Daily Economic News Summary: 23 March 2018

1. Modicare Gets Rs10,000 Crore Allocation, To Be Fully Functional By October
Source: Livemint (Link)

Announcing an allocation of Rs10,000 crore for the government's ambitious health insurance programme, dubbed "Modicare", Union minister for health and family welfare J.P. Nadda on Thursday said the scheme will be fully functional by October. The announcement came a day after the Union cabinet chaired by Prime Minister Narendra Modi approved the centrally sponsored Ayushman Bharat National Health Protection Mission (NHPM), labelled the world's largest health insurance scheme. It aims to provide health cover to nearly 40% of the population—more than 100 million poor and vulnerable families—with the premium paid by the government. "The beneficiaries have already been identified. The health ministry will start validating beneficiaries in April and ensure that the scheme is ready for implementation in four months' time," said Nadda. "The NHPM under Ayushman Bharat programme is a major step towards universal health coverage. It will be the largest public funded health protection scheme in the world."

2. Air India Makes History By Flying To Israel Via Saudi Airspace
Source: Livemint (Link)

Saudi Arabia opened its airspace for the first time to a commercial flight to Israel with the inauguration on March 22 of an Air India route between New Delhi and Tel Aviv. Air India 139 landed at Tel Aviv's Ben Gurion Airport after a flight of over seven and a half hours, marking a diplomatic shift for Riyadh that Israel says was fuelled by shared concern over Iranian influence in the region. "This is a really historic day that follows two years of very, very intensive work," Israeli tourism minister Yariv Levin said in a radio interview, adding that using Saudi airspace cut travel time to India by around two hours and would reduce ticket prices. Saudi Arabia—birthplace of Islam and home to its holiest shrines—does not recognise Israel. Riyadh has not formally confirmed granting the Air India plane overflight rights. While the move ended a 70-year-old ban on planes flying to or from Israel through Saudi airspace, there is as yet no indication that it will be applied for any Israeli airline.

3. Tata Steel Selected As Successful Applicant To Buy Bhushan Steel
Source: Livemint (Link)

Tata Steel Ltd has been declared the successful resolution applicant for Bhushan Steel Ltd by the committee of creditors (CoC), the firm stated in a stock exchange notification on March 23. The resolution plan finalised by the creditors will now require approval from the National Company Law Tribunal (NCLT) and the Competition Commission of India (CCI). In a report dated 7 March, *Mint* stated that Tata Steel has emerged as the highest bidder for the debt-ridden steel firm, outbidding JSW Steel Ltd. Bhushan Steel owes about Rs44,000 crore to its creditors. As per the resolution plan, Tata Steel has offered upfront cash of about Rs34,800 crore to the financial creditors along with Rs1,200 crore to operational creditors. Tata Steel had also participated in the bidding process for Electrosteel Steels Ltd. Its bid, however, has been challenged by Abhishek Dalmia-led Renaissance Steel India Pvt Ltd.

4. Electric-Vehicle Policy Will Clear Regulatory Hurdles, Says Minister
Source: The Hindu, Business Line (Link)

The government's policy for promoting electric vehicles (EVs) may not have a financial component. "The policy is not for giving any financial assistance, but to clear the regulatory path — where you need permission and where you don't, where you need safety precautions and where you don't," Minister of State for Power and Renewable Energy RK Singh told *BusinessLine*. He said that the government is close to finalising the policy for promoting EVs. Earlier this year, in a letter to various government arms, Singh said that the Centre has set a target of converting 30 per cent of the country's total vehicle fleet to electric by 2030. The NITI Aayog action plan for Clean Transportation released last month has already recommended eliminating all permit requirements for EVs in order to encourage electric mobility. According an official statement, FAME has been effective from April 1, 2015 for supporting hybrid/electric vehicles in market development and manufacturing eco-systems. The scheme has four focus areas, technology development, demand creation, pilot projects and charging infrastructure. It offers a subsidy ranging from ₹7,500 to ₹61 lakh depending on the make of the EV and more incentives to State governments for adopting EV for public transport.

5. Govt Paves Way For Tax-Free Gratuity Of Up To Rs20 Lakh
Source: Livemint (Link)

The Rajya Sabha on March 22 approved the Payment of Gratuity (Amendment) Bill, 2018, enabling the government to raise the limit of tax-free gratuity and to fix the period of maternity leave qualifying as continuous service period through an executive order. Once the gratuity bill is signed into law by the President, the government will be in a position to raise the tax-free gratuity for public and private sector employees from Rs10 lakh at present to Rs20 lakh, which government employees are eligible for after the implementation of the seventh pay commission recommendations. An official statement from the ministry of labour and employment said the Payment of Gratuity Bill ensured harmony among employees in the private and public sectors as well as autonomous organizations who are not covered under the Central Civil Services (Pension) Rules. "These employees will be entitled to receive higher amount of gratuity at par with their counterparts in government sector," said the statement. The pro-worker move comes at a time of various anti-government protests from farmers, traders and labour unions. Ensuring sufficient retirement savings for workers is important for policymakers as the elderly population has been growing at twice the pace as the general population in the last decade. This trend could necessitate higher public spending on healthcare.

6. Mahindra On Rough Terrain As Maruti Suzuki Grabs No. 1 Slot In Utility Vehicles
Source: Livemint (Link)

Maruti Suzuki India Ltd's full throttle drive to capture the No. 1 position in utility vehicles (UVs) bore fruit after seven years as it raced past market leader Mahindra and Mahindra Ltd to capture a 28.6% share. As for Mahindra, its share of the UV market toppled from what was almost an invincible 56% in fiscal year 2012 (FY12) to 25% in the nine months ended December 2017. Of course, it is certain that Mahindra has not given up the battle. In a recent Investor Day presentation at Mahindra Research Valley, the senior management focused on the auto business. The host of launches lined up in the UV segment in the coming months indicates that the company hopes to stage a comeback and regain its lost market share. But this is easier said than done. From an investor standpoint therefore, FY19 would be the make or break year for the auto segment. With Maruti Suzuki being a strong force to contend with and in the lead position, it is a tough road ahead for Mahindra. This explains why Mahindra's one-year forward price-to-earnings ratio has been sticky at around 17, in spite of two strong growth years for the farm equipment division.

7. Donald Trump Tariffs On China: India May Be In A Position To Retaliate, Says US Official
Source: Financial Express (Link)

India may be in a position where it would want to retaliate, a top Trump administration official said on March 23, even as the US continues to be on the cusp of triggering a global trade war by unveiling high import tariffs on a number of items. The US Trade Representative (USTR), Robert Lighthizer, told lawmakers during a Congressional hearing that India's system is not open and has a lot of "vulnerabilities". "My guess is that India may be in a position where they want to retaliate. I think there's some vulnerability there. India has a substantial trade surplus with the US and they have a system which is not particularly open," Lighthizer said. "They have a system that has a number of vulnerabilities. So to the extent, there are individuals who have this problem, all I can say is we'll try to work with them. It's a serious problem and one that we have considered," the USTR said.

8. Textile Ministry To Set Up Inter-Ministerial Panel On R&D With ₹ 1,000 Cr Funding
Source: The Hindu, Business Line (Link)

The Textile Ministry will set up an inter-ministerial committee and allocate it a sum of ₹ 1,000 crore to promote research & development (R&D), technology transfer and training in the sector, Textile Minister Smriti Irani said at a press conference. The effort is part of the ₹ 2,161.68 crore `Integrated Scheme for Development of Silk Industry' approved by the Cabinet on March 22 for three years from 2017-18 to 2019-20. "We believe that R&D effort shouldn't stay restricted to the Textile Ministry. That is why for the first time, under the chairmanship of Textile Secretary, an inter-ministerial committee will be set up where, with the help of other ministries, about ₹ 1,000 crore will be made available for R&D, technology transfer and training," Irani said. R&D is one of the four components of the scheme. According to the approved plan, R&D projects pertaining to disease resistant silkworm, host plant improvements, productivity enhancing tools and implements for reeling and waving etc. will be done in cooperation with other Ministries such as Science and Technology, Agriculture and Human Resource Development (HRD). The Minister pointed out that under R&D, a lot of focus would also be on training, transfer of technology and IT initiatives. "For only technology transfer, we plan to train 50,000 people," the Minister said.

9. Take Urgent Steps To Streamline Cross Border Trade, PMO Tells Commerce Ministry
Source: Financial Express (Link)

The Prime Minister's Office has directed the commerce ministry to take immediate steps on streamlining procedures for trade with a view to facilitate movement of goods across borders and improve India's ranking in ease of doing business, an official said. India ranked 146th in Trading Across Borders component of ease of doing business, out of 190 countries ranked by the World Bank in its latest report. "As the ranking in this parameter is not good, the Prime Minister's Office has directed the ministry to take steps in this direction," the commerce ministry official said. The logistics division of the ministry is working to significantly improve the position in the next year's report. As part of the steps, the ministry has written to all the major stakeholders, including ports, customs, regulatory bodies such as Food Safety and Standards Authority of India to give all approvals and clearances in a paperless manner. According to an exporter, it takes several days for clearance of cargos without 'direct port delivery' system. Under this delivery mechanism, it takes about 50 hours. The whole exercise is aimed at pushing the country's exports. As per the latest World Bank report on ease of doing business, India's ranking was improved to 100th from 130th.

10. What Delhi Budget 2018 Has That India Budget 2018 Did Not Have
Source: Financial Express (Link)

The Delhi government on March 21 presented its third Budget, which was called a 'green budget' focused on 26 actionable points for curbing pollution, but what has stolen the show is a whopping 26% of the total allocation to the education sector. And while Delhi's Budget is much smaller in size and has lesser priorities to focus on than the Union Budget, the education sector is one such sector that unequivocally needs undivided attention. This is where the Arvind Kejriwal government gets it right and from the beginning and for the fourth straight Budget. After assuming power in February 2015, in its first Budget, the Kejriwal government allocated about 24% to the education sector, which was 104% higher than what was allocated in the previous national capital Budget by the then Sheila Dixit government. The Economic Survey 2018, released before the Budget hinted that government's fiscal constraint may take a toll on the outlay for the education sector. Arun Jaitley also announced fiscal slippage to 3.5% as against the aim of 3.2% of the GDP. While the Delhi government has often enjoyed revenue surplus despite higher expenditures.