## IN BRIEF


**Amazon India gets RBI nod for mobile wallet**

NEW DELHI

Online marketplace Amazon India has secured a licence to operate pre-paid payment instrument (PPI) or mobile wallet in the country as it tries to compete against rivals. The approval will help the U.S.-based giant to cash in on the booming digital payments market in India. "Our focus is providing customers a convenient and trusted cashless payments experience," Amazon India said. PTI

**FB Messenger crosses 1.2 bn. monthly users**

NEW DELHI

Facebook's Messenger on Thursday said it had crossed 1.2 billion monthly active users milestone with the addition of about 200 million new users in last eight months. "We have over 1.2 billion people using Messenger every month," Head of Messenger David Marcus said in a post. In July last year, Facebook had 1 billion users of Messenger, its messaging service on the networking platform. PTI

**'Post merger, SBI profit to surge in 3 years'**

MUMBAI

The head of State Bank of India (SBI), the country's largest lender, said she expects a boost to annual profit of as much as 30 billion rupees ($465 million) in three years on cost and efficiency gains from the absorption of associate banks. Chairman Arundhati Bhattacharya also said that signs of more factory activity pointed to a turnaround in India's weak credit cycle this financial year. REUTERS

# With Brexit, U.K.-India pact could boost trade

## Potential growth of 26% in bilateral trade eyed

VIDYA RAM

LONDON

The potential for the growth in India-U.K. trade following Brexit is an issue that has cropped up frequently in the debate around Britain's decision to leave the E.U., and with the triggering of Article 50, focus has shifted to the specifics of what that could entail, including the sectors that could benefit.

Recent sector-specific analysis conducted by the Commonwealth provides an initial picture of what could ensue, estimating that bilateral trade could rise by up to 26% a year under an FTA between the two nations. While much of the growth would come from a reduction on tariffs on the Indian side (Indian tariffs are higher on average than the other way round – 14.8% versus 8.4%), it estimates that Indian exports to the U.K. could rise by as much as 12%, with sectors such as clothing, industrial and mechanical appliances such as turbo jets and transmission shafts seeing strong growth.

The report also highlighted the opportunity for increasing the exports of services as well as new exports such as non-industrial diamonds, and specific mechanical devices. While the figures are likely to be on the optimistic side (envisaging a zero-tariff scenario, and the diversion of trade from regions such as the E.U.), they provide a snapshot of the beneficial impact a free trade agreement could have on stimulating a trade and investment relationship that has faltered somewhat in recent years.

"There is great potential for future growth in trade between Indian and the U.K.," said Pratik Dattani, director of FICCI in the U.K. "This is especially as the most recent U.K. government figures show India has dropped out of the top 20 export markets for the U.K. The coming months will no doubt see a need for continued robust analysis of the impact on trade in different sectors," he added.

"Bilateral trade research and reports, such as one by the commonwealth secretariat, offer empirical evidence and a pragmatic model for countries to understand the impact free trade can make," said Sarosh Zaiwalla of Zaiwalla Solicitors.

**Gauging impact:** A working group will conduct an audit on the current situation and potential future. ▪GETTY IMAGES/ISTOCK

**'Fresh start'**

"While India h1as been negotiating a broad-based trade and investment agreement with the European Union since 2007, it has remained inconclusive... India was also unable to build and expand on its trade ties with the U.K. as it was part of the EU. But with Brexit, Britain offers a fresh start for India to engage on a whole and exciting new level on sectors which have been largely dormant due to EU regulations."

While there are concerns about Britain's ability to simultaneously look at ways of strengthening relations with non-EU nations, at the same time it is conducting negotiations with the E.U., Virendra Sharma, the MP for Ealing Southall who has opposed Brexit, is also optimistic about the potential for growth in sector-specific trade going forward, particularly given the uncertainty around Britain's negotiations with the E.U. "The growth option for Britain will be India."

Britain cannot commence negotiations with India on a trade deal while it remains within the E.U., but both nations have been exploring the specifics of their trading relationship. A joint working group between the two countries set up last year will be conducting an audit on the current situation and potential future, said Dinesh Patnaik, Deputy High Commissioner of India to the U.K. The audit's terms of reference are currently being established, and is set to commence shortly. "We are looking at where the opportunities lie."

# RBI tightens norms on bank performance

## Sets three thresholds, breach of which could lead to mergers or even closure

SPECIAL CORRESPONDENT

MUMBAI

The Reserve Bank of India (RBI) has come out with a revised prompt corrective action (PCA) framework for banks, spelling out certain thresholds, the breach of which could invite resolutions such as a merger with another bank or even shutting down of the bank.

The revised norms have set out three thresholds. The breach of the third one on capital "would identify a bank as a likely candidate for resolution through tools like amalgamation, reconstruction, winding up etc.," the RBI said.

The provisions of the revised PCA framework will be effective from April 1, 2017 based on the financials of the banks for the year ended March 31, 2017. The framework would be reviewed after three years, the RBI said.

The thresholds are based on capital, net non-performing assets, profitability and leverage ratio.


**Narrowing boundaries:** The framework, effective April 1, 2017, would be reviewed after three years, the RBI said.

The breach of the first threshold will invite restriction on dividend distribution or require parents of foreign banks to bring in more capital. This will get triggered if capital adequacy ratio (including capital conservation buffer) falls below 10.25% or common equity tier-I (CET1) capital ratio falls below 6.75%. Breach of either CAR or CET1 would trigger corrective action, the RBI said.

The trigger for net NPA is 6% and 4% for leverage ratio. Two consecutive years of negative return on assets (RoA) will also be classified in threshold one.

The breach of the second threshold will occur when the capital adequacy ratio falls below 7.75% or CET1 goes below 5.125%. The net NPA threshold is breach of 12% and leverage ratio below 3.5%. Three consecutive years of negative ROA will also trigger threshold two. Breach of threshold two will result in restrictions on expansion of branches and higher provisions.

**Restriction on pay**

The breach of the last threshold happens when CET1 falls below 3.625% and net NPA goes above 12%. Negative ROA for four consecutive years will also be considered as a breach of the third threshold vis-a-vis the profitability parameter. Restrictions, in addition to that of threshold one and two, will be put on management compensation and directors' fees if the the third level is breached.

Corrective action that can be imposed on banks includes special audit, restructuring operations and activation of recovery plan.

The RBI has said that promoters of banks can be asked to bring in new management, or even can supersede the bank's board, as a part of corrective action.

# Tata Trusts officials move court to have PSU insurers exit ITC

## PIL says investments contradict Centre's anti-tobacco stand

ASHISH RUKHAIYAR

MUMBAI

A public interest litigation (PIL) filed in the Bombay High Court has challenged the large investments made by government-owned insurance companies in cigarette maker ITC.

As per the PIL, cigarettes accounted for 85.3% of ITC's net profit in the financial year 2015-16.

The petition wants the government to direct the insurance companies to divest their stake – worth a whopping ₹1.03 lakh crore – in the Kolkata-based firm while formulating a policy to restrain government-owned companies from making such investments in future.

The petition said that investments in a cigarette maker by public sector entities contradicts the anti-tobacco stance of the government on an international level as India is a signatory to the WHO.

**'Inherent contradiction'**

"(Investment in tobacco industry by insurance companies) is perplexing because of the inherent, undeniable and irreconcilable contradiction between the nature and object of life insurance companies and the tobacco industry... the biggest investments have been made by public sector insurance companies operating with the primary objective of public welfare and using public funds for such operations," stated the PIL.

The petition has been filed by top officials of Tata Trusts, including managing trustee R. Venkataramanan and project management group head Lakshman Sethuraman, along with doctors of Tata Memorial Hospital.

The LIC, GIC, New India Assurance and Oriental Insurance have been made parties to the case along with SUUTI, IRDA and the Union Government.

# Presidential nod for 4 GST laws

SPECIAL CORRESPONDENT

NEW DELHI

President Pranab Mukherjee granted his assent on Thursday to the four enabling laws to operationalise the upcoming Goods and Services Tax regime. The indirect tax regime, expected to be rolled out from July 1, now awaits the passage of the State GST laws by all state assemblies.

The legislations approved by the President include the Central GST Act, The Integrated GST Act, The GST (Compensation to States) Act, and The Union Territory GST Act, 2017. These bills were passed in Rajya Sabha on April 6 and by Lok Sabha on March 29.

# 'Oil marketing firms must protect consumers too'

## Consumer interest tied to pricing freedom, says Secretary

SPECIAL CORRESPONDENT

NEW DELHI

Reacting to the proposed pilot project to reset fuel prices at retail pumps daily, the top Petroleum and Natural Gas ministry official said on Thursday that oil marketing companies enjoy pricing freedom for diesel, petrol and aviation turbine fuel, but must remain conscious of consumer interests as government-owned companies.

"We have moved away from administrative pricing regime for diesel, petrol and ATF. Except for kerosene, marketing companies are free to decide the price.

"The period also they are free to decide, whether they revise the prices every day or weekly," said K.D. Tripathi, secretary in the petroleum and natural gas ministry

"We do not interfere in day to day matters of these companies... they are listed on the stock exchanges and are Maharatna PSUs. It is their freedom to take pricing decisions. We do not dictate such things nor do we restrict them," Mr. Tripathi said, stressing that the oil marketing firms have been deliberating on a daily price reset option for 'quite some time' now.

The government had abandoned regulated pricing for petrol in 2010 and diesel in October 2014 and Mr. Tripathi said that he expected consumers to benefit from the change to a dynamic pricing regime of petroleum products.

"Prices as of now are linked to international prices. If the international prices cool down, the consumers will benefit. I don't think it will be against the interests of the consumers," he said.

"I can tell you one thing that - public sector oil marketing companies are quite conscious of the consumers' interests."

He added, "As a public sector company, they have to be responsible towards the consumer also," Mr. Tripathi said.


**Highs and lows:** Consumers could benefit from the change to dynamic pricing of fuels, Secretary K.D. Tripathi said.

**Levy review?**

When asked if the high taxes levied on petroleum products in the past two years would be wound down in light of rising oil prices, Mr. Tripathi said the government was conscious of the issues at stake and would take a decision at the appropriate time.

"As regards taxation, the government takes a call depending on the total market scenario - including the international prices, domestic requirement and depending on that, a tax regime is decided for petroleum products because these are sensitive products. Everybody in the country is affected, including the poorest of the poor," he said.

"The government definitely takes a call on the taxation regime for every commodity, more so about this commodity.

"Our companies have been demanding that these petroleum products should be brought under the Goods and Services Tax regime, for which states have to be consulted.

There are other issues too... so the government is conscious of this and will take a decision at the appropriate time," Mr. Tripathi added.

The secretary sought to play down the interpretation of the Budget proposal of an integrated public sector 'oil major' as a possible merger of all oil PSUs into one behemoth entity.

**'No mega PSU'**

"So far as I understand, it was not the intention of the Finance Minister to say that there will be one single mega oil company. That was perhaps not the intention. His Budget speech announced a broad policy framework, which talks of integration; mergers and acquisitions can be done with a view to have larger mega companies that can have global presence," said Mr. Tripathi.

"Keeping that in mind, our companies will consider as to where it is in their commercial interest to benefit from synergies and they can come up with an appropriate proposal.

"And the government will also see where its shareholding is involved, to see the process, examine all proposals and take a call," he underlined.

# Dollar drop helps yellow metal to rally

REUTERS

LONDON

Gold rallied to a five-month high on Thursday, on track for its best week since June, after the previous day's comments by U.S. President Donald Trump on the the strength of the dollar knocked the currency lower.

The dollar came under heavy pressure after he said that strength in the U.S. currency would eventually hurt the economy. The metal nudged up to its strongest since early November at $1,288.64 an ounce before steadying in later trade.

"Gold's recapture of $1,280 for the first time since November is significant, as it opens up a trading range potentially to $1,300," Mitsubishi analyst Jonathan Butler said.

# Amway India to open 14 stores

SPECIAL CORRESPONDENT

CHENNAI

Amway India, a direct-selling FMCG company, plans to open 14 Express Pick & Pay Stores across the country by the end of 2018.

The company recently opened two Express Pick & Pay Stores in Chennai, taking the total number of stores to 36.

The store's format is similar to a 'Mini Shopping Centre' which enables the consumers and distributors to touch, feel and purchase Amway products.

"Tamil Nadu is a priority market for us. We are in the process of converting most of our real estate into consumer-facing stores. We are also opening stores at premium locations depending on the requirement of the city and State," said Sandeep Prakash, Sr. vice president, West & South, Amway India.