ECONOMY

Economic Growth/Reforms

‘7th pay panel hikes, GST to temporarily fuel inflation’

The Seventh Pay Commission and implementation of GST has put inflation in an uncertain zone, and prices are expected to rise temporarily, says an HSBC report. Both GST and HRA increase have kicked in from July 1 and though the pay commission allowances are likely to bump up inflation, the Reserve Bank is expected to cut repo rate by 25 bps in its August meeting.

The HSBC report said as the centre implements HRA increase, headline inflation is likely to rise by about 65 bps for a year and if the states follow suit and implement the increase as one block, inflation would rise by another 65 bps.

However, if the centre implements the HRA immediately and the states in a staggered manner over two years, then inflation would rise quickly at first, but would go back to the 4 per cent target in 2019, as the statistical impact fades.

On the contrary, the report said, GST is expected to help lower inflation by 10-50 bps over time. “The tax rates have been set such that, if over time tax cuts are passed on to final consumers, and the input tax credit mechanism works smoothly, the GST could actually lower inflation by 10-50 bps,” the report said.

Regarding RBI’s policy stance, HSBC expects a 25 bps cut in repo rate in the August meeting. “…our assessment is that once the statistical impact wears off, inflation will return to 4 per cent handle in 2019, we continue to expect the RBI to cut the repo rate by 25 bps in the August meeting,” HSBC said.

On the fiscal front, the allowances are likely to cost the centre 0.1 per cent of GDP more than budgeted in 2017-18, HSBC said adding that for now this could be managed with “cuts elsewhere”. The Union Cabinet on June 28 approved recommendations of Seventh Pay Commission with 34 modifications which will impose an additional annual burden of Rs 30,748 crore on the exchequer. The increased allowances are based on the recommendations of the Committee on Allowances (CoA).

The Financial Express
New Delhi, 03.07.2017

GST positive for rating, to boost GDP growth: Moody’s

A day after the Centre met with its July 1 deadline and rolled out the goods and services tax (GST), Moody’s Investors Service said that the implementation of GST will be positive for India’s rating as it will lead to higher gross domestic product (GDP) growth and increased tax revenues.

“Over the medium term, we expect that the GST will contribute to productivity gains and higher GDP growth by improving the ease of doing business, unifying the national market and enhancing India’s attractiveness as a foreign investment destination,” said William Foster, VP sovereign risk group, Moody’s Investors Service.

While Moody’s currently has a ‘Baa3’ rating on India with a positive outlook, Moody’s said that the development is positive for India’s credit profile. Stating that GST will support higher revenue generation for the government, through improved tax compliance and administration, Foster said that these two will in turn be "Positive for India's credit profile, which is constrained by a relatively low revenue base."

The rating agency further said that it expects improved tax compliance driven by factors such as incentivization of tax credits in a GST system; greater ease of compliance through usage of a common, shared IT infrastructure between the central government and the states; and a reduction in the overall cost of compliance from simplified tax rates, uniform across the country.

While there are some concerns in the market that the roll-out of GST will lead to some disruption in the short term, Foster said, "We expect the net impact of GST on government revenues to be positive." GST will remove excise duty, service tax and VAT and transform India into a uniform market for seamless movement of goods and services.

The Indian Express
New Delhi, 03.07.2017

India's growth prospects improve as key reforms pay off: IMF

India's economic growth outlook has improved as impact of demonetization is fading and some key reforms are paying off, but concerns are growing on corporate debt and banking system vulnerabilities, the IMF said on Wednesday.

In its 'Surveillance Note' prepared for the G20 leaders ahead of their two-day summit on 7-8 July in Hamburg, Germany, the International Monetary Fund (IMF) said there is 'cautious optimism' about the global economy but policy efforts are still needed to strengthen the recovery.

"The global recovery continues, even as the composition of growth is shifting among the large economies... we expect global growth to be around 3.5 per cent this year and next," IMF managing director Christine Lagarde said.

The Mint
New Delhi, 06.07.2017

India likely to clock GDP growth of 6.9% this FY, says report

Indian economy is expected to recover in the coming quarters and the country is expected to clock a real gross domestic product (GDP) growth of 6.9 per cent in this financial year, says a report.

According to a report by BMI Research, the country's growth is expected to pick up following the negative ramifications from the demonetisation drive in November 2016, but weak public banks will likely cap the recovery.

Real GDP growth slowed substantially to 6.1 per cent year-on-year in the fourth quarter of 2016-17. "We expect the economy to continue to recover over the coming quarters. We are forecasting real GDP growth to come in at 6.9 per cent in 2017-18," the report said.

The Fitch Group company, noted that the negative effects from the demonetisation measure is already wearing off, and the Indian economy will likely benefit from positive demographic trends, greater external stability (due to improved terms of trade from low oil prices), and continued reforms that should help to improve the country's admittedly poor business environment.

The report, however, noted that the public banking sector is still weak and plagued with mounting non-performing assets, and it is likely to weigh on India's growth potential.

"Despite the Reserve Bank of India's efforts to clean up these bad loans, these will likely take some time to be worked through the system, and therefore, credit allocation to the productive sectors of the economy is likely to be negatively affected," the report said.

Meanwhile, economic growth in North Asia is expected to slow over the course of 2017 and 2018, driven by structural slowdown in China, poor policy mix in Japan, and policy uncertainty in South Korea, the report said.

"That said, The Association of Southeast Asian Nations (Asean) and India will likely continue to be the bright spots in the region due to positive demographics and improvements in their business environments," it added.

The Business Standard
New Delhi, 07.07.2017

Public Finance Taxes And Duties

PM Modi terms GST as 'good and simple tax'

Prime Minister Narendra Modi today termed the GST as a 'good and simple tax' which will end harassment of traders and small businesses while integrating India into one market with one tax rate.

At a gala event to launch the Goods and Services Tax (GST) at the historic Central Hall of Parliament, Modi said the indirect tax reform is a result of combined efforts of various political parties at different points of time.

GST, he said, is an example of cooperative federalism as the centre and states together thrashed out the new law with consensus. Besides being a transparent and fair system that will end generation of black money and corruption, GST will promote new governance culture that will end harassment at the hand of tax officials.

Touching upon initial teething troubles that may be witnessed because of unification of more than a dozen central and state levies into one and switching over to a new online return filing system, Prime Minister said even eyes have to adjust for a couple of days when a sight corrective spectacles are worn.

Modi said GST will eliminate the compounding effects of multi-layered tax system. (This story has not been edited by Business Standard staff and is auto-generated from a syndicated feed.)

The Business Standard
New Delhi, 03.07.2017

Centre abolishes 13 cesses along with GST rollout

Starting July 1, as many as 13 cesses have ceased to exist with the rollout of the Goods and Services Tax (GST).

The cesses that have been abolished from July 1 by the Taxation Laws (Amendment) Act include the Krishi Kalyan Cess and Swachh Bharat Cess that were levied along with service tax, as well as education cess on excisable goods and also little known cesses such as those on tea, sugar and jute.

However, according to officials, seven cesses will continue as they relate to customs or goods that are not included in the GST. These include education cess secondary and higher education cess on imported goods.

Similarly, cesses on petroleum products will also continue as these are outside GST. These include the cess on crude petroleum oil under the Oil Industry Development Act, 1974, the road cess or additional duty of excise on motor spirits and high speed diesel oil, special additional duty of excise on motor spirit and the NCCD on tobacco and tobacco products and crude petroleum oil.

As many as 26 cesses levied by the Centre along with excise duty and service tax have been abolished since 2015 to pave way for this indirect tax levy.

GST, which now is a single tax, has subsumed central excise duty and service tax, as well as State value added tax, local levies such as octroi and also cesses. For consumers, this means that their bills from purchases have a single tax rate inclusive of all levies and cesses.

The Clean Energy Cess, which was levied on coal, was also abolished starting this month. Under GST, a clean energy cess is levied on coal, lignite and peat production at the rate of `400 per tonne, which will be used to fund the compensation to States for revenue losses.

The Finance Ministry has also removed the additional excise duty on tobacco, pan masala and cigarettes from this month. Additionally, the Research and Development Cess was also abolished from April 1 this year following the Union Budget and Finance Act 2017-18.

Education, secondary and higher education cesses on taxable services were repealed in 2015. The Finance Ministry has also abolished other cesses such as that on salt and another for cine workers last year by amending acts relating to these.

The Hindu Business Line
New Delhi, 04.07.2017

Cabinet Secretary reviews GST preparedness ahead of July 1 rollout

With rollout of GST in final stages, CabinetSecretary P K Sinha today went into a huddle with secretaries of 30 ministries to take stock of preparedness for launch of the new indirect tax regime from July 1.

Besides secretaries connected with the Goods and Services Tax (GST), representatives of about 167 PSUs joined the meeting through video conferencing for a detailed review of the preparedness.

Sinha asked "all involved to take full responsibility of their stakeholders and for the successful implementation of the GST," an official statement said.

The Cabinet Secretary expressed his satisfaction over the preparedness of different ministries and PSUs but asked them to leave no stone unturned for its effective and smooth implementation by educating and involving all the stakeholders.

"The focus of the review was on the progress made by PSUs in getting GST-ready and preparation in their IT system as well," it said. Other aspects discussed included the arrangements made by the departments for opening the GST facilitation cell and a call centre to guide client groups and vendors.

The Cabinet Secretary also asked the secretaries to organise outreach meetings and publicity campaigns through their departments and PSUs for explaining the provisions of new law and rules to their stakeholders.

The Times of India
New Delhi, 04.07.2017

Bring fuel under GST, say dealers

Petrol dealers in Maharashtra have demanded that petrol and diesel should come under the purview of GST and fuel prices should drop significantly in the larger interest of customers.

The dealers have organized a meeting in Mumbai on July 8 to decide the next course of action to get their demands fulfilled. Uday Lodh of Federation of All Maharashtra Petrol Dealers Association said.

"We are not supporting the nationwide protest scheduled on Wednesday by the All India Petroleum Dealers' Association. There will be no impact in the Mumbai region and pumps will operate normally."

"If GST is applicable to fuel prices, it will bring down the rates and this will benefit the customers," he added.

The Times of India
New Delhi, 05.07.2017

Revenue deficit surpasses full year target

The Centre's fiscal deficit rose to `3,73,361 crore or 68.3 per cent of the full year target till May 017. However, the revenue deficit rose to `3,23,478 crore, surpassing the full year target by 0.5 per cent during May 2017 itself.

This was driven by higher expenditure that rose to `4,59,026 crore or 21.4 per cent of the total budgeted expenditure for the full financial year 2017-2018. The front loading of expenditure and spending from April 1, 2017 seems to have swelled up the revenue deficit.

Revenue receipts for May 2017 stood at `83,012 crore, covering 5.5 per cent of the total budgeted estimate for the fiscal.

Capital expenditure stood at `52,536 crore or 17 per cent of total budgeted amount. Revenue expenditure stood at `4,06,490 crore or 22.1 per cent of the budgeted amount for the fiscal.

The fiscal deficit was 42.9 per cent in the corresponding period last year. Meanwhile revenue deficit stood at 56.2 per cent and expenditure was lower too at 15.1 per cent of the full year budgeted target till May 2016.

For April 2017, fiscal deficit stood at 37.6 per cent of the full year target, total expenditure was at 11.3 per cent, while the revenue deficit stood at 55.4 per cent.

The Hindu Business Line
New Delhi, 01.07.2017

Demonetisation effect: Direct tax mop-up grows 15% to Rs 1.42 lakh cr in Q1

Advance tax paid by individuals recorded 40 per cent growth in the first quarter (April-June) of the current financial year. This could be an impact of the demonetisation of high-value currencies, with more non-corporate entities recording higher incomes.

Overall direct tax collection after refunds expanded by 14.8 per cent to Rs 1.42 lakh crore over the corresponding period in 2016.

"The government has benefited from demonetisation, as people have started reporting higher income," Sushil Chandra, chairman of the Central Board of Direct Taxes, told Business Standard.

Overall advance taxes, both personal and corporate, grew by 11.9 per cent to Rs 58,783 crore. Advance tax is paid within a specified period after the money is earned, rather than waiting for the end of the financial year.

Electronic filing of income tax returns up to June for 2016-17 grew by 18 per cent, suggesting that more people regularised their unaccounted income. "People are aware now that the income tax department is carrying out lots of searches and surveys and that black money will not be tolerated anymore," said Chandra.

Corporate advance tax collections were up 8.1 per cent. Corporate tax collection, net of refunds, grew by 22 per cent; gross collections grew 4.8 per cent. Refunds, worth Rs 55,520 crore, were 5.2 per cent lower than last year.

"Last year, we cleared a lot of pending refunds for the year-ago period, whereas there are no pending refunds of the past fiscal (year) this time," said an official.

The personal income tax growth is over a high base of the previous year. Last year, net personal income tax posted a 48 per cent rise in the first quarter on account of a change in rules, requiring non-corporates to also pay 15 per cent advance tax by June 15, against 30 per cent by September 15.

Overall personal income tax, net of refunds, posted a 12.9 per cent growth. "This time, the high growth in personal income tax is on a high base," Chandra said.

Direct tax collection for 2017-18 has been budgeted 15.7 per cent higher than the previous year, at Rs 9.8 lakh crore. Last year, on account of two income declaration schemes, the government collected Rs 8.47 lakh crore in net direct taxes, 14.2 per cent higher than the growth a year before.

The Business Standard
New Delhi, 07.07.2017

GST registration: Hasmukh Adhia says multiple registrations under one PAN allowed

The goods and services tax (GST) regime allows only one registration against a permanent account number (PAN), but firms with multiple business verticals can choose to apply for multiple registration numbers against a corresponding PAN number, revenue secretary Hasmukh Adhia clarified on Thursday.

Answering a query on whether an entity which runs a manufacturing unit as well as a trading arm can have two different registrations, Adhia said it was an option and such a business can request the GST Network for multiple registration numbers. However, he added that such firms would be taxed on aggregate revenue of all the verticals. That is, these verticals with separate registration numbers can't opt for the composition scheme in each for the turnover being below the specified threshold, if the aggregate turnover exceeds the limit.

The composition scheme allows some businesses — manufacturers, traders and restaurants — with turnover of less than Rs 75 lakh per annum to pay a percentage of turnover as tax and file returns quarterly, rather than pay GST. "Separate verticals of a same business can't be part of composition scheme. The entity will also be taxed on aggregate revenue of all its arms," Adhia said.

Adhia, along with the Central Board of Excise and Customs chairperson and other officials, were speaking on the first day of the proposed six-day session on GST. The GST Network, which has build its IT backbone, was represented by CEO Prakash Kumar.

The Financial Express
New Delhi, 07.07.2017

INDUSTRY

Industrial Growth & Production

Infrastructure output grows 3.6% in May

Infrastructure output grew 3.6% in May, higher than the 2.8% growth recorded in April on a year-on-year basis, official data released on Friday said.

The growth in output of core industries — coal, crude oil, natural gas, refinery products, fertilisers, steel, cement and electricity — was lower than 5.2% registered in May last year. Five of the eight industries, except coal, fertilisers and steel, witnessed a sequential improvement in growth.

The output of coal and fertilisers contracted by 3.3% and 6.5% in May respectively compared to the same month last year. Cement output grew 1.8% after witnessing a continuous spell of contraction in the previous five months reflecting green shoots in the construction sector.

'Growth to recover'

"ICRA expects cement demand growth to recover to around 4-5% during FY2018, driven by a pick-up in the housing and infrastructure segments, particularly, road and irrigation," said Aditi Nayar, principal economist at ICRA.

Electricity output registered a robust growth of 6.4% in May compared with 5.4% in April and 6.2% in May last year. The eight core industries constitute 40.27% of the weight of items included in the Index of Industrial Production (IIP).

“Available indicators present a mixed picture for industrial growth for May 2017, with the sequential decline in growth of non-oil exports posing a contrast to the pick-up in expansion of core industries and automobile production,” Mr. Nayar said.

“... an unfavourable base effect and the commencement of inventory trimming prior to the onset of GST may result in a decline in the IIP growth in May 2017 relative to the robust 8% recorded in May 2016.”

The Hindu
New Delhi, 01.07.2017

Core industries grow 3.6% in May

Production from core industries grew 3.6 per cent in May 2017 compared with 2.8 per cent during May 2016. The index of eight core industries grew 2.5 per cent during April 2017 over the production in April 2016.

According to an official release, coal production fell 3.3 per cent and fertiliser fell 6.5 per cent in May 2017 over May 2016. Crude oil production increased 0.7 per cent in May 2017 while natural gas production grew 4.5 per cent in the month under consideration.

Petroleum refinery production increased by 5.4 per in May 2017. Steel production grew 3.7 per cent in May 2017 over May 2016. Cement production grew 1.8 per cent in May 2017 over May 2016. Electricity generation increased by 6.4 per cent in May 2017 over May 2016.

The Hindu Business Line
New Delhi, 01.07.2017

Manufacturing PMI falls to 4-month low in June

Manufacturing growth eased to a four-month low in June owing to weak client demand, water scarcity and concerns related to GST, a monthly survey showed on Monday, rekindling rate cut call. However, foreign demand for Indian manufactured goods improved in June, with export orders moving at a quick pace since October 2016.

The Nikkei India Manufacturing Purchasing Managers’ Index (PMI) also fell to a four-month low of 50.9 in June, from 51.6 in May, signalling a subdued improvement in the manufacturing sector. In February, the manufacturing PMI read 50.7.

“The slowdown occurred due to weak client demand, with order books up at a slight and softer pace. In many cases, businesses indicated that growth was held back as a reflection of water scarcity and... the Goods and Services Tax (GST),” said Pollyanna De Lima, Economist at IHS Markit and author of the report.

"On a more cheerful pitch, the PMI survey showed strong foreign demand for Indian—manufactured products in June. New orders from external markets increased at a solid rate that was the most pronounced in eight months," Lima added.

Meanwhile, confidence towards future performance remained mixed among goods producers. While the new tax system is expected by some firms to generate more business, others feel that GST will have a detrimental impact on order books.

"As such, overall optimism slipped to a three-month low," Lima said. The manufacturing PMI averaged 51.7 during the April—June quarter, above the one seen in the previous quarter.

"With the impact of demonetisation largely over and the GST unlikely to substantially derail consumer spending, IHS Markit forecast real GDP growth to hit 7.3 per cent for 2017— 18 as a whole," Lima said.

The survey further found out that payroll numbers and purchasing activity increased only marginally. On the price front, there were signs of inflationary pressure losing speed as input costs rose to a lesser extent than in May.

In the monetary policy review on June 7, the RBI left key rates unchanged with Governor Urjit Patel noting that the central bank wanted to be more sure that inflation will stay subdued.

The Hindu Business Line
New Delhi, 04.07.2017

CEMENT INDUSTRY

Housing & Building Construction

Maharashtra government wants to expand 'housing for all' to cover all urban areas

The BJP-led state government wants to expand the scope of the Centre's flagship 'housing for all' scheme to cover urban Maharashtra entirely.

The state housing department is in the process of sending a proposal to the Union Ministry of Housing and Urban Poverty Alleviation, requesting it to expand the scheme to 385 cities and towns in the state. It is limited to 142 now.

An official said, "If the central government accepts our proposal, the scheme will cover all of urban Maharashtra, right from municipal corporations to councils to the nagar panchayats." Maharashtra has 27 municipal corporations, 234 municipal councils and 124 nagar panchayats.

The Maharashtra government adopted the scheme, formulated as the 'Pradhan Mantri Awas Yojana (PMAY), in December 2015. At that time, it was launched in just 51 cities and towns in the state.

"The number of towns in Maharashtra that can avail of the scheme were gradually increased to 91 in November 2016, and later to 142 earlier this year," the official said.

The 'housing for all mission' is one of Prime Minister Narendra Modi's pet projects. The Devendra Fadnavis-led Maharashtra government has set an ambitious target of constructing 19 lakh low-cost houses under the scheme by 2022. It has, however, been lagging behind, and has approved 45 projects so far that will yield 1,11,687 houses for the economically weaker sections. Forty three more such projects are under scrutiny.

The government has charted out four ways to provide low-cost housing under PMAY – slum redevelopment on the existing plot, creation of housing stock by public authorities through a developer, beneficiary-led individual housing, and an interest subsidy scheme. Most of the projects in the pipeline are being implemented by public authorities for the creation of housing stock through developers, while a small handful are beneficiary-led individual housing projects.

The Union government provides Rs1.5 lakh for every tenement created under the scheme, while the state government funds another lakh.

The Hindustan Times
Mumbai, 02.07.2017

Home prices post GST likely to see marginal decline, GST for Homebuyer

Home prices post GST likely to see marginal decline, Builders to pass on tax benefits. Home prices post GST is likely to see marginal decline.

Real estate firms are gearing up to pass on tax benefits to homebuyers under the GST regime, which could lead to marginal changes in property prices. Depending on the stage of construction and location, home prices may either see a correction of up to 3% or inch up a bit from current levels, say property advisers and developers.

However, prices of ready-to move-in apartments with Completion Certificates (CC) would remain steady as these properties are out of the GST ambit. Any price change in the segment will depend purely on demand and supply, say sector experts.

Mumbai-based property developer launched a marketing campaign called “Zero GST Impact”, cashing in on the uncertainty over how the new tax rate may affect property prices. The company kept the earlier tax rate for the first 100 bookings in six of it’s under construction projects following the GST rollout.

Under the new tax structure, buying under-construction properties will attract a net effective rate of 12% as against the earlier rate of 5.5% (including value added tax and service tax). However, due to the input credit benefits that most builders will get on the key raw materials they buy, the base price may go down.

For new projects with 100% input credit passed to buyer and land cost being 50% of project cost, it is expected that property price will fall by around 1% in western and northern markets and around 3% in southern markets.

Homebuyers could save about 3-4% post GST, depending on savings of builders on key components such as steel and cement. GST is not going to increase cost to customers. If we read the finer details, the input credit takes care of the GST that is required to be paid.

The impact on prices will differ for different projects and how much credit a builder can take or not take. Suppose if 90% construction has happened and the builders have already purchased the material, he may not get the credit on that.

The Hindustan Times

ENERGY, FUEL & POWER

Coal

Kamarajar Port starts work on construction of 3 coal berths

Kamarajar Port, formerly known as Ennore Port, has started constructing three coal berths that would be ready by March 2018, said a top official. "We will be investing close to Rs. 1,000 crore on building two new berths and converting the existing iron ore berth into a coal berth," said M.A. Bhaskarachar, chairman-cum-managing director, Kamarajar Port.

With the addition of three more coal berths, the cumulative coal handling capacity of KPL will touch 64 million tonnes per annum.

The new berths will add 36 million tonnes of coal per annum. Besides, the port handles 3 million tonnes liquid cargo, 3 million tonnes of general cargo and two million tonnes multi-cargo and containers.

"Our plan is to increase total cargo volume of the port from the existing 43.6 million tonnes to 84.6 million tonnes by March 2018. The commissioning of the IOC-LNG terminal will get us another 5 million tonnes per annum. Even then, KPL will predominantly handle coal accounting for 60% of overall cargo," he said.

The Hindu
Chennai, 05.07.2017

Power Projects/Generation/Distribution/Tariff

Power demand healthy, excess supply a worry: Sambitosh Mohaptra, PwC

The government has brushed aside arguments that electricity demand — one of the indicators of economic growth — in India is low and said the problem is of oversupply as companies had invested heavily for profits.

The power ministry said electricity generation is India is growing at a robust rate. Power consumption numbers are low as they do not include electricity purchased in the open markets and exports, the ministry said. Low power plant utilisation and lack of PPAs is due to the problem of plenty, officials in the ministry said.

"The latest electricity generation figures released by CEA, reflect a healthy percentage increase over last year of 8.66% for May 2017 and 7.06% for Apr-May 2017. Since, electricity cannot be stored, power generation is the most robust estimate for power demand. The data shows that there is healthy power demand in the country," said the statement.

The generation data comprises the gross generation from power plants, other than captive power plants. The consumption data is calculated by the states adding inter-state imports and subtracting inter-state exports, officials said.

The growth rate in electricity generation in 2016-17 vis-a-vis 2015-16 is 5.83%, the growth rate in consumption during the same period is 4.08%. The difference in growth rates between actual generation and actual consumption is due to sale by private plants to industrial consumers and bilateral trades that go unaccounted for.

Sambitosh Mohaptra, Partner — Energy & Utilities of PwC, said: "The demand growth is healthy given the flattening of load curves through feeder segregation and energy efficiency measures and it improves PLFs. Prices in short-term market are still keeping the longterm procurement processes in abeyance from states."

Industry yardstick is that each percentage growth in GDP has to be accompanied by 0.9% of rise in power consumption. The power ministry official said the country added 42% of the installed generation capacity in 2014 in the last three years. The problem of oversupply is just a mismatch and should be resolved in the next 2-3 years once the market matures, he said.

Association of Power Producers director general Ashok Khurana said because of capacity explosion in 11th and 12th Five-Year Plan periods, we are suffering from huge excess capacity. It would take another 3-4 years for this capacity to get absorbed.

The Economic Times
New Delhi, 07.07.2017

TRANSPORT

Highways/Roads/Bridges

Delhi steps up efforts to improve road links to Dhaka, Kathmandu

With an eye on China, India is working on a slew of road and bridge projects to improve connectivity with Bangladesh, Nepal and Myanmar.

The strategic projects, being constructed by the state-run National Highways and Infrastructure Development Corp. Ltd (NHIDCL), include a bridge on the Feni river in Tripura, which will connect Agaratala with Bangladesh's Chittagong port and a bridge over river Mechi which will link Bhadrapur in Nepal with Galgalia in Bihar.

Others include a 300km road network in Nepal's Terai region. A road is being built to connect Aizawl in Mizoram with Kaladan in Myanmar, and another road to connect Imphal in Manipur with Tamu in Myanmar.

With India stepping up efforts to accelerate development of infrastructure along the country's frontier in the backdrop of Chinese troops making repeated incursions into Indian territory, these projects will help India project its strategic capabilities in the region. India will invest Rs.6,168 crore for widening and upgrading the 351 km road between Aizawl and Tuipang in Mizoram, according to documents reviewed by Mint. The project is being developed with the help of a loan from the Japanese government.

Japan's ambassador to India Kenji Hiramatsu had said in February his country was willing to help India develop infrastructure in the sensitive northeastern region, parts of which are claimed by China.

"We will play a significant role in development of north east region," Anand Kumar, a former managing director of NHIDCL, said in an interview before assuming charge of secretary in the ministry of new and renewable energy.

The road between Aizawl and Tuipang is part of the Kaladan Multimodal Transit project, which will connect Kolkata with the Sittwe port in Myanmar, and then further to Mizoram by river and road. India and Myanmar signed a framework agreement in 2008 for the implementation of this project.

"The projects will not only help India connect with its neighbouring countries but may also play an important role in Great Asian Highway which is being worked upon," added Kumar. The Asian Highway network is also referred to as the Great Asian Highway, and is a 141,000 km road network connecting 32 Asian countries.

India is moving ahead with its plans of accessing transnational multi-modal connectivity to articulate its role in the proposed transportation architecture in the region. It has been instrumental in implementing the India-Myanmar-Thailand Trilateral Highway, which will run from Moreh in Manipur to Mae Sot in Thailand via Myanmar.

The road construction in Nepal's Terai region assumes importance in the backdrop of India's interests in the country. The Terai region runs along Nepal's border with the Indian states of U.P. and Bihar and is populated by Madhesis, who live in the subtropical plains of Nepal and have family ties with India.

The Mint
New Delhi, 06.07.2017

India, ADB links $220 million Loan Agreement for Rajasthan State Highways Investment Program

The Union Government and Asian Development Bank (ADB) have signed a $220 million loan agreement for improving connectivity as well as transport efficiency and safety on State Highways of Rajasthan. The loan will be provided as the first tranche of the $500 million Rajasthan State Highways Investment Program, approved by ADB Board in May 2017.

The Program will upgrade about 2,000 kilometers of state highways and major district roads to two-lane or intermediate-lane standards to meet road safety requirements. Key Facts Rajasthan State Highways Investment Program aims improve State Highways and major district roads in Rajasthan. It will enhance the capacity of the State public works department (PWD) in the areas of road asset management, road safety and project management. One of the focus areas of the program is to attract private sector financing through government capacity building on public private partnership (PPP) development.

ADB will finance part of the construction costs for the annuity-based PPP concessions and engineering procurement construction (EPC) contracts. It will also enhance the stability of contract regime, and ensure good governance during project implementation. The first tranche loan will improve about 1,000 kilometres of State Highways and major district roads. It will have a 25-year term, including a grace period of 8 years.

The loan will carry an annual interest rate determined in accordance with ADB's London interbank offered rate-based (LIBOR) lending facility.

The total cost of the project is $1.415 billion, of government contributing $465 million and $450 million from the private sector and other concessionaries. About Asian Development Bank (ADB) The ADB is a regional development bank which aims to promote social and economic development in Asia. It was established on 19 December 1966. It is headquartered in Manila, Philippines.
ADB now has 67 members, of which 48 are from within Asia and the Pacific and 19 outside. The ADB has been modelled closely on the World Bank. It has similar weighted voting system where votes are distributed in proportion with members' capital subscriptions. As of 2014, Japan is the largest shareholder (capital subscription) of ADB having 15.7% shares followed US (15.6%), China (6.5%), India (6.4%), and Australia (5.8%).

The Hindu
Jaipur, 06.07.2017

Highway construction pace rises to 25 km a day in Q1

The pace of building highways has accelerated to 25 km a day in the first quarter of the current fiscal, as against 22.3 km per day in the entire 2016-17, keeping up with the gradual increase in highway construction in the initial two years of the Narendra Modi government.

Sources said with several projects awarded in the last few years having reached the construction phase now and their better monitoring by the ministry of road transport and highways (MoRTH) and NHAI, the construction would outpace the last year's average in the current year.

The average construction in the first three months of the current fiscal at 25.14 km per day, is much higher than the 21.4 km a day clocked in the same period last fiscal. It, however, still falls short of the ministry's ambitious 41 km a day target for the entire 2017-18 fiscal.

MoRTH sources said a total of 2,263-km highways have been built in the first three months of this fiscal - 1,593 km by MoRTH and state PWDs and 670 km by NHAI. MoRTH had built 1,394 km and NHAI 540 km during the same period last year, taking the total to 1,934 km.

In the last fiscal, the Gadkari-led ministry kept the target for construction at 15,000 km, but only 8,141 km could be built, averaging at an all-time high pace of 22.3 km per day, though this was the highest till then. The target, however, has been kept at the same level for the current year.

One of the focus areas of the Narendra-Modi government, construction of highways figures prominently in its overall effort to multiply infrastructure investments. The pace of construction has been growing steadily since the NDA government assumed power in May 2014.

Compared with 4,216-km highway construction in 2013-14, the number grew to 4,410 km in 2014-15,6,061 km in 2016-17 and 8,142 km in 2017-18.

The pace of project awards, however, was slower during the April-June period of the current fiscal, compared with the same period last fiscal. While MoRTH and NHAI awarded 903 km and 141 km highway roads for construction in the first three months of the current fiscal, the two agencies along with NHIDCL had cumulatively awarded 1,371 km in the same period last fiscal.

NHAI did not award any project in April this year and awarded just 3-km projects in May this year. Unlike in the past, MoRTH or NHAI do not award any highway project now unless 90% of the land is available.

Overall, the National Democratic Alliance (NDA) government has done considerably better than its predecessor United Progressive Alliance (UPA) on the road construction front. As against the average 5,002 km of highways built in the last three years of the UPA regime (15,005 km in all), highway construction in the first three years of the NDA regime went up to 6,234 km a year, marking a 24% jump.

The Financial Express
New Delhi, 07.07.2017

Inland Waterways & Irrigation Canals

`82 cr Sangli project will now cost `4,959 cr

The Maharashtra government on Monday approved cost escalation of a 28-year old lift irrigation project in Sangli district of Western Maharashtra. The original cost of the project, first approved in 1982-83, was Rs82 crore. It will now cost Rs4,959 crore.

This is the third time the government has given revised administrative approval (RAA) to the Krishna Koyna lift irrigation scheme project. The third RAA of Rs1,982 crore was sanctioned in 2004. However, 56% work of the project is yet to be completed, said Girish Mahajan, state water resources minister.

RAA becomes necessary in case of cost escalations and change in the scope of the project. Giving approvals has become contentious after an irrigation scam worth thousands of crores was unearthed in the erstwhile Congress-NCP government.

The Comptroller and Auditor General of India (CAG) in its report presented before the Maharashtra legislature had highlighted irregularities in granting administrative approvals (AA) RAAs to projects, discrepancies in tender allocation, changes to dam designs, delays in land acquisition and resettlement of project affected people.

As a result, a majority of the irrigation projects were pending before the government for RAA, resulting in cost escalation. “The previous government had stopped sanctioning cost escalations and expanding the scope of projects. This has resulted in delays, leading to cost escalations,” Mahajan clarified.

Around 1.09 lakh hectares of land will get irrigated once the the Krishna Koyna project is completed, he said. The state government in November last year came out with a new policy for clearing irrigation projects pending for RAA.

The government had decided that cost escalation of up to 15% of the approved cost will not need RAA. This helped to clear long list of pending projects, said an official on condition of anonymity.

The Hindustan Times
Mumbai, 04.07.2017

Maharashtra government revives controversial Kondhane dam project

Five years after stopping work on the Kondhane dam in Raigad following the multi-crore irrigation scandal, the BJP-led Maharashtra government has now decided to revive the controversial project by transferring it to the City and Industrial Development Corporation (Cidco).

The state cabinet on Monday approved a proposal to hand over the project to Cidco to supply water to the proposed city of NAINA (Navi Mumbai Airport Influence Notified Area) around the planned Navi Mumbai International Airport.

The city is proposed to be bigger than Mumbai, spanning 644 square kilometres and comprising 270 villages.

The Kondhane dam project was the first of several irrigation projects sanctioned during the previous Congress-Nationalist Congress Party regime that came under the scanner for alleged corruption and cost escalations.

Cidco will have to take over the project from the Konkan Irrigation Development Corporation (KIDC) in its current state, paying it the cost incurred so far.

The state government has asked the corporation to draw up fresh plans with the help of the Nashik-based Maharashtra Engineering Research Institute, and obtain the requisite clearances for the project. Cidco will also have the independence to choose an implementing agency for the project.

The agency will, however, have to ensure that the ongoing Anti-Corruption Bureau (ACB) inquiry into the project is not hindered in any way, a senior official said. The ACB has so far filed an FIR in the project and charged six KIDC officials besides the contractor of the project.

Cidco will also have to set aside 10.55 thousand million cubic (TMC) of water from the dam's capacity of 105.97 TMC of water for agricultural use.

State water resources minister Girish Mahajan said, "The project will not be handed over to the same contractor, FA Enterprises, as before. The government has blacklisted the company and has also held back a payment of Rs100 crore owing to irregularities.

Cidco will get all the necessary clearances, draw up fresh plans and float tenders to complete the project."

KIDC first took up the project in 2011 with a height of 39 metres and a cost of Rs56.16 crore. The state water resources department had tried to push the project twice earlier with a much higher cost of Rs 443.94 crore and a height of 74 metres, but could not pass the scrutiny of government agencies.

Within months of the KIDC taking up the project, the project scope was widened and the cost escalated. By 2012, the project cost climbed to Rs.614 crore from Rs 56.16 crore.

The KIDC stopped work in 2012 and terminated the contract with FA Enterprises following a public interest litigation by activists Mayank Gandhi and Anjali Damania in the Bombay high court against several dams in the Konkan region, including Kondhane.

Damania said, "Kondhane dam was a classic case of fraud. No environmental permissions were taken, no technical evaluation done. We had a strong objection to the way the contract was awarded and the illegality and irregularities in tendering process. The feasibility study should be undertaken along with other permissions."

The Hindustan Times
Mumbai, 04.07.2017

LABOUR

General

Interest on PPF and other such small savings schemes cut: What this means

The government on Friday slashed interest rates on small savings schemes, including Public provident Fund (PPF) and Kisan Vikas Patra (KVP), by 10 basis points to align them with market rates, a move that may facilitate further rate cuts by commercial banks in the absence of policy rate cuts by the Reserve Bank of India (RBI).

A basis point is one-hundredth of a percentage point. RBI is expected to hold rates in its quarterly monetary policy review on April 6. The central bank in its last policy review in February changed its stance to neutral from accommodative, citing inflationary pressure. However, the linking of interest rates of small savings schemes to the yields of government bonds is expected to allow banks to pass on policy rate cuts by the central bank through lower lending rates.

"We are doing it keeping in mind the interests of small investors," economic affairs secretary Shaktikanta Das said.

So, should you rethink your investments in these schemes?

Rate cuts

According to the finance ministry notification, the interest rate on a savings accounts with post offices will stay at 4% annually, whereas all other schemes will fetch 0.10% less starting next quarter. Investments in PPF will fetch an annual interest rate of 7.9%, compared to 8% in the quarter ending March 2017; similarly five-year National Savings Certificate will give interest of 7.9% instead of 8%. KVP investments will now provide 7.6% return and mature in 113 months.

	Rate of interest (%)	
Name of the instrument	Jan-Mar 2017	Apr-Jun 2017
5-year recurring deposit	7.30	7.20
Kisan Vikas Patra	7.70	7.60
National Savings Certificate	8.00	7.90
Post office 1-year time deposit	7.00	6.90
Post office 2-year time deposit	7.10	7.00
Post office 3-year time deposit	7.30	7.20
Post office 5-year time deposit	7.80	7.70
Post office Monthly Income Scheme	7.70	7.70
Post office Savings Account	4.00	4.00
Public Provident Fund	8.00	7.90
Senior Citizens' Savings Scheme	8.50	8.40
Sukanya Samriddhi Account	8.50	8.40

The scheme for the girl child, Sukanya Samriddhi Account Scheme, and five-year Senior Citizens Savings Scheme will provide 8.4% return. The five-year monthly income scheme will offer 7.6% returns. Term deposits of 1-5 years will offer 6.9-7.7%. The five-year recurring deposit will earn 7.2% interest.

Should you keep investing?

"0.10% decrease in the interest rate of PPF is not huge in the current falling interest rate scenario. Given that PPF still offer a return of 7.9%, that too tax free, which no other instrument provides, one can continue investing in it," said Suresh Sadagopan, founder, Ladder7 Financial Advisories, a Mumbai-based financial planner.

However, when it comes to other small savings schemes such as time deposits, where returns are not only low but are taxable too, “one should look for alternatives,” Sadagopan suggested.
“An investor can consider investing in a debt mutual fund instead, if the time horizon for investment is more than three years. Though debt mutual funds will also provide similar returns, but available indexation benefit while calculating tax on return will increase the investor’s overall profit.”

The Mint
New Delhi, 06.07.2017

MISCELLANEOUS

Auditors' report to I-T should have property dealing details

Auditors will now have to disclose details of transactions exceeding Rs 20,000 in connection with immovable property in reports which they file with the I-T authorities on behalf of their clients.

Under the Income Tax Act, professionals earning gross receipts of more than Rs 50 lakh and companies with a turnover of over Rs one crore are required to get their accounts audited. The turnover limit for companies has been increased to Rs two crore from Assessment year 2018-19.

So far, auditors in their report had to mention details of loans, and repayment exceeding Rs 20,000 in the tax audit report filed along with Income Tax returns. Hence forth, all transactions exceeding Rs 20,000 relating to property will have to be mentioned in a specified format in the report.

The move will increase transparency in financial dealings and help check tax evasion. As per the notification by the I-T department, auditors will have to furnish details of transactions regarding "each specified sum" exceeding Rs 20,000 from financial year 2016- 17. These would include money paid or received with regard to immovable property.

The auditor report will also have to specify details of the mode of payments whether account payee or bearer cheque, or through electronic system. Through the notification, the tax department has revised the form 3CD for tax audit report under section 44AB of Income Tax Act.

The amended rules will come into effect from July 19, 2017 and will apply for assessment year 2017-18 for which the returns would be filed in the coming months.

Nangia & Co Associate Director Shalu Kedia said the notification mandates "enhanced reporting" as disclosure now needs to be given with bifurcation into -- all transactions, cheque, bank draft transactions, and cheque and bank draft transactions which are not account payee.

Before amendment, the disclosure requirement was to report whether or not transactions are through account payee cheque or bank draft, she said. "By doing this, the tax department has ensured greater transparency in modes of transaction," Kedia said.

The Financial Express
New Delhi, 07.07.2017