Daily Economic News Summary: 28 March 2018

1. GST: Govt Clarifies Norms For Transactions
Source: Financial Express (Link)

The government on March 27 clarified several aspects of transactions between a principal manufacturer and a job worker under GST, and said that the compliance burden for certain transactions would be on the manufacturer. Under GST, 'job work' is defined any treatment or process undertaken by a person on goods belonging to another registered person. The clarification issued by central board of excise and customs (CBEC) said that a job worker would be required to obtain GST registration only in cases where annual turnover exceeds the threshold limit Rs 20 lakhs, regardless of whether the principal manufacturer and job worker are located in the same state or in different states. Additionally, the location of job worker would be immaterial for classifying a supply as inter or intra-state even when the supply is made directly from job worker's premises, the government said. This would depend entirely on the location of principal manufacturer and the recipient. Further, if the inputs or capital goods sent to job worker is not returned within the time stipulated by law, the principal manufacturer will be required to pay tax along with interest from the date when goods were initially sent. When such goods are subsequently returned by the job worker after the expiry of deadline, it be treated as supply by job worker to the principal manufacturer and will attract GST.

2. US State's Governor Seeks Increased Trade Ties With India
Source: Livemint (Link)

Describing India as a major market and a strategic country, the governor of the US state of Delaware, John Carney on March 28 sought an increase in bilateral trade relationship with India. "Delaware is open for business," Carney told *PTI* in an interview as he urged Indian companies to establish their foothold in the state. While he has no current plans to take a trade delegation to India, Carney said he wants to build on the trade missions that his predecessor Jack Markell took to India, during his term as state governor for 2009 to 2017. India, he said, was a huge market and offered a great business opportunity for companies based in Delaware and the products being manufactured there. “It should be an opportunity for us,” he said. Asked if he plans to travel to India, Carney said he didn’t have any plan in near future. “I don’t have any plans now. I’ve had a lot of offers. I have a lot of friends in the Indian-American community here in Delaware and they’ve encouraged me (to take a trade delegation to India),” Carney said.

3. Price Support For Farmers: Even With Caps, Package To Cost Up To Rs 1.1 Lakh Crore
Source: Financial Express (Link)

An official estimate on the cost to the exchequer of implementing 150%-of-cost minimum support prices (MSPs) and price-deficiency support schemes promised to farmers in the recent Budget has confirmed fears that it would be prohibitively large. Even after limiting the bounty to 40% of the marketable surplus of crops (roughly a third of production) and imposing a cap of 25% on the “price loss” to be borne by the government — a NITI Aayog paper reviewed by FE has recommended these ceilings, in a major dilution of the Budget announcement — the Centre and states, between them, will have to shell out a whopping Rs 1,11,000 crore if all crops, including rice and wheat, are covered under a “market assurance scheme (MAS)”. If rice and wheat are excluded, and assuming only some states will adopt MAS (which involves procurement and remitting MSP into farmers’ bank accounts), and others choose a price-deficiency payment scheme or PDPS (under which farmers are paid the difference between MSP and sale price at mandis sans procurement), the financial burden on the exchequer could be lower, but still a considerable Rs 45,000 crore, according to NITI Aayog. A third scheme where the private sector will be encouraged to procure crops at MSP with assorted incentives — states will be nudged to adopt this scheme through a financial aid — would help reduce the cost to the exchequer by two-thirds, the think tank said. The financial support for states under the schemes should be linked to agriculture marketing reforms, it added.

4. FSSAI To Align Licensing Norms With GST
Source: The Hindu, Business Line (Link)

The Food Safety and Standards Authority of India (FSSAI) is working on amending the registration and licensing regulations for food businesses. It will look at reclassifying food businesses on the basis of their turnover, in a bid to align these norms with GST. FSSAI CEO

Pawan Agarwal said: “We are working on bringing a comprehensive amendment to the licensing and registration regulations for food business operators. The amendments will include classification of licences for food businesses on the basis of turnover in line with GST and MSME norms.” All food business operators need to register with, or obtain licences from, the authorities at the State or Central level. But small food business operators with a turnover of ₹12 lakh, also known as ‘petty food manufacturers’, are only required to register but not obtain a licence. Agarwal said the FSSAI proposes to raise the turnover limit for ‘petty food manufacturers’ to ₹20 lakh in line with the GST norms. In addition, it proposes to reduce the number of kind of businesses (KOB) categories from 17 to eight categories.

5. Trade Booster! India, China To Reset Investment Pact
Source: Financial Express (Link)

India and China have agreed to renegotiate a bilateral investment agreement, apart from working on a road map to reduce the massive trade imbalance in favour of the world’s second-largest economy, as the two countries pledged to bolster relations amid threats of a worsening global trade war, official sources told FE. China has also pledged to look into the sticky issue of greater market access to Indian farm products and agreed to resolve any issue that hurts the prospect of Indian pharmaceutical exports to that country, at a meeting between commerce and industry minister Suresh Prabhu and China’s trade minister Zhong Shan on March 26. The meeting under the aegis of the China-India joint-group on Economic Relations, Trade, Science & Technology came amid threats of an escalating global trade war following the US plan to impose tariffs on $50-billion worth of Chinese goods, over and above an earlier plan to tax supplies of steel and aluminium from select countries, including China and India. The two countries now want to renegotiate to create a more stable and transparent regime for each other to catalyse greater flow of investments in a legally protected environment, the official sources said. The Chinese side agreed to improve market access for Indian agricultural products pertaining to non-basmati rice, rape-seed meals, soyameal, pomegranate, banana and other fruit and vegetable and bovine meats expeditiously. India, too, showed its willingness to examine any sticky issue hindering the supplies of apples, pears and tagetes seeds by China.

6. National Electricity Plan: Under-Construction Power Plants To Become Useful After FY22, Says Central Electricity Authority
Source: Financial Express (Link)

Out of 47,855 MW of the coal-based power plants currently under construction, only 6,445 MW of additional capacity would be required between FY17-22, the National Electricity Plan (NEP) published by the Central Electricity Authority (CEA) has said. The forecast was based on estimating power demand growth at 6.2% CAGR and capacity addition of other electricity generating sources such as gas (406 MW), hydro (6,823 MW), nuclear (3,300 MW) and renewable energy (1,17,756 MW). The capacity requirement forecast also took into account the possible retirement of 22,716 MW capacity of generation units due to their old age and inability to adhere to environmental norms. However, the NEP estimates that these under-construction power plants would be put to use after FY22, with additional coal-based capacity requirements jumping up to whopping 46,420 MW for the FY22-27 period. Under these conditions, plant load factor (PLF) of coal-based power plants is seen at 56.5% in FY22 and 60.5% in FY27. The NEP also projects that 25,572 MW of coal based capacity which will be completing 25 years of operation by FY27 would have to be decommissioned between 2022-27

7. Bill Desk Eyes Sale At Up To $2 Billion Valuation
Source: Livemint (Link)

Payments gateway BillDesk has held talks to explore a sale, as its private equity (PE) investors are seeking an exit amid increasing interest in the payments market, three people familiar with the matter said. BillDesk (IndiaIdeas Com Ltd) has held sale talks with three payment giants—PayU, American Express and PayPal—the people cited above said. BillDesk is seeking a valuation of $1.5-2 billion but the potential buyers have been unwilling to meet its asking price, the people cited above said on condition of anonymity. Talks with all three firms fell through because of valuation differences, they added. Backed by private equity firms TA Associates and General Atlantic as well as venture capital firm Clearstone Venture and Singapore’s state-held firm Temasek Holdings, and being a profitable company, BillDesk will continue to operate independently and will not sell until a buyer meets its asking price, the people said. BillDesk, American Express and PayPal did not respond to emails seeking comment, while PayU declined to comment.

8. APL's IP2 To Boost Connectivity With West Asia And Europe
Source: The Hindu, Business Line (Link)

Global shipping major APL will launch India-Pakistan Express 2 (IP2) service to strengthen connectivity between the Indian sub-continent, West Asia and Europe. The weekly India Pakistan Express 2 Service will commence from Jebel Ali in Dubai on April 1 with the port rotation of Jebel Ali-Karachi-Nhava Sheva-Mundra-Jeddah-Rotterdam-Hamburg-London Gateway- Antwerp-Le Havre-Jeddah-Jebel Ali, according to trade notification issued by the company. The new IP2 service will enhance APL's services to five major ports in Europe – Belgium, France, Germany, the Netherlands and the UK. The services promise an enhanced India-Germany connectivity with its direct call at port of Hamburg. It also offers shippers an additional gateway into and out of the UK via London Gateway, complementing market access via Southampton and Felixstowe through APL's India Pakistan Express (IPE) service. With IP2's port rotation at transshipment hubs of Jeddah and Jebel Ali, shippers from West Asia and Gulf regions can tap on APL's global network at these relay ports for further connectivity to major European markets.

9. Aadhaar: Need Robust Law To Protect Data Of Citizens, Says SC
Source: Business Standard (Link)

The Supreme Court on March 27 said there was a need for a "robust" law to protect sensitive information of citizens and asked the UIDAI about the safeguards to restrain private entities, involved in Aadhaar authentication, from parting with it.A five-judge Constitution bench headed by Chief Justice Dipak Misra asked Ajay Bhushan Pandey, the CEO of UIDAI, about the safeguards employed to restrain private entities from parting with sensitive information of citizens for commercial gains while conducting the authentication of Aadhaar. "There are two ends of authentication. You say that you do not know the purpose of authentication and the data at your (UIDAI) end is safe. AUA may be a private entity, what are the safeguards, if AUA parts with the sensitive information," the bench asked the UIDAI CEO. Authentication User Agency (AUA) is an entity, engaged by the Unique Identification Authority of India (UIDAI), to provide Aadhaar enabled services to Aadhaar number holders by using the authentication.

10. India To Reinforce Position As Top Trader Of Farmed Shrimp In 2018
Source: The Economic Times (Link)

India will reinforce its position as the largest global producer and exporter of farmed shrimp in 2018, with the production anticipated to touch 7 lakh tonnes, provided prices hold good. Having overtaken Ecuador in 2017 as the top farmed shrimp exporter, India is poised to extend its success to production as well, even as hitherto top player China continues to grapple with disease and weather problems, turning the country into a net importer of farmed shrimp. "It is difficult to get official figures of production from China. But it used be in the range of 6 to 7 lakh tonnes," said S Chandrasekar, president of Society of Aquaculture Professionals. China has been buying significant quantities of shrimps from India in recent times. Cultured shrimps, primarily the Vannamei variety, accounted for nearly 70% of the India's seafood exports worth Rs 37,871 crore in 2016-17. Most of the output increase has come from Andhra Pradesh, Odisha, West Bengal and Gujarat. In India, the increase in shrimp farm area has compensated for the comparatively poor productivity due to sporadic occurrences of diseases and inclement weather. "India needs to address the issue of productivity which is around 60% only," said Balasubramaniam.

11. Connectivity And Well-Being May Get Priority Over Food In Rural India
Source: The Economic Times (Link)

Incremental spends on mobile telephony, education, and healthcare could overtake additional expenditure on food in rural India, where consumers are ascending the maturity ladder and could collectively spend about $65 billion more a year on connectivity and well-being. Last year, India's villages spent about $150 billion on food, mainly fresh items and dairy, with branded packaged food accounting for just 10% of the total expenditure. Food accounts for more than half of India's total rural consumption, but connectivity and well-being (healthcare and education) could take precedence over staples in terms of incremental spends by 2022, Goldman Sachs says. Its latest report on consumption patterns says rural consumers could spend an additional $30 billion each on connectivity and well-being (education and healthcare). Goldman Sachs expects mobility and connectivity expenditure in the hinterland to increase to $49 billion in 2022 from $19 billion, driven primarily by higher vehicle costs, fuel costs, and expenses towards using mobile communication devices.