Our Views

Key points from the Capital Markets Conference of FICCI earlier this week

Session with the Chairman of SEBI

- Huge surge in participation of retail investors in the equity market in the last few months including opening of new demat accounts. Many of these are perhaps first-time investors and are driven by lesser investment options.
- Issuance of Government Securities in demat form should be done – this will ease the process of making investments by retail investors and may also facilitate easier raising of resources by the Government.
- Unification of financial markets is an idea of which the time has come. Market infrastructure for corporate bond and Government Securities markets should be integrated.
- SEBI did not accede to the demand of allowing firms to club their June and September quarter result announcements because of better transparency of information.
- Market is restricted to top rated corporate bonds as a result only a limited number of issuers are able to raise debt in the market. There is a dire need to move down the rating curve to facilitate larger participation.
- SEBI has recently introduced RFQ platforms to replicate OTC nature but with better price discovery and transparency through electronic mode. Mutual funds have been mandated to use this platform in a phased manner and to disclose their portfolio every 15 days.

Session with the Finance Secretary

- Direct taxes are likely to be hit more by the pandemic than the indirect taxes. Advance income tax and tax deducted at source were almost 80% of the previous year. These numbers should be seen in the context of corporate tax being cut to 22% from 30%. GST collection of INR 91,000 cr in May was app 70% of the previous year. This is expected to have improved in June.
- Faceless income tax assessment and digital bill of lading to be the way forward.
- Revenue Department intends to bring in self-compliance among taxpayers by making available data of large financial transactions via Form 26AS at the time of filing income tax (I-T) return.
- Ruled out any clarification in the form of FAQs for the newly introduced equalization levy on foreign e-commerce players, since the law and amendments are very clear.
- Advance income tax, steady rise in GST collection and the e-way bill generations on the GSTN portal indicates improvement in economy.

Session with Secretary DEA

- Production linked incentive scheme for mobile and medical equipment and pharma sectors has been announced. Working on extending the scheme to another 4-6 sunrise sectors with a lot of export potential.
- Monetization of deficit is not on the government's agenda at the moment. There are positive signs on the revenue collection front and some extra revenue has come from excise on petrol and diesel.
- India can expect to see a V-shape recovery as early as next fiscal. Economic revival depends on agriculture much more than before. Growth of the agriculture sector will impact manufacturing and FMCG sector.
- Steps have been taken to strengthen the bond market and to include Indian bonds in global indices by opening full access to foreign investors in select government securities.
- Government is working with various departments like power, roads, rail, airport and shipping to speed up the process of monetization and get more funds for infrastructure development.
- Government is willing to borrow slightly more if it is required to fund critical infrastructure spending, stressing the government's pledge to boost such productive spending that has high multiplier effect.
- Government will soon come out with a list of strategic sectors and a list of public sector companies in strategic and non-strategic sectors for privatization.
- The proposal to set up a 'bad bank' had been discussed internally, but no decision has been made so far.

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Session with Secretary DIPAM

- The pandemic has restricted international travel and put brakes on strategic disinvestment like Air India but completing these transactions remain a priority for the government.
- It is important to sell Government Companies at the right value and also build a good pipeline for strategic disinvestment.
- Government's policy has changed from selling only loss-making public-sector units to selling profit-making 'blue-eyed boys', like BPCL as well.
- PSU banks are being closely watched from a strategic disinvestment perspective but there is nothing identified yet.
- The Centre's proposed new policy to have not more than 4 public sector undertakings (PSUs) in each 'strategic sector' will likely apply to the banking sector also.

Session with the Chief Economic Adviser

- Use of fintech can help public sector banks (PSBs) to leapfrog as it can provide scale and improve the quality of lending, especially to large corporates. Technology can play a pivotal part in helping the banks to achieve both scale and quality. Banks can employ artificial intelligence, machine learning and data analytics to identify willful defaulters.
- Currently the money given through the Pradhan Mantri Jan Dhan Yojana (PMJDY) is not spent but saved even as these accounts have very high marginal propensity to consume.

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