

## Daily Economic News Summary: 18 May 2018

### **1. Andhra Pradesh Invests Rs 30,000 Crore To Boost Electric Vehicles: Sets New EV Policy, Offers Incentives**

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

Betting big on Electric Vehicles (EVs), the Government of Andhra Pradesh has rolled out a new action plan or a new policy that will promote the use of EVs in the state in a big way. Andhra government has set a target investment of Rs 30,000 crore for the next five years and says this will include financial incentives to electric cars makers, battery manufacturers, companies setting up charging stations and the end user. Andhra Pradesh is also the first state to set a target of 10 lakh electric vehicles on roads by 2023. Further, the states EV policy will reimburse road and registration tax for EVs for next five years. Electric vehicle manufacturers will get a 10% capital subsidy for the first two companies setting up manufacturing units in Andhra Pradesh. More sops including discounts on water and electricity bills will be the additional benefits to set up manufacturing in Andhra Pradesh. The Japanese carmaker, Toyota has already signed the Memorandum of Understanding (MOU) with the Andhra Pradesh government and has begun feasibility study towards the introduction of “Prius PHEV” and “Small EV Commuter” into the ambitious smart city project at Amaravathi. The government of Andhra Pradesh will convert its existing city buses in 4 cities to all-electric buses by 2023 and in the whole state by 2030. Andhra's capital Amravati, Visakhapatnam, Vijayawada and Tirupati will be among the first cities in the state to get electric buses.

### **2. SC Refuses To Stay RBI Virtual Currency Order**

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

The Supreme Court on May 17 refused to stay the Reserve Bank of India's decision that mandated banks, e-wallets, and payment gateway providers to withdraw support for cryptocurrency exchanges and other businesses dealing with virtual currencies. However, it allowed cryptocurrency exchanges, their shareholders, traders and other individuals to present their cases within two weeks to the RBI, which will look into the issue in accordance with the law. Various PILs, including the one filed by a group of 11 different representatives from various crypto-related

businesses, have challenged the RBI's April 6 circular that declared cryptocurrency-related businesses like virtual currencies, crypto assets, etc illegal in India. The regulator has given banks a deadline of July 6 to adhere to the new rule. A bench led by Chief Justice Dipak Misra while transferring to itself various other similar petitions pending before the high courts of Delhi and Calcutta also stayed proceedings before the HCs. It also restrained all the HCs from entertaining any other petition against the RBI circular. It also sought the attorney general's assistance in the matter. Last week, it had sought response from the RBI and the Centre.

### **3. Centre May Ask RBI To Ease Prompt Corrective Action Framework**

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

The Centre may ask the Reserve Bank of India (RBI) to consider revising the prompt corrective action (PCA) framework so that a complete restriction on fresh lending does not affect credit flow to business, particularly small and medium enterprises. Officials of the department of financial services also held a one-on-one meeting with the executives of the banks to take stock of their plans. "The RBI has put a complete lending ban on Dena Bank. This may impact the credit to the small industries that are mainly dependent upon banks facing PCA. The government may ask the RBI to revise the PCA framework so that such specific lending restrictions are not put in place," a source, who attended the meeting, said. "The RBI has put a complete lending ban on Dena Bank. This may impact the credit to the small industries that are mainly dependent upon banks facing PCA. The government may ask the RBI to revise the PCA framework so that such specific lending restrictions are not put in place," a source, who attended the meeting, said. At present, 11 out of 21 public sector banks are under the RBI's PCA framework. These are Central Bank of India, IDBI Bank, Indian Overseas Bank, Corporation Bank, Bank of India, United Bank of India, Dena Bank, Bank of Maharashtra, UCO Bank, Oriental Bank of Commerce and Allahabad Bank.

### **4. Crude Breaches \$80 A Barrel, Pressure On RBI To Hike Rate**

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

Global crude prices have hit \$80 a barrel after a gap of three-and-a-half years, increasing the pressure on inflation and on the Reserve Bank of India to hike the policy rate. While the fiscal math of the government will have to be re-done given the the Budget had assumed oil prices at

around \$65 a barrel, officials played down the concerns. The current account balance may also come under pressure. India imports around 80 per cent of its crude oil needs. “If crude oil stays over \$80 a barrel, we are looking at an average inflation rate of 5 per cent and a peak of 5.9 per cent. If it stays this way, the RBI may hold rates in June, but there will be a rate hike in August,” said Abheek Barua, chief economist, HDFC Bank. The Indian basket crude oil price was seen at \$75.94 a barrel on May 16. Tuesday’s closing price at \$76.43 was the highest since December 1, 2014. However, since the rupee has depreciated since then, the impact on India’s trade balance will be higher. The rupee was at 68.1 to a dollar on May 15 against Rs 64.1 on December 1, 2014. “There is no demand-supply mismatch. It is a low demand season right now. It is only the supply which is getting affected, not because of the ability to supply, but because of the Iran issue,” Sabnavis added. For every \$1 rise increase in crude oil prices, the impact on the current account deficit is likely to be around \$1 billion. The current account deficit was 2 per cent of GDP in the quarter ended December, up from 1.1 per cent in the September quarter.

### **5. Thermal Plants Resume Coal Imports Amid Domestic Shortages**

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

State-run thermal power plants in coastal states have begun buying overseas coal due to domestic coal shortages, government and utility officials said, in a setback for the country's long-term plans to eliminate imports. After no significant imports in 2017, government utilities in Tamil Nadu and Andhra Pradesh have ordered several cargoes of coal since the beginning of this year, two officials said. Andhra Pradesh has imported 200,000 tonnes of coal so far this year and could import as much as 1 million tonnes in 2018, said Ajay Jain, a senior official in the state energy department. “Coal has been a real problem. If we had depended only on coal, it would have been a disaster,” Jain said. Tamil Nadu Generation and Distribution Corp has imported about 1.4 million tonnes of coal this year, after going a year without imports starting at the end of 2016, according to Vikram Kapoor, the chairman of the utility. An increase in coal imports by state-owned power utilities undermines a pledge by Prime Minister Narendra Modi's government to cut thermal coal imports to zero by March 2018. But state-owned Coal India Ltd, the world's second-biggest coal miner by production, is grappling with a shortage of trains to carry the fuel from its mines to the power plants.

## **6. Maruti Suzuki Set To Drive In Biggest Ever Capacity Expansion In India**

**Source: Livemint ([Link](#))**

Japanese carmaker Suzuki Motor Corp. plans to expand production capacity by as many as 2.5 million cars a year in the decade to 2030 as it lays the groundwork to maintain its dominance in India, where it sells one in two cars. The capacity expansion, the biggest ever planned by Suzuki or its local unit in India, will be divided into two phases, two people aware of the plans said, requesting anonymity. Suzuki will first expand its Gujarat plant by adding capacity to make 750,000 cars starting 2020. In the second phase, it will build a new plant, Suzuki's fourth after those in Gurgaon, Manesar and Gujarat. The new factory, location of which has not been identified, will have a capacity of approximately 1.5 million units and is expected to be announced around 2025, the people said. On completion of the two phases, Suzuki's total vehicle manufacturing capacity in India will be about 4.5 million or more than double the 1.75 million vehicles it makes now (1.5 million in Gurgaon and Manesar and 250,000 in Gujarat). The management of Maruti Suzuki told some suppliers about the expansion plan at a recent meeting in Abu Dhabi. Maruti Suzuki plans to sell 5 million passenger vehicles annually by 2030, Osamu Suzuki, chairman of Maruti's parent, said at a post-earnings conference call earlier this month.

## **7. Tata Steel Hitches Itself Firmly To India's Economic Growth Story**

**Source: Livemint ([Link](#))**

Fiscal year 2019 (FY19) will see Tata Steel Ltd turn into a rather different company, compared to how it exited 2018. The anticipated moving of its European steel business to a joint venture (JV) with Thyssenkrupp AG and its successful acquisition of Bhushan Steel Ltd (barring any litigation-related outcomes) will reshape its balance sheet, geographical mix of revenues and profitability. How this shapes up and the direction of steel prices are critical factors for investors to watch. In the near term, the India business will see volumes recover as the blast furnace problem has been corrected. That should see its sequential performance improve. Steel prices are holding steady. The bigger impact on the India business will be the Bhushan Steel acquisition for Rs35,200 crore, to be done via a subsidiary. The company will hold a 72.5% stake in Bhushan Steel which will see it increase its market share in its profitable home market. There are some short-term effects one can expect. Tata Steel's debt will increase to the extent the acquisition involves taking on existing

debt, and lead to higher interest costs. Consolidation means Bhushan Steel's performance will reflect in the company's financials also. Although Bhushan Steel was profitable at the Ebitda level, it could not service debt. Also, a clean-up of its books post-acquisition may also see some accounting-related impact on Tata Steel's financials.

#### **8. USIBC Has New India Head To Push Trade Bilateral Ties**

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

The U.S. Chamber of Commerce's U.S.-India Business Council (USIBC) has announced that Ambika Sharma will join the USIBC as Managing Director of India Operations. She will be responsible for overseeing and guiding USIBC's growth strategy in India through its offices in New Delhi and Mumbai, as well as leading the charge on policy advocacy issues for USIBC's diverse membership with a variety of stakeholders. Sharma will join USIBC on June 15. Sharma brings over three decades of experience in catalyzing business engagement and public policy advocacy. Most recently, Sharma served as Director General for International at the Federation of Indian Chambers of Commerce and Industry (FICCI). She was responsible for developing international strategy, diversifying FICCI's global profile, and leading the industry association's global strategy. As Director General of FICCI, Sharma is the highest ranked female executive of an Indian industry body.

#### **9. India To See 15-Fold Jump In Demand For Power To Cool Homes, Says IEA Report**

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

The International Energy Agency (IEA) has estimated that India will lead the world in terms of the power consumed for residential cooling. The agency estimates that India's cooling-related energy demand will soar from 90 terawatt hour in 2016 to 1,350 terawatt hour (TWh) in 2050 — a 15-fold increase. "The total space-cooling output capacity of residential air conditioners worldwide increases in line with the number of units brought into service over the projection period, growing from around 6200 gigawatts (GW) in 2016 to nearly 23000 GW in 2050," the IEA has said in its report titled 'The Future of Cooling Opportunities for Energy-efficient Air Conditioning'. This is in line with nearer term estimates from industry watchers back home. In April, Motilal Oswal, in a report said, "With the Indian Meteorological Division forecasting above-

normal temperatures in the current summer season across most parts of the country, we expect continued strong momentum in room AC sales.” Highlighting the potential demand in urban areas, Motilal Oswal said, “AC penetration remains very low at 10 per cent. There are 9.1 million households with washing machines and/or refrigerators but no ACs. Thus, as more households install ACs going forward, demand could reach 18-48 million (which is equal to 3-8 years of annual industry AC sales) and penetration levels could increase significantly from current low levels of 10 per cent in urban India.”

#### **10. Land Acquisition Woes Thwart \$44 Billion Ratnagiri’s Mega Refinery Plan With Saudi Aramco**

**Source: Livemint ([Link](#))**

At the International Energy Forum in Delhi in April, the world’s top oil producer Saudi Aramco inked a preliminary deal to partner with a consortium of Indian players to build a \$44 billion refinery and petrochemical project on India’s west coast. The huge project was touted as a gamechanger for both parties offering India steady fuel supplies and meeting Saudi Arabia’s need to secure regular buyers for its oil. Despite the obvious benefits, though, the prospects for the plan in the works since 2015 are growing dimmer by the day. Thousands of farmers oppose the refinery and are refusing to surrender land, fearing it could damage a region famed for its Alphonso mangoes, vast cashew plantations and fishing hamlets that boast bountiful catches of seafood. “We earn enough to fulfil our needs and we do not want to surrender our lands for a refinery at any cost,” says Sandesh Desai, standing amid his fruit-laden mango orchard in Nanar, a village in Ratnagiri district, some 400 km (250 miles) south of Mumbai. The state government, which is responsible for acquiring the land for the project, has so far failed to secure even one acre of the roughly 15,000 acres needed for the refinery, Maharashtra Industries minister Subhash Desai told *Reuters*.

#### **11. The Northeast Gets Its First Solar Powered Railway Station**

**Source: The Indian Express ([Link](#))**

After almost a year of being fully functional, the solar power project of the Guwahati railway station is being considered as a worthy lesson in environmental consciousness. The project, which was launched in April 2017, meets the power needs of the entire station located in the heart of the

city, considered to be the gateway into Northeast India. “A few months back we installed LED lights in the entire station which reduced power consumption by 100 kWh,” says Pranav Jyoti Sharma of by the Northeast Frontier Railways (NFR). This was a part of the larger green initiative by the NFR to replace power consuming lights with more energy-efficient LED lights. In April 2017, a 700 KWp solar power plant was set up on the roof of the station. Between April 12, 2017 and May 10, 2018 the plant has generated 7,96,669 KWh of power while the average output daily is about 2,048 KWh. Rs 67,71,687 worth of electricity has been saved because of the plant. The NFR is planning similar plants in Manipur, Mizoram and Nagaland.