THE HINDU BusinessLine
TUESDAY, JUNE 27, 2017

Clean-up act

PMC's success with muni bonds may not be easy to replicate, but it can serve as a role model for local bodies.

The municipal bond market in India is coming alive after prolonged hibernation, with Pune Municipal Corporation (PMC) raising ₹200 crore in the first tranche of a proposed ₹2,264-crore offer, and listing the bond on BSE last week. The ten-year bond offer carrying a coupon of 7.59 per cent was oversubscribed six times, raising hopes that future offers will be well-received. No doubt, the take-off of the municipal bond market is critical for India's large cities and towns to upgrade their creaking infrastructure, to accommodate a burgeoning population. The ability of municipal bodies to be self-sustaining is also critical to the success of the Centre's pet projects such as Smart Cities and AMRUT (Atal Mission for Rejuvenation and Urban Transformation). After their recent profligacy with farm loan waivers and the absorption of UDAY-related obligations, State government finances have little headroom to fund long-gestation capital requirements for such projects.

Despite a crying need for it, the municipal bond market has had a rough passage ever since it first flagged off in the late nineties. Between 1997 and 2010, the city corporations of Ahmedabad, Nashik and Bengaluru experimented with bond issues but barely managed to raise ₹1,400 crore. The fact that these bonds were not tradeable and lacked regulatory clarity made for poor investor response. SEBI's detailed guidelines for the issue and listing of municipal bonds in March 2015, clarified their regulatory status and rendered them safer for investors. But with these new rules requiring municipal corporations to file a complete prospectus, obtain credit ratings, create an escrow account to segregate proceeds and appoint an independent agency to monitor end-use of funds, apart from having positive net worth, the bar was set too high for issuers. With SEBI recently doing away with the net worth criterion and replacing it with the requirement of a revenue surplus for three years, a few corporations are now likely to make the cut.

Having said this though, it is doubtful if PMC's success will immediately clear the decks for a series of similar offers by other local bodies. For starters, the proceeds of this offer are specifically earmarked to fund PMC's project to provide 24X7 water supply and there is an elaborate structured payment mechanism to service these bonds. PMC's property and water tax collections, growing at a brisk pace, will be deposited every month into an escrow account towards servicing this debt. As city corporations go, PMC also has sound financials and is relatively well-run, which cannot be said for most local bodies. It has managed to steadily expand its revenue surplus in the last four years. In FY16, at ₹1,840 crore, its surplus was at nearly half its total income. It is these factors that have helped it secure a high investment grade rating of AA plus for its bonds. But perhaps, as PMC and other well-run local bodies like it taste market success, it will set an example for their peers to clean up their act. Market forces may be the best triggers to nudge India's much-reviled local bodies towards professional accounting and public accountability on their opaque workings.

OTHER VOICES

The Japan Times

ALL THE NEWS WITHOUT FEAR OR FAVOR

As Syrian war winds down, the region heats up

The emergence of the Islamic State had the salutary effect of uniting the disparate forces in that conflict in a single purpose: defeating and destroying the extremist group. It is ironic then that as the prospect of that defeat now appears within grasp, there is the equally likely prospect of a wider and more dangerous fight over the future of Syria and the region, a struggle that threatens to pit the West, particularly the US and its regional allies, against Iran. TOKYO, 26 JUNE 2017

The New York Times

The Iran puzzle

One of the Obama administration's biggest diplomatic ambitions was to establish better relations with Iran. The most important manifestation of that effort was a deal under which Iran agreed to curb its nuclear program in exchange for the lifting of economic sanctions. That momentary thaw now seems at risk. Partly this is a result of Iran's barely concealed territorial and political ambitions. Partly of President Donald Trump's fondness for Saudi Arabia. NEW YORK, 25 JUNE 2017

THE STRAITS TIMES

Upholding truth and trust in news

Many would agree the consequences of disinformation, misinformation and hate speech can be disastrous for communities and nations. Just what steps should be taken to safeguard societies, however, is a matter of considerable debate. Germany and Britain are among the nations looking at legal measures to tackle this problem. Singapore too is preparing to introduce laws next year. The law must aim to get the likes of Facebook, Google and Twitter to separate the wheat from the chaff. SINGAPORE, 26 JUNE 2017

Is WPI useful in India anymore?

Using just wholesale price index as deflator could distort real GDP. Price indices for all inputs and outputs would work better

BARENDRA KUMAR BHOI

Prior to the introduction of the all-India Consumer Price Index, popularly known as CPI combined (rural plus urban), the Wholesale Price Index (WPI) was the most useful price index in India. It measured the weekly rhythm of price movement in the country.

Since 2009, WPI has been computed on a monthly basis, similar to other price indices. The Reserve Bank of India (RBI) primarily used WPI inflation for the formulation of monetary policy under monetary targeting framework as well as under multiple indicator approach (MIA)— although inflation measured by other indices was also monitored/analysed. Moreover, the Central Statistics Office (CSO) has been predominantly using WPI to deflate GDP at current prices to arrive at GDP at constant prices. Where only volume data are available, the CSO uses WPI to convert volume to value to arrive at GDP at current prices.

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Effects of low WPI

WPI inflation does not receive as much attention as earlier for several reasons. Following the Urjit Patel Committee recommendations, the RBI Act has been amended and flexible inflation targeting (FIT) has been put in place with CPI inflation as the nominal anchor. During the period of transition from MIA to FIT, at least WPI inflation was mentioned along with CPI inflation in the monetary policy documents.

Under the FIT, as the RBI has been mandated to achieve price stability measured in terms of CPI inflation, the use of WPI inflation has been completely done away with. All projections relating to inflation are currently done in terms of CPI.

As of now, WPI is predominantly used for converting GDP/GVA at current prices to the same at constant prices. Several items of services sector GDP that are not included in the WPI basket are deflated by WPI to compute real GDP of this sector. In fact, the GDP deflator, which is defined as a ratio of GDP at current prices to GDP at constant prices multiplied by 100, closely tracks WPI inflation.

The GDP deflator, which is often argued as the true indicator of inflation, has been at the focal point of discussion while analysing the real GDP growth in India during the recent period. The sharp decline in the GDP deflator and the dramatic decline in WPI inflation coincided. This contributed significantly to real GDP growth in India notwithstanding modest rise in production during recent years. Compilers of GDP argued that fall in the input prices has led to large value addition and hence high GDP growth in real terms. However, ground realities have been somewhat less optimistic, particularly in the manufacturing sector.

New WPI computation

While the base year of the current GDP series is 2011-12, the base year for the WPI series has till recently been 2004-05. Since April 2017, this anomaly has been overcome following revision in the base year of WPI from 2004-05 to 2011-12 to align it with the base year of other macroeconomic indicators. The new base 2011-12 is already five years old. The next revision of base year is being discussed. In this context, a general suggestion would be to switch over to the chain-based method.

Measuring services inflation High time we had an index for it BLOOMBERG

A One of the striking features of the new WPI series is that the item level averaging is being done by using geometric mean, instead of the arithmetic mean used earlier. This is as per international best practice and similar to the practice adopted for the CPI. Data available for the overlapping period with old and new base indicate that the WPI inflation as per new base is consistently lower than the same as per the old base. Several reasons are responsible for this outcome. The geometric mean itself has significantly moderated WPI inflation, besides other factors such as change in the composition of basket, weighting diagram, and so on. Moderation of WPI as per revised base has pushed up real GDP/GVA considerably during recent years.

To remove the influence of fiscal policy, indirect taxes have been excluded from the quotations used to compute new WPI. This will make the new WPI conceptually closer to the producers' price index. Excluding excise duty from the computation of the new WPI has also partly contributed to lower WPI inflation during recent years, which in turn has pushed real GDP up to some extent.

A high-level Technical Review Committee has been set up to dynamically review periodically the articles to be included/excluded from the revised basket. Moreover, the new WPI series is computing food inflation – a combination of products and articles. Improvement in the compilation of WPI is unlikely to address the problems with the GDP deflator and its effects on GDP computation.

Shift to double deflation

A better way to estimate GDP accurately is to deflate input and output prices through separate indices, popularly known as double deflation. Unfortunately, several developing countries such as China and India use single deflation method to compute real GDP/GVA as separate indices for input and output are not available. When output prices move relatively faster than the input prices, the single deflation method overestimates GDP/GVA and vice versa.

In order to ensure accuracy, it is high time to discard the single deflation method to estimate GDP/GVA by using WPI as a deflator. What is therefore needed is to compute both input and output price indices for each sector and adopt double deflation method at the earliest as suggested by the System of National Accounts (SNA) 2008 – the standard compilation manual of the IMF for the estimation of GDP. Separate services sector input/output price indices are required to deflate services sector GDP for which WPI is anyway not appropriate. The attention of authorities concerned is called for, to resolve issues relating to the GDP deflator in India, as WPI has lost some of its usefulness.

The writer is former Principal Adviser and Head of the Monetary Policy Department, RBI

Can't say that coal is a dying industry

Existing mines in Australia are inviting attractive bids, while new projects such as Adani's are weighed down by uncertainties

CLYDE RUSSELL

Here's a question for the anti-coal lobby. If coal is dying, how come there is an increasingly heated bidding war going on for Rio Tinto's coal mines in Australia?

Here's another question, this time for the pro-coal lobby. If coal still has a viable long-term future as an energy source, how come the world's biggest planned new mine is now hostage to whether the Australian government decides to loan it money?

Reconciling these two questions may seem like a challenge but both the battle for Rio Tinto's existing mines and the struggles of India's Adani to build its Carmichael project neatly show where coal currently finds itself. Rio's mines in the Hunter Valley north of Sydney are attractive to both Glencore and China's Yancoal because they are likely to be profitable for the remaining life of the pits, which is expected to be around 20 years.

The Rio mines already have all the necessary infrastructure, being connected by rail to the major export harbour of Newcastle, the world's largest coal export port. They also have existing customers for the high-quality thermal coal used to generate electricity, including utilities in Japan, which have preferred long-term supply agreements to the more volatile spot shipments that are more characteristic of deals to sell to major importers China and India.

In some ways the Rio mines up for sale are insulated from the downturn in global coal demand expected over the next 30 years, because they supply fuel to customers who are likely to be among the last to switch off coal-fired generators, assuming renewables do eventually succeed in killing off the polluting fuel. Acquiring an existing asset is likely far more attractive to a company such as Glencore than developing new mines, with the associated capital costs and inevitable opposition from environmental groups.

Glencore raised its offer for Rio's Hunter Valley mines to $2.675 billion in cash on June 23, making its bid some $225 million more than Yancoal's proposal. Rio said it would study the revised Glencore offer.

Still in demand

It may seem incongruous to environmentalists that there is a bidding war for something that has been declared a dying industry, but there is still a medium-term future for coal, and Glencore and Yancoal are trying to profit from that.

Viable still A Rio Tinto coal mine REUTERS

The International Energy Agency (IEA) said in its medium-term coal market report in December that it still expects growth in coal demand up to 2021, albeit at a considerably slower rate.

The rise in coal demand is likely to be driven by India and Southeast Asia, according to the IEA, with top consumer China actually using less by 2021 than in 2015. The IEA expects global coal demand to be 5.636 billion tonnes of coal equivalent in 2021, up from 5.4 billion in 2015, equating to an average annual growth rate of 0.6 per cent, down from 2.5 per cent over the decade to 2015.

Like all forecasts, the IEA's estimates can be undone by changing circumstances, and it does appear to be the case that renewable energy sources such as solar and wind are making faster than initially expected inroads, especially in India.

Unpredictable situation

It's this mounting uncertainty that is making it hard for Adani to get its planned 25-million-tonne-a-year Carmichael mine in Queensland state to a stage where it can actually start construction.

While the Indian conglomerate has taken what it termed a final investment decision on the $4 billion mine, it's also likely that it won't go ahead unless support from Australia's federal government is forthcoming.

Specifically Adani wants close to $1 billion in loans from the government to build some 400 km (240 miles) of new rail track to link the mine to the planned export port.

Adani has already secured an undisclosed agreement with the Queensland state government that is believed to lower the burden of royalty payments, especially in the mine's early years of operation.

Even if the federal government does lend the money, the Adani mine appears to be on somewhat shaky ground, given that its intended export market of India has a government with a stated policy goal of cutting coal imports to zero.

While Australian governments have in the past assisted with infrastructure projects, the Adani mine was supposed to be proof that the private sector could pull off a major project with only supportive government regulation and not cash. There is still a good chance that the federal government will pony up the cash for Adani.

But Carmichael may also be the last of its kind, with a well-funded environmental campaign against the mine and ongoing questions about its viability. It's hard to see any commercial bank being willing to fund a massively costly coal project in the future.

But oddly enough, the travails of getting a new coal project off the ground probably makes the jostling over existing mines more likely. REUTERS

LETTERS TO THE EDITOR

Send your letters by email to bleditor@thehindu.co.in or by post to 'Letters to the Editor', The Hindu Business Line, Kasturi Buildings, 859-860, Anna Salai, Chennai 600002.

Gorkhaland: Unmerited demand

Regarding the editorial 'Trouble in the hills' (June 24), the indefinite agitation launched by the Gorkha Janmukti Morcha (GJM) for a separate Gorkhaland seems to be unjustified and has affected life in the hills forcing tourists not to visit Darjeeling. This is bound to lead to a sharp fall in the State revenue.

The interests of people of the hills are of paramount importance and cannot be ignored by the State Government. Smaller States are favoured for smooth functioning and e-governance. But whether there are enough grounds for bifurcation, and resources for the region's economy to grow after bifurcation needs critical survey. In the case of Gorkhaland, the move is not sustainable. Tea estates alone cannot generate the revenue needed to run a separate state. It is worth noting that Jharkhand was carved out of Bihar, but even with more industries there, its progress is no better than Bihar.

It will be good if the agitation is immediately withdrawn and an amicable solution is discussed.

Jayant Mukherjee
Kolkata

Banks in a tight spot

This refers to 'New dynamics at work in credit policy' by RK Pattnaik and Jagdish Rattanani (June 26). The formation of MPC has given a new dimension to the policy initiatives of RBI, till now the prerogative of the RBI Governor. The decline in GDP growth post-demonetisation along with the declining trend in inflation could have influenced MPC member Ravindra Dholakia to push for a 50-basis point rate cut.

No doubt from the short-term perspective it appears logical. But considering that domestic investment is not picking up, and the uncertainty surrounding the impact of GST on inflation, other members of MPC would have voted against a rate cut, preferring instead a "wait and watch" approach. The fact that the earlier rate cuts were not fully passed on by banks to the end client might have also influenced their decision. The problem banks face of stressed assets along with paucity of capital has put them in a tight spot with little or no scope for credit expansion to fuel growth. Overall, banks are going through a consolidation phase now.

Srinivasan Velamur
Chennai

PSU banks' cross-merger

Following the merger of five associates with the parent State Bank of India very recently and strong political will demonstrated by the government, consolidation among public sector banks has now gained momentum. Cross-merger, however, is not an easy proposition as even the smallest public sector bank now has total business of around ₹2 lakh crore with a fairly large network, requiring many administrative and technical issues to be sorted out.

For a sound, strong and vibrant banking system, the country certainly needs to look at having a small number of bigger banks, instead of large number of smaller banks that pose a risk to the system. A beginning can, therefore, be made in the direction by identifying the large (balance sheet size of ₹6 lakh crore and above), medium (₹3 lakh to ₹6 lakh crore) and small banks (less than ₹3 lakh crore) and merging the small banks with their bigger cousins so that the merged entity gains geographical reach to acquire a pan-India presence, achieve economies of scale, and enjoy a host of other benefits.What we need is five to six big and strong banks of the size of SBI or even larger, to take on the future challenges including funding cross-border acquisitions.

Srinivasan Umashankar
Nagpur

Promoting UPI

Referring to 'UPI for whom?' (June 26), Atal Pension Yojana, which went online recently would be a game-changer if wide publicity is given for making monthly payment through BHIM. As rural-based population is mostly on the move for agricultural work or for social compulsions, clubbing and advertising payments of pension while sending alerts in advance on mobile will boost Atal scheme as well as BHIM.

Good publicity for PMJJBY and PMSBY via mobile alerts and request to use BHIM to enroll for these insurance schemes in June to avail of their full benefit will be ideal.

NK Bakshi
Ahmedabad

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Selling online

GST rules for e-com operators and suppliers

AJAY SRIVASTAV

GST MASTERCLASS

In e-commerce, firms owning or managing the buy-sell platform are known as operators and those listing their goods/services for sale are termed suppliers. GST has made elaborate provisions to bring both under the tax net.

Flipkart is an e-commerce operator because it facilitates external firms to sell goods through their platform. Pepperfry, which supplies furniture through its own website, would also be considered an e-commerce operator.

The e-commerce operator is required to collect (i.e. deduct) an amount calculated at the rate of 1 per cent of the net value of taxable supplies out of the consideration paid or payable to the actual supplier of goods or services in respect of supplies of goods and/or services made through such operator.

The amount so deducted/collected is called Tax Collection at Source (TCS). The 1-per cent TCS seems to be introduced for control purposes, for identifying suppliers who would pay the balance GST. The supplier can take credit of the TCS paid by the e-commerce operator.

Source code

The time/intervals at which the e-commerce operator should make such deductions is earlier of the two events: (i) the time of credit of any amount to the account of the actual supplier of goods and/or services; (ii) the time of payment of any amount in cash or by any other mode to such supplier.

An electronic commerce operator can sell goods and/or services on his own behalf. However, it would be treated as any other form of supply of goods and/or services and chargeable to tax accordingly. Since the goods and/or services are supplied on his own behalf, provisions of TCS do not apply to such transactions.

The actual suppliers can claim the credit of the TCS by e-commerce operator. TCS deposited by the operator into the government account will be reflected in the cash ledger of the registered supplier. This can be used by the suppliers at the time of discharge of tax liability.

The supplier who has supplied the goods or services through the operator shall claim credit, in his electronic cash ledger, of the amount collected and reflected in the statement of the operator.

The GST Network would match the details of supplies and the amount collected as furnished by the e-commerce operator with the corresponding details of outward supplies furnished by the concerned supplier.

Where the details of outward supplies furnished by the operator do not match with the corresponding details furnished by the supplier, the discrepancy shall be communicated to both persons.

> This is Part 8 of a series to introduce readers to GST's intricacies. The previous part appeared on June 26.

To sell online through the e-commerce portals, a firm has to register as normal tax payer under GST and file all returns. This has to be done even if a firm is exempted from registration on account of low turnover.

Even composition traders are not allowed to sell goods through the e-commerce portals. This provision will keep the small firms not registered with the GSTN out of the e-commerce business.

The TCS mechanism will increase the compliance burden of e-com operators as they will have to maintain tax collection records, furnish them to the Government every month and undertake reconciliation.

The writer is from the Indian Trade Service. The views are personal. Adapted from his book, 'The GST Nation: A Guide for Business Transformation'

Less transparency in economic policy

Finance Ministry and Reserve Bank publications no longer explain in detail, the official view on the economy

CHARAN SINGH

The monetary policy of June 2017 threw up an interesting development. The RBI Governor announced that members of the Monetary Policy Committee (MPC) had refused an invitation from the Ministry of Finance for a private briefing. Why was the ministry attempting to engage with the members of MPC? What did it want to share with the MPC which was not already available in the public domain?

The answer probably is the official analysis of the data. Why was this analysis not put out in the public domain, but instead parcelled aside for sharing behind closed doors with a few elite policy makers?

The fact of the matter is that there is no longer a robust communications policy; besides, there is inadequate economic research emanating from official and institutional sources.

In India, both the RBI and the Centre have departed from their decades-long convention of putting forth their interpretation of economic data in the public domain.

While the RBI's hitherto detailed reports have become a pale version of what they used to be, the Finance Ministry's *Economic Survey* has become an overly theoretical tract; it no longer reflects the view of the government on economic developments and policy. Was the MPC sought out to provide some official insights that should have been part of the *Survey*?

Globally, in recent years, especially after the Great Financial Crisis, the communications policy of governments has assumed significance, as it promotes confidence in the policy regime. The objective of any economic policy can be defined as maximising the economic well-being of the households in an economy. In modern economic situations, it implies minimising deviation of inflation from its optimal rate, and real output from its natural rate.

A drying up of information in this context is a matter of concern.

Running dry Information flow from the government

Letting people know

The communication policy is expected to cover four broad categories of issues — interpretation of economic conditions including recent developments, content of policy decisions, strategy and outlook for the future.

In earlier years, publications from the Government and the RBI would bolster the communications policy for the benefit of economic agents in the country. These publications ensured analytical rigour, high degree of transparency and a rationale for policy formulation which promoted more informed decision by businesses. The market benefited from regular communication from official sources.

However, in recent years, with the world passing through a very uncertain economic period, communications policies and official publications have undergone a significant change, albeit silently.

Losing sheen

Traditionally, the *Survey* has been a rich source of information for economic analysts and officials. The *Survey*, released a day before the Union Budget, provides the official interpretation of economic developments in the previous year.

However, in the past few years, the *Survey* has been lacking in direction.

The last *Survey*, released in January 2017, was more like a research-based conference volume with tentative propositions and hypotheses, but very little by way of a review of the Indian economy.

Probably, finance ministry economists wanted to cover the gap, though belated, and provide a commentary on the Indian economy, exclusively to the MPC members. It would be more appropriate to restore the sanctity of the *Survey* to its earlier avatar and share with the general public the official interpretation of economic developments in the previous year.

The RBI, too, has been experimenting not only with its documents and statutory publications. The *Annual Report* of the RBI has been shrinking and silent on many pertinent issues of the economy such as non-performing assets.

The analysis is getting brief and statistical appendix shorter.

The other statutory document, *Report on Trends and Progress of Banking* (RTPB) has been through some interesting changes. Two years ago, RTPB became invisible, having been submerged into the Financial Stability Report (FSR). Last year, the RTPB was finally separated from the FSR, but was a shadow of its traditional size and quality.

The research-based *Report on Currency and Finance* was the pride of RBI's research department. This report, after nearly 70 years of publication, seems to have been discontinued unceremoniously. A similar story holds true for other research-based publications from the research wing of the RBI, elaborating on official interpretation of economic development.

In earlier years, regular feedback from readers and analysts was sought in improving the RBI publications.

These days more pertinent issues probably engage institutional economists.

Falling short

The specialised, and fully funded institution of the RBI, Centre for Advanced Financial Research and Learning (CAFRAL), was set up in 2011 to serve as a knowledge hub of the country, being inaugurated by the then Prime Minister.

However, research output from CAFRAL has not gained prominence and respectability in both quality and quantity despite hosting a large number of foreign-based economists, many of them non-resident Indians, at globally competitive rates.

The Indian economy is passing through a great transition. First, it is the fastest growing economy of the world and therefore is an important country for economic analysis.

Second, ever since the new government took over, three years ago, there has been a paradigm shift in economic policy. The earlier government had its rules in the socialistic pattern of society while the current regime does not carry any such baggage.

In such a transition, communications policy through publications seems worsening, when it should have been more transparent to promote confidence in the new policy regime. The uncertain and tense economic environment is not conducive to growth.

The writer is a professor of economics and social sciences at IIM-Bangalore

5 THINGS to WATCH OUT for TODAY

- **On the final** leg of his three-nation foreign trip, Prime Minister Narendra Modi is to pay a working visit to the Netherlands today. Modi would hold talks with the Dutch Prime Minister Mark Rutte in The Hague, besides calling on the King of the Netherlands.

- **The united** Opposition's Presidential candidate Meira Kumar is expected to file her nomination today. Kumar was the first woman Speaker of the country during the UPA regime. A former diplomat, Kumar is the daughter of the late Dalit icon Jagjivan Ram.

- **Optical** and data networking products company Tejas Networks is to make its stock market debut today. The issue price is fixed at the higher end of the price band of ₹250-₹257 per share. Its initial public offer, which was oversubscribed 1.88 times, was open for subscription from June 14-16.

- **LG** is expected to add two more smart-phones in the G6 series — the G6 Pro and G6 Plus — today. . LG G6 Pro is expected to be priced at about ₹46,441, while the G6 Plus will be priced approximately ₹58,055. In comparison, the G6 is priced at $729 or ₹46,470.

- **The Andhra** Pradesh government is to present the first ever Annual MSME Awards, in an effort to encourage entrepreneurship, employment generation and economic growth in the State. As many as 20 awards under various categories will be given. The awards will be presented by Chief Minister N Chandrababu Naidu. June 27 is also the International day for MSMEs.

All you wanted to know about...

LOKESHWARRI SK

SLATE

Even as businesses, big and small, burn the midnight oil getting ready for the GST, consumers also need to get used to the bevy of terms that form part of this tax regime. One term thrown around frequently these days is anti-profiteering.

What is it?

As the name suggests, these rules prevent entities from making excessive profits due to the GST. Since the GST, along with the input tax credit, is eventually expected to bring down prices, a National Anti-profiteering Authority (NAA) is to be set up to ensure that the benefits that accrue to entities due to reduction in costs is passed on to the consumers. Also, entities that hike rates inordinately, citing GST as the reason, will be checked by this body.

The Anti-Profiteering Rules, 2017 lay down details about the selection of the members of the NAA and the other committees that will assist the NAA in investigating the complaints, the procedure to be followed in investigations and the powers given to the authority.

Once the registered entity, which has profiteered illegally, is identified, it can be asked to — one, reduce prices if it has hiked prices too much and , two, if price reduction due to GST has not been passed on to customers, to return to the customer the sum equivalent to the price reduction along with 18 per cent interest from the date the higher sum was collected. The authority can impose penalty on the profiteer or cancel its registration.

The rules however do not lay down the formula based on which the quantum of profiteering can be determined. This task has been left to the NAA. The Authority will be relevant only in the transition phase.

Why is it important?

Many countries that have adopted GST such as Singapore and Australia witnessed a spurt in inflation after implementation. Retail inflation in Australia, for instance, spurted from 1.9 per cent in the year before GST to 5.8 per cent in the year when the tax was rolled out. Malaysia was able to avoid a similar surge in inflation by effectively implementing anti-profiteering rules. A formula was laid down wherein the net profit margin in the period preceding GST was compared to the post-GST margins to see if inordinate gains had gone to the bottom-line. Gains were determined after taking in to account the supplier's cost, costs incurred for furthering business, market conditions and other relevant issues.

The Centre is also thinking along similar lines. But it is way behind schedule in forming the rules. The Authority is yet to be formed, the committees have to be selected, they have to formulate the rules to determine profiteering and then listen to complaints. It appears that quite some time will pass before these rules are effectively used in the country.

Why should I care?

If a super-market you frequent is selling you grocery at a higher price stating that it is due to GST, you can file a complaint to the anti-profiteering authority. Similarly if you are aware that the cost of your toothpaste has moved lower, but your grocery-wallah continues to sell it to you at the old price, you know whom to complain to.

This is a tool that the Centre needs to wield effectively to keep prices under check and ensure that businesses do not pocket all the gains.

The bottomline

Profit is fine, profiteering is not. Don't let someone profiteer at your expense.

A weekly column that puts the fun into learning

BusinessLine TWENTY YEARS AGO TODAY

JUNE 27, 1997

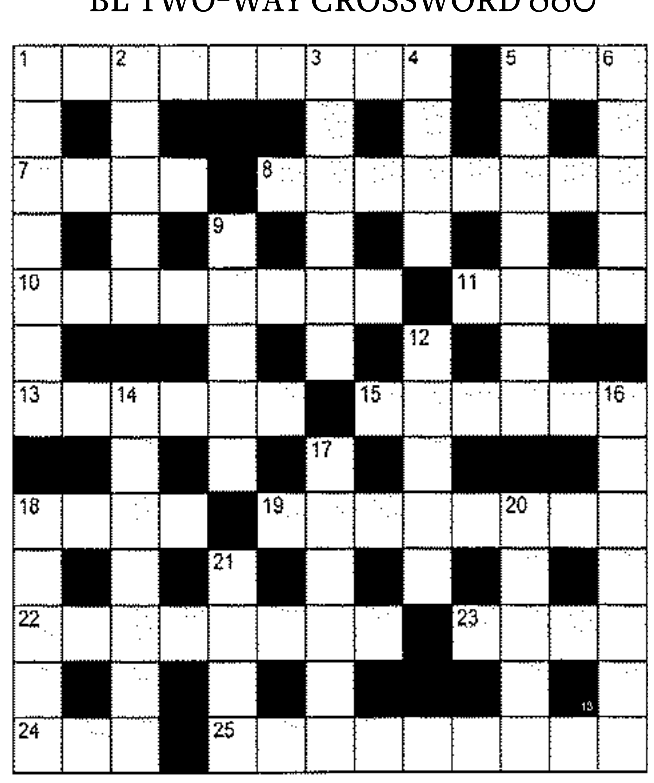
Reliance ushers corporate democracy

Reliance Industries has announced the issue of bonus shares in the ratio of one equity share for every share held. The ratio was announced by the Chairman, Mr. Dhirubhai Ambani, at the company's annual general meeting. The ratio was recommended by the board which met at the same venue after seeking the shareholders' view on it. The bonus issue would have to be approved by an EGM as it was not part of today's AGM resolutions. "I am delighted to announce that after due consideration of your views and deliberations, the board of directors of the company has recommended bonus in the ratio of 1:1," Mr. Ambani told the shareholders who had earlier suggested several ratios including 1:1, 2:1, and 3:5. The AGM, according RIL officials, was attended by over 3,000 shareholders, out of its total shareholder strength of 26 lakhs. This is the third issue of bonus shares by Reliance after it went public in 1977 and first in the past 14 years. The first issue of bonus share was in 1980 and second in 1983, both in the ratio of 3:5.

Dhirubhai does it again

In a gesture quite typical of his AGMs, Mr. Dhirubhai Ambani finalised the ratio of RIL's bonus issue after a brief board meeting at the AGM. Mr. Ambani, who gained form with each minute of the twenty-third AGM, said at the start that the bonus ratio would be decided after hearing shareholders' expectations. While most of investors lauded Mr. Ambani's plan, there were sceptics, one of whom said it was a "ploy" to please investors. "If that is what you wish to think, then go ahead," a visibly agitated Dhirubhai retorted. The main concern of shareholders was that the ratio must be one that benefits them, at the same time reducing the price to a level affordable to the public.

BL TWO-WAY CROSSWORD 880



EASY

ACROSS

01. Bend knee in worship or respect (9)
05. Sorrowful (3)
07. Type of lily, wakerobin (4)
08. Contrite (8)
10. With pleasant or high relish (8)
11. Takes advantage of (4)
13. Portray (6)
15. Drink together familiarly (6)
18. Adult leveret (4)
19. Diplomatic form (8)
22. Practise play (8)
23. Fizzy water (4)
24. Terminate (3)
25. Emotional thought (9)

DOWN

01. Bestowed, allowed (7)
02. Substantives (5)
03. Hell, the lower world (6)
04. Lose footing (4)
05. Partner's boy child (7)
06. Fruit from palm (5)
09. Seat in a boat (5)
12. Opening of river, bottle etc (5)
14. Very thirsty (7)
16. Weight for stabilising vessel (7)
17 . Incarceration (6)
18. 'Heroin' (5)
20. Old woman (5)
21. Roman war god (4)

NOT SO EASY

ACROSS

01. Clung with feet in order to make a bob in church (9)
05. Stated one had left, not being happy (3)
07. The cuckoo-pint provides spirit with a head (4)
08. Being remorseful, author puts 'X' in sex appeal (8)
10. Showing discrimination, it may be pleasant to the palate (8)
11. Takes advantage of you and me with exceptional sprint starts (4)
13. Show how it was non-u due to Ancient Briton (6)
15. Associate intimately with the Honourable Robert? Wrong! (6)
18. Raised as an irrelevancy from a leveret (4)
19. Diplomatic etiquette upsets troop passing before the Colonel (8)
22. Try being an actor (8)
23. Party returned in South Africa may make a splash (4)
24. Eventually find oneself with this up (3)
25. Feeling of being despatched with the people within it (9)

DOWN

01. Admitted Edward, who perhaps rang ahead (7)
02. Words that reveal the sisters who have swallowed nothing (5)
03. Be sure to find it out in hell (6)
04. Journey may be taken before the fall (4)
05. Walks all over boy that came with present partner (7)
06. Notable times in history one takes out (5)
09. Long form marked by surveyors (5)
12. Voicelessly say it's where the river meets the sea (5)
14. It quietly got one's back up, being so thirsty (7)
16. Laboratory returned the final balancing weight (7)
17. Strange ways of joining up what poet's stone walls don't make (6)
18. With sense, it's plain it's a piece of gymnasium equipment (5)
20. Give credit to an individual old woman (5)
21. Disfigures the planet (4)

SOLUTION: BL Two-way Crossword 879

ACROSS 1. Minute 4. Shrunk 9. Nonsuit 10. Rhino 11. Flew 12. Boss 13. Elk 15. Near 16. Firm 19. Aid 21. Earl 22. Trot 24. In bud 25. Portico 26. Nature 27. Relief

DOWN 1. Manifestation 2. Nankeen 3. Tour 5. Hardship 6. Utile 7. Knock spots off 8. Stood 14. Calendar 17. Martini 18. Graph 20. Debut 23. True