

## Daily Economic News Summary: 9 April 2018

### **1. Air India Disinvestment: Government Rules Piecemeal As Global Suitors Line Up**

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

The government will not look at making any revisions to the transaction details for the divestment of Air India, sources told FE, as it is seeing enough interest from prospective overseas bidders. This assumes significance in light of homegrown budget airline IndiGo, the first airline to express its interest in buying into the ailing national carrier, pulling out from the race citing its inability to turn around the airline and consummate the deal in its current form. "There are a lot of interested and probable bidders who are looking at the transaction and have shown interest and are figuring out the document, these carriers are interested in the domestic operations of Air India as well, and for a peculiarity and singular requirement of one probable bidder we cannot change the terms," said a source directly involved in the divestment process, not wanting to be identified. The current transaction as spelt out in the PIM brought out by the government in March offers a 76% stake in Air India and 100% stake in Air India Express (AXIL), the fully-owned budget arm of Air India clubbed together with a 50% stake in the ground handling joint venture of Air India and Singapore Airport Terminal Services (AISATS). The government has appointed global advisory and audit firm EY as the sole transaction advisor for the divestment process. IndiGo conveyed to its investors last week that it was primarily interested in Air India's international operations and its low-cost international arm AXIL.

### **2. India, Korea To Ink Pact For Seafarers, Boost Bilateral Ties: Nitin Gadkari**

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

India and South Korea are set to boost bilateral ties in ports and shipping space and will sign pact to provide Indian seafarers employment on over 500 Korean ships, Union Minister Nitin Gadkari said on 8 April. Shipping, Road Transport & Highways, Water Resources, River Development & Ganga Rejuvenation Minister Gadkari, who will be on a four-day visit to Korea beginning tomorrow, said both the nations are also eyeing partnerships in shipbuilding, waterways and smart transportation, among others. "Both the nations will sign an undertaking for mutual recognition of

certificate of competency of seafarers. It will be beneficial to both the countries as Korea is a large ship owning nation, while India is a large seafaring nation with over 1.5 lakh seafarers. Gadkari said signing of the undertaking, apart from creating job opportunities for Indian seafarers, will also pave the way for recognition of maritime education and training, besides various certificates for seafarers issued by the governments of both the countries. India and Korea have an institutional framework for cooperation through the memorandum of understanding (MoU) for cooperation and mutual assistance to facilitate development of ports, port-related industries and maritime relationship.

### **3. Agriculture Ministry To Move Cabinet Note To Ensure Farmers Get MSP**

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

The Agriculture Ministry will soon move a Cabinet note seeking approval for a new policy that aims to rope in both states and private firms in procurement of other crops than wheat and paddy, for ensuring MSP to farmers, a senior government official said. The objective of the proposed policy is to improve the speed of response and effectiveness of procurement in cases when prices drop below the minimum support price (MSP). The Ministry has proposed three models -- Market Assurance Scheme (MAS), Price Deficiency Procurement Scheme (PDPS) and Private Procurement and Stockists Scheme -- after consultations with an informal group of ministers, headed by Home Minister Rajnath Singh, as well as with state governments. "The Agriculture Ministry is preparing a Cabinet note on this. The policy aims to give liberty to states to implement either one of the models of procurement," the senior government official told PTI. In case of MAS, the official said, it is to be implemented by state governments who can take immediate decisions on the basis of local conditions, to enter the market and begin procurement through their own state agencies or any other private agency authorised by states.

### **4. India To Push For Exemption From US Tariff Hikes During Trade Talks**

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

Ahead of the two-day trade talks between the US and India starting Monday, India is keeping its options open to join other affected countries in the World Trade Organization (WTO) against the steel and aluminium tariff hikes imposed by the Donald Trump administration, if it fails to secure

an exemption. Assistant US trade representative Mark Limscoth will be leading a delegation of trade officials to New Delhi for inter-sessional talks ahead of the annual Trade Policy Forum meeting between the two countries later this year. India will take the opportunity to push for an exemption from the tariff hikes, like the US has granted to its key allies European Union, Argentina, Australia, Brazil, Canada, Mexico and South Korea. “So far we have taken a neutral stand because the US is a strategic ally. Though we are not the key target of America’s tariff hikes, exports worth \$300-400 million from India will be impacted, which is not a small amount. We are keeping our options open to join other impacted countries fighting the tariff hikes in WTO at an appropriate time if we fail to secure an exemption,” a commerce ministry official said speaking under condition of anonymity.

#### **5. Bharat Petroleum May Hive Off Gas Business Into Separate Wholly Owned Subsidiary**

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

State-run Bharat Petroleum Corporation Ltd (BPCL) is planning to hive off its gas business into a separate wholly-owned subsidiary, two people aware of the development said. BPCL, which is present in various segments of natural gas sales and supply, has been strengthening its gas business over the past few years. By hiving off this business as a separate subsidiary, the company intends to sharpen its focus and bring all natural gas-related businesses into one fold, the people mentioned above added, speaking on the condition of anonymity. The new unit may be christened Bharat Petroleum Natural Gas Company. “BPCL has decided that the gas business should be separated as it is a promising segment. The company will shortly create a subsidiary. The board has already approved the plan,” said the first person cited above. BPCL is a co-promoter of Petronet LNG Ltd, along with Indian Oil Corp. Ltd, Oil and Natural Gas Corp. Ltd and Gail (India) Ltd. It is also a co-promoter of four city gas distribution (CGD) companies—Indraprastha Gas Ltd in Delhi with Gail; Sabarmati Gas Ltd in Gujarat with Gujarat State Petroleum Corp. Ltd; Maharashtra Natural Gas Ltd and Central U.P. Gas Ltd with Gail.

## **6. Power Out! Narendra Modi Government's UDAY Obligations Start To Bite Into States' Finances**

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

The state governments in aggregate were expected to revert to well below 3% fiscal deficit in FY18, but an analysis by FE of 19 state budgets presented recently suggests they may not have. Nine of these states have revised their fiscal deficits for the just-concluded financial year to be higher than projected a year ago, with the slippage ranging from a marginal 0.1 percentage point to an odd 13.25 percentage points (pps). Six states project their deficits to be higher than the FRBM threshold of 3% of GDP even in FY19, and many others might also incur deficits above 3% in the year that has just begun. While a potential stress on spending, especially revenue expenditure, in the run-up to the 2019 general elections is a downside, an additional risk factor is the rising power sector costs on account of obligations under the scheme for revival of electricity distribution companies. In FY16 and FY17, a fiscal headroom of up to 0.5 pps was available under the UDAY scheme for revamp of electricity distribution entities (UDAY bonds, according to the Economic Survey, had an impact of 0.5 and 0.6 pps of GDP on the deficits of 26 states in FY16 and FY17 respectively). While that leeway was not available for FY18, interest costs on UDAY bonds, coupled with the obligation to take over 5% of the discoms' FY17 losses, had cost some states considerably. As UDAY's technical parameters like AT&C loss reduction are not met by most states, the discoms continue to bleed.

## **7. National Electricity Plan Revised To Make Room For More Coal**

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

The Central Electricity Authority (CEA) has revised the National Electricity Plan (NEP) after getting feedback from more than 30 state-owned and private institutions, mostly questioning the redundancy of coal. From retiring coal-based power completely, the CEA has said India would need 6,440 Mw thermal power during 2017-22. In the earlier version of the NEP, which was out in 2017, the CEA had said the country did not need coal-based capacity addition till 2022. However, the CEA said coal-based power projects of 47,855 Mw were likely to yield benefits during the period 2017-22. They are currently under different stages of construction. This translates into a likely capacity addition of 176,140 Mw in the next five years, according to the

plan. The plan has made capacity addition assumption based on projected growth in power demand of 6 per cent annually till 2022. Growth will, however, slow to 5.5 per cent till 2027. The plan has discounted the effect of electric mobility on the electricity demand in the coming years, indicating no significant change in government policy for promoting of electric vehicles. The total coal requirement in the year 2021-22 and 2026-27 has been estimated at 735 million tonnes (mt) and 877 mt, respectively, including imported coal of 50 mt. Capacity addition assumes renewable capacity addition to be 1,17,756 Mw during the same period. It is estimated that about 268 mt of CO<sub>2</sub> emission will be avoided annually by the end of FY22 due to the addition of renewable energy sources.

#### **8. Agriculture Ministry To Soon Push For Farmers' MSP**

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

The agriculture ministry will soon move a Cabinet note seeking approval for a new policy that aims to rope in both states and private firms in procurement of other crops than wheat and paddy, for ensuring MSP to farmers, a senior government official said. The objective of the proposed policy is to improve the speed of response and effectiveness of procurement in cases when prices drop below the minimum support price (MSP). The ministry has proposed three models -- Market Assurance Scheme (MAS), Price Deficiency Procurement Scheme (PDPS) and Private Procurement and Stockists Scheme -- after consultations with an informal group of ministers, headed by Home Minister Rajnath Singh, as well as with state governments. In case of MAS, the official said, it is to be implemented by state governments who can take immediate decisions on the basis of local conditions, to enter the market and begin procurement through their own state agencies or any other private agency authorised by states. States will be responsible for procurement and liquidation of the procured commodity. They would create a corpus fund for this purpose and make all logistics arrangements to handle the procurement.

#### **9. India Slaps Anti-Dumping Duty On Import Of Phosphorus Pentoxide From China**

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

The revenue department has imposed an anti-dumping duty on import of a chemical from China to protect the domestic manufacturers from cheap shipments. According to a notification of

the Central Board of Excise and Customs (CBEC), anti-dumping duty of \$1,685.42 per metric tonne has been imposed on import of Phosphorus Pentoxide from China. The duty has been imposed for five years. Phosphorus Pentoxide is used as a powerful desiccant and dehydrating agent and is a useful building block and reagent in the chemical industry. Acting on a complaint of Sandhya Dyes and Chemicals, the Directorate General of Anti-Dumping and Allied Duties (DGAD) had carried out a probe into the imports of the chemical to ascertain if the shipments were causing injury to the domestic manufacturer of the chemical. The probe was aimed to determine the “existence, degree and effect” of alleged dumping and to recommend the amount of anti-dumping duty, which, if levied would be adequate to remove the injury to the domestic industry. After the investigation, the DGAD concluded that the chemical was being exported to India below the normal value and domestic industry suffered material injury on account of dumped imports. Anti-dumping measures are taken to ensure fair trade and provide a level-playing field to the domestic industry. They are not a measure to restrict imports or cause an unjustified increase in cost of products.

#### **10. Centre May Ease Expression Of Interest Deadline For 76% Stake In Air India**

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

The government may relax the deadline for submitting an expression of interest (EoI) to buy 76% in state-owned carrier Air India. However, the structure of the deal will remain unchanged with no plans to split the international and domestic businesses of the airline. “Some prospective bidders may feel that the timeline of 45 days given to submit an EoI for the airline is too short to do due diligence and decide to participate in bidding. If we get enough of such suggestions in pre-bid consultations, there is a possibility that the deadline will be extended,” said a senior government official. According to the preliminary information memorandum, bidders participating as a consortium have to finalise their shareholding structure before submitting the EoI. The shareholding pattern of the consortium cannot be changed for three years after the transaction is done. Government officials say a shareholding structure has been mandated to discourage non-serious bidders from accessing Air India’s data room. The government has, however, ruled out splitting Air India’s domestic and international businesses

## **11. India, Nepal To Boost Agricultural Cooperation**

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

India and Nepal have agreed to give momentum to bilateral cooperation in agricultural sector for the benefit of farmers of both the nations, an official statement said. The Nepalese Prime Minister K P Sharma Oli is in India on a three-day visit, his first overseas tour after taking charge as Nepal's PM for the second term. "Prime Ministers of India and Nepal (have) reaffirmed their resolve to promote cooperation in agricultural science and technology, agricultural production and agro-processing in line with the Memorandum of Understanding between the two countries for mutual benefit of farmers, consumers, scientific community as well as the private sector," the two countries said in a joint statement. India's PM Narendra Modi and his counter-part Oli agreed to give fresh momentum to bilateral cooperation in the agricultural sector and decided to launch a new partnership in agriculture, it said. The partnership will be anchored by the ministers for agriculture of the two countries and will focus on collaborative projects in agricultural research and development, education, training and scholarships. The focus will also be strengthening supply and value chain, climate resilience, research in seed technology, soil health; strengthening infrastructure of plant protection laboratories and research in indigenous genetic resources.