Daily Economic News Summary: 11 May 2018

1. Relief For Solar Producers As Government Scraps Import Duty, But Still Some 'Uncertainty' About Process Remains
Source: Firstpost (Link)

The government has scrapped a duty on solar modules, making it easier to import the products after a sudden change in customs policy last year led to a logjam of shipments at the ports. Several consignments of solar modules, worth more than $150 million in total, were held up for more than three months at ports after customs' officials in August demanded that some of them be classified as "electric motors and generators", carrying a 7.5 percent import duty. Previously they were subject to no duty. The finance ministry reversed the policy last month, stating in a notice seen by *Reuters* that most solar modules should revert to their original classification and that no tax should be levied on them. Component makers have struggled to compete with Chinese companies such as Trina Solar and Yingli and have sought anti-dumping duties as well as long-term safeguards. But the logjam of shipments at ports posed a headache for solar power producers and threatened to delay Prime Minister Narendra Modi's plan of nearly tripling the country's total renewable energy capacity to 175 gigawatt (GW) by 2022.

2. After Flipkart Deal, Walmart To Open 50 New Stores In India In 4-5 Years
Source: Livemint (Link)

A day after announcing $16 billion investment in India's largest online retailer Flipkart, Walmart Inc on May 10 said it will continue to grow its wholesale cash-and-carry business, adding 50 new stores in the next four-five years. "We currently have 21 stores and plan to open 50 stores in 4 to 5 years. Plans are on track," Walmart India president and CEO Krish Iyer said at a select media roundtable called to explain the Flipkart deal. Walmart chief executive Doug McMillon said Flipkart, in which the US retailer is acquiring 77% stake, would continue to operate as a separate board-managed company with co-founder Binny Bansal as the CEO. Flipkart gives Walmart an online presence. So far it had been handicapped by India's retail policy that does not allow overseas companies to sell directly to consumers (except in wholesale cash-and-carry segment). Companies like Flipkart and Amazon operate as e-commerce marketplaces—a segment where 100% foreign direct investment (FDI) is allowed. “As we speak, we have a pipeline of 20 stores and we expect to open 5 stores in the current year and then pick up pace and eventually start opening 12-15 stores a year,” Iyer said. Walmart India is a wholly-owned subsidiary of Walmart Stores Inc and offers close to 5,000 items through its cash-and-carry wholesale format

3. Telangana Govt Launches Rs 8,000/Acre Investment Support Scheme For Farmers
Source: Financial Express (Link)

As part of its electoral promise, the Telangana government has launched a first-of-its kind investment support scheme for all farmers who will get Rs 8,000 per acre every year as crop investment support. About 58 lakh farmers who till over 1.42 crore acres are expected to be benefitted from the initiative, called the Rythu Bandhu scheme. They will directly get the financial support twice every year to maximise agricultural production and productivity. The state government has already set aside Rs 12,000 crore in the 2018-19 budget exclusively for this scheme. Launching the scheme, chief minister K Chandrasekhar Rao claimed that Telangana is the first state to implement a farmer investment support scheme. “The government plans to spend Rs 12,000 crore every year under this scheme, benefitting 58 lakh farmers. The financial assistance will be for two crops each year,” he said. The state government has waived crop loans and was also implementing a Rs 5 lakh insurance scheme. The state government has also announced waiver of Rs 700-crore water dues of farmers.

4. US Sanctions On Iran: India May Revive Rupee-Rial Trade
Source: Financial Express (Link)

India could revive a rupee-rial payment arrangement with Iran to bail out exporters from the heat of US sanctions that have cast a shadow over any plan to further boost trade with the Islamic nation, exports to which had reversed a three-year slide in 2017-18, trade sources told FE on May 10. Around 2011-12, a rupee-rial mechanism was put in place where up to 45% of India’s purchases of Iranian crude could be effected in rupees in exchange for items like rice, wheat and medicines that were not sanctioned by the UN. Exports to Iran could witness a hitch if the US and its allies go ahead with sanctions, although such payment issues could be sorted out fast this time around due to previous experience of handling such crisis, restoring the flow of trade, said the sources. But the sanctions have potential to put a lid on growth in India's exports to Iran. Vijay Setia, president of the All India Rice Exporters Association and executive director at Chaman Lal Setia Exports, said rice exports to Iran will continue unabated, as food and medicines usually remain outside the sanctions' ambit. "The rupee-rial arrangement should be revived at the earliest," he said. Ram Upendra Das, head of ·the Centre for Regional Trade, said the sanctions are unlikely to have any material impact on Indian exports to Iran as of now. There are several mechanisms through which payments can be made for bilateral trade. However, we have to wait for more details to have a precise estimate of the impact of the sanctions, he added.

5. Reliance May Set Up 4 New Subsidiaries
Source: Livemint (Link)

Reliance Industries Ltd (RIL) is planning to create four new units for its various businesses, two people in the know said. The subsidiaries could be in refining and marketing; exploration and production (E&P); petrochemicals; textiles; hydrocarbons and real estate. "The new subsidiaries would have an authorized share-capital of Rs1,000 crore each," one of the two people said, requesting anonymity. The company plans to apply to the corporate affairs ministry shortly to obtain requisite approvals required for incorporating the companies. For the six segments RIL operates in refining and marketing; petrochemicals; oil and gas exploration; retail; telecom/digital services and media and entertainment the firm has 99 subsidiaries, joint ventures and associate firms, according to its 2016-17 annual report. Among the new subsidiaries to be created, RIL may be forming a new one to bring under one umbrella, all of its real estate ventures. RIL had this February, bought a 65% stake in a real estate project in Bandra-Kurla Complex in central Mumbai for Rs1,105 crore, taking its total investment in property to $2.6 billion. RIL has also approved an increased investment limit for in Reliance Corporate IT Park Ltd, a wholly owned subsidiary from Rs3,800 crore to Rs6,000 crore for the next financial year.

6. India Inc's M&A Tally Rises 8-Fold To $19.1 Bn With 40 Transactions, Highest Monthly Deal Value Since March 2018: Report
Source: Firstpost (Link)

India Inc's mergers and acquisitions (M&As) tally rose eight-fold to $19.1 billion with 40 transactions in April, making it the highest monthly deal value recorded after March 2017, says a report. According to Grant Thornton, relative easing of regulatory ecosystem and consolidation across sectors have significantly driven the deal activity in April this year, sealing deals (M&A and PE) worth $21 billion across 119 deals. "April saw deals worth $19.1 billion across 40 transactions, marking the highest monthly values recorded after $23.8 billion recorded in March 2017," said the report released on May 10. There were 40 M&A deals in April this year worth $19,142 million, a 788 percent jump in deal value, and 38 percent rise in deal volume, it said. With this, the total M&A deal value stood at $37,672 million so far this year. The deal value grew exponentially compared to April 2017, driven by two billion-dollar deals and 10 deals valued at and above $100 million each, accounting for 97 percent of the total M&A deal values. While April 2017 witnessed only six deals valued over $100 million. "Deal activity witnessed a spurt in April. Internal and global group restructuring plans, consolidation and sale and merger of non-core businesses seem to be the underlying themes for the key M&A transactions," said Pankaj Chopda, Director, Grant Thornton India LLP.

7. Modi's 12 'Champion' Services Sector To Boost India's Growth To Next Level
Source: Financial Express (Link)

With a view to boost country's economic growth to the next level, Modi government is planning to formulate a separate strategy with different ministries to promote twelve services sector, PTI reported citing unidentified officials. These sectors include IT, tourism and hospitality. It was in the month of February that an action plan was approved by the Modi government for these '12' champion services sectors for realising their real potential through establishment of a Rs 5,000 crore dedicated fund. The 12 champion sectors include IT & ITeS, Tourism and Hospitality, Medical Value Travel, Transport and Logistics, Accounting and Finance, Audio Visual, Legal, Communication, Construction and Related Engineering, Environmental, Financial and Education. The government is specifically looking at these sectors and developing a plan with the line ministries on that, PTI reported citing Commerce Secretary Rita Teaotia. In the plan, the government is looking at areas like "do we have the right regulatory framework for the growth of that sector?, do we have right service standards at place; what are the infrastructure gaps and how to address that or any other bottlenecks," PTI reported citing Commerce Secretary

8. Trade Remedies Body Will Keep Tab On Dumping: Commerce Secretary
Source: The Hindu, Business Line (Link)

With the merger of the two separate bodies handling safeguards and anti-dumping to form the Directorate General of Trade Remedies (DGTR), it will now be easier for industry to take technical advice and support of the government in case there is a need to check imports of particular products, Commerce Secretary Rita Teaotia said. “When we spread our resources thinly across agencies, it is not very efficient. The DGTR will have all expertise, including legal skills, people dealing with accounting, trade experts and revenue people, under one roof,” Teaotia said adding that the need for such a body was felt for a long time. So far, the Directorate-General of Safeguards under the Ministry of Finance was responsible for recommending safeguard duties which are penal duties on imports that witness a surge in a brief period of time hurting domestic industry. The Directorate-General of Anti-dumping, under the Ministry of Commerce, had the responsibility of examining requests from industry to impose countervailing duties and anti-dumping duties which are penalties on imports which are priced lower than what they are sold at in the seller’s own country.

9. Government Looks To Invite US Companies For Airport Development
Source: Business Standard (Link)

The government is looking for participation from American companies in the development of airports as it seeks to make the segment more competitive, a top civil aviation ministry official said on May 10. The US companies are present in a large way in the area of aviation technology in the country, particularly in safety and security. "One area of cooperation with the US is airport development. We are also looking at inviting the US companies and to provide competition in development of airports," civil aviation secretary RN Choubey said. The government had recently said it plans to invest close to Rs 1 trillion in the next five years for capacity augmentation and development of greenfield airports. As the civil aviation ministry firms up plans to achieve one-billion passenger trips per annum over the next 15-20 years, junior minister for aviation Sinha had last week said the Airport Authority of India alone would infuse Rs 201.78 billion in the next four to five years for development of infrastructure at 21 airports. In addition, a capex outlay of Rs 500 billion is expected to be infused for the development of greenfield airports such as Navi Mumbai, Jewar in UP and Mopa in Goa, he had said.

10. GSTR1, E-Way Bills Data To Be Matched To Curb Tax Evasion
Source: The Hindu, Business Line (Link)

To curb tax evasion, authorities will start matching details given in the Goods and Services Tax Return (GSTR) Form Number 1 with those given in the e-way bill. The matching will begin with returns to be filed for April as it is the first month when the tax authorities will have both GSTR1 and e-way bill data. In the meantime, tax authorities have issued notices to over 8,000 assessees for differences in sales figures of more than ₹50 lakh in their GSTR1 and GSTR3B forms. Notices have been served on the basis of returns filed during August and December, 2017. Based on their response, a decision will be taken on how much tax and penalty they need to pay. “Matching process will ensure supply of goods have been done properly,” Prakash Kumar, CEO of GSTN, the IT backbone of unified indirect tax system, told *BusinessLine*. The logic behind matching is to plug any possible loophole in filing of returns. All the GST assessees are required to file GSTR 1 either on monthly or on quarterly basis while e-way bill is required for movement of goods of value exceeding ₹50,000. Commenting on the development, Rakesh Nangia, Managing Partner, Nangia & Co LLP, said the matching of details mentioned in GSTR-1 with the e-way bills will help in curbing tax evading practices as the invoice matching mechanism will be a significant tool in ascertaining the transaction details while matching it with the details furnished by the taxpayer.

11. Even Kin Of Independent Directors Should Not Have Financial Links With Firms, Promoters: Govt
Source: The Hindu, Business Line (Link)

In a bid to step up corporate governance practices, the government has tightened norms for independent directors so as to ensure that even their relatives do not have a financial relationship with the concerned companies. The Ministry of Corporate Affairs has now amended the Companies (Appointment and Qualification of Directors) Rules, 2014 to specify that none of the relatives of an independent director should be in any way “indebted” to the company, its holding, subsidiary or associate company, promoters or directors. Further, the relatives should also not have given guarantee or provided any security in connection with indebtedness of any third person to the company or its promoters and subsidiaries. To ensure that a proper arm's length is maintained, the new rules would govern all transactions involving "an amount of ₹50 lakh" or more in the preceding two financial years or even the current year. Questions about the independence of independent directors on the Boards of companies in India and its impact on corporate governance have arisen time and again as promoters often try to appoint independent directors who are in some way known or related to them. Experts also welcomed the latest move by the government and said it would ensure that the independent director is not influenced by the promoter or company in any way.

12. Takeover Battle: Fortis Healthcare Board Opts For Munjal-Burman Offer
Source: Business Standard (Link)

The takeover saga at Fortis Healthcare, one of India's leading healthcare chains, reached the culmination on May 10, with the board choosing the Hero Enterprises-Burman Family Office offer as the best for the hospital and diagnostic chain. "The Board, post having detailed discussions on the pros and cons of each offer, decided by majority, to recommend the offer of Hero Enterprise Investment Office-Burman Family Office (the last offer made on May 1, 2018)," Fortis Healthcare said in a statement to the BSE on May 9. Sunil Munjal, chairman of Hero Enterprises, along with Dabur's Anand and Mohit Burman, had sweetened their offer for Fortis on May 1. Sources indicate that the board was divided among newly appointed independent directors and the old ones, and that the decision was not a unanimous one. "There were long deliberations over the matter and the recommendations suggested by the expert advisory committee. It was not a unanimous decision, the board was split," said a person close to the development. The recommendation of the board will now be placed before the shareholders for their approval. Bidding for Fortis closed on May 1. Apart from the Hero-Munjal duo, the Fortis board was considering offers from TPG-Manipal, KKRRadiant Life Care and IHH Healthcare Bhd. Financial advisors Standard Chartered Bank and Arpwood Capital and legal advisors Cyril Amarchand Mangaldas were appointed by the Board to advise on the matter.

13. Banks Are Designing A Scheme For Bailing Out Stressed Power Assets
Source: Business Standard (Link)

With the Reserve Bank of India (RBI) declining any special dispensation for the power sector, leading banks are designing a scheme for bailing out stressed assets. The same might be followed during the proceedings under the National Company Law Tribunal (NCLT). The selected assets will be the ones that can meet the RBI's 180-day deadline for completing resolution proceedings of stressed assets. The power ministry had asked the RBI to provide a breather to the power sector in the Insolvency and Bankruptcy Code (IBC) guidelines. The RBI, in February, mandated banks to classify even a one-day delay in debt servicing as default. Confirming the development, A K Bhalla, secretary in the ministry of power, said, "The RBI has declined to provide any special dispensation to the power sector. Any resolution has to be worked out in accordance with the timeline and guidelines of the RBI, and lenders are free to choose any resolution path." Sources said the key lenders, which have been planning to design a bailout scheme, would be choosy about the assets. "The plan being worked out by State Bank of India and other banks meets the RBI's guidelines. The catch in the guidelines is the timeline. But then, banks will identify projects where the possibility to achieve success is high," said an executive in the know.

14. India Prepares To Counter US Charges On Farm Subsidy
Source: The Economic Times (Link)

The government may challenge the US' accusation that India is under-reporting its food subsidies at the World Trade Organization (WTO) on grounds of amount of production which is eligible for support and the currency in which the country reports its subsidies. The WTO Agreement on Agriculture defines subsidies on the total value of agriculture production while the US has challenged India on the basis of support given to individual products, namely wheat and rice. Similarly, the agreements doesn't state the currency in which countries have to report their subsidy dole-out. The US wants India to report in rupee terms while India submits dollar-denominated numbers to the WTO. The US has identified several areas of potential concern with India's notification of its market price support for rice and wheat. These include issues with the quantity of production used in market price support calculations, the exclusion of state-level bonuses from calculations of applied administered prices, exclusion from India's notifications of information on the total value of production of wheat and rice and issues with currency conversions. "For trade to be free and fair, all parties must abide by their WTO commitments," US secretary of agriculture Sonny Perdue said in an official statement.