Daily Economic News Summary: 24 May 2018

1. Petrol, Diesel Price Hike 'Unavoidable', Subsidising Fuel Prices Will Hit Government's Welfare Schemes: Nitin Gadkari
Source: Financial Express (Link)

Terming the increase in fuel prices as 'unavoidable', Union Minister for ROad Transoort and Highways Nitin Gadkari said that any deduction in petrol and diesel prices will take money away from welfare schemes being run by the government. Speaking to The Indian Express on May 23, Gadkari justified why it is not a good idea to subsidise fuel prices. He said that since India is now linked to the global economy, the increase in retail price of petrol and diesel is unavoidable. "This is an unavoidable, economic situation. It is directly linked to the global economy. If we have to sell it (petrol/diesel) cheap, it means we will have to buy it at higher prices and subsidise it here," he said. "If we subsidise that, all the money from our social security schemes will vanish," he added. Pointing out that the government has a limited amount of money, Gadkari said that any cut in the prices of petrol and diesel will hit the welfare schemes that are being run by the government. According to him, schemes like Ujwala Yojana, rural electrification, Mudra loans, crop insurance etc will be badly hit. "Now there is a health insurance scheme planned for 10 crore families. There is the crop insurance scheme. We have only a limited amount of money," he said. "So if we subsidise (petrol/diesel), toh gadbad ho jaayega."

2. India's First Cruise Service Opens On Mumbai-Goa Route
Source: Financial Express (Link)

The most premium travel experience by far between Mumbai and Goa was launched on May 23 evening. At a price point starting at Rs 7,000, Angriya — the first domestic cruise vessel service started from the new domestic cruise terminal in Mumbai on a test run at 5 pm on May 23 and is expected to arrive in Goa on May 24 morning. In comparison, for other modes of transport, tickets for the premium category of multi-axle, Volvo, semi-sleeper and sleeper buses, tickets are priced approximately in a range between Rs 1,000-and Rs 2,500. Most flight tickets are available in a range between Rs 3,000-7,000 during the off-season while the premium train service Tejas which was launched in October 2016, is priced at Rs 2,600. To be sure, the premium pricing for the cruise is for an array of services associated with a luxury cruise vessel. For Rs 7,000, on offer are two meals and a brunch, the use of a swimming pool located on the open deck, and a view of the Konkan coastline. On hand are the ship's staff and the sailor-owner of the ship, Captain Nitin Dhond, to educate and inform guests of the region's storied past. A lounge that is attached to one of the restaurants can double up for wedding receptions as well as for conferences and off-shore meetings for corporate customers.

3. Govt Favours Long-Term Solution On Fuel Prices
Source: Livemint (Link)

The National Democratic Alliance (NDA) government on May 23 signalled its intent to stay the course on fuel pricing reforms and said that it was working toward a "long-term solution". This comes against the backdrop of an international crude oil price rally, with fuel prices reaching a record high in India, spurring a demand for an excise duty cut on petrol and diesel ahead of 2019 general elections. The issue of frequent hikes in fuel prices is a matter of debate and concern, law and justice minister Ravi Shankar Prasad said after a Union cabinet meeting. "The government is keen that instead of having an ad hoc measure, it may be desirable to have a long-term view which addresses not only the volatility but also takes care of the unnecessary ambiguity arising out of frequent ups and downs. That process is underway," Prasad said. Petrol prices were deregulated in June 2010 by the Congress-led United Progressive Alliance (UPA) government. The Prime Minister Narendra Modi-led National Democratic Alliance (NDA) government decontrolled diesel prices in October 2014. The government is very involved in finding a long-term solution, Prasad said, and added that complete freedom in pricing on many occasions has also resulted in petrol and diesel price reduction. The spike in oil prices is due to a combination of factors such as President Donald Trump pulling the US out of the 2015 nuclear accord with Iran, Opec and Russia cutting supplies, falling production in Venezuela and geopolitical tensions.

4. India Takes US Steel Tariffs Complaint To World Trade Organization
Source: Business Standard (Link)

India has launched a complaint against the US to challenge US President Donald Trump's tariffs on steel and aluminium, a filing published by the World Trade Organization showed on May 23.

Indian officials told Reuters last month that their government would open a WTO dispute if the country's firms were not granted an exemption. Trump imposed the tariffs in March, levying 25 per cent on steel imports and 10 percent on aluminium. He said they were justified by national security concerns and therefore outside the WTO's remit. India, China, Russia, Japan, Turkey and the European Union have all dismissed that claim, regarding the US tariffs as "safeguards" under the WTO rules, entitling them to a combined $3.5 billion in annual compensation. India's retaliation claim seeks to recoup a cost of $31 million levied on its aluminium exports and $134 million on steel, and it has said it could target US exports of soya oil, palmolein and cashew nuts in its retaliation. Its latest legal challenge seeks to force the United States to scrap the tariffs entirely. It follows a similar move last month by China, which Washington called "completely baseless".

5. Cabinet Approves Ordinance To Give Homebuyers Creditor Status Under IBC
Source: Business Standard (Link)

The Union Cabinet approved, via an Ordinance, amendments to the Insolvency and Bankruptcy Code (IBC), giving homebuyers the status of creditors in the insolvency process. Also in the Ordinance, it appears (Law Minister Ravi Shankar Prasad would not give details) are provisions for micro, small and medium scale enterprises (MSMEs), easing some conditions for the segment. Assent of the President is required for the Ordinance to take effect. These changes were part of the recommendations of a committee to review and suggest changes in the IBC . Earlier, on the panel's suggestion, the government got amended Section 29A clause of the IBC - it lists entities barred from bidding for companies under insolvency. The changes were to ensure wilful defaulters and those whose accounts had been classified as non-performing assets for more than a year, among others, were barred from bidding for stressed assets. This was to ensure promoters of companies undergoing insolvency resolution did not regain control. As for MSMEs, around 70 per cent of all companies are in this category. One suggestion of the committee, yet to find acceptance, was to withdraw the fast-track insolvency provision in the IBC.

6. Eyeing 2019 Lok Sabha Polls, PMO Advances Completion Dates For Rural Schemes
Source: The Economic Times (Link)

The Prime Minister's Office (PMO) is aiming for completion of key rural schemes ahead of the next general election, bringing forward their deadlines in keeping with a campaign pitch of 'Har ghareeb ko ghar, usmein toilet, bijli aur gas' (House for every poor person, with toilet, electricity and cooking gas), senior government officials told ET. The latest such scheme is the Swachh Bharat (Grameen), aimed at turning rural India open defecation-free (ODF), which had a deadline of October 2, 2019 but may now be completed six months ahead of schedule. "We are trying to complete this mission by March 2019. We will either be there by that date or almost there," said one of the officials, who spoke on condition of anonymity. So far, 84% ODF coverage has been achieved under the scheme. The Centre is also aiming to give out five crore cooking gas or LPG connections under the PM Ujjwala Yojana by December 2018 – this was the original scope of the scheme till earlier this year when it was expanded to eight crore connections. Nearly four crore connections have been given under the scheme so far, about 80 lakh of them in the past five months, and the scheme is at the heart of the Centre's ongoing Gram Swaraj Abhiyan.

7. Finmin Ties Up With E-Commerce Firms To Give Loans Under PMMY
Source: The Economic Times (Link)

The finance ministry has joined hands with over two dozen e-commerce firms, including major players like Amazon, Flipkart, Ola and Uber, to provide easy finance to small entrepreneurs under the Pradhan Mantri Mudra Yojana (PMMY), a top government official said. The three way partnership between lenders, industry and the government aims to facilitate small business loans. PMMY is a flagship scheme of the government to provide loans of up to Rs 10 lakh to small entrepreneurs. The loans are being given by banks, small finance banks, non-banking financial companies (NBFCs) and micro finance institutions. The scheme aims to strengthen forward and backward linkages for robust value chains anchored by industries, aggregators, franchisors and associations. "There are companies like Ola, Flipkart, Uber, dabbawalas, cable operators, Zomato, which have several small entrepreneurs as partners who require loans. We want to extend support to them under the Mudra scheme," financial services secretary Rajiv Kumar told reporters in Mumbai.

8. Penal Interest On Loans To Vizag, Paradip Ports Waived; Scooters India Balance-Sheet Rejig Cleared
Source: The Hindu, Business Line (Link)

The Cabinet Committee on Economic Affairs (CCEA) on May 23 approved penal interest waiver and balance sheet restructuring of over ₹1,329 crore for three Government undertakings. This will benefit Paradip Port Trust (PPT), Visakhapatnam Port Trust (VPT) and Scooters India Ltd. Of these, PPT will be the biggest beneficiary with waiver of penal interest amounting to ₹1076.59 crore. However, it will have to pay penalty at the rate of 0.25 per cent of penal interest as on the date of approval of waiver of penal interest. At the same time, it will start the re-payment of outstanding principal of ₹387.74 crore and outstanding interest as on date of approval of the waiver and the re-payment to be completed in two instalments in 2018-19 and 2019-20. VPT will gain by waiver of penal interest amounting to ₹250.89 crore. However, just like PPT, it will be required to pay penalty at the rate if 0.25 per cent of penal interest as on date of approval of waiver. The port trust has to pay the outstanding principal of ₹44.69 crore and outstanding interest as on the date of approval of waiver, in one single instalment in 2018-19. In another decision, the CCEA approved restructuring of balance sheet of Lucknow-based Scooters India Ltd. This will result in reduction of equity of ₹85.21 crore against accumulated losses. The reduction would be deemed to have taken effect as on March 31, 2013. The package also includes freezing the interest on the non-plan loan of ₹1.89 crore with conversion into equity of the outstanding principal amount of ₹1.89 crore. With this approval, the balance-sheets of Scooters India Ltd will be regularised from 2012-13 onwards and further restructuring will be effected accordingly. This is also expected to clear a hurdle in the process of disinvestment of the company. The Government plans to sell its entire stake in this company.

9. Remaking 'Make In India': Reform The Rigid And Multiple Labour Laws
Source: Financial Express (Link)

Indian economy's revival in the third quarter, with a GDP growth rate of 7.2%, has again made it the fastest-growing major economy, leaving China behind. On the back of rising incomes, Indian imports (non-oil) have seen a commensurate rise, increasing from $318.04 billion in 2015-16 to $350.56 billion in 2017-18—a 10.2% rise. Sectors such as leather, textiles and pharmaceuticals, which have been the mainstay of India's exports in the past, are not only losing their competitiveness, but also face rising imports. This comes at a time when the government's focus is on Make-in-India, which, apart from promoting exports, also aims at making India a major manufacturing giant. While the scheme aims at attracting foreign investors, it also tries to cut down on (non-essential) imports, thereby encouraging greater domestic production to serve the Indian citizenry. Radical changes and simplifications made to India's FDI policy since Make-in-India have made it one of the most open economies of the world. FDI limits have been liberalised in sectors such as defence, civil aviation, pharmaceuticals and e-commerce activities. As a result, FDI inflows in the manufacturing sector went from $16.5 billion in 2014-15 to $20.3 billion in 2016-17, a growth rate of 23% in two years. However, with respect to boosting domestic production, Make-in-India is yet to show a significant impact.

10. Companies Likely To Reschedule IPO Plans Over Volatile Market
Source: Livemint (Link)

Several companies that had prepared to launch their initial public offerings (IPOs) may choose to wait as a falling rupee, rising crude oil prices and volatile stocks cast uncertainty, market experts said. In April, *Mint* had reported that at least a dozen companies were preparing to launch their initial public offerings (IPOs) in the April-June quarter, looking to raise a total of around Rs17,000 crore. These included HDFC Asset Management Co. Ltd, auto parts maker Varroc Engineering Ltd, non-banking financial company IndoStar Capital Finance Ltd, microfinancier CreditAccess Grameen Ltd and women's apparel maker TCNS Clothing Co. Ltd. It's more than half way through the quarter, but only IndoStar Capital Finance has launched its IPO so far. The company raised Rs1,844 crore through its initial share sale, which closed on 11 May, which was subscribed 6.8 times. The company listed on the stock exchanges with a 5% premium on 21 May. "The secondary markets have been very volatile in the recent weeks. First, there was the Karnataka elections and now, the bigger worry for the markets is rising crude price and a depreciating rupee. The volatility is making companies cautious and thus, launch plans of several companies are likely to be impacted," an investment banker advising several companies on IPOs said on condition of anonymity. In 2017, 36 companies raised Rs67,147.4 crore through the IPO route, according to data from primary market tracker Prime Database. So far this year, 14 companies have raised Rs18,591.73 crore from IPOs, and 37 companies have filed draft IPO papers with Sebi.

11. Easing The Load: Cabinet Clears Ordinance For Changes To The Bankruptcy Code
Source: Financial Express (Link)

The Union Cabinet on May 23 approved an ordinance amending the Insolvency and Bankruptcy Code (IBC). This follows suggestions made by a 14-member Insolvency Law Committee, submitted to the government in March. The changes will need to be ratified by the President. The panel was headed by Injeti Srinivas, secretary, corporate affairs ministry. The changes to the IBC are likely to be effective prospectively and to affect companies for which resolution plans are yet to be submitted. One amendment that will help lenders enormously is if promoters of micro, small and medium enterprises (MSMEs) who are not classified as wilful defaulters are allowed to bid for their companies. Currently, they are barred from doing so under the ambit of Section 29(A). However, so far there has been limited interest in these units and, consequently, bankers are staring at a spate of liquidation that would fetch them very little. Making the promoters eligible to bid for their companies would help bankers recover a bigger share of their dues. Currently, the recognised non-performing assets of the MSME borrowers is a staggering `77,000 crore, according to data from TransUnion Cibil. However, the committee had recommended that MSME promoters who have been classified as wilful defaulters should not be eligible to bid.

12. India Moves One Notch Up To 44th Rank In IMD's Competitiveness Rankings, US Tops List
Source: Firstpost (Link)

India has moved one notch higher, to the 44th place in terms of competitiveness, in the annual rankings compiled by International Institute for Management Development (IMD) which placed the US in the top slot. The US became the most competitive economy globally driven by its strength in economic performance and infrastructure, followed by Hong Kong and Singapore in the second and third place, respectively. The Netherlands and Switzerland were the other two nations in the top five slots. This year, though India has moved up to 44th position worldwide, up one rank from last year, it is ranked the 12th most competitive economy out of the 14 Asian countries on the list. The report further noted that "digital literacy and adequate bandwidth at rural areas and mobilisation of resources for infrastructure development needs are few more key areas where the government needs to concentrate". The IMD World Competitiveness Center, a research group at IMD business school in Switzerland, has published the rankings every year since 1989. This year 63 countries are ranked with Cyprus and Saudi Arabia making their first appearance.