Excessive Competition can also Put Pressure on Companies: FM

Jaitley says cos at times put unrealistically low bids and anti-trust regulator would have to point it out

Our Bureau

New Delhi: Excessive competition can at times lead to stress in a particular sector, finance minister Arun Jaitley said, adding that in a growing economy these challenges will rise. Jaitley, who is also the corporate affairs minister, was speaking at the National Conference on Public Procurement & Competition Law organised by the Competition Commission of India (CCI).

"Excessive competition at times can result in pricing of nature that the sector of the economy itself feels stressed because everybody then tends to follow the leader," he said.

Jaitley said these were challenges of the growing economy and as the economy grows, the role of each regulator will expand.

"The size is going to increase, the size of industry is going to increase, the size of services sector will increase and the role of each regulator while exercising self-restraint will also expand," he said.

He also said the companies at times put bids that are unrealistically low and can't be implemented and the anti-trust regulator such as the Competition Commission would have then a larger role to point that out.

Jaitley said during the UPA regime, procurement contracts and mining contracts were given on a first come-first serve basis, which undermined competition.

He said public procurement being a very large part of the country's GDP, the state is entitled to have the best price and quality, and this also applies to all statutory institutions.

However, he said, economies today were facing a situation where global tenders for procurement could lead to a reduction in cost but wouldn't allow the domestic industry to grow.

Therefore, in some areas tender bids can be global while in others, domestic development is desirable, especially in case of the services sector in which effective competition needs to be built within the country.

Explaining the object of the competition law, the finance minister said protection of consumer interest was a key pillar of this.

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Arun Jaitley Finance Minister

INJETI SRINIVAS ASKS FINANCE COS TO REVIEW FUNDING MODEL

MCA Secretary says RBI may Have to Open Special Window for HFCs

Our Bureau

New Delhi: India's housing finance companies (HFCs) are facing a liquidity stress, a senior government official said, a situation that will put more pressure on the Reserve Bank of India to provide a special window to the sector as sought by the government.

Speaking at an event, corporate affairs secretary Injeti Srinivas also asked finance companies to review their funding models so that they could aim for sustainable growth.

ET reported on Monday that the government had sought a special refinance window for non-banking finance companies and housing finance companies to the extent of 1% of the net time and demand liabilities of banks.

On the future of Infrastructure Leasing and Financial Services (IL&FS), the secretary said selling it at the group level as a going concern was the best-case scenario for the resolution of the stressed company. However, there are serious issues and the likelihood of such an outcome is limited, he said.

He said various options were being considered to resolve the crisis at IL&FS. "Selling the group entity as going concern is one option. It could either be sold vertical wise or assets wise," Srinivas said.

"But what seems most probable is to have a combination of all the three approaches," he said on the sidelines of the event organised by the Competition Commission of India (CCI).

IL&FS has debt of ₹91,000 crore. The company has defaulted on some payment obligations.

"Whatever is in the best interest of the stakeholders, including public interest, will be the factor which will guide a resolution," he said.

System Needed to Protect 'Bonafide' Bureaucrats, says Bibek Debroy

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New Delhi: Chairman of the Economic Advisory Council to Prime Minister (EAC-PM) Bibek Debroy said India needs a system to adequately protect "bonafide" bureaucrats while ensuring that the scope of existing legislation is widened to cover all those involved in corruption.

"Unfortunately, even the amended Prevention of Corruption Act fails to adequately protect bonafide decision makers, who often take ex ante decisions without necessarily knowing the ex post consequences of those decision," Debroy told **ET**.

EAC-PM chief says the system must ensure that the scope of existing legislation is widened to cover the corrupt

Debroy has authored a chapter on corruption in soon to be released book *Making of New India*, a compilation of 50-odd essays co-edited by Debroy, Anirban Ganguly and Kishore Desai.

Under the amended PCA, investigating agencies will have to get prior sanction of the appropriate authority to probe officials, including those who have retired. Another key change is that "criminal misconduct" will now only cover misappropriation of property and possession of assets disproportionate to income.

Debroy says while the PCA defines 'criminal misconduct' by a public servant, there is no legislation that covers private sector corruption, within the private sector, and in government-to-citizen or government-to-business transactions.

Services Sector Sees Fastest Growth since July, PMI Up to 52.2

In Oct, sector witnessed 2nd strongest increase in hiring since March 2011

October Fest

Economy picks up pace in October

	Service PMI	Composite PMI
Jan	51.7	52.5
Feb	47.8	49.7
Mar	50.3	50.8
Apr	51.4	51.9
May	49.6	50.4
June	52.6	53.3
July	54.2	54.1
Aug	51.5	51.9
Sep	50.9	51.6
Oct	52.2	53

MUCH TO CHEER

Second-strongest rise in employment since March 2011

New order growth at 3-month high

Services firms see good market conditions, advertising

Our Bureau

New Delhi: Buoyed by new business orders, India's services sector activity expanded at the quickest pace in three months in October, a private survey showed on Monday.

The Nikkei/IHS Markit Services Purchasing Managers' Index rose to 52.2 in October from 50.9 in September, driving the rate of job creation to the second-strongest in over seven and-a-half years, surpassed only in April this year

A print above 50 means expansion, while a score below that denotes contraction. October marked fifth successive month of expansion.

The PMI services activity index is based on a survey of purchasing executives of more than 400 service providers divided into five categories: consumer services, transport & storage, information & communication, financial & insurance and real estate & business services.

Growth in business activity was recorded in three of the five monitored categories and led by information & communication. Declines were evident at finance & insurance and real estate & business services companies.

A sister survey last week showed strengthening manufacturing activity in October, improving the Composite PMI Output Index from 51.6 in September to 53 in October.

"The PMI surveys brought positive news of stronger economic growth at the start of the third quarter of FY19, together indicating a welcome rebounded in private sector expansion from September's four-month low," said Pollyanna De Lima, principal economist at IHS Markit, and author of the report.

Improved order flows supported the pick-up in output amid favourable market conditions, greater client bases and fruitful advertising.

On the job front, Indian service providers continued to add to their payrolls and the sector witnessed the second-strongest increase in employment since March 2011.

Anecdotal evidence indicated that hiring was boosted by greater levels of new business and improved demand conditions. Employment increased in all sub-sectors bar finance & insurance where a slight reduction was seen. The upturn was led by information & communication.

On the prices front, cost-inflationary pressures eased, resulting in a softer increase in selling prices.

"Cost pressures faded in October, but service providers continued to report rising costs, especially for food and fuel," Lima said, adding that a robust expansion in workforces added to firms' expenses.

"Firms are becoming more guarded in the face of growing uncertainties. The sustainability of current market conditions and political worries both weighed on optimism and posed downside risks to growth," Lima said.

Min for Forward E-auction of Power Assets in NCLT

Power ministry asks MoF to bid out stressed units; NTPC eyes 10 GW of 30 GW private plants likely to move to bankruptcy court

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New Delhi: The power ministry has asked the finance ministry to bid out stressed power assets in the insolvency court through a forward online auction.

NTPC is eyeing about 10 GW of the nearly 30 GW of private power plants likely to move to the bankruptcy court if lenders are unable to close resolution proceedings before the November 14 Supreme Court hearing. An NTPC executive said the forward auction bidding will be more transparent and spare the company from questions on asset valuations. At present, auction in the National Company Law Tribunal (NCLT) is carried out in sealed envelopes. The power ministry is demanding bidding akin to the forward e-auction for non-power coal blocks where the bidders can see highest bids on screen and revise their bids.

NTPC is gearing up to bid for 8,000-10,000 MW of stressed private power projects when they are moved to the bankruptcy court. The company has identified 8-9 power plants and has negotiated with banks for funding, a senior company executive said. The company will look at commissioned projects with easy spare parts availability and coal transportation facilities.

At present, auction in NCLT is carried out in sealed envelopes

Problems in authentic valuation of stressed projects had earlier forced NTPC to abandon a proposal to acquire some of the troubled plants. The company had in November last year called tenders from developers and lenders of stressed power plants. It received interest from four private power projects. Jaiprakash Power Ventures Ltd had offered its Nigrie power project to NTPC for acquisition while State Bank of India has proposed stake sale in three stressed plants of Bajaj Lalitpur, Jaypee Infratech and Jindal India Thermal to the state-run firm.

ET had earlier reported that the banks are continuing to drag their feet on resolution proceedings of a dozen stressed power plants, which received bids. There is no consensus among lenders on resolution plans for stressed assets besides a few plants like 600 MW Jhabua power plant of Avantha Power and Prayagraj Power Gen Corp's 1,980 MW Bara power plant that may finalise deals before the Supreme Court hearing on November 14.

Sources in the banking industry said no headway has been made in resolution of most stressed power projects. Resolutions for 1,320 MW RattanIndia Amravati plant in Maharashtra, 1,370 MW GMR Chhattisgarh Energy Ltd, Jhabua and Prayagraj plants are very close but some small lenders are still resisting.

The banks and power producers got an interim relief from the Reserve Bank circular's mandate referring the projects to the insolvency court due to the Supreme Court's order to maintain a status quo. Power companies had moved courts after the RBI refused extension of deadline for completing resolutions of stressed power plants.