

Daily Economic News Summary: 22 May 2018

1. As Petrol, Diesel Prices Hit Record High, Government Plans These Steps To Douse Fuel Fire

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

As petrol, diesel prices hit historic highs on May 20, government is mulling over a plan to soften the impact of the price rise through various alternatives. Oil Minister Dharmendra Pradhan raised hopes of the government cutting excise duty to cool down the impact of surging oil prices. The Centre is sensitive towards the rising fuel prices and various alternatives are being explored, Pradhan said on May 20. The government is also talking to various countries and expects the oil prices to start cooling down soon. Talking to CNBC TV18, Narendra Taneja, BJP Spokesperson said that the current situation has become tough because oil prices are rising while tax architecture has remained the same. However, even if the government comes up with a Rs 1 excise duty cut on diesel, it would not make much of lasting difference, he maintained. The excise duty route was taken in the interest of the nation and the money collected was used for the benefit of the people, he said further. The petrol was selling at retailers in Delhi at Rs 76.87 per litre in Delhi, Rs 79.53 in Kolkata, Rs 84.70 in Mumbai, and Rs 79.79 in Chennai May 22. The diesel was selling at retailers in Delhi at Rs 68.08 per litre in Delhi, Rs 70.63 in Kolkata, Rs 72.48 in Mumbai, and Rs 71.87 in Chennai on May 22.

2. First Shipment Of Oil From UAE Reaches Reserve In Mangaluru

Source: Livemint ([Link](#))

In what will help boost India's energy security programme, the first consignment of 2 million barrels of crude oil from United Arab Emirates (UAE) reached the strategic petroleum reserve at Mangaluru on May 21. The oil cargo from state-run Abu Dhabi National Oil Co. (ADNOC), the only one to partner with India on its crude oil reserve programme till date, is for filling up one of the two strategic petroleum reserve (SPR) caverns built by Indian Strategic Petroleum Reserve Ltd (ISPRL) at Mangalore. "The filling up began with the two million barrels reaching Mangalore May 21. ADNOC will bring additional crude oil and fill up the Mangalore cavern later this year," India's petroleum ministry said in a statement on May 21. The oil storage facility will enable

ADNOC meet market demand across Asia at a time when the global energy architecture is changing, with buyers at the centre of growth plans of oil majors. The development also assumes importance given that UAE supplies 6% of India's crude oil imports. India's strategic crude oil storages are located at Visakhapatnam (1.33 million tonnes), Mangalore (1.5 million tonnes) and Padur (2.5 million tonnes).

3. Rs 450-Crore Input Tax Credit: Intelligence Unit Unearths Fake GST Bills Business

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

The intelligence unit for the goods and services tax (GST) has unearthed a nexus among businesses that use fake bills to claim input tax credit (ITC). Given the value of the fictitious purchases is estimated to be around `2,500 crore, the undeserved ITCs pocketed by these firms are seen to be `450 crore at an average GST rate of 18%. Sources said that the fake bill provider is absconding but the government has started issuing summons to businesses that produced these counterfeit bills to claim tax credits. One such notice issued by the Directorate General of Goods and Services Tax Intelligence (DGGSTI) unit in Meerut has been reviewed by FE. It has invoked the erstwhile excise, service tax as well as the new GST Acts and has asked the taxpayer to "give evidence truthfully on such matters concerning the enquiry as you may be asked and produce the documents and record mentioned in the schedule for the examination". The invocation of service tax law ensures that the department can look into documents for the last five years as well. The modus operandi involves businesses buying invalid bills, which enables them to claim input tax credit on the fictitious supply. A portion of this amount is paid to the providers of such bills as commission.

4. The Impact Of Ultratech Century Deal On Cement Prices

Source: Livemint ([Link](#))

UltraTech Cement Ltd is on an acquisition spree. The latest addition to its shopping basket is the cement business of Century Textiles and Industries Ltd. UltraTech will acquire 13.4 million tonnes per annum (mtpa) of Century Textiles' cement assets for an enterprise value of Rs8,600 crore. With that, the pan-India cement producer's presence in the eastern (Chhattisgarh), central (Madhya Pradesh) and western (Maharashtra) markets will strengthen further. Following this acquisition, the company's domestic capacity will increase nearly 15% to 106 mtpa from 92.6 mtpa. Its all-

India capacity market share will rise from around 20% to 23% by the end of the current fiscal year (FY19). Region-wise, its capacity market share would improve by 7%, 6% and 8% in the central, eastern and western markets, respectively, say analysts. Moreover, UltraTech's cement capacity will stand augmented to 109.9 mtpa including its overseas operations, making it the third-largest cement maker in the world, outside China (*see Chart 2*). While the deal does not give UltraTech Cement access to newer markets, it clearly consolidates the company's dominant position across these regions.

5. Government To Develop 78 Lighthouses On Its Own Because Of Environmental Issues

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

India plans to convert 78 lighthouses in scenic coastal areas into tourism hubs, with facilities such as elevators to go atop the lighthouse, coastal and water sports, ayurvedic centres and speed boats along with cruise-style eateries. The government was earlier looking to develop these under PPP but is now doing on its own because of environmental reasons. In the first phase of the project, the Nitin Gadkari-led shipping ministry is in process of identifying 10 lighthouses that are along coastal highways and can attract good footfall. The government plans to join hands with private partners to set up tourist facilities and maintain infrastructure for water sports along with eateries. The Directorate General of Lighthouses and Lightships, a subordinate office under the shipping ministry, will install the elevators, said a senior ministry official. Among the lighthouses likely to be converted into tourism hubs are those in Alleppey, Rameshwaram, North Point in Port Blair, Dwarka, Mandvi, False Point near Paradip, Muttom near Kanyakumari, Kanhoji Angre Island near Mumbai port and Minicoy in Lakshadweep. The project is part of the ministry's efforts to boost coastal tourism in the country, officials said. Under the coastal tourism development plan, the ministry is already setting up a cruise terminal in Mumbai.

6. Rising Oil Prices: States Make A Killing, Centre Gains Little In Terms Of Excise Revenue

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

Though taxes are around 100% of the 'base price' of petrol or half the retail price (the case of diesel is comparable) and both the Centre and state governments treat the two auto fuels as a milch cow, it is only the states that benefit from a spike in their prices. Since the Centre's excise duty on

petrol and diesel are specific (quantity-wise), rather than ad valorem, it could, if at all, only lose revenue if prices skyrocket in sync with the global trend and hit consumption levels. The state governments, on the other hand, tend to gain immensely when prices soar thanks to the ad valorem value-added tax (VAT), sales tax, and additional cesses/surcharges levied by them on these fuels. According to an FE analysis, even the small Delhi government raked in an additional Rs 1.2 crore a day on May 21 from taxes on petrol and diesel alone, compared with what it fetched on January 1 this year. This is because the base price or price to the dealer of petrol and diesel were higher by 16% and 21% on May 22 from their respective January 1 levels. State VAT is generally levied on the price charged to the dealers by refiners inclusive of the excise duty; dealer commissions is included in the VAT-able price by some states.

7. Govt To Roll Out Export-Oriented Package For Electronics Manufacturers In June

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

In a bid to boost export-oriented manufacturing of electronics in the country, the government is looking to roll out package of measures by early next month, ahead of the release of the new National Electronics Manufacturing policy. Sources close to the development told *BusinessLine* that the Ministry of Electronics and Information Technology (MeitY) is in the finalising stages of this package, which will not only focus on mobile phones export but also other electronics items such as medical and automobile electronics. One of the proposals under discussion pertains to streamlining the procedure and increasing the timelines allowed to exporters to bring in for servicing or repair an electronics product that has been sold or exported from India. “When our manufacturers export electronics goods, they are allowed to re-import it for the purpose of repairs or service for only three years. The process to bring it back after three years is complex, so we are looking at increasing that. We are talking to other related ministries about increasing that said period so that customers are more comfortable buying such products from India,” a senior official at MeitY said. The idea behind such a step up in making packages is to give competitiveness to the manufacturers, in not only producing items for the domestic market, but also for exports in major markets globally, the official said.

8. Flipkart To Burn Through \$2 Billion Cash In Battle With Amazon

Source: Livemint ([Link](#))

Flipkart's projected high cash burn rate means that rival Amazon India will have to double down on its committed investment of \$5 billion if the company is to keep pace with Flipkart. Amazon, which is a close No. 2 in India, has invested roughly \$3.5 billion toward expanding its business in the country, regulatory filings show. On 9 May, Walmart said it will pay \$16 billion to buy 77% in Flipkart, in a deal that is an extension of Walmart's battle with Amazon in the US. Walmart said that if it closes the Flipkart acquisition by the end of July, the deal will hurt its earnings for the year ending January 2019 by \$0.25-0.30 per share and its FY20 earnings by \$0.60 per share. Walmart's forecast implies that Flipkart's operating losses over the 18 months starting August will be close to \$2 billion, according to *Mint*'s calculations. The overall hit to Walmart's earnings from the Flipkart deal, including Flipkart's losses, will be between \$2.5 billion and \$2.7 billion.

9. Steel And Cement Industries Want Coal Supply To Resume

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

Upset by coal and railway minister Piyush Goyal's latest decision to prioritise coal supply to power plants, captive power plant (CPP) producers, who mainly run their generation units to cater to own steel, cement and other industries, have written to the minister and the Prime Minister's Office, seeking immediate resumption of coal supply for CPP-based industries. The letters, seen by FE, claim that the decision was taken without notifying the industry in advance and would compromise operations of about 28,000 MW of captive power generation capacity, in turn, jeopardising production in aluminium, steel, fertiliser and other sectors. Following Goyal's decision, the Railway Board notified all zonal railways on May 18 to accord higher priority for power plants while loading coal from goods sheds. Mahanadi Coal, a Coal India subsidiary, has even instructed that "no non-power rakes are to be supplied till further directives". Industry sources pointed out that instead of supplying 45 MT per annum as per the fuel supply agreement, coal received by CPPs have been declining since FY16. Coal India dispatched 32 MT in FY17 and FY18 against requirement of 190 MT. Only 12% of coal carrying rakes have been allocated for CPPs.

10. Finmin Presses Agri Ministry For Reworking MSP Procurement Models

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

The Centre had indicated funds wouldn't be a constraint when it came to fulfilling the key announcement of developing a fool-proof procurement model for crops whose prices have fallen below the minimum support price (MSP). But, the finance ministry is learnt to have told the agriculture ministry that it won't be possible to bear any annual expenditure which is more than Rs 200-250 billion in the long run. At a meeting held three weeks ago, senior policymakers in the North Block told agriculture ministry officials that they needed to rework the proposal with regard to funding and methods of procurement. "The projections the agriculture ministry have made are, in our view, overestimated. There were gaps in the proposal, on funding, methods of procurement, the system of procurement, which options are workable or not. These were pointed out to them. We are awaiting a workable proposal from them," said a senior official. The government will move ahead with the scheme only after proper clarity is obtained and all pros and cons of the three models suggested by the NITI Aayog and agriculture ministry is properly evaluated. For this, it is also planning to commission a high-powered study by a reputed agency to study Madhya Pradesh's Bhawaantar Bhugtan Yojana (BBY) – one of the models suggested by the Aayog as an option to direct procurement.

11. Trai To Draft Principles On Privacy Of User Data

Source: Livemint ([Link](#))

The Telecom Regulatory Authority of India (Trai) is soon expected to lay out the broader principles on data ownership, security and privacy before the government, but will stop short of recommending rigid guidelines. According to one person aware of the matter, the telecom regulator feels the data security and privacy space is still evolving. "The concepts are still emerging and changing very fast. So, hard-coding anything will be difficult, as it may become obsolete tomorrow. Principles are more important because they do not become obsolete very soon," this person said, requesting anonymity. In August 2017, Trai had floated a consultation paper to identify the scope and definition of personal data and ownership, and control of user data by telecom service providers, apart from identifying the rights and responsibilities of data controllers. The consultation paper was followed by an open house discussion in February. "The issues around

data security are far bigger than telecom. That is why Trai is working within its boundary and has maintained that its recommendations would just be an input to the justice B.N. Srikrishna committee,” he added. The Union government hopes that the first draft of the recommendations on a data protection legislation by the committee will be completed by June. The committee was constituted last year, much before the Facebook-Cambridge Analytica data scandal came to light, and has already sought stakeholder inputs on its white paper.

12. Foreign Investments In Indian Start-Ups Doubled To \$16,728 Million In 2017

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

Innovative product solutions from start-ups, India as a venture skill hub and friendly policies have played a key role in increasing foreign investments in Indian start-ups. Padmaja Ruparel, President, Indian Angel Network, said foreign venture capital (VC) and private equity (PE) funds are on the rise in India, especially from Japan, Europe and West Asia. This is on the back of start-up friendly policies and tax relief measures from the government and increasing quality of start-ups, she added. According to data from Venture Intelligence, foreign PE and VC firms investing out of their global/Asia funds in Indian start-ups have increased 96 per cent to \$16,728 million in 2017 compared to \$8,497 million in 2016. Interestingly, the number of deals came down by 16 per cent from 175 in 2016 to 148 in 2017. In terms of foreign LP contribution, investment stood at \$1889 million in 2017, down 16 per cent, compared to \$2250 million in 2016. For the quarter ended March 2018, global VC and PE investments were led by North America, followed by Asia and Europe. Ruparel explained that decrease in the number of deals but increase in ticket size per start-up indicates that investors are focusing more on quality of entrepreneurs and start-ups.

13. Government Asks 11 Psbs To Submit Revival Plans By Friday

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

North Block has directed all 11 state-run banks under Reserve Bank of India's prompt corrective action (PCA) framework to submit their revival plans by the end of this week. This comes after some lenders told the finance ministry that it may take more than a year for them to come out of the restrictions imposed under PCA. All banks are already looking to consolidate their operations. They will present a more detailed plan, which will incorporate rationalisation of branches,

differentiated products and services, and stringent austerity measures,” said a government official aware of the deliberations. They will also follow stringent austerity measures that will include a freeze on hiring in some cases. Under IBC in Bhushan Steel, PSBs income (is) of about Rs 7,500 crore from writeback. Future upside through over six crore equity shares acquired by PSBs...,” Financial Services secretary, Rajiv Kumar tweeted. Another government official said that though there is a case for relaxation of the PCA framework, it is highly unlikely that the central bank will budge. “Some banks said that the PCA norms be relaxed but right now there is no such pressing need,” he said.