

Daily Economic News Summary: 15 March 2018

1. Biggest Solar Power Plant in Uttar Pradesh Setup under Solar Park Scheme

Source: Financial Express ([Link](#))

The Biggest Solar Power Plant in Uttar Pradesh has been set up through transparent auction under the Solar Park scheme of New and Renewable Energy Ministry. Viability Gap Funding (VGF) of Rs. 74.25 lakh per MW was provided by the Government of India for the project. Prime Minister Narendra Modi and French President Emmanuel Macron inaugurated Uttar Pradesh's biggest solar power plant of 75 MW (101DC) capacity in Mirzapur on March 12. The Ministry had earlier approved setting up of four solar parks in Uttar Pradesh worth the capacity of 440 MW. These solar parks are being set up by Lucknow Solar Park Development Corporation (LSPDC) which is a joint venture of Solar Energy Corporation of India (SECI) and Non-conventional Energy Development Agency (NEDA) under UP Government. International Solar Alliance (ISA) is dream of the Prime Minister to bring the world together on a platform to promote the use of solar energy and make the solar power available for all at cheaper rates. ISA is the first treaty based global inter-governmental organization set up in India. Its headquarter is located at National Solar Energy Institute (NSEI) at Gwalpahari, Gurugram in Haryana.

2. Lok Sabha Passes Finance Bill: Little Relief on LTCG, Digital Tax Net Widens

Source: Financial Express ([Link](#))

As the Lok Sabha passed the Finance Bill, 2018, amid din and without any discussion on March 14, the government dashed whatever faint hope investors in listed equity had nurtured of their investments being adjusted to inflation for the purpose of the newly imposed long-term capital gains (LTCG) tax. An amendment to the Bill also widened the scope of India taxing the so-called digital income that some multinationals earn in the country without a permanent establishment here, by buttressing the "significant economic presence" clause introduced in the Budget. However, in the case of shares that were unlisted as on January 31, 2018, and may get listed on April 1 this year or later, the cost of acquisition will include what the cost inflation index for 2017-18 allows. In the Budget, finance minister Arun Jaitley introduced LTCG tax of 10% on gains over

Rs 1 lakh arising from transfer of listed equity shares and units of equity oriented funds held for over a year, but grandfathered the gains up to January 31, 2018. Investors have been clamouring for the indexation benefit to listed equity as well, as they reckon that this would have reduced their LTCG tax liability.

3. US Challenges India's Export Subsidy Programmes at WTO

Source: Financial Express ([Link](#))

The US on March 15 challenged Indian export subsidy schemes at the World Trade Organisation, saying these programmes harm American workers by creating an “uneven” playing field, officials said. The US Trade Representative (USTR) argued that at least half a dozen Indian programmes provide financial benefits to Indian exporters, which allow them to sell their goods more cheaply to the detriment of American workers and manufacturers. These programs are: the Merchandise Exports from India Scheme; Export Oriented Units Scheme and sector specific schemes, including Electronics Hardware Technology Parks Scheme, Special Economic Zones, Export Promotion Capital Goods Scheme and Duty Free Imports for Exporters Programme. “These export subsidy programmes harm American workers by creating an uneven playing field on which they must compete,” said Lighthizer. “USTR will continue to hold our trading partners accountable by vigorously enforcing US rights under our trade agreements and by promoting fair and reciprocal trade through all available tools, including the WTO,” Lighthizer said.

4. LoUs Discontinued: Industry Upset, Sees Cost Rising

Source: Financial Express ([Link](#))

A cross-section of industry on March 14 expressed concerns over the Reserve Bank of India's (RBI) move to discontinue the usage of letters of understanding (LoUs) and letters of comfort (LoCs) instruments, which they expect will lead to an increase in borrowing costs for genuine players engaged in overseas trade. Terming the sudden move “highly detrimental” to trade, Nikunj Turakhia, president of Steel Users Federation of India (SUFU) said, “There will be sudden funds crisis and companies who avail bank credit for ‘at sight’ import documents will face the music.” Turakhia said that the move will impact companies with longer trade cycles, as they will face issues regarding funding of transactions. “The cost of funds are going to go up substantially. This

seems a knee-jerk reaction to the NiMo (Nirav Modi) fraud, but it will have highly negative impact on trade and industry,” he said. Meanwhile, in light of the Modi fraud, the Indian diamond industry has stated that the usage of LoUs is not a common practice in the diamond trade. Colin Shah, vice-chairman, Gems and Jewellery Export Promotion Council (GJEPC), said, “LoUs are not used widely by diamond traders.” In fact, in a recent presentation made to media persons, GJEPC said that less than 1% of Indian diamond traders avail LoU facilities.

5. World Bank forecasts India GDP growth rate at 7.3% in 2018-19

Source: Livemint ([Link](#))

The World Bank on March 15 said while India’s GDP growth rate will return to 7.5% in two years’ time, to sustain an 8% GDP growth rate, India requires a decisive structural reform momentum that succeeds in stimulating investment and export growth while maintaining macroeconomic stability. The Indian economy regained its momentum in the December quarter, recovering from disruptions caused by demonetisation and implementation of the goods and services tax (GST), to expand at 7.2%, the fastest in five quarters. Based on the fiscal third-quarter gross domestic product (GDP) data, the full year’s growth has been raised to 6.6%. The World Bank has projected economic growth to accelerate to 7.3% in 2018-19 and 7.5% in 2019-20. The bank said despite the growth rate recovering, attaining a growth rate of 8% or higher on a sustained basis is not guaranteed in the absence of an effective structural reform agenda. There have been six episodes in the last five decades when growth rates exceeded 8%, about once in each decade. The only durable episode of growth sustaining at levels above 8% for five continuous years is the one which lasted from 2004 to 2008, with the average growth rate reaching an unprecedented high of 8.8% a year.

6. Finance Bill 2018 passed without discussion by Lok Sabha

Source: Livemint ([Link](#))

Finance Bill 2018, passed by the Lok Sabha on March 14 without discussion, has streamlined tax breaks for start-ups and exempted foreign companies from having to quote a permanent account number (PAN). Unlike previous finance bills, there are no significant changes, with the government deciding not to roll back any of the tax provisions, including the controversial levy of

LTCG tax at the rate of 10% on the sale of listed shares. However, some minor relief has been given in terms of allowing indexation benefits for unlisted shares in certain tax-neutral transfers like inheritance, demergers and amalgamation. Indexation benefits allow the owner of shares to raise the cost of acquisition and consequently reduce capital gains. The finance bill will now go to the Rajya Sabha. However, since it is a money bill, the Upper House can only suggest changes to it which may or may not be accepted by the Lok Sabha. Both Houses of Parliament have seen repeated adjournments with the opposition protesting against various issues, including the passage of the budget without debate and scams in the banking sector.

7. Phelan Energy in Talks to Acquire 200MW of Solar Power Projects in India

Source: Livemint ([Link](#))

South Africa's Phelan Energy Group, which has played a part in lowering India's solar tariffs with its aggressive bids, is in talks to acquire 200 megawatts (MW) of projects here. This is the first buyout in India planned by the Cape Town-based firm that bid Rs2.62 per kilowatt hour (kWh) in May last year to win contracts to build a 50MW unit at Bhadla in Rajasthan. The firm is also in partnership talks with investors for its first project in the country. "Apart from our Bhadla project, we have in excess of 200MW deals in development in various parts of India," said Tumul Dwivedi, head of Phelan Energy's Indian operations, in an emailed response. He declined to elaborate on the deals. With India's wind and solar tariffs at a record low, it is the lower cost of foreign capital and the size of the Indian clean energy market that has helped India's emerging green economy.

8. Cabinet Approves Double Taxation Pact with Iran

Source: The Hindu, Business Line ([Link](#))

The Cabinet on March 14 gave its approval to an agreement with Iran aimed at plugging double taxation and fiscal evasion. An official statement said this will encourage flow of investment, technology and personnel between the two countries. The agreement also allows exchanging information between the two nations. This is expected to improve transparency in tax matters and help curb tax evasion as well as avoidance, the statement added. A Memorandum of Understanding (MoU) between India and Sri Lanka for promoting cooperation in the field of Information Technology and Electronics (IT&E) also got the Cabinet's nod. An official statement said the MoU

was signed in January this year. The MoU shall be implemented by establishing a Working Group on IT&E of representatives of the two countries. Bilateral cooperation in information and communications technology domain both for business to business and government to government will be enhanced. The MoU intends to promote closer co-operation in the areas of e-governance, m-governance, e-public services delivery, cyber security, software technology parks, and the start-ups ecosystem among others. The Cabinet also gave an ex-post-facto approval for the MoU between India and Iran for cooperation in the field of agriculture and allied sectors. The MoU was signed in February during the Iranian President, Hassan Rouhani's visit to India. Under the MoU, a Joint Working Group (JWG) will be formed to monitor the activities carried to fulfil this MoU.

9. India Ranks 78th on WEF Energy Transition Index; Lower Than Brazil, China

Source: Livemint ([Link](#))

India has been ranked at 78th, lower than its emerging market peers like Brazil and China, among 114 countries on the World Economic Forum's (WEF) energy transition index that was topped by Sweden. The report titled *Fostering Effective Energy Transition*, ranks countries on how well they are able to balance energy security and access with environmental sustainability and affordability. According to the report India has taken "bold measures" to improve energy access, energy efficiency, and to improve the deployment of renewable sources of energy. However, energy transition in the country will require "large investments, and an enabling environment and robust regulatory frameworks to support the transition". "India is at the crossroads in its energy transition journey. Ranking 78th on the Energy Transition Index," the report said. Among its emerging market peers Brazil stood at the 38th place, Russia at 70th and China at 76th place. The overall list was topped by Sweden, followed by Norway at the 2nd position and Switzerland at the 3rd rank.

10. India to Become Self-Sufficient in Silk Production in Four Years

Source: TheHindu, Business Line ([Link](#))

India's dependence on China for the import of high-quality silk is likely to come down in the next 3-4 years, with the country striving to become self-sufficient in silk production by 2022. In 2016-17, India imported close to 3,700 tonnes of high-quality silk from China, compared to close to 7,000 tonnes in 2013-14. According to KK Shetty, Joint Secretary, Central Silk Board, the decrease

in import volumes has been primarily on the back of an increase in production of the 'better quality' bivoltine silk. The production of bivoltine, which is also an import-substitute-quality silk, increased from 2,559 tonnes in 2013-14 to 5,266 tonnes in 2016-17. Bivoltine production is likely to touch 6,200 tonnes in 2017-18. Once the production touches the targeted 12,000 tonnes by 2022, the country would no longer need to import Chinese silk, he said. The country's total raw silk production increased to 30,348 tonnes in 2016-17 (around 26,480 tonne in 2013-14), and is expected to touch close to 33,000 tonne in 2017-18. Central Silk Board estimates total production of raw silk to touch 45,000 tonnes in 2022. The government has allocated close to ₹2,000 crore for a period of three years (FY'18-FY'20) under the Central Sector Scheme for undertaking development activities for silk. A portion of the funds would be utilised for improving production of high quality silk, he said.

11. India to Take Criminal Action against Errant Solar Power Developers

Source: Livemint ([Link](#))

India will penalize solar power developers who are using foreign equipment in power generation projects that were awarded on the basis that they would only use locally-made solar cells and modules. According to an office memorandum from the ministry of new and renewable energy (MNRE) reviewed by *Mint*, these actions include filing of criminal case under 420 and related sections of the Indian Penal Code, blacklisting of the developer for 10 years, forfeiting of bank guarantee and disciplinary case against the concerned officers of the state-run firms and the state governments. These projects, awarded under the so-called domestic content requirement (DCR) route by state-owned firms, are required to use solar cells and panels made in India. Also, under the solar rooftop scheme, the government gives subsidy on the condition that the modules should be made in India wherein solar cells can be imported. This assumes significance as of India's plan to add 100 gigawatt (GW) of solar power capacity by 2022, 40GW is to come from rooftop projects.

12. Modi Renews Labour Reforms Push As Jobs Regain Focus before Polls

Source: The Economic Times ([Link](#))

Prime Minister Narendra Modi has dropped one of the most contentious elements of his proposed labour reforms, paving the way for his long-awaited industrial relations legislation to be introduced to India's parliament by April 6. Modi has been battling opposition's attempt to paint him as a government that favors the business elite over the poor by moving to make it easier to hire and fire factory workers and buy farmers' land. He's also faced hostility from unions and his party allies since he first sought to reform labour laws after coming to power in 2014. While smaller changes have passed, the most crucial reforms have until now remained out of reach. India's labour minister Santosh Kumar Gangwar said in an interview on March 14 the administration had abandoned the plan that would have allowed companies with as many as 300 workers to lay off staff without seeking the government's permission, and would keep the current limit of 100. The changes are part of a process to streamline 44 different labour laws into four codes as the government pushes forward with its efforts to formalize the \$2.3 trillion economy.