

Daily Economic News Summary: 28 May 2018

1. Narendra Modi Inaugurates Two Expressways, Says Infra Key Priority

Source: Livemint ([Link](#))

Prime Minister Narendra Modi on May 27 said that infrastructure was a key priority sector and his government spent over Rs3 trillion on national highways alone, besides allocating Rs5 trillion for the Bharatmala project, aimed at improving road connectivity across the country. Modi was addressing a rally at Uttar Pradesh's Baghpat after inaugurating two important highways—the first phase of the 14-lane Delhi-Meerut Expressway and the Eastern Peripheral Expressway. The PM said that infrastructure was a priority because it did not discriminate against people on the basis of class, caste or gender, and strengthens his commitment to *Sabka Saath, Sabka Vikaas*. He said all the four modes of transport – highways, railways, airways and inland waterways – are making rapid progress. “Highway construction has reached 27 km per day as against the 12 km per day recorded during the Congress regime.” Modi added a day will come when products manufactured in Uttar Pradesh will be directly transported to sea ports through inland waterways. The Eastern Peripheral Expressway was built at a cost of Rs 11,000 crore to decongest Delhi's traffic, while the Delhi-Meerut Expressway will reduce the commuting between the two cities from four hours to 45 minutes, once completed.

2. India To Beat Japan This Year; To Have Asia's Second-Largest Power Capacity

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

With a rapid roll-out of coal generation, India is all set to overtake Japan and to have Asia's second-largest power capacity, data show. Fueled by a rapid rollout of coal-fired power generation, India will have a power capacity of 363.32 gigawatts in 2018, Bloomberg reported quoting a BMI Research report. India's capacity will increase by a whopping 69% through 2027 and coal will remain the mainstay, making up about 75% of the mix, the report said. By 2020, India is expected to surpass even the United States, which is the second largest producer in the world. The government recently achieved the historic target of 100% village electrification. Under Prime Minister Narendra Modi's flagship Saubhagya scheme, the government aims to provide electricity to all households. This means an uptick in domestic demand for power in coming years, which is

expected to be met by coal-fired power generation and by tapping abundant renewable resources. “India’s power sector will remain dominated by coal over the coming decade despite significant growth in cleaner sources notably nuclear, non-hydro renewables and natural gas,” an analysis by BMI research said last year. India’s power sector will remain dominated by coal over our 10-year forecast period, with coal making up a share of just less than 70 per cent to the total power generation mix by 2026.

3. Centre Clears Double Taxation Under GST Kept In Bonded Warehouses

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

The indirect tax department has settled the issue of double taxation under the Goods and Services Tax (GST) on imported goods kept in bonded warehouses and later cleared from there, which is a common trade practice in the country. An earlier circular raised an issue of imposition of the Integrated GST (IGST) twice on such transactions. If a company imports goods and keeps these in a Customs-bonded warehouse, it has to pay IGST. And, again, when the goods are cleared for final sale. Devashish Polymers took the matter to the high court (HC) here; it is still there. However, the Central Board of Indirect Taxes and Customs has issued a circular now that IGST will be levied and collected only at the time of final clearance of warehoused goods for home consumption. Meaning, it will now be imposed at the time of filing the ex-bond bill of entry. Aditya Mody of Devashish Polymers said, “Hopefully, this should now benefit many players who were facing hardship due to this provision.” Abhishek Rastogi, counsel for the petitioner and partner in Khaitan & Co, said the circular showed the government was actively taking steps to remove almost all issues raised before high courts through writ petitions. Sources in the company said it was now likely to withdraw the petition from the high court, with the issue having been settled. However, the circular is effective from April 1 this year, raising doubts over tax issues prior to that date.

4. Why SBI Is Not Too Keen To Buy IDBI Bank’s Toxic Loans

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

The government is exploring an exercise to move a chunk of IDBI Bank’s stressed loans to the books of State Bank of India (SBI). Understandably, the top management at the country’s biggest

lender is unhappy with the idea of toxic assets being foisted on them, sources told FE. The government, FE has learnt, would like SBI to 'buy' both non-performing assets (NPAs) and standard stressed loans — loans which are not NPAs yet but for which promoters have missed the repayment deadlines. The big concern that SBI has is that the toxic assets are being offered by IDBI Bank at very unattractive prices. IDBI Bank is willing to take haircuts, on the sales of the loans, of only around 20-50%. Given the quality of the assets, the SBI management believes the discounts need to be much higher, somewhere in the region of 70-85%. Last week, MK Jain, MD & CEO, IDBI Bank, confirmed the lender's board had approved a proposal to Rs 21,397 crore of loans, comprising 30 corporate accounts. "Obviously, there'll be a process and in a few months... we have to run that process and then we will see how much we are able to work out," he said.

5. PM Modi's Singapore Visit To Put India's RuPay Card On Global Stage

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

One of the high-profile announcements during Prime Minister Narendra Modi's Singapore visit could be the launch of mutually acceptable digital wallets between Indian and Singaporean citizens. The transactions would be hosted by Indian government's National Payments Corporation of India (NPCI) an umbrella organisation for all retail payment systems in India with its RuPay cards and Singapore's equivalent system, Network for Electronic Transfers or Nets. Just as NPCI's mandate is to promote digital payments in India, Nets has the mandate of the Monetary Authority of Singapore to become the preferred digital payments system. It has significance. Once the handshake between NPCI and Nets happen, Indians with RuPay card can do any transaction in any shop or merchant establishment in the island nation. Similarly as a press release from Nets puts it; Singapore shoppers will be able to pay for goods and services on popular Indian e-commerce websites such as flipkart.com, snapdeal.com via Nets-powered digital cards.

6. Q4 Earnings Season: Consumer Sectors Push India Inc On Recovery Path

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

With the earnings season coming to an end, it is clear India Inc is making a recovery with the consumer pack leading the way. Results for Q4FY18 come off a favourable base — Q4FY17 was the first full quarter post-demonetisation — and have been just about in keeping with expectations.

The aggregate numbers —top-line growth in particular — are skewed by the presence of several heavyweight commodity players; elevated prices of metals, crude oil and other commodities have driven up revenues. However, for users the higher input costs have pressured margins. Nonetheless better consumer spends have driven up sales of both durables and staples as reflected in the volumes for cars, two-wheelers and consumer staples. The pick-up in rural demand is visible. The management at Hero MotoCorp, for instance, believes the demand outlook is encouraging and that the two-wheeler industry should report a volume increase of 9-10% in 2018-19. Given inflationary pressures, management commentary suggests price hikes are imminent. Hindustan Unilever, for instance, reported a strong set of numbers with the volumes up 11% y-o-y. Management commentary, analysts say, sounded a shade less optimistic than was expected, possibly because of rising crude oil prices. At Tata Motors, for instance, the management attributed the miss in standalone operating margins partly to commodity cost increases.

7. Indigo, Air India Express Among Top 5 Cheapest Airlines In The World

Source: Livemint ([Link](#))

Low-cost carriers IndiGo (InterGlobe Aviation Ltd) and Air India Express have been ranked among the top five cheapest airlines in the world in providing international flights. Air India Express, the wholly-owned subsidiary of state-run carrier Air India has been ranked second and the budget carrier IndiGo placed at fifth position in a Global Flight Pricing Report prepared by Melbourne-based Rome2Rio—a multimodal travel planning site. Two other Indian carriers also figured in the cheapest airlines list. Jet Airways gained the 12th place followed by Air India at 13th position. The report compared 200 major airlines across continents by the average price per kilometre. Air India Express, mostly connecting Gulf countries and Singapore, has an average cost of \$0.08 per km and IndiGo \$0.10 per km for international flights. The latter connects Indian cities with Gulf countries besides Bangkok, Colombo and Kathmandu. The data was analysed by taking into account the economy class airfares displayed by Rome2Rio during the first two months of this year, totalling some 1.5 million price points.

8. Indian Motor Fuel Prices Fourth Highest Among Top 10 Crude Oil Nations

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

At a time when petrol and diesel prices have hit record high, an analysis based on data compiled from various online sources reveals that petrol and diesel prices in India are not only the highest in this region but also fourth highest among the top 10 crude oil consuming nations in the world. India is, says the US Energy Information Administration, the third largest consumer of crude oil in the world at 4.14 million barrels a day (mbd), about four per cent of global consumption. The US (19.53 mbd) and China (12.02 mbd) are the top two. In this list of the top 10 consumers, India has one of the costliest prices — \$1.19 a litre for petrol and \$1.05 a litre for diesel. The top three are Germany, South Korea and Japan, based on May 21 international product pricing data available with Globalpetrolprices.com. Based on the data, the world's largest oil producer, Saudi Arabia, has the cheapest price among the top 10 consumers — \$0.54 a litre for petrol and \$0.13 a litre for diesel. Followed by Russia, the US, Brazil, Canada and China. The average global price of petrol last week stood at \$1.18 a litre and \$1.07 a litre for diesel. And, data with the Petroleum Planning and Analysis Cell, an official body here, shows this country had the highest price in the sub-continent, as on May 1. Pakistan's is Rs 50.67 a litre for petrol and Rs 57.06 a litre for diesel. Though all countries have access to the same global price for crude oil, retail prices in each depend on taxes. In India, the central government levies a fixed excise duty of Rs 19.48 a litre on petrol and Rs 15.33 a litre on diesel; state governments impose value added tax.

9. Huge Potential To Boost Trade, Investments With Russia, Says Suresh Prabhu

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

Commerce and Industry Minister Suresh Prabhu on May 26 met his Russian counterpart Denis Manturov in St Petersburg and discussed ways to further promote trade and investments between the two countries. "India and Russia share strong trade and investment ties with more potential. We shall work together to strengthen our economic ties to create win-win for all," Prabhu said in a series of tweets. He said that businesses of both the countries have immense untapped potential of cooperation in several areas including agriculture, defence and logistics. The minister was on an official visit to Russia to participate in the St Petersburg International Economic Forum (SPIEF) 2018. Prabhu also held discussions with governor of Stavropol Vladimir Vladimirov, Russian

minister for the development of far east Alexander Kozlov, and met delegations from different sectors. To promote trade, India wants Russia to explore opportunities for diamond trade here and use of national currencies for trade purposes in areas like pharmaceuticals, textiles, agricultural commodities and machinery and engineering products. According to government data, the bilateral trade between the countries increased to USD 7.5 billion in 2016-17 from USD 6.2 billion in the previous fiscal. But the trade is in the favour of Russia.

10. New European Laws Push Companies To Update User Policies

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

Prompted by new European privacy regulations, companies are rolling out updates of their policies to improve user privacy. Users are being flooded with email updates of the policies and the kind of data they will be sharing with their ecosystem partners. “Every single airport I visited while travelling through Europe on my vacation last year has sent an email about their privacy update,” said Sam kynadi, an MBA graduate. “I did use the airport WiFi at those places. The emails are good, but it has become a bit annoying now.” The General Data Protection Regulation (GDPR) took effect on May 25. The law allows the EU residents to request data kept on them and adds restrictions to how companies keep data on them. But many international news portals, online-learning sites, gaming websites, and the like are rolling out the updated policies for non-EU users as well. “There are two kinds of mails one could receive: One is the updation of the privacy notice and the other is the mails requesting consent for additional information,” said Vishal Jain, partner at Deloitte India. “More companies are taking cognizance of the situation and it would take a couple more months for the mails to stop.”

11. India Launches 2nd IT Corridor In China To Gain Access To Big Chinese Market

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

India on May 27 launched its second IT corridor in China to cash in on the burgeoning Chinese software market which remained elusive despite the presence of top Indian technology firms. The National Association of Software and Services Companies (NASSCOM) has established one more Digital Collaborative Opportunities Plaza (SIDCOP) platform in China in an effort to provide market access to Indian IT firms in the huge Chinese market, the NASSCOM said. Agreements

worth RMB 36 million (about USD six million) were signed between Indian service providers and Chinese customers at the launch of the corridor by China's Guiyang Municipal government and the NASSCOM, a NASSCOM official said. The pilot projects launched on the SIDCOP platform would be executed over the next year, a NASSCOM statement said. Last December, the NASSCOM established its first SIDCOP platform in the Chinese port city of Dalian, which is India's first IT hub in China. India's top IT firms have a big presence in China, specially multinationals and IT Corridor at Dalian which are expected to provide a gateway for the Indian IT-small and medium-sized enterprises.

12. Focus On Export Promotion, Industrial Corridors In Next One Year, Says Suresh Prabhu

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

The commerce and industry ministry will work on several areas, including formulation of a comprehensive action plan to boost exports and give special thrust on industrial corridors in the last one year of the NDA government, Union Minister Suresh Prabhu said. Expressing satisfaction over the performance of his ministry in the last four years, Prabhu said several steps were taken to promote exports as well as industrial growth and many more initiatives are in the offing. “We will release agriculture export policy this year, besides creating logistics hubs and bringing a multi-modal (logistics) bill this year,” he told PTI. He was replying to a question about the completion of four years of the NDA government and areas of focus on the remaining period. “I have told the director general of foreign trade (DGFT) to prepare a country and product specific plan to boost exports. These plans are being dovetailed into the action plan, collected from concerned ministries. We have given time to them by end of this month,” he said. The ministry has also asked the Federation of Indian Export Organisations (FIEO) to involve all export promotion councils and prepare their independent plan this year to increase exports.

13. Finance Ministry In Talks With Investors To Set Up Strategic Investment Fund Under NIIF

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

The finance ministry is planning to set up a fund under the National Investment and Infrastructure Fund (NIIF) dedicated for strategic investments. Earlier this year, the NIIF kick started its funding

activity with global operator of marine and inland terminals DP World by creating a platform for investing up to USD 3 billion in ports and logistics. "We are now discussing a fund in NIIF which is more for the strategic investment," a top finance ministry official told. The NIIF plans to raise Rs 8,000 crore from various sources to fund projects worth Rs 16,000 crore for the current fiscal. The government has allocated Rs 1,000 crore budgetary support to the NIIF which will be leveraged to raise Rs 8,000 crore from strategic anchor partners, namely multilateral and bilateral institutions, sovereign wealth funds, pension funds and domestic public sector enterprises, the official said. The NIIF is being operationalised by establishing three Alternative Investment Funds (AIFs) under the Sebi Regulations. The proposed corpus of NIIF is Rs 40,000 crore (around USD 6 billion). The Government of India's contribution to the AIFs under the NIIF scheme will be 49 per cent of the total commitment.

14. DRI Slaps IGST Notice On Erring Exporters

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

The Directorate of Revenue Intelligence (DRI), primary anti-smuggling intelligence agency, is issuing show-cause notices to exporters for wrongfully availing exemptions in cases where exports preceded imports. The notices also ask exporters to pay IGST in cases where raw material is exported only after goods are partially or fully exported. This could lead to a 100% penalty and interest that exporters may have to cough up in the coming months, said people aware of the development. About 100 exporters who import goods from Kolkata and Gujarat have got notices so far. Two people in the know said more notices may be issued. Exporters have been asked to pay IGST first, as the foreign trade policy has been amended and several notifications issued in last few months. ETviewed one of the notices issued to an exporter. The amendment mainly spoke of a "pre-import condition" that every exporter has to follow to avail duty exemptions on imports. "In cases where exports preceded imports, availment of exemption does not seem legal and proper. This office has initiated an inquiry in wrongful availment of exemption," a notice read.