to calculate the incidence of tax annually.

"We have discussed this with the GST Council and now literally proposed to the GST Council, not formally, but as part of a discussion among small groups, can we consider a situation where once in a year alone we would do any rate rationalisation, increase or decrease, not every three months?" Sitharaman said in Calcutta after a day-long discussion with trade, industry and professionals.

Nirmala Sitharaman with members of the Indian Chamber of Commerce in Calcutta on Sunday.

The city was the last stop for the FM, after interactions in Mumbai and Chennai following the budget on February 1.

During the meetings in Calcutta on Sunday, several issues were raised before the finance minister, especially clarifications on the personal tax amnesty scheme (*Vivadh se Vishwas*) and effect of the dividend distribution tax on high net worth individuals.

A team from the Indian Chamber of Commerce, led by president Mayank Jalan and representing the city's top industrialists, also met the FM and the secretaries in the finance ministries separately.

During the open house interaction, the tinkering of GST rates was raised, prompting the FM to nudge the audience to take it up with the respective state governments as they are all members of the GST Council.

Arguing the merit of holding the rates for a year, the FM said any change in the rates of a product or a service creates a ripple effect in the entire value chain and throws up many problems, including the refund of input tax credit.

"When GST was brought in, extensive debates had taken place about rates in the VAT and GST regime and what would be revenue neutral (rate). Now after entering into one rate, changing it also leads to many problems, refund issues. Business cannot plan how much to keep aside for tax in a whole year. Similarly, the government cannot make an assessment on how much revenue will be earned from GST," she explained.

Even though GST revenue collection has been over Rs 1 lakh crore in the last three months, the mop-up is less than anticipated. One of the reasons could be that the average rate has fallen to 11.8 per cent following several round of reduction from 14-15 per cent when GST was rolled out in July 2017.

This has put a strain on the finances of both the states and the Centre, who in particular is constitutionally bound to compensate the revenue loss of the states for five years.

Support for tax switch

OUR SPECIAL CORRESPONDENT

Calcutta: The Centre hinted at "grandfathering" the transition process in personal income tax regime to mitigate the inconvenience of individual taxpayers who have already committed to long-term financial planning based on fiscal incentives.

The budget has proposed lower tax slabs without many exemptions (insurance, home loan, public provident fund etc) while keeping the existing system ongoing, providing the "twin track options" to individuals.

However, finance minister Nirmala Sitharaman said all the exemptions would eventually go in a post-budget conference last Sunday.

Asked if the withdrawal of exemption would hurt those who have already committed to long-term (10-30 years) tax saving instruments, the minister in Calcutta invoked the "grandfathering" clause which in business parlance usually means handholding a transition by exemptions to a new rule and regulation.

Nirmala Sitharaman in Calcutta on Sunday.
Picture by Bishwarup Dutta

"Whenever I would commence it, there is going to have a situation when lots of people made commitment towards long-term investment for insurance and house... And in the long run, we will...and whenever government policies are made, not just for this but any of them, there are whole lot of grandfathering processes," the minister said, declining to give further details.

Asked to comment on the impact on the nation's savings rate on account of the new tax proposals, which also have an impact on investment, Sitharaman said the government would leave it to individuals how they want to utilise their investible surplus.

"Those who think they can make considered decision about the money now available in their hand because tax rate is lesser, they will have the choice to where to put the income.

"Savings need not necessarily be through bank deposits or post office. Now they can go to stock market, buy shares or invest in bond markets and so on, in all which the returns are equal or even probably higher," Sitharaman argued.

RIL expands retail spread

OUR SPECIAL CORRESPONDENT

NEW FORMAT STORES LAUNCHED

■ Reliance Retail opens 18 grocery outlets, called Smart Point stores besides Reliance Digital points of sale for ordering electronic items

■ These will be small neighbourhood grocery stores

■ Stores to have kiosks for one to order fashion and lifestyle products online,

■ Separately, RIL is bringing local stores on board for its e-commerce venture JioMart

■ The venture is seen to have an edge over Amazon

Mumbai: Reliance Retail is expanding its grocery play as it takes on rivals such as Amazon. The organised retail arm of Reliance Industries Ltd (RIL) has opened around 18 grocery outlets, or Smart Point stores, under a new format.

After declaring the third-quarter numbers for 2019-20, RIL had said in a presentation that it has launched a concept called Smart Point which are one-stop, multi-purpose stores.

RIL had disclosed that these outlets are a smaller avatar of its Smart stores (a bigger format outlet) and will be present in the residential neighbourhood to serve the daily multi-purpose needs of consumers. These include grocery, pharmacy and assisted e-commerce.

The company has moved fast, taking less than 45 days to launch the stores after announcing the concept.

The stores will have a kiosk where a customer can order fashion and lifestyle products online, apart from a Reliance Digital point of sale where one can order electronic items

At present, these stores are run on a pilot basis in three regions in Maharashtra.

According to a Credit Suisse report, the new stores, like the larger format, come with the same promise of a "minimum 7 per cent off on MRP" on all products.

Besides assisting the JioMart venture, these stores will function as full-fledged grocery outlets, further deepening the Reliance Retail network in the country.

"At present, the larger format Smart stores are few and located far from residential neighbourhood, but the Smart Point stores have been opened closer to the shopper...within a short time frame, 18 Smart Point stores have been opened. This will augment RIL's grocery play," analysts at the brokerage added.

In grocery, Reliance Retail has around 723 stores across 160 cities and during the third quarter of this fiscal they reported more than 61 million footfalls. At present, the consumption basket in its business is led by consumer electronics and connectivity, accounting for 32 per cent each. This is followed by grocery at 19 per cent, fashion & retail at 9 per cent and fuel retail at 8 per cent.

Reliance had started JioMart pre-registration in December 2019, which is part of its new initiative to on-board kirana stores. JioMart is its food and grocery e-commerce venture. While the initiative is at a pilot stage, including a JioMart app, the brokerage added that the app offers multiple advantages of free delivery without minimum order value, thus having an edge over current e-commerce options, an assortment of more than 50,000 grocery products, and no questions asked on return.

ENERGY BOOSTERS

RIL to offer more KG gas for sale

New Delhi: Reliance Industries and its partner BP plc of the UK will this month offer for sale more natural gas from its KG-D6 block to users as it prepares to put into production a second wave of discoveries in the eastern offshore block.

Reliance-BP is likely to offer as much as 5 million standard cubic metres per day (mmscmd) of natural gas for bidding from newer discoveries in KG-D6 in the next few days, sources said. The volume to be offered is the same as the one the company bid out in November last year.

Like in the previous auction, Reliance-BP will seek bids from potential users for the 5 mmsmcd of natural gas it plans to produce from the R-Cluster Field in the KG-D6 block from mid-2020.

Bidders will have to quote a price (expressed as a percentage of the dated Brent crude oil rate), supply period and the volume of gas required. Dated Brent means the average of published Brent prices for three calendar months immediately preceding the relevant contract month in which gas supplies are made.

Sources said RIL had in November set a floor or minimum quote of 8.4 per cent of dated Brent price — which meant that bidders had to quote 8.4 per cent or a higher percentage for seeking gas supplies. The same formula is likely to be continued in the next auction. PTI

Bengal 5 in city gas map

R. SURYAMURTHY

GREEN DRIVE

■ Govt has set 15% gas use (of total energy) target by 2030 from 6.2% now

■ Plans for 27,000km pipeline network from 16,200km

■ Pricing reforms on the anvil

New Delhi: Five districts of Bengal are expected to come under the city gas distribution network, with the oil regulator inviting bids for 44 geographical areas in the 11th round of bidding to set up facilities.

The tentative list of districts includes Purulia, Bankura, East Midnapore, West Midnapore and Jhargram in the state. These districts comprise two geographical areas in the list.

Besides the five, city gas will be available in Burdwan, Darjeeling, Jalpaiguri, Uttar Dinajpur, Nadia, North 24 Parganas, South 24 Parganas and Howrah.

Sector regulator Petroleum and Natural Gas Regulatory Board (PNGRB) has asked stakeholders to send in their comment by this week on the selected geographical areas.

According to the new tentative list, the highest number of CGD (city gas distribution) areas will fall in Tamil Nadu (eight), to be followed by Maharashtra (seven) and Madhya Pradesh (six).

According to the PNGRB, post the completion of the 10th CGD round, natural gas will be available in 228 geographical areas, covering 27 states and union territories, which will result in access to gas for 70 per cent of the country's population and 50 per cent of its geographical area.

The present share of gas in the energy basket of the country is 6.2 per cent, and the target is to take it to 15 per cent by 2030.

The budget has laid down plans for expansion of the national natural gas pipeline network to 27,000 km from the present 16,200 km along with pricing reforms as the government looks to boost the use of the environment-friendly fuel.

Raju Kumar, tax partner, oil & gas practice, EY India, said the budget announcement of a planned increase in the network and transparency in price discovery is likely to strengthen the market.

At present, most of the pipelines are concentrated in the western and northern parts of the country, with a few lines in the east and south.

In her budget speech, Sitharaman said more gas pricing reforms are in the offing. "To deepen gas markets in India, further reforms will be undertaken to facilitate transparent price discovery and ease of transactions," she said.

The price of natural gas produced domestically is fixed by a formula that averages out rates in gas surplus nations such as Russia and the US

As part of its focus on the north-eastern region, the government has decided to provide Rs 5,559 crore for the construction of the North East Gas Grid project across Arunachal Pradesh, Assam, Manipur, Meghalaya, Mizoram, Nagaland, Sikkim, and Tripura.

The cabinet had approved the project of Indradhanush Gas Grid Limited with viability Gap funding (capital grant) at 60 per cent of the estimated cost of Rs 9,265 crore.

SAIL offer-for-sale plan

New Delhi: The government is planning to sell a 5 per cent stake in Steel Authority of India Ltd (SAIL) through an offer for sale, which could fetch about Rs 1,000 crore to the exchequer, an official said.

Officials from the department of investment and public asset management (Dipam) and steel ministry are planning roadshows in Singapore and Hong Kong for the SAIL stake sale. However, the Hong Kong roadshow might be called off because of the coronavirus outbreak.

The government holds a 75 per cent stake in SAIL. It had last sold a 5 per cent stake in the steel CPSE in December 2014.

"We are looking at a 5 per cent stake sale via an offer for sale (OFS), but we will assess investor demand in the roadshows," an official said.

At the current market price, the government may raise about Rs 1,000 crore by selling a 5 per cent stake in the company. Shares of SAIL closed at Rs 48.65 apiece on Friday, down 0.51 per cent over previous close on the BSE.

The government may look to complete the transaction in the current fiscal as it strives to achieve the Rs 65,000-crore disinvestment target set in the revised estimates.

So far this fiscal, Rs 34,000 crore has been mopped up from the CPSE stake sale and the remaining Rs 31,000 crore has to come in by March-end.

For 2020-21, the government has budgeted to collect Rs 1.20 lakh crore from CPSE stake sales.

The government is also planning to sell a 10 per cent stake in Garden Reach Shipbuilders & Engineers Ltd (GRSE) through OFS, out of its shareholding of 74.50 per cent.

The stake sale would fetch about Rs 200 crore to the exchequer at the current market price.

Iron ore auction

SAIL has sought permission from Odisha and Jharkhand to auction about 70 million tonnes (mt) of fines or low-grade iron ore lying at its mines in the two states.

Depending upon the iron content, the ore can fetch a price of $40-45 a tonne to $62 a tonne, an expert said.

About 70mt of fines which SAIL was unable to use are lying at its mines in Odisha and Jharkhand, a source said.

For steel making, fines can be used through beneficiation and pelletisation, and SAIL does not have enough beneficiation and pelletisation capacity. So, it is not possible for it to consume these low-grade fines/ores for its steel plants.

AI to spot car buyers

OUR SPECIAL CORRESPONDENT

TECH RIDE

■ AI used to analyse facial expressions of people walking into car dealerships to see probability of purchases

■ People's reactions to new designs and concepts also studied through artificial intelligence

Greater Noida: Auto companies are using artificial intelligence (AI) and machine learning (ML) to identify potential buyers from among the walk-ins and enquiries in showrooms. They are also gauging consumer reaction to new models and concept cars through facial recognition systems.

Maruti's Mobility and Automobile Innovation Lab (MAIL) is identifying start-ups that can help it solve some of its operational problems. One of the start-ups from Karnataka is helping Maruti to identify leads among the plethora of queries and walk-ins that each of their dealers receive in a day. "We receive one million enquiries a month. The start-up is helping us identify the probability of purchase among them," said Shashank Srivastava, executive director, sales and marketing of MSIL.

"The start-up is applying AI to images of people walking into dealerships and analysing sentiments through eye movements and facial expressions to find out the interests of customers," said Srivastava.

Tata Motors uses AI to gauge people's reactions to designs and concepts. Tata Motors design head Pratap Bose said at the recent launch of Altroz, "We scan images of people having a look at displayed concept cars and apply AI-based facial recognition systems to understand their reactions to new concepts."

Maruti is also taking the help of start-ups, such as Enmovil based in Hyderabad, for route optimisation for logistics. Ravi Bulusu, co-founder of Enmovil, said, "We are using AI and ML to optimise operational efficiency for manufacturers and suppliers in terms of logistics. We identify the best possible routes, the best times to run the routes through analysis of historical data."

Maruti bears brunt of rising costs

ANASUYA BASU

Greater Noida: Maruti Suzuki India has reported a positive growth in its January sales even as it is taking a hit in its profitability as it has to absorb the high cost of production to retain its customer base.

"The company has a mission and that is to provide affordable vehicles to our customers. With the hike in insurance costs, road taxes and duties, the price of vehicles is shooting up. We can only absorb some of these costs. Our profitability is taking a hit," Kenichi Ayukawa, managing director and CEO of Maruti Suzuki India Ltd (MSIL), told **The Telegraph** on the sidelines of the auto expo.

On the mandatory emission and safety norms that will kick in from April 2020, Ayukawa said: "The vision of the government to have cleaner emissions and safer vehicles is good but implementation is a problem. Price hikes will only dampen demand. We cannot pass 100 per cent of the cost to our customers. But our profitability will suffer if we continue to absorb costs. The only way out is by increasing scale. If volumes go up, then we can absorb costs."

Price review

The managing director of the largest selling CAR company admitted that he will have to review prices in April after assessing the sales and demand of the company's newly converted BS-VI fleet.

"We have completed the transition to BS-VI and yes I will be reviewing prices. The component price rise and the rise in the duty on palladium, the rare earth that is needed to make the catalysts for BS-VI engines, announced in the budget is pushing up the production costs," said Ayukawa.

Kenichi Ayukawa

The government has hiked the excise duty on palladium to cut its import bills. But the rare earth is not available in India and neither is there a substitute available.

"The catalytic converters use palladium and any hike in duty will push up the cost of transition to BS-VI engines," said Shashank Srivastava, sales and marketing director of MSIL.

Electric worry

Ayukawa is equally concerned about the adoption of electric vehicles (Evs) in India, saying "customers are concerned about the price of EVs and the lack of infrastructure to support EVs".

According to Ayukawa, the path to achieve full electrification and less pollution is through the adoption of CNG and strong hybrids.

Maruti offers CNG powertrains in seven of its models and smart hybrids in five.

While admitting that the design of the vehicles with CNG powertrains, such as the Alto, Celerio, WagonR, Ertiga and Dzire, needs to be altered to accommodate CNG cylinders, Ayukawa said: "We have to study the car design but CNG is a cost-effective way towards less pollution and gives improved mileage. The government has promised to make CNG available through 10,000 more stations."

On strong hybrids, the CEO feels, "The hybrid programme will replace our diesel programme and will also initiate customers to electric mobility. We do not have strong hybrids in our portfolio in India but we are strongly considering it."