Budget 2017-18 may look to soften note ban woes by tax relief

NEW DELHI, JAN 30/--/Finance Minister Arun Jaitley will on Wednesday present his fourth and perhaps the most challenging Budget that may look to soften blow of currency ban with tax and other sops as he seeks to revive growth.

While largely sticking to fiscal consolidation roadmap, Jaitley will present the Budget for 2017-18 amid strong headwinds caused by government decision to invalidate 86 per cent of the currency and the newly elected US President making protectionist noises.

Topping the list of sweeteners could be the hike in Income Tax exemption limit to Rs 3 lakh from current Rs 2.5 lakh as the Minister will look at putting more money in hands of people to not just create a feel good atmosphere but also check the disruptive impact of demonetisation on demand, supply chains and cratered credit growth.

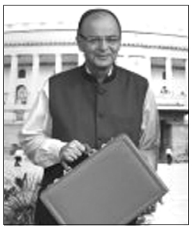
Alternatively, he may raise the deduction limit for interest paid on home loans to Rs 2.5 lakh from Rs 2 lakh currently. A higher medical rebate may also be on the cards.

Besides tax break, there could even be a universal basic income in the Budget, industry officials and tax experts said. But cutting 30 per cent corporate tax rate to lift sagging investments may not be easy given that government's official estimate of 7.1 per cent GDP growth for the current financial year does not take into account the chaos wrought by demonetisation.

While revenue collection targets for the current fiscal may exceed, there are doubts if Jaitley may project any substantial jump in tax receipts in 2017-18. Also, the rising oil prices are a cause of worry for him, leaving him with very little fiscal room to manoeuvre social and infrastructure schemes.

Incentives or schemes for farmers and rural India, women and social sectors like health and education may be cornerstone of his budget given that five important states including Punjab and Uttar Pradesh will be voting within days of his Budget presentation.

Besides agriculture, the Finance Minister may also announce schemes for boosting domestic manufacturing and promoting start ups. Tax experts and economists said Jaitley may hike the service tax (currently at 15 per cent) to align with the GST regime.



It will be keenly watched if he makes any changes to the tax regime on investments in equities. At present, gains from transactions in shares held for less than 12 months are considered short-term capital gains and are subject to 15 per cent tax.

Gains on holdings above 12 months qualify for long term capital gains benefits and are exempted from tax. Tax experts said ending tax breaks on equity gains may turn sentiments sour towards the capital market. There is a thought that the 1-year limit for long term could be changed to two years but the tax rate is likely to be kept at zero.

He will have to juggle numbers to remain largely within the fiscal consolidation roadmap. The current year's fiscal deficit target of 3.5 per cent of GDP is mostly likely to be met on back of surge in tax receipts from 7th Pay Commission grant to employees and tax amnesty schemes. It remains to be seen if he will narrow the deficit, the widest in Asia, in 2017-18 to 3 per cent planned previously. He may continue to piggyback on public spending, especially on infrastructure, as he looks to reverse the investment collapse.

A roadmap on Goods and Services Tax (GST), that will not just turn India into one market with one tax rate but also improve tax compliance and check evasion, may figure in Jaitley's Budget speech. (PTI)

FY'17 credit growth expected to remain subdued at5-6%: ICRA

EOI CORRESPONDENT

KOLKATA, JAN 30/--/ICRA expects year-on-year (YoY) bank credit growth to remain subdued at 5-6% at the end of FY2017, on the back of muted credit demand and continued traction in finer priced debt capital markets. Deposit growth is likely to ease further to 12% by end-March 2017, with banks cutting deposit rates and easing cash availability in the system, from 14.7% as on January 6, 2017.

Karthik Srinivasan, Senior Vice President and Group-Head-Financial Sector Ratings, ICRA Limited, said: "Credit growth is likely to remain muted at 5-6%at the end of FY2017, as demand is yet to display a revival and the debt markets continue to offer more attractive pricing. Deposit growth is likely to drop from the current levels of 14.7% to around 12% at end-March2017. Firstly, the improvement in cash availability would enable continued CASA withdrawals over the rest of this quarter. Moreover, banks have reduced their deposit rates, amidst low credit pickup and the surge in systemic liquidity."

Deposits of the banking system surged sharply after the note ban from Rs. 101.4 trillion as on September 30, 2016, to Rs. 105.2 trillion on December 23, 2016, and further to Rs. 105.8 trillion on January 6, 2017. Accordingly, bank deposit growth on a YoY basis, spiked from 11.3% on September 30, 2016to 15.2%on December 23, 2016, before easing to 14.7% on January 6, 2017, on the back of the sharp uptick in deposits in the corresponding reporting fortnight of January 2016.

Aggregate non food bank credit eased from Rs. 74.4 trillion as on September 30, 2016, to Rs. 72.4 trillion on December 23, 2016, before rising modestly to Rs. 73.1 trillion on January 6, 2017. Non food bank credit growth on a YoY basis collapsed after the note ban, from 10.6% on September 30, 2016 to 5.3% on December 23, 2016, and further to 5.1% on January 6, 2017. Despite the recent cuts in lending rates announced by banks, the rates offered by the debt capital markets remain lower than bank rates.

Bonds and Commercial Paper (CP) continue as important sources of funds for higher rated entities, as the flows into key investor segments such as Mutual Funds and Insurance Companies remain high. Though the absolute CP issuances in Q3 FY2017 were lower than the previous two quarters, the CP outstanding recorded a 17.3% YoY increase at end-December 2016. Similarly, despite a fall in sequential bond issuance volumes, the corporate bonds outstanding witnessed a 19.1% YoY growth in December 2016.

Accordingly, bonds and commercial paper outstanding are now as large as 36.4% of the banking system credit as on December 2016 (32.3% as on December 2015).

FGII & BoM tie-up

MUMBAI, JAN 30/--/Future Generali India Insurance Company (FGII) today said it has entered into a corporate agency tie-up with Bank of Maharashtra. Bancassurance is one of the key avenues to distribute products. Our focus is to offer customised products, best customer service and sustain the trust of customers of Bank of Maharashtra," FGII Managing Director and CEO K G Krishnamoorthy Rao said in a release issued here. Currently bancassurance accounts for 5 per cent of Future Generali s total business. It has tie-up with over 100 banks across the country.

"Through this partnership, we aim to immensely benefit our customers by providing them an ease of access while choosing from a diverse range of non-life insurance products, all under one roof," Bank of Maharashtra Managing Director and CEO Ravindra Prabhakar Marathe said. (PTI)

Several GMC Terrain are prepared to be shipped from the General Motors CAMI car assembly plant, where the GMC Terrain and Chevrolet Equinox are built, in Ingersoll, Ontario, Canada—REUTERS

Vodafone, Idea in talks to create India's largest telco

NEW DELHI, JAN 30/--/Britain's Vodafone Group on Monday said it is in talks to merge its Indian unit with Idea Cellular in an all-share deal to create the country's largest telecom operator to compete with Reliance Jio that has unleashed a fierce price war.

The merger of Vodafone -- the world's second-largest cellphone network operator -- with the Aditya Birla Group firm -- India's third-largest cellular operator would create a company with around 387 million users and form one of the largest telecoms companies in the world.

In a statement, the UK-based company said it is in talks with Idea about an all-share merger, but the deal under consideration excludes its 42 per cent holding in Indus Towers, a joint venture with Bharti and Idea. "Any merger would be effected through the issue of new shares in Idea to Vodafone and would result in Vodafone de-consolidating Vodafone India," the company said. "There is no certainty that any transaction will be agreed, nor as to the terms or timing of any transaction."

Since its entry in India in 2007, Vodafone has become number 2 operator in the country, but its journey has been tumultuous as it is locked in a juggle battle with the government over a USD 2 billion retrospective tax claim over its acquisition of Vodafone India from Hutchison in 2007. It had written down value of business by 5 billion pound (USD 3.35 billion) late last year. The British firm has pumped in more than USD 7 billion into the India unit.

Backed by India's richest man, Reliance Jio Infocomm is offering free voice calls and data till March and has notched up 74 million users. It has already invested over USD 25 billion and is investing another Rs 30,000 crore (USD 4.8 billion).

The Aditya Birla group owns 42.2 per cent of Idea while Malaysian carrier Axiata Group Bhd has a 19.8 per cent stake. Vodafone India Ltd is a wholly-owned unit of Vodafone Group Plc.

Idea rose as much as 29 per cent, the most since the shares began trading in 2007, taking the company's market valuation above USD 5 billion. Vodafone gained as much as 4.1 per cent. In a separate BSE filing, Idea Cellular said it plans to raise Rs 500 crore through non-convertible debentures on private placement basis. (PTI)

India provides USD 2.49 mn for postal road project in Nepal

KATHMANDU, JAN 30/--/ India has provided USD 2.49 million to Nepal for the construction of postal highway which runs across the Terai region close to the Indo-Nepal border. "Ambassador of India Ranjit Rae handed over a cheque amounting to Nepalese rupees 249,710,698 equivalent to USD 2.49 million to Minister for Physical Infrastructure and Transport Ramesh Lekhak at the ministry's office at Singha Durbar in Kathmandu," according to a statement issued by the Indian Embassy here.

A postal road is designated for the transportation of postal mail. It is also known as Hulaki Rajmarg which runs across the Terai region of Nepal, from Bhadrapur in the east to Dudhaura in the west, cutting across the entire width of the country. It is the oldest highway in the country constructed by Ranas to aid transportation and facilitate postal services.

Ambassador Rae had inaugurated a campus building for Chautara Multiple Campus, Chautara in Sindhupalchok district situated in the east of Kathmandu last week.

ER ticket checking drive

KOLKATA, JAN 30/--/As a result of the intensive ticket checking drive conducted by Eastern Railway all over its jurisdiction from 20 January 20 to 26, altogether 38, 379 persons were detected travelling without or with improper ticket and carrying unbooked luggage and an amount of Rs.69,72,342 was realised from those offenders. (EOIC)

RBI lifts restrictions on withdrawals from ATMs, current a/cs

MUMBAI, JAN 30/--/In a big relief to people and small businesses, RBI on Monday announced lifting of restrictions on daily withdrawal of money from ATMs and from current accounts but the weekly limit of Rs 24,000 on savings bank accounts will continue.

The Reserve Bank also promised to review the weekly limit in the near future depending on the pace of remonetisation. "On a review of the pace of remonetisation, it has been decided to partially restore status quo ante," RBI said adding, cash withdrawal limit from ATMs stands withdrawn from February 1, 2017.

Banks, however, have been asked to fix their own limits, as has been the case before November 8, 2016, the day government scrapped high denomination currency notes of Rs 500 and 1,000. RBI has also removed all limits on cash withdrawals from current accounts/ cash credit accounts/ overdraft accounts with immediate effect. "The limits on Savings Bank accounts will continue for the present and are under consideration for withdrawal in the near future," it said.

It further said that banks have been "urged to encourage their constituents to sustain the movement towards digitisation of payments and switching over of payments from cash mode to non-cash mode."

Government and RBI had imposed limits on withdrawal of money from ATMs and bank branches in view of currency shortage following demonetisation. These limits, however, were gradually eased with RBI pumping in new notes of Rs 500 and Rs 2000. (PTI)

Mastercard to tap growing Indian e-commerce market

MELBOURNE, JAN 30/--/Identifying India as one of the fastest growing e-commerce nations, Mastercard has said it will expand its investment by over 30 per cent in tune with the Indian government's "digital India" initiative. India is one of the top priorities in the region. We have increased our investments in India by over 30 per cent in the last two years and we are going to increase it even more," Sam Ahmed, Mastercard's senior vice-president of marketing for Asia Pacific, told PTI here.

Ahmed indicated that Mastercard's, one of the world's largest financial transaction firms, investment plans were in line with the Indian government's "digital India" initiative and would help Indian consumers in digital payments in their daily lives. He said the company was looking at a number of digital payment innovations which were to be launched in India in future, including face recognition, Masterpass and other online payment methods.

He said mobile penetration in India was the highest and termed it as the key to get the users' access to such digital payment innovations.

Commenting on the flow of investments in India, Ahmed said the company was keen to support the digitisation move to help consumers understand about it. The investments will also be channelised towards the digital and e-commerce engine giving consumers what they need.We are planning to do this by partnering with small businesses and merchants and outbound travellers," he said. The company is eyeing to tap movie launches and sponsoring local sports as a part of its marketing campaigns. "Movies are such a passion in India. The area we are looking at is movie launches," Ahmed said.

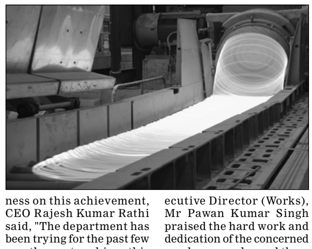
Currently, the company has veteran Bollywood actor Anil Kapoor and his daughter Sonam Kapoor as its Brand ambassadors. (PTI)

ISP posts record production in Wire Rod Mill

EOI CORRESPONDENT

BURNPUR, JAN 30/--/ The state-of-the-art Wire Rod Mill at IISCO Steel Plant set a new a record by producing 1573 metric tons in a day and 579 metric tons of coils in a shift on January 29, surpassing its daily monthly target of 1315 metric tons.

This new Wire Rod Mill with a capacity of 0.55 million tons can roll at a speed of 115 meters per second. With this achievement the Mill has inched closer to its full capacity. The Mill had already produced 1470 metric tons in a day on July 23 last year.



Expressing his happiness on this achievement, CEO Rajesh Kumar Rathi said, "The department has been trying for the past few months ago to achieve this goal. This achievement is a reflection of their dedication and commitment". Executive Director (Works), Mr Pawan Kumar Singh praised the hard work and dedication of the concerned employees and urged them to gear up for the next goal of achieving full capacity of the Mill.

Tata Steel workers begin voting on UK plant rescue

LONDON, JAN 30/--/Tata Steel workers on Monday began voting on a plan, that includes 1 billion pound investment over 10 years, to rescue the Indian conglomerate's UK operations, with a result of the ballot expected by mid-February.

Steelworkers' unions and officials have agreed to endorse Tata Steel's proposal involving a 1-billion-pound investment plan over 10 years in an effort to save thousands of jobs across the company's UK operations, which includes the Britain's largest steelworks at Port Talbot in Wales. The plans are dependent on the current British Steel Pension Scheme (BSPS) being spun off into a separate entity to overcome its 15-billion-pound liability.

The three main workers' unions Unite, GMB and Community which have come together as the National Trade Union Steel Coordinating Committee (NTUSCC), had issued a joint statement describing the proposal as the "best outcome".

"We fully understand the concerns of members, particularly around the BSPS. But as we have said before, what you are voting on is the best outcome that could be achieved through negotiation," the statement said. It is our collective view, supported by our independent experts, that this is the only credible and viable way to secure the future.

Although this is a situation that we would never have wished for, it is also the only way to protect the benefits you have already accrued and to provide a chance to prevent the BSPS free-falling into the Pension Protection Fund," it adds.

Under the new proposals, Tata Steel intends to close the BSPS to future accrual on March 31 and introduce a defined contribution pension scheme with maximum employer contributions of 10 per cent, based on employee contributions of 6 per cent.

The BSPS is one of Britain's largest pension schemes, with 130,000 members and Tata Steel had inherited the scheme when it bought Corus in 2007.

It has proved the biggest stumbling block in arriving at a deal to secure the future of Tata Steel's operations in the UK.

The Tata group has been in talks with German major ThyssenKrupp for a potential merger, which is also predicated on a solution to the pension scheme. "Tata needs to separate its pension liabilities from the plants in Ijmuiden and Port Talbot, then we can talk," ThyssenKrupp CEO Heinrich Hiesinger had said last week. (PTI)