



ECONOMY

Economic Growth/Reforms

Aayog's top task: to prepare 15-year vision for economy

Currently, Niti Aayog has three members—Bibek Debroy, V K Saraswat and Ramesh Chand. Rajiv Kumar is also chancellor of Gokhale Institute of Economics and Politics in Pune and the founding director of Pahle India Foundation, a nonprofit research organisation specialising in policy-oriented research and analysis.

The immediate task before the Aayog is to prepare a seven-year strategy paper and 15-year vision for the economy. In addition, it has emerged as the government's advisor on disinvestment and loss-making PSUs. The entity is also responsible for monitoring outcomes of ministries and is also involved with reworking the regulatory set-up for sectors such as health and education.

In Kumar, the government has opted to appoint someone who is seen to be well-versed with the way the it operates, having worked as the secretary general of industry chamber Ficci as well as the chief economist of its rival lobby group CII. He has also served as director & chief executive of the Indian Council for Research on International Economic Relations, a think tank and worked on a book on the retail sector in the country. A section in the government was keen on someone who understands the nuances of political economy.

Kumar holds a D.Phil in economics from Oxford and a Ph.D from Lucknow University. He has also worked in the finance and industry ministries in the past.

*The Times of India
New Delhi, 06.08.2017*



GST will lead to increase in GDP in six months: Godrej

Veteran industrialist Adi Godrej on Wednesday said the Goods and Services Tax (GST) will lead to considerable increase in the GDP in the next six months.

He, however, acknowledged that there are certain teething problems under the new tax regime.

“The GST could add tremendously to our GDP growth. There are some teething problems here and there, I think they are being resolved. The government is taking a very refreshing approach to the GST introduction. I think it would be a great success and in the next six months or so, our GDP growth rate will rise quite considerably,” Godrej said at the CII-India @75 event here.

*The Hindu Business Line
Mumbai, 10.08.2017*



Public Finance Taxes And Duties

GST relief for textiles, goods movement to get smoother

The GST Council revised rates on 19 services on Saturday, including reducing the job work rate in the textiles sector to 5% from 18%, as finance minister Arun Jaitley appealed to businesses to pass on the benefits of the tax reform measure.

The reduction in the rate of job work will be applicable across the entire textile chain and takes care of the concerns of the industry which has been pushing for reducing the rate for any job work linked to knitting, dyeing, embroidery, printing, washing, stitching, ironing and others.



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The council, in its 20th meeting in the capital, also approved the e-way bill rules to ensure seamless movement of goods. The rules specify pre-registration of all goods worth over Rs 50,000 before they are moved for sale beyond 10km. It will not be applicable for exempted goods and the unified e-way rules are likely to be in place by October 1.

This will help end inspector raj as the process would largely be driven by technology. "The Council decided to implement e-way bill across the country.... There will be no check posts and the entire process will be technology driven," Jaitley said after the meeting of the panel.

The FM said new registrations under GST has gone up to 15.67 lakh and 71 lakh state and central taxpayers have migrated to the new system. He said the figures were satisfactory.

The increase in the new registrations comes as a boost for the government which had been eyeing a widening of the tax base. The GST Council also lowered the rate on some tractor parts to 18% from 28%. The council is also likely to examine whether contracts linked to irrigation can be bought down to 5%.

Jaitley said the council discussed the anti-profiteering issue and would launch a campaign on it to inform the consumer about the impact of GST.

"Some industries are not giving benefit of input tax credit. We want market mechanism to compel them to pass on the benefit," Jaitley said.

As a first, state-level screening committees will be set up along with a panel at the Centre and the FM said it would act as a "deterrent".

In order to bring relief to the farming sector, the rate for agriculture services linked to post-harvest and storage has been reduced to 12% from 18%.

Entry to Planetarium will now attract 18% rate, lower than the previous 28%. For cab-renting services, the rate will be 12% if there is no input tax credit. For those involved in printing books and newspaper, the GST rate will be 5% if they use their own paper and if the paper is supplied by the printer outside, it will be 12% with input tax credit.

The Fifa youth World Cup, being held in India, has been exempted from GST, Jaitley said. The next meet of the council will be on September 9. "As expected, the e-way bill rules have been approved, though the date from when they will become effective has not been announced. However, for real benefit of GST to be realised, it is important that supply chain bottlenecks are reduced," said Pratik Jain, partner and leader indirect tax at consulting firm PwC.

The Times of India
06.08.2017



Govt Monitoring Prices Post GST, No Supply Disruptions Yet

The government is closely monitoring daily price variations in over two dozen essential commodities - from wheat to tea - to check at early stage any abnormal movement in rates post GST rollout, CBEC Chairperson Vanaja Sarna said.

Prices have remained by-and-large under check post Goods and Services Tax (GST) implementation on July 1 and there has been no big instance of supply disruption, the chairperson of the indirect tax body told PTI.

The roll out of the biggest tax reform since Independence has been "relatively smooth" with multi-layer monitoring and officers of the tax department have been working overtime to weed out major bottlenecks in the implementation, she said.



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GST unified 17 different levies including central excise, service tax and VAT and there were apprehensions of initial hiccups.

*The Economic Times
New Delhi, 07.08.2017*



INDUSTRY

Industrial Growth & Production

Govt to release draft changes in mineral auction rules in August

The government will bring out proposed changes in mineral auction rules this month as it looks to make sale of mines more effective, a top official said on Friday.

The government looks to remove 'small' glitches in the rules highlighted by bidders and industry associations, mines secretary Arun Kumar was quoted as saying in a statement by Assocham.

"The mines ministry will bring out proposed draft changes to the Mineral Auction Rules, 2015, within August with a view to make mineral block auctions more effective thereby removing the small glitches highlighted by the bidders and industry associations," the statement quoted Kumar assaying.

"When we put it out on the net, there would be again an occasion to give in your suggestions," Kumar said.

The secretary further said that definition of captive will stay for the existing leases but for auctions the government will see how it can tweak the system legally to allow for a certain percentage of the minerals to be traded as well, according to the statement.

A total of 29 mineral blocks with a combined estimated resources of Rs. 1.5 lakh crore have been auctioned so far, the government had earlier said.

*The Financial Express
New Delhi, 05.08.2017*



Miners want block free from encumbrances at auctions

As the development of a mine gets stuck due to delays in obtaining a string of approvals, miners have asked for making the process hassle free at the stage of auctions.

Before a mining block is offered for auctions as direct mining lease (ML), the concerned state government should ensure that it is free from all encumbrances.

"The mining lease being auctioned should be free from all encumbrances. No issue related to forest land, wild life sanctuary, proximity to protected monuments and permission from the land owners should crop up once the successful bidder starts obtaining clearances for land", said R K Sharma, secretary general of the Federation of Indian Mineral Industries (Fimi).

In the case of auction of a mineral block as direct ML, the successful bidder is tied to a time bound programme to develop the mines and to bring the mine to production failing which the bidder is liable to face penalties.

The preferred bidder who wins the mineral block at auctions gets a Letter of Intent (LoI) from the respective state government upon payment of the first installment of the upfront payment. Fimi has suggested to the Union mines ministry that along with the LoI, the state government needs to hand over a true, attested copy of all maps and relevant documents to enable the successful bidder to facilitate the project. The government can also



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simultaneously intimate the successful bidder the name and designation of the single point of contact who can guide the successful bidder through the entire project till the commencement of operations. For unsuccessful bidders, the bank guarantee should be returned within 48 hours of completion of the bidding process.

In the case of grant of a composite license, the state government can permit retention of the area by the holder of composite license where the potential for minerals has been established for further exploration work for bringing the exploration to the level of G2/G1 for ensuring parallel exploration and mining operations in the area of composite license. This step can incentivise the composite license holder for undertaking the detailed exploration for establishing the mineral deposit.

*Business Standard
Bhubaneswar, 06.08.2017*



Green activists may seek action against mines in other states

The Supreme Court's landmark order imposing an estimated Rs 25,000 crore penalty on iron ore and manganese miners in Odisha continues to rattle the sector, with serious implications for mining operations across the country and clearances obtained in the past.

The 144-page order has given ammunition to green activists to seek court orders against mines in Goa and other states, and strengthened their case in ongoing matters in various courts and tribunals, experts said.

Industry is worried. "The Supreme Court order in the case of Odisha will not only have repercussions for mining across the country, but coal mines operating without environment clearances and industries operating with clearances obtained under the 1994 Environment Impact Assessment notification," said RK Sharma, Secretary General of the Federation of Indian Mineral Industries.

The Centre is evaluating the impact. "We are studying the order," Secretary Mines Arun Kumar said.

Environmentalists and policymakers say the order will have a wider fallout because of some clarifications the court has given on clearances, which would place thousands of entities across sectors on the wrong side of the law from at least 2010 onwards. These clarifications relate to conditions under which environment clearances (EC) are required and the environmental impact assessments notifications (EIA) of the environment ministry.

The court's clarification on what constitutes illegal mining has prompted environmental action group Goa Foundation to plan moving court seeking recovery of all ore sold from mines in Goa. It will first push for environmental clearances to mines of a dozen companies, including Sesa Goa, Chowgule & Co, EMCO Goa, and the Fomento group declared invalid.

The Supreme Court's order in the 'Common Cause Vs Union of India' had ruled that abiding by environmental laws is prerequisite to mining, and approvals cannot be retrospective. A violation of the Environmental Protection Act of 1986, or any pollution control laws, would thus count as "illegal mining" under the Minerals (Development and Regulation) Act, 1957 governing mining.

Last year, the Jharkhand government had issued recovery notices to 15 lessees adding up to Rs 7,598 crore, which was legally stayed but experts say fresh notices may be issued. The state's Mines Commissioner Aboobacker Siddique P told ET his government was studying the order.

Claude Alvares, director of the Goa Foundation, told ET he expected other environmentalists to fight for the implementation of this verdict. He said he plans to place before the National Green Tribunal's Pune bench the court's clarification on the EIA notification of 1994 (EIA 94) and 2006. The bench is hearing a matter, in which Goa Foundation is a co-petitioner, dealing with validity of clearances granted under EIA 94 to 24 mines in the state.

*The Economic Times
Bhubaneswar, 08.08.2017*





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Infrastructure Project Financing

Infrastructure sectors saw growth falling to 0.4% in June

Growth in the eight core sectors slowed to 0.4% in June due to contraction in the output of coal, refinery products, fertiliser and cement. The growth rate of the infrastructure sectors - coal, crude oil, natural gas, refinery products, fertilisers, steel, cement and electricity - was 7% in June last year. The production of coal declined by 6.7%, refinery products by 0.2%, fertiliser by 3.6% and cement by 5.8%, as per official data. Crude oil output rose 0.6% and natural gas output by 6.4% in June. Steel production and power generation slowed to 5.8% and 0.7%, respectively. Slow growth in the key sectors would have implications for the Index of Industrial Production (IIP) as these segments account for about 41% of the total factory output. The eight sectors had recorded a growth rate of 4.1 % in May.

The Financial Express
07.08.2017



Expedite clearances to infra projects: Gadkari

Union Minister Nitin Gadkari has sought to fast-track key infrastructure projects, including the Char Dham scheme, and reached out to all the stakeholders for quicker clearances. Chairing a meeting of a group of ministers on infrastructure last night, Gadkari said 18 proposals relating to the ambitious Char Dham project were scuttled in absence of various clearances, pointing out that the decision to build the new project was taken after the Uttarakhand catastrophe.

“There should not be any delay in the Rs 12,000-crore project for developing 900 km of National Highways in Uttarakhand officials quoted Gadkari as saying.

Prime Minister Narendra Modi had laid the foundation stone of the project last year.

The Financial Express
07.08.2017



PPP in transport sector in need of a boost

PUBLIC private partnerships (PPPs) have played a key role in infrastructure creation in recent decades, with the transport sector accounting for a large chunk of such projects. However the pace of transport projects has slowed in recent years. For this trend to be reversed, there is a need to address financing issues and viability constraints, capacity and procedural challenges and plug policy, institutional and regulatory gaps, a FICCI/EY study has said.

The Financial Express
07.08.2017



ENERGY, FUEL & POWER

Coal

Forget fossil fuel subsidy, there are target costs

As heal points out, G-20 subsidies on fossil fuels were \$444bn in 2014 but the health costs a whopping \$2.8tn

If the government goes ahead with its plan to reduce kerosene subsidies every month, as it has in the case of



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LPG, chances are Opposition MPs will once again raise a hue and cry in Parliament on how the poor are being affected. The MPs would do well to read the latest report by the Health and Environment Alliance (HEAL), a European not-for-profit advocacy organisation, which uses data from the International Monetary Fund, the Oil Development Institute (ODI) and the Oil Change International. The HEAL study shows how major economies subsidising fossil fuels extracts a health cost many times larger than the actual amount given in subsidies. And this is even when health costs are just taken to mean those resulting from premature deaths due to heart -, lung- and respiratory diseases caused due to pollution, and not costs under other overheads such as morbidity, lost productivity, etc, that can be ascribed to exposure to air pollution. According to HEAL, G20 governments paid out \$444 billion in subsidies for fossil fuel-both to producers and consumers-in 2014 while their use imposed a \$2.76 trillion cost on health the same year. While subsidies themselves mean that the true price of fossil fuel is not reflected in the market, adding the monetised burden of from the negative impact of their use would mean fossil fuel are priced dramatically lower than they should be.

In the case of India, according to HEAL, the production of oil, coal and gas got a whopping \$16.9 billion in 2013-14 via support for state-owned enterprises while the outgo on air pollution related premature deaths in the country totalled \$140.7 billion. The International Energy Agency estimates that in India, fossil fuels receive eleven times the financial support that clean energy sources do. The good news, here, is that India is making a lot of progress in cutting subsidies, and not just because global oil prices have crashed. Diesel subsidies, for instance, have fallen from a high of Rs.62,837 crore in FY14 to nil today because, after a period in which prices were raised by small amounts each month, diesel was completely freed. LPG subsidies have fallen from Rs.50,327 crore in FY14 to Rs.15,132 crore in FY17 and kerosene from Rs.30,574 crore to Rs.7,606 crore in the same period-LPG, of course, presents a bit of a mixed picture since, to the extent it replaces wood/coal/kerosene, anything that increases its usage is a good thing; the flip side is that rational pricing will ensure optimal usage. And though it was imposed to help the strained treasury, India actually imposes a form of a carbon tax-5 3.8% of petrol and 45.7% of diesel prices in the capital comprise excise and consumption taxes. And, as part of its Paris obligations to cut 2030 emission-intensity by a third, India has impressive plans to increase the use of renewable and also increase the share of railways to reduce transport-related emissions-just distributing 25.3 crore LED bulbs, for instance, has reduced energy consumption by 32,896 million KWh. Apart from Opposition MPs and government ministers-in case they lose their nerve-the HEAL report is essential reading for climate-change sceptics like US president Donald Trump. India needs \$2.5 trillion of investment in clean technology (in FY15 prices) between now and 2030 to meet its Paris obligations-if rich countries don't contribute, meeting the targets will be difficult. What HEAL shows, of course, is / that India will have to bear high costs in a BAU scenario as well-if it doesn't reduce fossil fuels, the health costs will be large.

The Financial Express
05.08.2017



Singareni Collieries looking to set up solar plants in coal mining belt

The Singareni Collieries Company Ltd, a State-owned mining company, is considering setting up of solar photo-voltaic power projects in the mining belt where the collieries operates.

N. Sridhar, Chiarman and Managing Director of SCCL, outlined plans to set up these solar power plants in some of the areas where it is operating coal mines.

During a meeting with senior management of the mining company, the Chairman and Managing Director called upon officials of Singareni Thermal Power Plant to explore the possibilities of establishing 50 MW or 100 MW size solar PV plants in some of the areas of Singareni where land is available.

This comes after a presentation made by Telangana State Renewable Energy Development Corporation Ltd. on "Expression of Interest" in establishing power plants by SCCL.

While the representatives of the renewable energy corporation explained about the growing interest and advantages of solar energy and various steps taken by the Telangana Government to encourage solar projects, officials from BHEL, which has diversified into development of solar power projects, made a presentation on the products, cost and time related information of establishing new units.

The Chairman and Managing Director of Singareni suggested a detailed feasibility report to establish 50 MW and 100 MW plants in Singareni areas.



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During the meeting, Sridhar reviewed the production and progress of Singareni Thermal Power Project located at Jaipur in Mancherial district.

The coal fired 1,200 MW thermal power plant has achieved average plant load factor of 84 per cent.

*The Hindu Business Line
Hyderabad, 07.08.2017*



Coal India to halve offer under e-auction

Coal India BSE 0.74 % has decided to halve its offer under e-auction from 300 million tonnes during 2016-17 to around 150 million tonnes this year, which will increase supply to fuel-starved power plants.

Last year, the company managed to sell barely 100 million tonnes of 300 million tonnes offered in e-auctions. “We have already sold some 73 million tonnes of coal under e-auction and would now offer additional 77 million tonnes during the rest of the year,” said a senior Coal India executive.

Power sector is Coal India’s priority customer and the monopoly has historically reduced supplies to other non-power sectors in case demand for coal from this sector rises. Before summer, power companies reduced their stocks considerably, trusting Coal India’s ability to supply when needed.

However, Coal India was unable to supply coal when demand surged, leading to critical stock situation at many power plants. During the ongoing monsoon, heavy rains in several parts of the country disrupted supplies to power plants, which has declined from 20 days during the beginning of the year to about 12 days now.

Coal demand from power companies usually rises after monsoon. “This, however, does not mean power companies should reduce buying coal during this interim period for Coal India may not be in a position to supply enough coal when demand for the fuel rises and if there is a drastic fall in stocks at power plants,” the senior executive told ET.

Coal India has readied an e-auction calendar that specifies how much coal would be offered subsidiary wise in different months under different modes of e-auction and different modes of transport to power and non-power companies.

“Consumers from both power and non-power sectors were asking for an e-auction calendar because they wanted to schedule their generation as well as production in advance. Now that we have made public the quantum of coal that would be offered under e-auction, power companies that also depend on e-auction would be able to plan their generation schedule better,” he said.

*The Economic Times
Kolkata, 07.08.2017*



Guj to swap coal allocation with efficient plants

In an attempt to cut power purchase cost, Gujarat has invited tenders to buy coal-based electricity from independent power producers who would agree to sell power at less than Rs 2.82/unit. Through the auction, Gujarat will transfer the coal allocated to power generating stations owned by Gujarat State Electricity Corporation (GSECL) to more fuel efficient private power plants.

The reverse auction for procuring 1,000 MW of power through this mechanism would be held on September 8. The successful power plant would be selling electricity to the state from October 1 to June 30, 2018.

According to data from the Central Electricity Authority, coal-powered GSECL plants’ power sale price range between Rs 2.92 a unit–Rs 5.42 a unit.



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If the power plant which wins the tender is located near the colliery itself, then the state can save on coal transportation costs as well, a senior official from Gujarat state utility told FE. The average landed cost of coal for the seven coal-based power units of GSECL is about Rs 4,812 per metric tonne, of which half is accounted as transportation cost.

GSECL has allocation from Korba coalfield in Chhattisgarh and Korea Rewa coal field in Madhya Pradesh in ratio of 80:20. The move is expected to bring some respite to power plants, with a total estimated capacity of 28,000 MW, which do not have regular fuel supply arrangements with Coal India.

In the first quarter of FY18, the average plant load factor of thermal power plants of GSECL was 45.4% only. They produced 5,85 million units (MU) of power in the period against the target of 6,055 MU. To meet the state's demand of about 8,000 MW, the state imports about 1,600 MW from other sources, while the rest is generated from within the state.

The state has also opened tenders to purchase 500 MW of power between September 16 and October 15. It has also invited bidders for 500 MW each of wind and solar power. Gujarat will sign 25-year power purchase agreements with the lowest bidders in the respective renewable segments.

*The Financial Express
New Delhi, 08.08.2017*



Govt annuls fifth round of coal mine auction on tepid response

The Centre has annulled the fifth round of coal mine auctions due to poor response from bidders.

In a notice to the bidders, the government said, "The tender process for the coal mines being auctioned under fifth tranche of auction of coal mine has been terminated in accordance with Clause 3.3.2(b) of the tender document." Thus, the tenders of six mines will stand terminated, the notice said.

According to a government official, the fifth round of coal blocks auction has been annulled as the response from bidders was tepid because the steel industry is in bad shape. Six coking coal blocks were to go under the hammer in the fifth round, five of which are in Jharkhand and one in Madhya Pradesh. The six coal mines are Brahmadih, Choritand Tilaiya, Jogeshwar and Khas Jogeshwar, Rabodih OCP and Rohne in Jharkhand, and Urtan North in Madhya Pradesh. In December 2015, the Centre annulled the fourth round of coal mine auctions planned for January 2016 on account of lukewarm response from bidders, besides depressed commodity prices.

*The Financial Express
New Delhi, 08.08.2017*



CIL plans to shut about 100 unprofitable mines

Co now has 394 mines, of which about 15 are highly profitable

Coal India will shut nearly 100 unprofitable mines over the next two-three years. Of this, 37 will close operations this year. Last year, Coal India BSE -0.65 % closed down over 15 mines. A recent study showed that about 15 mines are highly profitable and 90 others can be made profitable.

"We have engaged Indian School of Mines and expertise of Singareni Collieries to chart out a roadmap for the set of 90 mines," a company executive said. "They would submit their study soon on the basis of which we would either merge a few of these mines with existing ones or change the method of operations in these mines."

He said opening new mines and shutting unviable ones is a continuous process. Coal India began with 750 mines but now has 394. Low grade coal extracted from mines that produce less than one million tonnes a year are generally considered unprofitable as the scale of operation in them do not support the cost involved vis-à-vis the price its coal fetches.



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“Cost of operations at underground mines is also very high,” he said.

Coal India has also been recently hit because the Coal Controller of India downgraded 50% of its 394 mines, meaning they are fetching lower prices for the coal produced compared to what they were fetching in 2016-17.

“Downgrading of mines has also hit viability of a large number of mines, which are now being considered for closure,” another Coal India executive said.

Coal India expects a hit of about Rs 10,000 crore annually as a result of downgrading. The Coal Controller has also decided to keep a constant vigil on the quality of coal Coal India delivers and would be conducting regular studies on the quality of coal it is delivering visa-vis its declared grade.

Increasing salaries and wages of workmen have also added to the costs to coal, which has affected viability of a few mines. At present, more than 50% of the cost of production is workmen salaries.

*The Economic Times
Kolkata, 10.08.2017*



Power Projects, Generation, Distribution & Tariff

Solar capacity addition in H1 at 4.8 GW

India has added 4,765 MW of solar power generation capacity in the first-half of 2017 with 1,869 MW of this in the second quarter of 2017.

Cumulative solar rooftop installations crossed a significant milestone of 1 GW at the end of Q2 2017. By installing 4,765 MW, it has surpassed 4,313 MW installed during 2016, according to Mercom India Research.

While large-scale solar installations aggregated to 1,639 MW in Q2 2017, rooftop installations accounted for 230 MW.

In the first half of 2017, large-scale solar installations made up 4,290 MW (90 per cent) and rooftop installations totalled 475 MW (10 per cent) of total.

“The Indian solar market had its best first-half and is on pace to have its best year,” Raj Prabhu, CEO and Co-founder of Mercom Capital Group, said.

“However, uncertainty around GST rates, utilities renegotiating to get better rates, and the recently initiated anti-dumping case have stalled momentum in the sector and could have a negative effect on installations in 2018,” he said in a statement.

AP crosses 2 GW

While seven States have exceeded 1 GW of solar installations, Andhra Pradesh became the first in the country to install over 2 GW of solar. The pipeline of utility-scale projects under construction is 12.2 GW with about 6.3 GW of tenders pending to be auctioned.

Approximately, 3.4 GW of solar was tendered in Q2 2017 compared to 1.85 GW in Q1 this year.

The second quarter also saw the lowest ever tariff of Rs.2.44 (~\$0.037)/kWh in the recently conducted 500 MW Bhadla Phase-III Solar Park auction.

While distribution companies are looking for the lowest tariff, the anti-dumping petition filed by domestic manufacturers against solar imports from China, Taiwan, and Malaysia with the Directorate General of Anti-Dumping (DGAD) has been accepted.



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An investigation has been initiated regarding this on this aspect and preliminary findings are likely to be made over the next two months.

*The Hindu Business Line
Hyderabad, 10.08.2017*



NTPC plans lower capex as demand growth slows

NTPC, India's biggest electricity producer, is planning its first reduction in capital spending in at least six years amid the country's slowing demand growth and surplus capacity.

The state-run generator, which accounts for about 13 percent of the nation's capacity, plans to spend 230 billion rupees (\$3.6 billion) as capital expenditure this financial year, according to NTPC's finance director, Kulamani Biswal.

That is about 18 percent lower than what it spent in the previous year and the first year-on-year decline in records going back to the year ended March 2013, company filings show.

The lower capital spending comes as demand growth for electricity slows in India, keeping power plants under-utilized and impeding new investments. The expansion in renewables and a steep fall in solar and wind tariffs are also making producers cautious about building new coal-fired power plants.

To read more on the glut in India's coal-fired capacity, click here. "There's a glut in the power generation sector and demand is not catching up. NTPC already has a large project pipeline and that's the reason we're seeing it slowing down," said Rupesh Sankhe, an analyst at Reliance Securities.

"NTPC will continue to make investments, although it will be moderated by the sluggish demand situation."

The federal government's Central Electricity Authority has projected an 8.8 percent power surplus in the country this year. It made a similar projection last year, but fell short as demand overshoot supply by 0.7 percent.

*The Financial Express
New Delhi, 10.08.2017*



Energy Conservation

Govt identifies 5 ports to boost cruise tourism

Union minister for shipping Nitin Gadkari on Tuesday announced that the government has identified five major ports — Mumbai, Mormugao, Mangalore, Chennai and Cochin — to boost cruise tourism in India.

While the number of Indians who took a cruise in 2016-17 was 2 lakh, the number could go up to 40 lakh, according to a report prepared by consultants Bermelo & Ajamil jointly with Ernst & Young. Of this, 80% or 32 lakh passengers are expected to take cruises from the Mumbai port alone.

However, Gadkari added that the cruise tourism industry is facing challenges on many issues and that he would make a representation to the finance ministry to waive the goods and services tax (GST), levied at 5% currently on all cruise ships, as well as establish a zero income tax regime.

While the largest cruise line operator, Carnival PLC, is looking to increase the number of cruise liners in India, David Dingle, the company's chairman told FE that the country must create a domestic cruising tax regime competitive with tax regimes elsewhere in the world.

"In principle, the cruise industry will not come to a part of the world where it has to pay GST on the ticket price and on the sales made on board. We will not bring our ships here in any significant numbers all the while that



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cruising attracts any GST," he said. Moreover, Dingle added that international cruise companies have to have the right to repatriate their profits through double tax treaties.

Carnival PLC sold 181,000 cruises in India in 2016, registering a compounded annual growth rate of 31%.

Current estimates are that over 120,000 Indians book a cruise each year with over 90% of them travelling to Singapore to board a cruise liner. To cater to this growing market, the Indian government wants to increase the number of cruise liners that come to India, eliminating the need for cruise seekers to fly abroad to board a ship.

The Indian coastline saw 150 cruise ship visits in 2016 and the government is aiming to increase this to about 955 in the next few years.

*The Financial Express
Mumbai, 09.08.2017*



TRANSPORT

Highways/Roads/Bridges

BMC begins work for better monsoon roads

In order to save itself from embarrassment, the civic body has already started prepping for next year's monsoon. The Roads Department of the BMC has decided to start road repair works soon after this year's monsoon concludes.

The department has already issued a work order for around 744 roads while tenders will be floated for 420 roads in October 2017.

In addition, the civic body will also take up 325 project road works for which a tender will be floated in October 2017. A senior official from the department informed that a work order has already been issued for 744 roads in the city.

According to an official, the work for these 744 roads should be completed by May 31, 2018, just in time before the next year's monsoon.

This year, road works had come to a standstill due to unavailability of stone chips, one of the main materials required to carry out road works. In order to avoid a similar situation, "Around Rs 2,000 crore road work will be carried out till May 2018," said a senior official.

*D.N.A.
06.08.2017*



NHAI confident of meeting FY18 construction targets

The National Highways Authority of India (NHAI) is confident of exceeding the targets set by the ministry of road transport and highways (MoRTH) for the current fiscal despite its failure to meet targets for construction and awards of highways during the first quarter of FY18.

"Whatever the target the government sets for us, we will achieve that, and perhaps, we will exceed them by the end of the current fiscal," NHAI's newly-appointed chairman Deepak Kumar told FE.

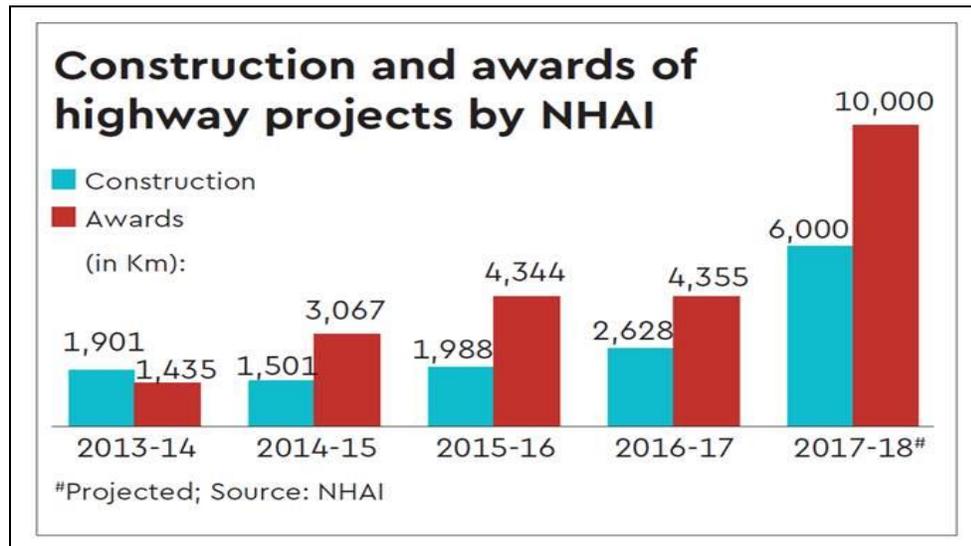
The MoRTH has assigned the NHAI with the mammoth task of awarding 10,000 km and constructing 6,000 km highway length for the current fiscal. However, during the April-June period, it could construct 670 km and



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award 165 km, lower than the internal targets for awards of 1,150 km and 183 km of construction during the same period.

Kumar said though both construction and awards were lagging, mainly because of the problems related to land acquisition and court cases, activities will gain momentum in the next two-three months as the authority has put in place a system through which it connects with the states and project officers almost on a daily basis for monitoring. It has also appointed retired officials in the office of the land acquisition at various states at its own cost.



Funds are not constraint for projects roll-out and execution, he said.

The NHAI does not award any project unless it acquires 90% of required land. The authority now has around 270 highway projects, aggregating at around 11,000 km under various stages of implementation. Of this, EPC accounts for about 4,700 km, HAM 3,000 km, BOT (annuity) 400 km and BOT (toll) 2,500 km.

The NHAI was asked to construct 8,000 km highways and award 10,000 km of highway projects by the MoRTH for 2016-17. However, it could construct only 2,628 km and award 4,345 km highway length. Keen on constructing highways at an average pace of 41 km a day for the current fiscal, minister for road transport and highways Nitin Gadkari has directed all executing authorities to work expeditiously.

Of the overall target of 15,000 km construction and 25,000 km project award targets set by the minister for 2017-18, 2,269 km have been constructed and 1,068 km have been awarded till June by all the constituents including MoRTH, which has taken upon itself to award 13,000 km highway projects and construct 8,142 km highway length in the current financial year.

Besides the NHAI and MoRTH, which does the work through state PWDs, the National Highways Infrastructure and Development Corporation is engaged in construction of national highways.

*The Financial Express
New Delhi, 07.08.2017*



High Interest rate – NHAI to not tap EPFO for funds

The National Highways Authority of India (NHAI) is unlikely to borrow from the Employees' Provident Fund Organisation (EPFO) in the current fiscal in an effort to rein in cost of funds. It had borrowed Rs 10,000 crore from the EPFO last fiscal in two tranches at an average coupon rate of 7.85%.

Authorised to invest up to 45% of its annual incremental deposits in debt and related instruments (which may amount to some Rs 65,000 crore this year), the EPFO's funds allocation is overseen by its five portfolio



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managers, including SBI Caps and ICICI Securities. Sources said since the EPFO has been getting over 7.5-8% returns from state government securities, the portfolio managers are not willing to lend NHAI at anything below 8%, which NHAI finds too expensive.

NHAI has raised Rs 8,500 crore recently from Life Insurance Corporation of India (LIC) in two tranches at an average rate of 7.20%. Of its total Rs 15,025 crore borrowings so far in the current fiscal, it has raised Rs 3,000 crore through masala bonds at 7.30% and Rs 1,525 crore through market borrowings at 7.27%.

“For NHAI, the cost of borrowing is the primary criterion. Wherever we get debt at the cheapest possible rate, we will access that. NHAI also borrows in smaller quantum multiple times a year and that often comes at a cheaper rate,” said NHAI member, finance, Rohit Kumar Singh. EPFO chief provident fund commissioner VP Joy said it would always look for getting higher rate of returns and the decision of lending or park funds lay with the portfolio managers where the management did not have any say.

Under tremendous pressure to maximise returns from its investments, the retirement fund body pruned the interest rate on provident fund deposits for its subscribers to 8.65 % for 2016-17, the lowest in four years. Depending on its return on investments, the EPFO pays its subscribers interest on their deposits.

The Centre has approved NHAI to borrow up to Rs 59,275 crore in the current fiscal. However, even as the limit was same for the last fiscal, it could raise only Rs 33,064 crore in the year. This time, though, it may exhaust the permissible limit as it targets to spend Rs 94,732 crore with estimates of getting Rs 29,301 crore from budgetary support that includes cess and toll income. The rest will have to come from the borrowings.

NHAI has been assigned to construct 6,000 km and awarded 10,000 km of highways in the current fiscal by the ministry of road transport and highways compared with a total construction of 2,628 km and 4,355 km of awards in the last fiscal.

However, against the target of constructing 1,150 km in the first quarter of the current fiscal, NHAI achieved only 670 km. On the award front, however, it is closer to the target of 183 km to achieve 165 km till June this fiscal.

The Financial Express
05.08.2017



Expectations of higher returns drive up bids for HAM highway projects

Expectations of higher returns have driven up the bid prices for the roads being tendered under the hybrid annuity model (HAM), so much so that projects have been awarded as high as 44% more than the cost estimated by the National Highways Authority of India (NHAI).

Of the 43 projects awarded by NHAI till end-March 2017, there are 9 projects where the variation between NHAI's projected cost and the bid by the developer was in a range between 10% and 44%, according to data sourced from research and ratings agency ICRA. There were three projects which were awarded in a range from 10%-20% while the remaining were over 30% higher than NHAI's bid project cost.

Shubham Jain, vice president, ICRA, said, “Although this is a project-specific issue, usually, a variance of 10-15% is to be expected, depending on the project. For bids that are over 15-20% than the estimated cost, may be NHAI could establish a more robust mechanism, such as setting a ceiling beyond which they do some due diligence before awarding the project”.

Industry players say the lag between the first draft project report made by NHAI and the actual bid taking place, can lead to a variance between the cost estimated by the NHAI and the lowest bid. However, a variance higher than 30%, as seen in the projects that were awarded in March, suggests that developers are unwilling to work on thin margins. Difficulty in achieving financial closures for these projects, too, has remained a concern for projects under the hybrid model.



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“Most of the companies are building in their margins during the construction phase into the project cost itself, resulting in high internal rate of return on equity,” an analyst explained.

However, developers and industry experts justify their expectations, citing execution risk and the finance risk involved. Jayant Mhaikar, vice chairman and managing director, MEP Infrastructure Developers, said, “The bank finance is being raised on the company’s balance sheet and repayment of debt is company’s responsibility. This involves a fair bit of risk which needs to be factored in the returns”.

NHAI project cost and bid value vary between 10% and 44%

Project	Total project cost*	Awarded cost**	Variation# (%)	Name of contractor
Four-laning of Singhara-Binjabahal section	1,288	1,420	10	Montecarlo
Six-laning of Handia-Varanasi	2,065	2,447	18	G R Infracore
Six-laning of Hubli-Haveri	985	1,200	22	Montecarlo
Six-laning of Davangere-Haveri	832	1,177	42	IRCON International
Six-laning of Chitradurga-Davangere	993	1,434	44	PNC Infracore
Six-laning of Ranastalam-Anandapuram	1,042	1,187	14	Ashoka Concessions
Four-laning of Bodhre-Dhule	745	982	32	M/s Sunil Hitech Engg & M/s Varaha Infra
Four-laning of Wardha- Butibori	1,030	1,066	3	Dilip Buildcon
Four-laning of Yavatmal-Wardha	988	1,043	6	Dilip Buildcon
Four-laning of Mahagaon-Yavatmal	1,098	1,161	6	Dilip Buildcon

*Total Project Cost (₹ cr) **Awarded Cost EPC/BOT grant/annuity payment (₹cr) #Variation between Base and Bid

A report by the domestic arm of American investment banking firm, Jefferies, earlier pointed out that with some of the relatively larger developers adopting a wait-and-watch approach with the new model, bidding for projects has not yet become very aggressive. As a result, early bidders are making a killing with a return on equity of more than 20%. This is extremely high compared to even build, operate, transfer (BOT) projects that have margins ranging between 14% and 16%.

The road sector had borne the brunt of aggressive bidding in the past. Bidders quoted huge premium amounts to bag BOT road projects back in 2011-2012 based on highly optimistic road traffic estimates, which backfired when the projections were not met, leaving a lot of these projects unviable.

While the traffic risk is not for the developers to take in the HAM model, the expectations of higher returns mean that there are more funds outgoing from NHAI towards the annuities that need to be paid to the developer. Thus, NHAI’s fund raising plans will be critical. Kotak Institutional Equities, in a report in March, observed that the fund raising for FY17 fell short of inspiring confidence on NHAI’s ability to raise funding from the market. A move towards EPC projects in FY18 (given mixed response of lenders to hybrid annuity projects) would further test such ability of NHAI, it noted.

However, to NHAI’s credit, it recently mopped Rs 3,000 crore through its first overseas masala bond and funds with patient capital are understood to have shown keen interest in NHAI’s plans of monetising operational roads through the Toll-Operate-Transfer (TOT) model.

*The Financial Express
Mumbai, 05.08.2017*





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A Rs 2-lakh crore makeover for Mumbai on track

The Maharashtra government's capex for the current year may have been pegged at levels lower than in 2016-17, but a Rs 2-lakh crore makeover for Mumbai is on track. A special purpose vehicle — Maha-Infra — will soon be set up to aggregate land that will be securitised to raise resources.

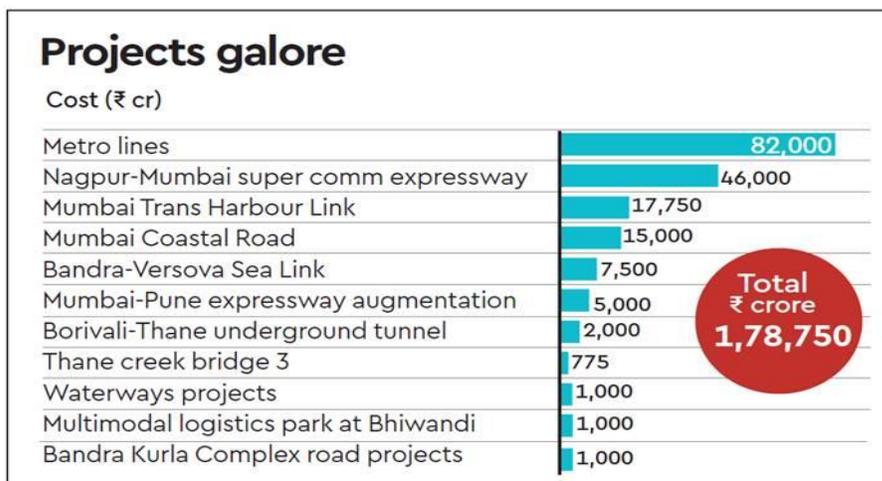
More than Rs 80,000 crore has been earmarked for metro projects while the Mumbai Trans Harbour Link (MTHL), connecting the mainland to Navi Mumbai across a 22-km long stretch, will be built at a cost of Rs 17,750 crore. There is also an ambitious Rs 15,000-crore plan to reclaim land all along Mumbai's coastline to build a 30-km long coastal road running from its southern tip to the northern suburbs.

Kaustubh Dhavse, officer on special duty to chief minister, is Devendra Fadnavis' chosen man to oversee some 30-odd projects in Maharashtra, including half a dozen in Mumbai.

Dhavse says the government will contribute to the equity of the projects so that banks are comfortable lending to them. Most of the funds will be sourced from multilateral agencies such as JICA.

A plan has been mooted for another cable-stayed bridge, estimated at Rs 7,500 crore, to connect Bandra with Versova, similar to the Bandra-Worli sea link. An eight-lane, super communication expressway, the first of its kind in India, estimated to cost Rs 46,000 crore, will connect Mumbai with Nagpur.

The improved infrastructure should help de-congest the city's roads to which there has been little addition in recent years; currently 30 lakh vehicles ply on the 2,000 km of the network everyday.



The travel time from Cuffe Parade in south Mumbai to the international airport at Andheri is estimated to come down to just under an hour from an hour and forty minutes currently. Commuters will have it easier since around 170 km of metro lines have been tendered over the last two years with the work having begun on three lines.

Vinayak Chatterjee, chairman, Feedback Infra, points out cities like Mumbai must gear up with a burst of infrastructure. "Roads, bridges need to be built to improve connectivity, given the increasing urbanisation even if not all projects are always viable," Chatterjee says explaining that a major part of other developmental activity is based on infrastructure development. In other words, there are several indirect benefits of creating infrastructure which cannot always be quantified.

The Maharashtra government may or may not levy user charges depending on whether it would lead to a slowing down in traffic. Abhaya Agarwal, Partner, EY India, points out that tolling in urban areas is not always helpful as it leads to congestion. "Large infrastructure projects add significantly to the GDP, the typical multiplier being 2.5 to three times for developing countries like India and when a congested city becomes de-congested, the impact is even higher," he told FF.



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Kshitish Nadgauda, managing director, Asia, at infra consultancy firm Louis Berger, points out that typically, cities opt for a ring-road that will carry vehicular traffic around the city with various radial cross roads providing connectivity to the downtown areas. “The coastal road and the Bandra-Versova sea link will form a similar high-capacity road network around Mumbai. The only difference is that the unique shape of Mumbai forces us to build part of this ring-road system out at sea,” Nadgauda said .

*The Financial Express
Mumbai, 07.08.2017*



Geographical contiguity to be the main criterion

Geographical contiguity will be the prime criterion, besides the volume of traffic, for project selection in the National Highways Authority of India’s (NHAI’s) roll-out of the first set of highway projects for monetisation.

According to an official, after several rounds of discussions with international pension funds — probable suitors for these monetisation projects — the NHAI and the Ministry of Road Transport and Highways have decided to bid out these contracts on the basis of continuity of stretches of roads.

For instance, instead of offering patchy stretches spread across several states, the NHAI will tender roads that run in continuity.

Another aspect is the anticipated traffic volumes. The higher the traffic volumes, the more the international pension fund would be interested in it.

These were the two main parameters to attract investors, an NHAI official told Business Standard.

The auction can be seen as a move to allow the entry of sovereign funds from Abu Dhabi and Qatar.

During consultations with the government, pension funds and sovereign wealth funds had suggested that the financial packages to be offered by the government should be large-sized.

For instance, of the 11 projects that are likely to be auctioned in the first round in August, a particular pension fund may be interested only if it wins at least three or four such contracts. The value of these projects should not be less than \$200 million.

Last year, the Cabinet Committee on Economic Affairs authorised the NHAI to monetise 111 publicly-funded National Highway (NH) projects that were operational and were generating toll for at least two years after the Commercial Operations Date (COD) through the toll-operatetransfer (TOT) model.

Around 75 operational NH projects completed under public funding have been preliminarily identified for potential monetisation using the TOT model.

This model would provide an operation and maintenance (O&M) framework, requiring the NHAI’s reduced involvement in projects after construction completion.

The corpus generated from the proceeds of such project monetisation could be utilised by the government to meet its fund requirements for highways in the country. This could help the development and strengthening of highways in inhospitable terrain.

The Centre aims to cater for investors such as pension and insurance funds, and sovereign funds, which are averse to construction risks but can make long-term investments in road infrastructure.

*Business Standard
New Delhi, 10.08.2017*



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Inland Waterways & Irrigation Canals

IWAI to lease out waterway assets on long-term basis

Inland Waterways Authority of India (IWAI) will lease out the assets built on national waterways to the private sector for operation and management for tenures as long as 30 years on a revenue share basis, according to its Vice-Chairman Pravir Pandey.

The GR Jetty and the Kalighat terminal in Kolkata were recently given to Bangladesh's Summit Alliance after the firm quoted revenue share of 38.3% for these facilities.

Pandey said IWAI plans to raise Rs. 660 crore in the fiscal year ending March 2018 to part-fund projects along National Waterway 1 between Varanasi and Haldia.

IWAI is expected to spend Rs. 1,700 crores this fiscal to develop facilities such as multi-modal terminals and dredging of waterways to help 1,500-2,000-tonne ships to ply along the route carrying cargo.

The National Waterway 1 is being developed at a cost of Rs. 5,369 crore, with the World Bank funding half of the project cost.

The project includes a dredging component of as much as Rs. 2,000 crore, split into three packages, with the aim of giving a least assured depth (LAD) of three metres.

IWAI will also issue a tender shortly to procure 20 vessels with designs given by Germany's DST to carry cargo such as cars, bulk carriers and liquids. These ships will be leased to private firms on a bare boat charter basis, Pandey added.

*The Hindu Business Line
Mumbai, 07.08.2017*



LABOUR

Labour Law Problem

EPFO move to cut charges could free up Rs 1,900 crore

Less than four months after it reduced the administrative charges (ACs), the Employees' Provident Fund Organisation (EPFO) is planning to slash these imposts further. The move would allow employers — from whose share to the EPF these charges are deducted — to increase workers' salaries.

If the EPFO's latest plan to reduce the ACs to 0.4% of the basic pay from the current 0.65% materialises, these charges will fall to their lowest level since 1998.

The amount to be freed and that employers could potentially pass on to workers by the latest move is around Rs. 1,900 crore annually. In January 2015, the retirement fund body had reduced the ACs to 0.85% from 1.1%, the rate that existed for 16 years.

Currently, while an employee contributes 12% of her basic pay to EPF, the employer contributes 8.33% towards employees' pension scheme and 3.67% to the EPF itself. Additionally, the employer also pay 0.5% towards Employees' Deposit-linked Insurance (EDLI) Scheme, 0.65% as EPF ACs and 0.01% as EDLI handling fee, taking her total contribution to 13.61%.

Currently, a little over 25% of the basic pay of an employee earning less than Rs. 15,000 per month goes towards the mandatory provident fund/insurance/pension cover. In India, the AC on the state-managed retirement fund is among the highest in the world.



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However, the amount collected by the EPFO through ACs has consistently been higher than its administrative expenditure.

In the three years till 2015-16, EPFO saved a whopping Rs 8,372 crore on the ACs' account, according to its latest annual report.

EPFO uses the AC fund to run the organisation including the capital expenditure to purchase land and buildings, expenses for salary including the payment of pension to staff and officers upon retirement.

EPFO's highest decision-making body Central Board of Trustees (CBT) recommends the rates for administration and inspection charges and it is fixed by the central government and notified in the gazette.

*The Financial Express
New Delhi, 08.08.2017*

