

Daily Economic News Summary: 15 May 2018

1. Cabinet Reshuffle: Piyush Goyal Gets Finance, Smriti Irani Loses I&B Ministry

Source: Livemint ([Link](#))

Railways and coal minister Piyush Goyal will handle the finance and corporate affairs portfolios while finance minister Arun Jaitley, who underwent a kidney transplant on May 14, recuperates, Rashtrapati Bhavan said in a press communique. As part of a cabinet reshuffle, Rajyavardhan Singh Rathore, currently minister of state for information and broadcasting (I&B), was also given independent charge of the politically crucial I&B ministry, replacing Smriti Irani, who will retain her textiles portfolio. Goyal, 53, a Rajya Sabha member, rose to prominence in the National Democratic Alliance (NDA) government with his persistent efforts to resolve thorny issues in the tightly regulated power and coal sectors. “During the period of indisposition of Arun Jaitley, minister, the portfolios of minister of finance and minister of corporate affairs held by him, be temporarily assigned to Piyush Goyal, in addition to his existing portfolios,” the Rashtrapati Bhavan statement said. Among other changes, S.S. Ahluwalia, a minister of state, has been given the portfolio of electronics and information technology, replacing Alphons Kannanthanam. Ahluwalia has been relieved of the charge of ministry of drinking water and sanitation

2. Ringing Loud: Dot Approves Merger Of Bharti Airtel, Telenor India

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

With the Supreme Court dismissing its objections, the department of telecommunications (DoT) on May 14 approved the merger of Telenor India with Bharti Airtel, thus paving the way for the exit of the Norwegian telecom operator from the Indian market and strengthening Bharti’s spectrum holding in 4G-enabled 1800 MHz spectrum in seven circles. “The effective date for transfer of all assets and liabilities related to DoT shall be as per the scheme of amalgamation approved by the NCLT on March 8, 2018,” DoT said in a notification. As ordered by the Telecom Disputes Settlement and Appellate Tribunal and the SC the approval was granted without Bharti having to pay Rs 1,500 crore towards the one-time spectrum charge (OTSC) levied by the DoT. In February 2017, Bharti had announced that it is acquiring Telenor India in a no-cash deal. Bharti will acquire Telenor India’s operations in seven circles: Andhra Pradesh, Bihar, Maharashtra,

Gujarat, UP (East), UP (West) and Assam. Bharti will now begin the process of integrating Telenor India's operations with its own. It also plans to step up investments and aggressively expand its high speed data network across the country over the coming year as part of Project Leap, its network transformation programme.

3. Flipkart-Walmart Deal: Time For India To Produce Home-Grown Internet Giants

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

In two recent commentaries in this space on digital data ('Time for Some Datagiri') and e-commerce ('Seriously, It's Flopkart'), this writer had argued that India needs to take some clear calls on its internet economy. On digital data, we had submitted that GoI should frame rules that mandate local storage of Indian internet users' data. On e-commerce, we had pointed to adverse fallouts of overwhelming foreign capital domination in terms of building a local innovation ecosystem. Since then, Walmart has bought Flipkart and many foreign internet firms have raised objections to data localisation including to RBI's rules that financial data must be stored locally. Therefore, this is the perfect time for GoI and relevant regulatory institutions to get smart about shaping the future of India's internet economy. Any smart policy needs to be backed by a big idea. The big idea here is that India should use its market power. Take e-commerce. Under 3% of India's retail market is now online. Smartphone penetration, data transmission capacity and vernacular interfaces for internet transactions are all growing rapidly. Per-capita income and, therefore, consumers' spending power will also keep growing. That means India's ecommerce market has staggering there's no other word for it growth potential. So, India's e-commerce sector may now look like a fight between the US' Walmart and Amazon, with Chinese and Japanese deep-pocketed investors being other influencers.

4. Allahabad Bank CEO To Be Axed For Involvement In PNB Fraud Case

Source: Livemint ([Link](#))

The government on May 14 initiated the process of removing top bankers, including Allahabad Bank managing director Usha Ananthasubramanian and two executive directors of Punjab National Bank (PNB), charged by the Central Bureau of Investigation (CBI) in the Rs12,636-crore fraud involving jewellers Nirav Modi and Mehul Choksi. The move is a part of the government's

broader efforts to clean up the banking system. “The government has initiated the process of removal of the senior management of banks who have been named in the chargesheet,” said Rajiv Kumar, secretary, department of financial services. “In the meantime, the government has instructed the government nominees to move board resolutions seeking divestment of their responsibilities.” Others named in the 7,500 page chargesheet filed on May 14 include Modi, his brother Nishal Modi, their three firms Diamonds R Us, Stellar Diamonds and Solar Exports and seven employees of these three companies. PNB general managers Nehal Ahad and Rajesh Jindal and other mid-level employees including Gokulnath Shetty and Manoj Kharat were also named in the chargesheet.

5. Govt Unveils Hybrid Policy For Renewable Power Sector

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

The government on May 15 unveiled the National Wind-Solar Hybrid Policy to make the renewable energy sector more investor-friendly. The salient features of the policy include optimal utilisation of assets where wind turbines and solar systems will be configured at the same grid connection points. The policy also aims to encourage new “technologies, methods and way-outs,” involving combined operation of wind and solar power plants. Hybrid plants would expedite the process of attaining 175 GW of renewable capacity by 2022, as there are large areas in the country where both wind and solar have high potential. Though the share of renewable capacity in the country, at 69 GW, is more than 20% of the total installed generation capacity in the country, the actual electricity they produced in FY18 was less than 8% of the total. Tariff of new hybrid power plants would have to be determined by state electricity regulators, or through reverse auctions. Existing wind or solar power plants can hybridise their projects if developers agree to augment the necessary transmission capacity to the nearest sub-station at their own responsibility, the policy stated. The Central Electricity Authority and the Central Electricity Regulatory Commission will formulate necessary standards and regulations for hybrid power projects.

6. First Oil Cargo For India's Strategic Reserve In Mangaluru Sails From UAE

Source: Livemint ([Link](#))

The first consignment of 2 million barrels of crude oil that is en route from United Arab Emirates (UAE) for India's strategic petroleum reserve at Mangalore, will help the world's third largest oil importer's energy security programme. With India building around 39 million barrels of strategic crude oil storage facility, the 5.86 million barrels supplied by state-run Abu Dhabi National Oil Company (ADNOC)—the only one to partner with India on its crude oil reserve programme till date, can be used during an emergency. According to a 12 May Indian government statement the loading of the first crude consignment was witnessed by petroleum minister Dharmendra Pradhan who is currently on a visit to the gulf nation. Indian Strategic Petroleum Reserves Ltd (ISPRL) has an agreement with ADNOC under which ADNOC will store around 5.86 million barrels of crude oil in India's Strategic Petroleum Reserve (SPR) facility at Mangalore at its own cost. This agreement was signed during Prime Minister Narendra Modi visit to UAE in February this year. India's strategic crude oil storages are located at Vizag (1.33 million tonnes), Mangalore (1.5 million tonnes) and Padur (2.5 million tonnes). US has also evinced interest to collaborate with India on its crude oil reserve programme as part of a strategic energy partnership that covers sectors such as oil and gas, power, renewable energy and coal.

7. India Needs To Grow At 10% For 30 Years To Meet Population's Demands

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

India needs to grow at about 10 per cent annually for the next three decades to be able to meet the ever-rising demands of its growing population, NITI Aayog CEO Amitabh Kant said on May 14. This order of growth however will not be achieved if the 'business-as-usual' approach to the use of scarce resources continues, he cautioned. He said that for reducing dependence on fossil fuels in transportation, a NITI Aayog analysis suggests that the way forward is the use of bio-fuels. He also underlined the need to embed the principles of circular economy in India's school education system. A circular economy, in contrast to the 'make-use-dispose' model of the linear economy, focuses on use of resources for longest possible time as also recovering and regenerating products and materials at the end of their life cycle. Noting that the government needs to enable regulatory framework for circular economy, he said: "We should incentivise use of renewable

material for construction sector." Kant also stressed that the government needs to push the limits of the circular economy and make it a mass movement. According to the report, five factors will be critical to accelerate circular models in India greater awareness, disruptive technologies, enabling policy landscape, innovative funding models and collaborations and partnerships.

8. Cashew Processing Export Units Face Supply Crunch Amid Low Domestic Output

Source: Business Standard ([Link](#))

India's cashew industry might have to increase domestic production to over 2 million tonnes by the year 2025, as the African countries from where India imports raw cashew nuts are aiming at more localised processing. While India has a capacity to process 2.5 MT raw cashew, at present it produces only a third of that 700,000-800,000 tonnes – and imports a similar amount from other countries. Now, with imports increasingly coming down, cashew processors are facing a supply shortage. The Cashew Export Promotion Council of India (CEPCI) has submitted a road map to the central government to achieve the target in three phases. This involves the immediate solution of adopting proper pre-harvest management of the crop through the application of proper manure and irrigation for increasing the domestic production by 15 per cent. An area expansion of 25 per cent over and above the existing plantation of 1 million hectares over the next three years has also been proposed. Replantation of old trees with high-yielding varieties, to be replaced at 20 per cent a year, is another way of increasing production in the country, according to CEPCI. Cashew cultivation is undertaken in 17 states of India covering an area of 1.04 million hectares. India is the largest cashew processor in the world, processing about 1.6 MT raw cashew nut per annum.

9. Jet Airways To Launch Services Under Udan From June 14

Source: Business Standard ([Link](#))

Naresh Goyal-promoted private carrier Jet Airways will launch services under the Centre's regional connectivity scheme, Udan, from June, with the first flight to be operated on the Lucknow-Allahabad-Patna sector. The full-service airline, in which gulf carrier Etihad Airways holds 24 per cent stake, had bagged four routes in the second round of the bidding in January, in which a total of 325 routes were awarded to various firms, including helicopter services providers. Starting from June 14, Jet Airways will fly services three times a week on the Lucknow-Allahabad-Patna sector

with an ATR aircraft, the airline said in a release. To begin with, Jet Airways will launch operations on three out of the four routes awarded, and will subsequently launch Lucknow-Bareilly-Delhi-Bareilly-Lucknow, it added. "The launch of these new (Udan) flights mainly onboard ATR aircraft, will allow Jet Airways to embark on a journey to ensure that unserved regions and underserved airports are maximised to their full potential," said Gaurang Shetty, whole time director, Jet Airways.

10. Fortis Stake Sale: Manipal Hospital, TPG Capital Management Re-Enter Race With Rs 180 A Share

Source: Firstpost ([Link](#))

In yet another twist in the ongoing race for Fortis, Manipal-TPG combine on May 14 revised their offer for the cash-strapped healthcare chain with a proposal to invest in the company at Rs 180 per share, thereby increasing valuation of the company to Rs 9,403 crore. In a regulatory filing, FHL said it has received revised offer from Manipal and TPG with a proposal to invest in the company, while making public a letter sent by Manipal Health Enterprises Pvt Ltd (MHEPL) to the Fortis board. "For purposes of the merger, a value of Rs 9,403 crore shall be attributed to FHL and a value of Rs 6,070 crore shall be attributed to MHEPL as had been originally determined by the independent valuers of for the purpose of the transaction," MHEPL said in its letter presenting the revised offer. The issues include FHL's payment obligations for the acquisition of the relevant Indian entities from RHT and the exit required to be provided by FHL to the private equity investors in SRL, it added. Stating that Manipal-TPG have been following the developments of the past few days after the announcement by FHL and as reported in media there has been negative reaction of FHL shareholders to the decision of the FHL board to accept the Hero and Burman offer, the letter said.