

Daily Economic News Summary: 1 May 2018

1. India's Trade Deficit With China Weighing Over RCEP Talks

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

India's trade deficit with China has widened to a whopping \$62.8 billion in 2017-18 from \$51 billion a year before, deepening concerns that the indiscriminate tariff elimination under the proposed Regional Comprehensive Economic Partnership pact could worsen the imbalance, a government official said. Officials from the 16 RCEP countries, which comprise the 10-member ASEAN, India, China, Australia, New Zealand, Japan and South Korea, are in Singapore trying to concretise offers for market openings with a view to conclude the negotiations by the year-end. "There is a lot of pressure on India from the ASEAN and China to minimise the deviations in the market access offers for goods. But with the trade deficit between India and China continuously on the rise, there is no way Beijing can be offered the same concessions that could be offered to the ASEAN. New Delhi has to make this point clearly at the meeting," the official said. The ASEAN wants India to agree to eliminate tariffs on more than 92 per cent of the items and maintain uniformity in its offer by extending similar concessions to all members. It is also putting pressure on India to agree soon to the ambitious tariff cuts being sought so that it is not responsible for delaying the negotiations beyond end-2018. Interestingly, the Indonesian Trade Minister, during his India visit in February, had said that he hoped that India would stand by the ASEAN to conclude RCEP this year and would not disappoint.

2. Larsen & Toubro To Sell Its Electrical Unit To Schneider For \$2.1 Billion

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

Larsen & Toubro, India's largest engineering and construction company, has agreed to sell its electrical unit to a consortium led by Schneider Electric SE, people with knowledge of the matter said. A deal, which values Larsen's electrical and automation division at about Rs 140 billion including debt, could be announced as soon as this week, said the people, who asked not to be identified because the details are private. Schneider will own 74 per cent of the unit when the deal is complete, while Temasek Holdings will own the balance, the people said. The company, which makes submarines, and builds airports to nuclear power plants, has been pruning non-strategic and

sub-scale businesses. It plans to spur growth through acquisitions in information technology. The Mumbai-based firm had expected to sell the electrical division by March, Chief Financial Officer R Shankar Raman said in a November 20 interview. A representative for Temasek said the firm doesn't comment on market rumours, while spokesmen for Larsen and Schneider declined to comment. The Economic Times reported earlier that Larsen and the consortium had resumed talks after a months-long lull and that a deal would likely be announced by the end of April, citing people it didn't identify. The electrical unit, which makes switchboards, energy meters and management systems, has manufacturing operations in India, the West Asia and Europe, according to its website.

3. Govt Brings Relief To 2,500 Mw Thermal Power Stations With Pilot Scheme

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

Electricity generating firms would now be able to sell power without binding pacts, as the Union government on 1 May allowed procurement of power for three years under medium term from generators with commissioned projects but without Power Purchase Agreement (PPA). The Central Government on 1 May launched a pilot scheme for procurement of aggregate power of 2,500 Mw on competitive basis for three years under medium term i.e. from generators with commissioned projects but without PPA. Ministry of Power issued the guidelines for the said scheme on April 10. PFC Consulting Limited (a wholly-owned subsidiary of PFC Ltd) has been appointed as nodal agency and PTC India Limited as the Aggregator. PTC India would sign three-year (mid-term) Agreement for Procurement of Power with successful bidders and Power Supply Agreement with the Discoms, an official statement said. Under the scheme a single entity can be allotted maximum capacity of 600 Mw. The scheme assures a minimum off-take of 55 per cent of contracted capacity. The tariff will be fixed for three years without any escalation. PFC Consulting would start inviting bids from this week and bidding will be conducted on the DEEP (Discovery of Efficient Electricity Price) e-Bidding Portal. It is expected this scheme help to revive the power demand which has affected the generators not having PPAs.

4. Historic Moment For Modi! All Villages In India Electrified; The Way Forward

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

In a major historic moment for the Narendra Modi-led government, all Indian villages now have access to electricity, and the Narendra Modi-led government has achieved the historic target of electrifying all Indian villages. On April 30 evening at 5.30 pm, Leisang village in the Senapati district of Manipur was the last village to be brought on the national power grid. In 2014, the government had promised to bring electricity to every citizen. Government data reveals that all of India's 597,464 census villages have been electrified. Notably, after the Narendra Modi-led government assumed charge in 2014, there were 18,452 un-electrified census villages. There were various challenges too, as it was found that an additional 1275 villages also didn't have electricity access. While it is a major historic moment, a Bloomberg report estimates that almost 32 million homes are still left in the dark: as the government deems a village "electrified" if 10 percent of its households, as well as public places such as schools and health centers, have access to electricity. The government has also planned to invest \$2.5 billion to provide power connections to nearly every household by the end of March 2019, just a few weeks shy of general elections. A recent Bloomberg report revealed that about 13 percent of the almost 36.8 million homes identified in October as needing power, citing government data. "To meet its next deadline, it has to accelerate its monthly pace by more than threefold, according to Bloomberg calculations using government data," said the agency.

5. Agriculture Ministry In Talks With Russia To Speed Up Nod For Export Of Dairy And Meat Units

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

The agriculture ministry is in talks with the Russian government to expedite testing and clearing of Indian dairy, fish and meat processing units for exports, a long-standing demand of Indian food processors who are keen to tap its market. "Russia is in the process to approve several processing plants for dairy, meat and fish. This will give market access and lead to rise in exports," said an agriculture ministry official. According to the official, in the past one month there have been deliberations between the two countries and various ministries. Officials from food safety, agriculture and trade recently met to facilitate trade in agriculture and food processing, he

said. Indian exporters are looking at new markets to expand and Russia has a huge potential, said the official. “Marine exports have seen a 25% growth in the last 3-4 years, with over 1.2 million tonnes, valued at Rs 40,000 crore, being exported in 2016-17. We are the largest exporter of shrimps to the European Union and the US, and Russia can be the next market,” the official said. In 2016-17, India had exported 78,000 tonnes of dairy products, including casein, cheese, flavour milk and ghee, valued at Rs 1,500 crore. The sector has been growing at 10-12% annually, according to government data.

6. After NRI Investments In Domestic Market, Foreign Funds On Sebi Radar

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

A fortnight after the market regulator tightened rules around non-resident Indian (NRI) investments in the domestic market, several foreign funds have come under the scrutiny of the Securities and Exchange Board of India (Sebi). According to sources, the regulator has sought investment and end-beneficiary-related information of foreign portfolio investors (FPIs) from their custodians. Sebi wants to crack down on those NRI-managed funds that are also used to channel money belonging to persons of Indian origin (PIO). Sebi’s FPI regulations prohibit any foreign fund from being controlled by a PIO or NRI. Such entities are allowed to obtain an FPI licence on condition that they act only as investment advisors and do not invest their money. However, global funds typically ask fund managers to put up some seed capital, called skin-in-the-game in industry parlance. In order to meet this obligation and to avoid regulatory scrutiny, several NRI fund managers have infused seed capital through innovative structures like limited liability partnerships (LLPs). Therefore, the end-beneficiaries of these LLPs are either the fund managers themselves or their immediate families. Until now, Sebi has been lenient with such practices. However, concerns on round-tripping and misuse of such structures have prompted the regulator to take a harsh stand, sparking concerns among fund managers with Indian connections.

7. Volkswagen To Decide On Skoda India’s €1 Billion FDI Plan

Source: Livemint ([Link](#))

Skoda Auto India Pvt. Ltd, tasked by parent Volkswagen AG to lead the group’s India operations, will present an ambitious India investment plan of more than 1 billion euros to the German

company's board in two-three weeks. If approved, this will be the largest inflow of foreign direct investment (FDI) into the Indian auto sector. Skoda India seeks to create the Volkswagen (VW) group's first engineering centre in India and simplify the business structure of the group in the country, according to two people aware of the development. The company also seeks to build at least six new body styles on the MQB (Modular Transverse Matrix) platform and develop India as an export base for such models, the two people cited above said, requesting anonymity. The VW board will evaluate the strategy and take a decision within two months, said one of the two people with direct knowledge of the matter. Volkswagen India Pvt. Ltd sold 45,329 units in the fiscal year gone by, a decline of 22.5% from a year ago. At least six new body styles will be developed by Skoda India, starting from the B-segment, according to the new business plan, *Mint* has learned. These include small cars such as the Hyundai i20, Suzuki Swift and Skoda's own Fabia

8. Government To Push For Labour Bills That Pay Ahead Of Polls

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

The labour ministry has been asked to speed up the passage of worker-friendly legislation and put on hold or slow down any laws that could be perceived to be against the interests of the country's 500 million strong labour force, ahead of general elections that are a year away. Reforms that could be fasttracked include labour codes on wages, universal social security and those on occupational safety, health and working conditions at commercial establishments, said a top government official. However, work on the controversial code on industrial relations, parts of which make it easier to fire workers and was drafted in 2015, is unlikely to move forward despite the original bill having being toned down to reassure workers. The government is betting on opposition parties being amenable to legislation that's worker-friendly. These bills are likely to be introduced in Parliament in quick succession "as the government thinks no political party is likely to oppose labour-related legislation in an election year," said the official. The labour ministry has fasttracked consultation on the codes and hopes to send them to the Cabinet soon, following which they will be presented in Parliament. The code on wages has already been approved by Cabinet and is awaiting passage in Parliament while those on occupational safety and social security could be next in line, said the person cited above.

9. Huge Potential For Trade Between India, Southern Africa Countries: Suresh Prabhu
Source: Financial Express ([Link](#))

India is ready and willing to assist in development in southern African countries, Commerce and Industry Minister Suresh Prabhu said at the India-South Africa Business Summit 2018, noting that the region holds huge potential for trade. Prabhu was leading a high level business delegation to Johannesburg to participate in the two-day summit from April 29-30. “We feel that there is a huge potential that exists between these two regions,” Prabhu said as he shared the platform with his counterparts from Botswana, Swaziland, Lesotho and Mozambique at the summit. Prabhu said there had been a meeting in New Delhi just a month earlier to explore what could be done in each of these countries. “It was quite an eye-opener for us, because we realised that some of these countries have so much capability which we were not aware of, so we can actually use that and bring it into India as well. The minister said “we are preparing for each and every country what it is that we can do together.” “We don’t want to offer one single solution to all the countries, but something befitting each of the countries in the southern African region,” Prabhu said.

10. New Telecom Policy: Modi Government May Ask Firms To Set-Up Servers Locally By 2022
Source: Financial Express ([Link](#))

The government, under new National Telecom Policy, may come up with provisions on data sovereignty and ask all companies hosting data of Indians to set-up servers in the country by 2022, according to official sources aware of the development. Under the provision of NTP 2018, the draft of which is scheduled to be released on May 1, the government may ask telecom service providers to ensure that messages, emails etc of Indian citizens are kept within boundaries of the country unless addressed to people staying overseas. “The NTP is being framed with vision to give access of all services to people at click of a button. For most of the things like education, government services and even health people should not need to visit physically. There will be lot of data generated for all this. Hence, NTP is likely to propose setting up of all servers hosting data of Indian citizens and entities to be kept in local servers by 2022,” the source said. The NTP will come up with provisions to provide high speed broadband access for all in the country. It will promote massive optical fibre roll-out in the country along with use of satellites in remote areas,”

the source said. The officer added that government does not want that data generated in the mammoth infrastructure to be sent abroad. “Indians should and will have right to own their data. Big Data analytics will be done within national boundary and put to use for Indians. The NTP is likely to propose measures to enable this,” the source added.

11. In A First, Gujarat To Offer PNG Subsidy

Source: Livemint ([Link](#))

Gujarat is set to emerge as the first state to offer subsidized piped natural gas (PNG) to poor households. If successful, the scheme that promotes cleaner cooking fuel in Prime Minister Narendra Modi’s home state will be rolled out nationally, said two senior state government officials aware of the plans. Gujarat, which has an edge over other states in terms of PNG connections, thanks to its well-developed pipeline infrastructure and easy availability of gas, will launch the new PNG/LPG (liquefied petroleum gas) Sahay Yojana—an extension to the Ujjwala Yojana. Chief minister Vijay Rupani will unveil the new scheme at a function in Bharuch on Tuesday. The scheme is meant for below poverty line households. The scheme for select urban areas will supplement Ujjwala for BPL-AAY households not covered under Ujjwala to help supply households with clean fuel, the official added. As per the scheme, the government will pay Rs1,600 as one-time subsidy per connection and Rs1,725 as loan to customers opting for a new PNG connection. As a result, a beneficiary will have to pay only Rs118 to get a new connection and a refundable security deposit of Rs50 per month for a period of 100 months. The state has a good network of gas pipelines which makes it easy for the scheme to cover PNG connected households from Vapi to Dwarka and from Bhuj to Ahmedabad. The state has a pipeline network covering over 25,000km for city gas distribution.