

## Daily Economic News Summary: 2 August 2018

### **1. Railways to export 6 DEMU train sets to Sri Lanka: Government**

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

The railways is exporting six DEMU train sets manufactured by the Integral Coach Factory in Chennai to Sri Lanka, Minister of State for Railways Rajen Gohain said on August 2. In DEMU (diesel–electric multiple unit), a diesel engine drives an electric generator which produces electrical energy. Each such set being sent to Sri Lanka consists of 13 coaches, totalling 78 coaches for six sets, he said. Speaking in the Lok Sabha, the minister noted, “These DEMU sets are equipped with state-of-the-art three phase AC-AC propulsion system, superior suspension and superior interiors”. Gohain said the government has also extended a Line of Credit (LoC) to various countries for funding railway projects to export the rolling stock manufactured by Indian Railways. Some of the countries benefited by this line of credit are Bangladesh, Myanmar, Angola, Sudan, Senegal, Mali and Sri Lanka. “A target of manufacturing total 4,659 coaches during 2017-18 was set for Indian Railway Production Units and a total of 4,444 coaches were manufactured during the year,” the minister added.

### **2. Cabinet Clears Changes To GST Laws Relating To Composition Scheme, Others**

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

The Cabinet on August 1 approved GST laws amendments which included hiking threshold limit for availing composition scheme for dealers to Rs 15 million, among other things. The government will now table amendments to the Central GST law, Integrated GST law, Compensation Cess law in the ongoing monsoon session of Parliament. GST laws amendments have been cleared, an official source said after the Cabinet meeting chaired by Prime Minister Narendra Modi. In all, there are 46 amendments, which among other things, will allow employers to claim input tax credit on facilities like food, transport and insurance provided to employees under any law. It also provides for modification of reverse charge mechanism, separate registration for companies having different business verticals, cancellation of registration, new return filing norms and issuance of consolidated debit/credit notes covering multiple invoices.

### **3. RBI Policy: Goods News For Savers, But Tough Times Ahead For Borrowers As Loans May Turn Expensive**

**Source: Firstpost ([Link](#))**

The purpose of a credit policy is two-fold. The first is to take a call on interest rates while the second is through a separate note on the development and regulatory policies to be pursued. Invariably, the focus is on the former as it affects all economic players directly. Households look for higher rates, while corporates are interested in lower interest rates. The decision is taken by the Monetary Policy Committee (MPC) ultimately after a three-day meeting. This time five of the six members had voted for a rate hike. It is surprising, because the content of the statement could have been a repeat of the June policy with minor alterations in the numbers. The tone also continues to be neutral. The question one would ask is, whether or not this is the last rate hike? The target of 4 percent Consumer Price Index (CPI) is fixed with a band of 2 percent either way. The market always tries to guess how the inflation number would be positioned for taking a rate call. The last inflation number is at 5 percent for June but the forecast made by the RBI for the year is at 4.6 percent for Q2 and 4.8 percent for H2. This means that it will not really cross 5 percent on a sustained basis. One can guess that the RBI action presupposes that in case rates were not hiked, the inflation rate would have crossed this mark.

### **4. India, Germany Sign Pacts Worth Rs 5,250 Crore**

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

India and Germany on August 1 signed agreements on financial and technical cooperation worth Rs 5,250 crore within the framework of the Indo-German development cooperation. German Ambassador to India Martin Ney and Finance Ministry Joint Secretary Sameer Kumar Khare signed the agreements marking 60 years of successful Indo-German development cooperation. “The committed funds serve to continue successful development policy programmes. The focus is on sustainable urban development,” the German Ambassador said addressing the media. As part of the cooperation, areas such as infrastructure development, urban mobility and climate resilience that go along the Indian government’s ‘smart cities’ initiative are being promoted, Ney said. At the beginning of December last year, Germany pledged €1,055 million (around Rs 8,500 crore)

for development cooperation with India during the Indo-German inter-governmental negotiations in Delhi.

#### **5. Basmati Exporters Fear Volume Hit**

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

With a sharp drop in the value of the Iranian currency and talk of implementation of stringent food norms in Saudi Arabia, exporters of basmati rice fear that shipments, in volume terms, for the year-ahead may get affected. However, the government feels that despite these hiccups, basmati exports are likely to be maintained at last year's levels. Basmati is the largest product in India's farm produce export basket. Iran and Saudi are the top two buyers of Indian basmati rice accounting close to half of total shipments. The Iranian Rial has witnessed a sharp fall of over 100 per cent against the dollar since March this year on return of US sanctions and worsening economic crisis. Also, the four-month seasonal ban on rice imports imposed by Iran every year to protect its domestic growers during the harvest season has come into effect from late July. In April-June, basmati shipments dropped marginally to 1.16 million tonnes from 1.25 million tonnes in the corresponding period last year. In rupee terms, exports were up by around 5 per cent at ₹8,585 crore and 1 per cent at \$1.28 billion over the corresponding quarter last year.

#### **6. Cabinet Approves Raising Rs 15,000 Crore Extra Budgetary Resources For Swachh Bharat Mission**

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

The Union Cabinet on August 1 approved raising funds up to Rs 15,000 as Extra Budgetary Resources (EBR) for Swachh Bharat Mission during the financial year 2018-19. Chaired by Prime Minister Narendra Modi, the Cabinet's decision would benefit around 1.5 crore rural households eligible for incentives under the Swachh Bharat Mission (Rural) and also gram panchayats for Solid and Liquid Waste Management (SLWM). "...Raising funds up to Rs 15,000 crore as Extra Budgetary Resources (EBR) (Gol Fully Serviced Bonds) for Swachh Bharat Mission (Gramin) (SBMG) during the financial year 2018-19 through NABARD," the government said in a statement. The Cabinet also approved expansion of the scope of work of International Centre for Drinking Water Quality to authorise it for receiving EBR funds for SBM(G), disbursement of the same to the states/UTs implementing agencies, and its repayment, it said.

## **7. Government Plans New Policy To Promote Electric Vehicles**

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

The government is preparing a fresh policy for promotion of electric vehicles, which will be rolled out initially on a smaller scale to ensure smoother transition and better cooperation from the automobile sector, a government official said. The policy, advocating minimal subsidies, is likely to be announced at a global e-mobility summit to be inaugurated by Prime Minister Narendra Modi on September 7. According to the fresh proposal, the government will first begin creating favourable ecosystems in nine polluted cities with a population of over four million, and gradually move to cities with populations of one million-plus, the official said. Also, busy corridors such as Mumbai-Pune and Delhi-Chandigarh are being identified. The government could also consider throwing a 100-day global challenge to automakers for setting up manufacturing facilities for e-vehicles, batteries and charging infrastructure in India, as reported by ET in September last year. In February this year, Union transport minister Nitin Gadkari had announced that the government has dropped plans to prepare a separate policy for electric mobility.

## **8. Emami Set To Enter Iran, Scouting For Partners Amid US Sanction Worries**

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

Emami is set to enter Iran and is scouting for partners there to begin operations at a time when the country may come under stress on account of impending US sanctions. The company is in talks with five enterprises in Iran and may set up a manufacturing plant to cater to the local market. Products rolled out of this plant will be regionalised. Initially, it will focus primarily on the skin and haircare segment and entry into other categories will be based on the performance of these two segments. “We are planning to enter Iran by the end of this year, and from the first quarter of the coming fiscal year we intend to start selling our products,” Prashant Goenka, director at Emami, told *Business Standard*. This country doesn’t allow foreign direct investment and entry into this market necessitates partnership. However, the company is yet to narrow down on the modus operandi or the nature of the partnership. Goenka said options including setting up a joint venture or a plant or opt for third-party manufacturing, like its Sri Lanka operations, was being considered. According to Iran-based management consultancy firm Aryan Experts, working

women in Iran of more than 15 years of age spend 30 per cent of income on cosmetics, toiletries and body care products.

### **9. Conflicting Views Between Govt And RBI Led To Withdraw Of FRDI Bill**

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

Before the government decided to withdraw the contentious Financial Resolution and Deposit Insurance (FRDI) Bill, 2017, various regulators and institutions had objected to it. These included the Reserve Bank of India (RBI), which criticised various provisions that might have transferred some of its powers to the proposed Resolution Corporation. Strong opposition came from the RBI governor Urjit Patel, who pressed for a need to create a clear distinction between the role of the regulator and the proposed Corporation. Patel wanted “proper harmonisation of roles and responsibilities of the regulators and Resolution Corporation, so as to obviate the scope for conflicts of jurisdictions”, according to the minutes of a meeting of the joint parliamentary committee on the Bill, chaired by Rajya Sabha member Bhupendra Yadav. The panel gave its report to Parliament on August 1, agreeing with the government proposal to withdraw the Bill. The Resolution Corporation was proposed to carry out speedy and efficient resolution of financial firms in distress, including banks and insurance companies. The Insolvency and Bankruptcy Board of India stressed the need for a “clear division of jurisdiction between Resolution Corporation, Insolvency and Bankruptcy Board and Insolvency Code”, apart from other issues.