CHANAKYA

NI POTHI

GST collections slip below Rs 1.5-trn mark in May despite 44% YoY increase

The collection of goods and services tax (GST) fell short of the expected Rs 1.5-trillion level in May, a month after hitting a record. The mop-up of Rs 1.41 trillion in May is 16 per cent (Rs 26,655 crore) lower than the record collection of Rs 1.68 trillion in April.

However, the latest figure is 44 per cent higher than Rs 97,821 crore a year ago. Also, the mop-up in May is still the fourth-highest since the inception of GST in July 2017.

The finance ministry released the provisional data on GST for May on Wednesday.

The sequential dip in the GST inflows in May was on expected lines, as the April GST collection was enhanced by year-end flows. At the same time, the high YoY growth reflects the low base of the second wave.

"The collections in May, which pertains to the returns for April — the first month of the financial year--has always been lesser than that in April, which pertains to the returns for March, the closing of the financial year," the ministry said.

"However, it is encouraging to see that despite being the first month of the fiscal, gross GST revenues have crossed Rs 1.40 trillion — the third straight month since March," it added.

The newly-released GST figures pertain to transactions in April but tax collected in May.

Of the total mop-up in May, Central GST (CGST) stood at Rs 25,036 crore, State GST (SGST) was Rs 32,001 crore and Integrated GST (IGST) was Rs 73,345 crore. This includes Rs 37,469 crore from import of goods and cess mop-up of Rs 10,502 crore (including Rs 931 crore from import of goods).

During the month, revenue from imports of goods were 43 per cent higher than the corresponding month last year. Collections from domestic transactions (including imports of services) was 44 per cent higher than the revenues from these sources in May 2021.

The number of e-way bills (one of the high frequency indicators) generated in April was 74 million, which is 4 per cent lower than 77 million e-way bills generated in the month of March.

Experts feels that a sustained momentum in the collection trend is likely to continue and may even exceed the budget estimates (BE).

"Given the trends for April and May, and the anticipation of a sustained healthy momentum in the absence of another Covid wave, we expect CGST inflows in FY23 to exceed the BE level by Rs 1.15 trillion, helping to absorb a part of the higher subsidy bill," said Aditi Nayar, Chief Economist, ICRA.

In May, the government settled Rs 27,924 crore to CGST and Rs 23,123 crore to SGST from IGST. The total revenue after settlements is Rs 52,960 crore for CGST and Rs 55,124 crore for the SGST. In addition, the Centre has also released GST compensation of Rs 86,912 crores to states, the finance ministry said.

"The stability demonstrated by GST collections over the past three months is a good indicator of the growth of the economy and ties in with the other macroeconomic indicators including the GDP numbers," said MS Mani, Partner, Deloitte India. She added that significant efforts in audits and analytics have also led to a drive against tax evaders.

India Inc's profits rise 28% in March qtr, banks contribute the most

A strong performance by sectors including banking raised the profits of Indian companies by 28 per cent in the three months ended March 2022.

The rate of growth is, however, lower than the 30 per cent seen in December. Growth in net sales was also lower than what was seen in the December quarter for the sample under consideration.

From samples of 2,695 companies with comparable results over time.

Deepak Jasani, head of retail research at HDFC Securities, said that top line growth was good in the March quarter, though not as good as the December quarter.

"This is despite inflation rising," he pointed out, adding, March was seasonally a better quarter for sales. The contribution of major sectors to profits continued. Three sectors accounted for 41.9 per cent of the net profits of the sample, which has 75 of them.

Banks contributed 18.8 per cent. This was followed by information technology (software) with 11.9 per cent. Refineries contributed another 11.3 per cent.

If one considers net profit after excluding financials, then growth falls to 19.1 per cent, lower than the 21.3 per cent in December. Banks have done well especially in the light of improved asset quality, according to analysts.

"Private banks' asset quality continued to improve with moderation in slippages, credit costs and NPA (non-performing asset) ratios, while the restructured book also declined sequentially," said a June 2022 India Strategy report from the Mumbai-based Motilal Oswal group, authored by research analysts Gautam Duggad and Deven Mistry. We also looked at growth in net profit excluding cyclical sectors such as crude oil and natural gas, gas distribution, non-ferrous metals, refineries, steel, and mining and mineral products; in addition to financials.

Net profit growth was higher for the sample excluding cyclicals but it showed lower net sales growth.

Margins in general contracted on higher raw material costs.

Jasani pointed out the positive was that the third wave of the pandemic did not seem to have a major impact on economic activities. Many sectors, such as hospitality, which are dependent on the economy reopening, did well in the March quarter. This would suggest that people did not shy away from such segments despite the Omicron variant. Many companies saw higher input and wage cost pressure but could offset most of these due to better operating leverage, he said.

With respect to Nifty 50 companies, Shiv Chanani, Bhawana Chhabra, and Aditya Jaiswal of Elara Capital said in a note on earnings: "Nifty 50 continues to see healthy sales growth with 26 per cent year-on-year (YoY), with ex-financials growth at 27 per cent YoY. This was due to higher commodity prices, given ex-commodities sectors' sales growth dips to 11 per cent YoY and price hikes undertaken across consumption sectors (revenue growth in staples was primarily a function of price growth as volume growth remained muted)."

Owing to cost pressure, ex-financials' EBITDA (earnings before interest, tax, depreciation and amortisation) growth was lower at 13 per cent YoY accompanied by a 219 basis point YoY decline in EBITDA margins to 17.9 per cent.

All Nifty 50 companies' PAT growth stood at 15 per cent YoY, with major contributions from financials. Excluding financials, Nifty PAT grew 8.5 per cent YoY, the analysts said.

The outlook for India Inc would be dependent on the international interest rate scenario and whether a global recession comes into play, as a lot of companies are export-dependent. Traditional defensive sectors like consumption could do relatively well in the event of adverse global factors, Jasani added.

Pankaj Pandey, head of research at brokerage firm ICICI Direct, said higher inflation might result in consumers downtrading, and buying cheaper products or smaller packets, in some segments. Sectors including banks and automobiles are likely to do well.

"The corporate commentary is still quite good," he said.

Consultation paper on digital assets may not lead to cryptocurrency policy

India is unlikely to take a call to either ban or legalise crypto currencies in the near future and would rather wait for global consensus to emerge, according to a senior official.

"We don't see much action on that (crypto). We will see a consultation paper but nothing beyond that. I think the government strategy now is to await global moves rather than take a big step in any direction," the official told.

Economic Affairs Secretary Ajay Seth said on Monday that the consultation paper on virtual digital assets prepared after wide deliberation with domestic as well as multilateral institutions was almost ready for release.

The government has also raised concern over complying with Financial Action Task Force (FATF) guidelines and discussed it with other countries, according to another official.

FATF standards ensure a co-ordinated global response to prevent organised crime, corruption and terrorism. They also help authorities go after the money generated from such crimes.

India, like many other countries, is currently not FATF-compliant on crypto assets. FATF requires countries to have a clear stand on legalising or banning crypto assets.

The views are divided within the government departments on whether crypto currencies should be banned. The Reserve Bank of India, however, has been in favour of a complete ban on crypto assets on account of the risk associated with it.

In an interaction with a TV channel last month, RBI governor Shaktikanta Das said the central bank's views remain consistent on virtual digital assets.

"On cryptos, our position remains very clear. It will seriously undermine the monetary, financial and macroeconomic stability of India. And we stick to that position. We have conveyed our position to the government and the government will take a considered call and I think the utterances, the statements coming out from the government are more or less in sync with RBI. They're also equally concerned," he added.

In December 2021, during the winter session of Parliament, the government listed the Cryptocurrency and Regulation of Official Digital Currency Bill, 2021, to provide a framework for digital currencies. The bill was never introduced.

Subsequently, in the Budget for 2022-23, the government had defined crypto as virtual digital assets and also imposed a 30 per cent tax on gains made from such transactions.

It also proposed 1 per cent tax deducted at source on all such transactions effective from July 1. However, the government had clarified that taxation would not amount to legalising virtual assets.

Welspun Enterprises bags Rs 4,636-cr order from civic body BMC

Welspun Enterprises Ltd (WEL) on Wednesday said it has received its single-largest order of Rs 4,636 crore from civic body Brihanmumbai Municipal Corporation (BMC) for the Dharavi Wastewater Treatment Facility.

This takes the outstanding order book of the company to around Rs 12,500 crore, of which Rs 6,500 crore is in the water sector and the balance Rs 6,000 crore is from the road sector, WEL said in a statement.

Under this project, a joint venture led by the company will design, build, operate, and maintain the Dharavi Wastewater Treatment Facility including Tertiary treatment facility under Mumbai Sewage Disposal Project, Stage II (Priority Works), a company statement said.

"This is the single highest value order so far for the company in the most essential sector of water infrastructure in India. This project for one of the largest wastewater treatment facilities in India is a significant step in the direction of achieving Swachh Mumbai, Maharashtra and Bharat and we are extremely happy to be part of this journey," B K Goenka, Chairman, Welspun Group said.

Part of the Welspun Group, Welspun Enterprises is a infrastructure development company with specialisation in road and water projects under the Hybrid Annuity Model (HAM) and via large-value Engineering, Procurement and Construction (EPC) contracts.

It also undertakes Build-Operate-Transfer (BOT) projects. In the highway sector alone, the company has successfully completed six BOT (Toll) Road projects with a total length of over 500 km.

Air India offers VRS for employees in first move to prune headcount

Tata-owned Air India has launched a Voluntary Retirement Scheme (VRS) for its employees- in the airline's first drive to reduce headcount. The salt-to-steel conglomerate acquired the carrier last year.

As of November 2019, the airline had 9,426 permanent employees.

According to the VRS memo reviewed , permanent employees above 55 years of age or those who have completed 20 years of service can opt for the VRS package.

But for cabin crew, clerical and unskilled workforce, those aged 40 can also apply. Employees opting for VRS will receive an additional incentive over the ex-gratia amount, the memo said.

"Employees who apply for the Voluntary Retirement Scheme between June 1 and 30 June are being asked to get in touch with the head of personnel department of your region," the memo signed by Suresh Dutt Tripathi, Chief Human Resources Officer, Air India said.

While the company has announced a VRS, it is simultaneously on a recruitment drive and is conducting walk-in interviews for cabin crew in Kolkata, Mumbai, Bengaluru, and Hyderabad.

It is also poaching hired mid- and senior-level executives from rivals for specialised departments such as engineering, network planning and revenue management.

Arun Kashyap, who used to lead the engineering department at low-cost carrier SpiceJet, has joined as head of engineering.

The Tatas are also bringing in executives from sister companies as leaders in the department.

Rajesh Dogra, a TCS veteran who headed the Passport Seva programme, is now head of customer experience and ground handling at Air India while Satya Ramaswamy, head of strategic initiatives at Tata Digital, is now the airline's chief digital and technology officer.

Adil Noshir Tantra, head of Tata Consultancy Services for South Africa, is heading the project to revamp the Air Indis website and call centre.

"The idea is to include fresh blood and revamp the core department starting with the customer focused departments in the beginning," said a person aware of the development.

PFC lists 300-million euro green bonds on Luxembourg Stock Exchange

State-owned PFC on Wednesday said its maiden green bonds of 300 million euros have been listed on Luxembourg Stock Exchange (LSE).

PFC Chairman and Managing Director (CMD) RS Dhillon rang the bell at the listing ceremony held in GIFT IFSC Gujarat on Wednesday, the company said in a statement.

"PFC has successfully listed its maiden 300 million euro 1.841 per cent euro green bonds on Luxembourg Stock Exchange (LSE), which is the largest green bond listing platform.

The listing has been done under the co-operation agreement signed between India INX and LSE, which encompasses areas of mutual interest in Green bonds and ESG space," it said.

In 2021, PFC had announced issuing bonds worth 300 million euros for seven years, with which it forayed into the European markets for the first time.

"The listing on LSE would aid PFC in strengthening its presence in the European continent and help facilitate future financing to meet the green energy goals set by the Government of India," Dhillon said.

Power Finance Corporation (PFC), under the administrative control of the Ministry of Power, is the largest non-banking financial corporation (NBFC) in the power sector in India.

Aditya Birla launches digital venture TMRW in fashion and lifestyle space

Aditya Birla Group announced the formal launch of its new 'House of Brands' entity– TMRW, which is in line with the group's strategy to launch and back new-age digital ventures.

TMRW will create India's largest portfolio of disruptor brands in the fashion & lifestyle space and enable the next phase of direct-to-consumer (D2C) growth in India, which is poised to be $100billion market by 2025, the company said in a release.

"Over the next 3 years, TMRW will acquire as well as incubate 30+ innovative, customer-obsessed brands. The venture will also enable multiple founders to operate within a synergistic 'house of brands' platform that shares a common vision and shared capabilities," Aditya Birla said in the release.

Aditya Birla Group has appointed ex-Facebook & Bain executive, Prashanth Aluru, as the CEO and co-founder to lead the build-out of this new venture. Aluru will set up a team and he comes with extensive experience in digital & technology across strategy, growth, and investing. Aluru brings entrepreneurial experience in helping build and scale new-age ventures in digital & e-commerce, the company said.

TMRW will also tap into the capabilities and networks of the Aditya Birla Group and Aditya Birla Fashion and Lifestyle ecosystems to provide to emerging and disruptor brands.

"The formal launch of our D2C business, TMRW, is a key milestone for the company. This venture has the potential to become a significant growth engine by tapping into the new wave of entrepreneurial energy in India.

Our aspiration is to build a portfolio of 30+ brands in the next 3 years," Ashish Dikshit, MD of ABFRL said in the release.