योजना आयोग
भारत सरकार

Planning Commission

GOVERNMENT OF INDIA

Friday, 1st August 2014
Communication, IT & Information Division
Phone # 2525

NEWS AND VIEWS

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"No matter how carefully you plan your goals, they will never be more than pipe dreams unless you pursue them with gusto"

W. Clement stone

Polity

- **Congress stand may delay passage of Insurance Bill:** The Congress has indicated that the Insurance Laws (Amendment) Bill, which envisages raising foreign direct investment in insurance companies from 26 per cent to 49 per cent, is not going to have an easy ride in the Rajya Sabha. The party is likely to demand that the Bill be referred to the Select Committee, a process that could delay it by months. "We cannot be opposed in principle to a Bill that we propounded. But we need to look closely at the details," Congress spokesperson Abhishek Manu Singhvi said. The UPA government introduced the Bill in 2008, but the BJP, then in the Opposition, continuously blocked its passage. Now, while the BJP-led government is eager to pass the Bill and showcase it as a major reform initiative, the Congress appears in no hurry to oblige. The party plans to move a resolution seeking the select committee early next week, for which it is garnering political support. The insurance Laws (Amendent) Bill that allows for raising FDI in insurance companies from 26 per cent to 49 per cent was included in Thursday's Business List for discussion fna passage in the Upper House but was taken off the agenda after the Opposition Congress and the Left parties opposed it in the morning meeting of party leaders with the Chairman. Seeking time to study the 97 amendments proposed to be moved by Fiunance Minister Arun Jaitley when the Bill comes up for discussion, party leaders wanted the Bill to be referred to the Select Committee. The Bill is now expected to be taken up on Monday or Tuesday. Whenever that happens, the government may have to face its first floor test in a House of 245 where it is in minority. (The Hindu).

Economy

- **Q1 fiscal deficit crosses 56% of estimate:** Fiscal deficit in the April-June quarter crossed 56% of the Budget estimates of the entire 2014-15 mainly due to slow revenue collections and a steady rise in non-Plan spending, Controller General of Accounts data showed on Thursday. The deficit in the first quarter amounted to Rs 2.98 lakh crore, or 2.3% of GDP. The Budget target for the fiscal deficit for the full year is Rs 5.31 lakh crore, or 4.1% of GDP. Last year, the deficit in the first quarter was comparatively lower at 48.4% of Budget target. The NDA government had retained the UPA government's interim Budget projection of cutting the fiscal deficit from 4.5% to 4.1% in 2014-15, hoping to garner higher disinvestment and other non-tax receipts and regulating subsidies. Analysts were cautious to interpret the widening deficit in the early part of the fiscal year. "At an absolute level, the fiscal deficit in Q1FY15 was 13% higher than the level in Q1FY14, partly on account of unfavourable tax growth, which is a cause for some concern. Moreover, a sharp pickup in outgo for interest payments boosted non-plan revenue expenditure in the just-concluded quarter," said Aditi Nayar, a senior economist at Icra. "Although the fiscal deficit in the first quarter of the current fiscal exceeded half the Budget estimate, fiscal trends for the early part of the year should be interpreted with caution. (Business Line).

Planning

- **Govt's Financial Inclusion Mission to cover every household in all areas:** Taking a step ahead of the UPA Government's scheme to cover un-banked rural households, the Narendra Modi Government's new Financial Inclusion Mission will cover urban households, too. The Prime Minister is expected to announce this mission in his Independence Day speech on August 15. On Thursday, Finance Minister Arun Jaitley called a meeting of heads of public sector banks and financial institutions to draw a blueprint of the mission. The aim is to open 7.5 crore bank account in a year, which will include 1.5 crore in urban areas and the rest in rural areas. At present, around 41 per cent of the population does not have any banking facility. Bank heads expressed confidence in meeting the target set by the Government, that too at a lower cost. Arun Kaul, Chairman and Managing Director of Kolkata-based UCO Bank, said technology could bring down costs, while SL Bansal, CMD of Delhi-based Oriental Bank of Commerce, said banks were in a position to absorb small expenditure in expanding financial inclusion. In the meeting, Jaitley said the new programme will provide households with facilities of savings, credit, remittances, insurance and pension, among others. This is a marked shift from the earlier effort where only opening of accounts was the focus of the financial inclusion drive. He said the Government's aim was to have a banking facility in every village, within a reasonable distance, and every household should have at least one bank account within the timeframe of one year. (Business Line).

Editorial

- **The non-solutions:** Prime Minister Narendra Modi has made much of MyGov, a new portal for citizens to contribute ideas for governance. It is intended to "bridge the gulf between people and government" and make public participation an ongoing affair, the PMO claims. Meanwhile, the Congress, which has been more wary about technology and social media, is also working on an intra-party online platform, ostensibly to bring "greater transparency and accountability". Both these efforts are unobjectionable, but they make a fetish out of technology, and assume that the mere fact of existing online somehow furthers transparency and participation. The internet has some obvious affordances – it makes it easier to coordinate mass action, to micro-target messages, to receive feedback and spread information. Social media is highly useful for political parties, for messaging as well as mobilising. But apart from organisational ease, there is no inherent social virtue or progressive impulse in the use of a website or social media platform. Positive change depends on social and institutional environments. An apparently centralised Modi government, where decision-making seems to be tightly streamlined, is unlikely to get its direction from the lightbulb ideas on MyGov. Running an open government requires much more – it requires proactively making the government's information available. While the UPA's data.gov.in aimed to open up ministry information, it was clunky and inaccessible to all but the most dedicated users. While the idea of crowdsourcing bright ideas for governance is positive, its effects will have to be seen to be believed. (The Indian Express)

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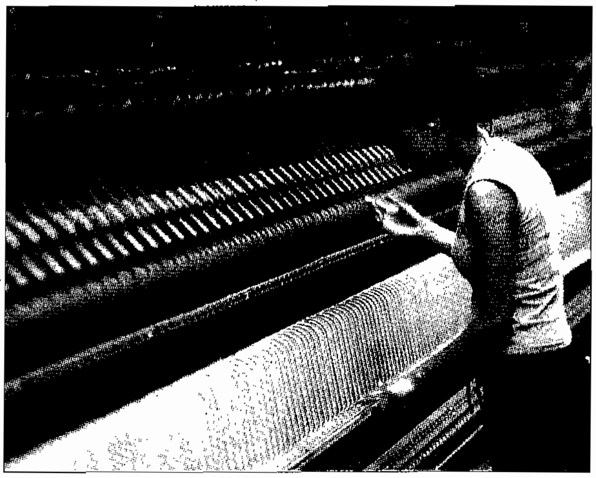
Extend rural jobs scheme to textile sector: Minister to PM

Banikinkar Pattanayak



New Delhi, July 31: Textile minister Santosh Kumar Gangwar has sought Prime Minister Narendra Modi's help to extend the rural job scheme to the entire textile and garments sector.

"I have written to the Prime Minister, requesting him to extend the Mahatama Gandhi Rural Employment Guarantee Scheme (MGNREGS) to the entire textile sector. We will also take up the issue of some necessary labour reforms with the labour ministry so that workers benefit," Gangwar said.

Currently, the MGNREGS is extended only to the silk segment. Last year, the then textile minister, KS Rao, had also supported the idea, but couldn't do much.

DK Nair, the secretary-general of the Confederation Of the Indian Textile Industry, said: "One of the ways the MGNREGS could be implemented is that textile units would provide training as well as work to the labourers. The government would provide the minimum wage, as stipulated under the scheme, while the industry may offer some more, depending upon the work."

With such a move, a labour shortage can be addressed, especially in garment factories, as temporary workers are not allowed under the current law, he said. Importantly, even unskilled workers would be imparted proper training, much to their benefit, he added.

Garment factories, especially the relatively smaller ones, often face problems as orders from overseas are mostly seasonal but they have to keep workers on payroll even during the off-season. Such a policy, sometimes, prompts them to even cancel orders, fearing legal action if they decide to lay off the additional workers after the peak season is over. "In a country where so many people are without jobs, blocking employment opportunities, even if temporary, is not prudent, Nair added.

National textile policy to be out this month

Gangwar said his ministry has received the textile vision document, prepared by the Ajay Shankar committee, which envisaged textile and garment exports growing to a $300 billion by 2024-25 from around $39 billion in the last fiscal. The document was the result of a review of the National Textile Policy, 2000, which, Gangwar said, would be finalised in August itself after factoring in comments from stakeholders.

Higher exports would double the employment opportunity in the sector to 70 million by 2014-15. However, for these to happen, the country not just needs roughly $120 billion in investment by 2024-25 but also suitably reviews existing laws, especially labour laws.

Already, the Cabinet on Wednesday approved amendments to the Factories Act, 1948, which is expected allow women for night duty with adequate safety and provision for transport after work. The amendments also aim to double the overtime hours for willing workers to 100 hours per quarter. It is proposed that this limit can be raised to a maximum of 125 hours per quarter in public interest with the approval of state government. These amendments, once implemented, would benefit the textile and garments sector, which has long been demanding relaxation in these "archaic" norms.

The minister said a road map on setting up seven textile mega clusters and textile parks would also be finalised in August.

The Financial Express

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Q1 fiscal deficit crosses 56% of estimate

■ Slow revenue collections, steady rise in non-Plan expenditure weigh

fe Bureau
New Delhi, July 31

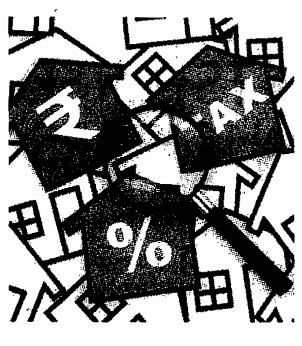
FISCAL deficit in the April-June quarter crossed 56% of the Budget estimates of the entire 2014-15 mainly due to slow revenue collections and a steady rise in non-Plan spending, Controller General of Accounts data showed on Thursday.

The deficit in the first quarter amounted to Rs 2.98 lakh crore, or 2.3% of GDP. The Budget target for the fiscal deficit for the full year is Rs 5.31 lakh crore, or 4.1% of GDP. Last year, the deficit in the first quarter was comparatively lower at 48.4% of Budget target.

The NDA government had retained the UPA government's interim Budget projection of cutting the fiscal deficit from 4.5% to 4.1% in 2014-15, hoping to garner higher disinvestment and other non-tax receipts and regulating subsidies.

Analysts were cautious to interpret the widening deficit in the early part of the fiscal year.

"At an absolute level, the fiscal deficit in Q1FY15 was 13% higher than the level in Q1FY14, partly on account of unfavourable tax growth, which is a cause for some concern. Moreover, a sharp pickup in outgo for interest payments boosted non-plan revenue expenditure in the just-concluded quarter," said Aditi Nayar, a senior economist at Icra.



Deficit in the first quarter amounted to ₹2.98 lakh crore, or 2.3% of GDP. The Budget target for the fiscal deficit for the full year is ₹5.31 lakh crore, or 4.1% of GDP

"Although the fiscal deficit in the first quarter of the current fiscal exceeded half the Budget estimate, fiscal trends for the early part of the year should be interpreted with caution. While inflow from various revenue streams tends to be lower in the first quarter, particularly disinvestment, tax collections and dividends, expenditure is spread out more evenly throughout the fiscal, such as employee expenses," she added.

In the April-June quarter, the government's total expenditure stood at Rs 4.14 lakh crore or 23% of the Budget estimates for 2014-15, which was comparatively same as Q1 of last year.

However, non-plan spending was at Rs 3.02 lakh crore or 24.7% of BE compared with 24.1% in the same period last year while plan expenditure were at Rs 1.12 lakh crore or 19.4% of BE compared with 20.7% in Q1 last year.

The main worry is the slow growth of revenue receipt at Rs 1.14 lakh crore or 9.6% of BE compared with 11.1% in first quarter of last year. Tax collections were at Rs 99,087 crore or 10.1% of BE compared with 11.5% in Q1 last year.

This resulted in widening of the revenue deficit to Rs 2.49 lakh crore or 65.9% of BE during the first quarter as against 55.4% during the same period last year.

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Report on PSU banks' merger to be submitted within a month

New Delhi, July 31: The finance ministry has asked SBI Capital Markets to prepare a feasibility report on merger and recapitalisation of public sector banks, financial services secretary Gurdial Singh Sandhu said on Thursday, adding that the report will be submitted in a month's time.

"We have given SBI Caps two assignments — recapitalisation and consolidation. I hope within a month or so we will be getting (a report)," Sandhu told reporters on the sidelines of finance minister Arun Jaitley's meeting with chiefs of PSU banks.

Sandhu said the government had not yet received any formal proposal with regard to bank mergers, although there were many suggestions on merging banks with their subsidiaries. "No formal decision has been taken but many suggestions are coming. One, of course, (is the merger of) the State Bank of India with one of its subsidiaries. We are working on that," he said.

> We have given SBI Caps 2 assignments — recapitalisation and consolidation. I hope we will be getting (a report) in a month or so
>
> **GS SANDHU,** financial services secretary

SBI has five associate banks: State Bank of Bikaner and Jaipur, State Bank of Travancore, State Bank of Patiala, State Bank of Mysore and State Bank of Hyderabad. State Bank of Bikaner and Jaipur, State Bank of Mysore and State Bank of Travancore are listed entities.

Sandhu said that while bank consolidation will be a "slow process", recapitalisation of banks, including through dilution of the government's stake, may start by as early as November. He saod bank stake sales may happen in tranches based on the requirement of funds. "We will approach the Cabinet for (its approval)," the official said, adding that stake diluition will be through a combination of FPO and QIP sales to retail investors. The Indian banking system needs to be infused with about ₹2.4 lakh crore by 2018 to meet Basel-III norms. *fe Bureau*

The Financial Express

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Govt preparing draft policy on underground coal gasification

New Delhi, July 31: The government is preparing a draft policy on underground coal gasification, coal and power minister Piyush Goyal said on Thursday.

"A draft policy is under formulation for development of Underground Coal Gasification from unexplored coal and lignite bearing areas in the country," Goyal said in a written reply to the Lok Sabha.

Underground coal gasification (UCG) is a method of converting coal still in the ground to a combustible gas that can be used for various uses, including power generation. "Further, production of syngas through Coal Gasification (Underground and Surface) and coal liquefaction have been notified as end uses for the purpose of Coal Mines (Nationalisation) Act 1973 and Mines and Minerals (Development & Regulation) Act, 1957," said Goyal.

Two coal blocks — Yellendu (Dip Side) in Telangana and Bandha-Singrauli Main Basin in MP — and five lignite blocks have been identified for offer for development of UCG, he said. The lignite mines are Sindhari West, Chokla North, Nimbalkot and Nagurda in Barmer, Rajasthan and Dungra in Surat, Gujarat.

Vastan Lignite block in Gujarat has been identified for UCG purpose for the government companies in the state and the applications for the same have been invited, Goyal said. Coal India (CIL) is also contemplating to develop UCG projects within its command area. Two such blocks are Kaitha in Ramgarh Coalfield in Central Coalfields, Jharkhand and Thesgora 'C' in Pench-Kanhan Coalfield in Western Coalfields Ltd, Madhya Pradesh have been identified for taking up UCG.

"Action is being taken for commercial development of UCG in the aforementioned," Goyal said. *PTI*

Business Line

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Textiles Minister wants PM to link the sector to rural job guarantee scheme

National Textiles Policy likely to be finalised by Aug 15

AMITI SEN

New Delhi, July 31

Textile Minister Santosh Gangwar has written to Prime Minister Narendra Modi requesting that the entire textile sector, including garments and fibre, be linked to the Mahatma Gandhi National Rural Employment Guarantee Scheme (MGNREGA).

The proposal, if accepted, will not only guarantee minimum wages to workers in the textile sector but also ensure adequate availability of labour for manufacturers.

"I have written to the Prime Minister to link the entire textile sector with MGNREGA (Mahatma Gandhi National Rural Employment Guarantee) Scheme. It will ensure that the thousands of workers employed in the sector get a guaranteed minimum wage," Gangwar told *Business Line*.

Textile push The Textile Minister is also urging the Labour Ministry to ease labour laws for the textile sector. REUTERS

The Textiles Ministry is also in talks with the Labour Ministry to streamline labour laws for the sector. This may form part of the National Textiles Policy which Gangwar hopes to finalise by August 15.

The draft policy, which will be uploaded on the Ministry's Web site soon, will invite comments from all, the Minister said.

The new Textiles Policy will have a vision statement for the sector for the next 10 years that would include the target of trebling India's market share in the world from the current 4 per cent.

Textiles park soon

Gangwar said that the proposed textiles parks with initial investment of ₹100 crore - 40 per cent of which would be subsidy from the Government - were also expected to be set up soon. "August 7 is the last date for the bids," the Minister said.

Finance Minister Arun Jaitley had announced the setting up of 25 textile parks in this year's Budget.

The textile industry, especially garments manufacturers, has been long demanding that the MGNREGA scheme be available for workers who seek employment in their sector. The industry has been facing a shortage of labour during peak demand season, as many workers prefer to work under MGNREGA schemes that guarantee minimum wages for a minimum 100 days in a year for every household.

The MGNREGA scheme has already been extended for silk cultivation, and a proposal had been made by the previous UPA Government to extend it to the handloom sector.

The textile sector is the second largest employment generating sector after agriculture in the country employing about 35 million people.

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Govt's Financial Inclusion Mission to cover every household in all areas

Aiming for at least one bank account in every household within a year, says Jaitley

OUR BUREAU
New Delhi, July 31

Taking a step ahead of the UPA Government's scheme to cover un-banked rural households, the Narendra Modi Government's new Financial Inclusion Mission will cover urban households, too. The Prime Minister is expected to announce this mission in his Independence Day speech on August 15.

On Thursday, Finance Minister Arun Jaitley called a meeting of heads of public sector banks and financial institutions to draw a blueprint of the mission. The aim is to open 7.5 crore bank account in a year, which will include 1.5 crore in urban areas and the rest in rural areas. At present, around 41 per cent of the population does not have any banking facility. Bank heads expressed confidence in meeting the target set by the Government, that too at a lower cost. Arun Kaul, Chairman and Managing Director of Kolkata-based UCO Bank, said technology could bring down costs, while SL Bansal, CMD of Delhi-based Oriental Bank of Commerce, said banks were in a position to absorb small expenditure in expanding financial inclusion.

Marked shift

In the meeting, Jaitley said the new programme will provide households with facilities of savings, credit, remittances, insurance and pension, among others. This is a marked shift from the earlier effort where only opening of accounts was the focus of the financial inclusion drive. He said the Government's aim was to have a banking facility in every village, within a reasonable distance, and every household should have at least one bank account within the timeframe of one year.

"This is a big challenge and there are several difficulties, such as lack of connectivity, infrastructure facilities," he said.

The mission will be completed in two phases, starting from August 15 this year.

The first phase will get over by August 14, 2015, and the second phase by August 14, 2018. Most of the activities will be done in the first phase, while insurance and pension would be covered in the second.

Later, while talking to newspersons, Jaitley said this campaign for inclusion will be at various layers, which includes brick and mortar branches, smaller branches, kiosks, ATMs besides human contact through business correspondents.

More comprehensive now

Old programme	New programme
Village-based approach where population is greater than 2,000 (limited geography)	Households in all villages
Only rural	Both rural and urban
Mobile business correspondent	Fixed point business correspondent in each sub-service area comprising 3-4 villages
Focus on opening basic savings bank deposit accounts	Focus also on financial literacy, convergence with other subsidy and micro-insurance/pension schemes
Monitoring by banks	Monitoring mechanism at Centre, State, District levels
Operation of accounts offline; separate server	Accounts online. Provision of RuPay Card to each accountholder, giving freedom to operate anywhere

Business Standard

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62% of area covered in Gujarat

BS REPORTER
Ahmedabad, 31 July

GREEN PASTURES

Area covered in kharif 2014 as on July 28 (mn hectares)

Crop	Normal area*	Previous kharif coverage	Coverage in kharif 2014	% over normal
Cereals	1.5	1.2	0.6	37
Pulses	0.5	0.4	0.2	39
Oilseeds	2.4	1.9	1.3	55
Other crops	4.2	3.8	3.2	77
Total	**8.6**	**7.3**	**5.3**	**62**

*3-year average Source: Gujarat agriculture department

With Gujarat recording good rains since last week, 61.62 per cent of the overall sowing in the state has been completed, against 38 per cent on July 21. For cotton and groundnut, two major kharif crops, 95 per cent and 77 per cent of the sowing has been completed, respectively.

For paddy, however, sowing is yet to pick up; as of July 28, only 36 per cent of paddy sowing had been completed. A year ago, paddy sowing had been carried out across 700,900 hectares.

State agriculture department data showed with almost all parts of the state receiving good rainfall since last week, sowing had been carried out across 5.35 million hectares by July 28, against 3.29 million hectares a week earlier. As of July 28 last year, sowing was completed across 7.51 million hectares.

For cotton, sowing had been completed across 2.58 million hectares (95.11 per cent of the total cotton-sowing area). During the corresponding period last year, sowing had been completed on 2.61 million hectares.

As of July 28 this year, groundnut sowing had been completed on 1.12 million hectares (77.81 per cent of the overall sowing area). A year ago, groundnut sowing had been completed on 1.59 million hectares.

For sesame, sowing has been carried out on 81,100 hectares (68 per cent of the total area), against 98,800 hectares a year ago.

S R Chaudhary, director of agriculture, said sowing had picked up in most parts of the state. "With central and north Gujarat receiving good rains last week, sowing of crops has picked up. We are likely to see a significant rise in paddy sowing in the coming week," he said.

Asked whether there was any crop damage in south Gujarat, which had received excess rainfall, Chaudhary said his department hadn't received reports of any damage. "However, we have sought reports on damages from our district offices, and these are likely to come in a few days," he added.

Business Standard

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Hope revives on paddy output

Foodgrain production may drop 5-8 mt compared to 2013, due to a fall in output of pulses & coarse cereals: Ministry official

KOMAL AMIT GERA & SANJEEB MUKHERJEE
Chandigarh/New Delhi, 31 July

Adequate rains in most parts of India and a revival in paddy sowing has sparked hope that the rice crop will be better than estimated this kharif season.

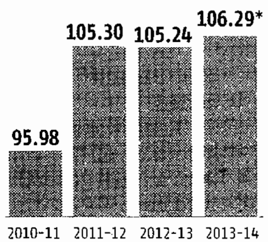
Across the country, the area under paddy is about 44 million hectares, with about 40 million hectares accounted for by kharif paddy. For 2013-14, the kharif paddy output stood at an estimated 92.78 million tonnes (mt).

Trilochan Mahapatra, director, Rice Research Institute, Cuttack, said the pace of paddy sowing had improved across Odisha, West Bengal, Chhattisgarh and Bihar. He added if the rains continued to be good, the paddy acreage target would be met. "The monsoon is late; this is July-end. But most farmers had sown seeds in nurseries, and only transplantation of paddy in fields remains to be carried out."

A senior Union food ministry official said foodgrain production might drop five-eight mt compared to 2013, primarily due to a fall in the output of pulses and coarse cereals. He added the paddy crop wouldn't be hit much, as in the North, irrigation and pump sets could help make good the loss. If post-harvest losses were controlled, the impact wouldn't be much, he said.

"The long-duration paddy crop (non-basmati varieties) needs 140-150 days. Under the current circumstances, we might see a late harvest, but the crop size shouldn't be affected. The situation will be more discernible after two weeks, when the sowing is complete. Any lag in the rainfall might effect sowing," he said.

RICE OUTPUT
In million tonnes



Note: Output of kharif paddy
* Third Advanced Estimates
Source: Department of Agriculture & Cooperation, GoI

While paddy fields in Punjab, Haryana and western Uttar Pradesh are primarily irrigated and, therefore, aren't substantially affected by delayed and deficient rains, paddy-growing areas in other parts of the country are hit by a below-average monsoon.

An official said though heavy rains in Saurashtra in Gujarat might have some adverse impact on the paddy crop, as states in western India didn't contribute substantially to rice production, the situation wasn't alarming.

Under the 'Bring Green Revolution to Eastern India' initiative, the Centre has made an annual allocation of ₹1,000 crore to improve paddy production. The scheme covers Assam, Bihar, Chhattisgarh, Jharkhand, Odisha, eastern Uttar Pradesh and West Bengal.

Vijay Tayal, secretary-general, Chhattisgarh Rice Millers' Association, said though paddy sowing in the East had been delayed by a month, the situation had improved. "There is no draught-like situation and paddy transplantation is on in full swing. The production might be close to that recorded last year if there monsoon rains are sufficient."

Monsoon rains 9% below normal during the week ended July 30

The southwest monsoon during the week ended July 30 was nine per cent below average across India as rains took a break in the central and western regions after pounding for almost 10 days. However, officials said it won't have any impact on the momentum generated and might actually be beneficial for sowing as too much rain is also not considered good. Rainfall during the previous week across the country was 20 per cent above normal, which was the best in the June-to-September season so far. The total monsoon deficiency for the season — between June 1 and July 31 — was estimated at 22 per cent below normal, marginally more than 2009. India suffered its earlier big drought in 2009 when the total cumulative rainfall across was around 22 per cent below normal.

BS REPORTER

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Reserve Bank likely to focus on liquidity management

NEELASRI BARMAN
Mumbai, 31 July

Due to volatility in overnight rates, the Reserve Bank of India (RBI)'s focus could be on liquidity management in its third bi-monthly monetary policy review, to be detailed on Tuesday.

In the previous review, too, RBI had taken steps towards liquidity management. RBI had earlier said it wanted call rates to hug the repo rate (at which it lends to banks), which is at eight per cent. Of late, rates have even hovered near nine per cent.

Moses Harding, group chief executive officer (liability and treasury management) & chief economist at Srei Infrastructure Finance, said: "The agenda this time is on the liquidity and cost of liquidity. RBI has administered tight liquidity and elevated short-term rates, which is obviously not growth-supportive. There is need to loosen the tight grip to supplement the government's growth pick-up measures."

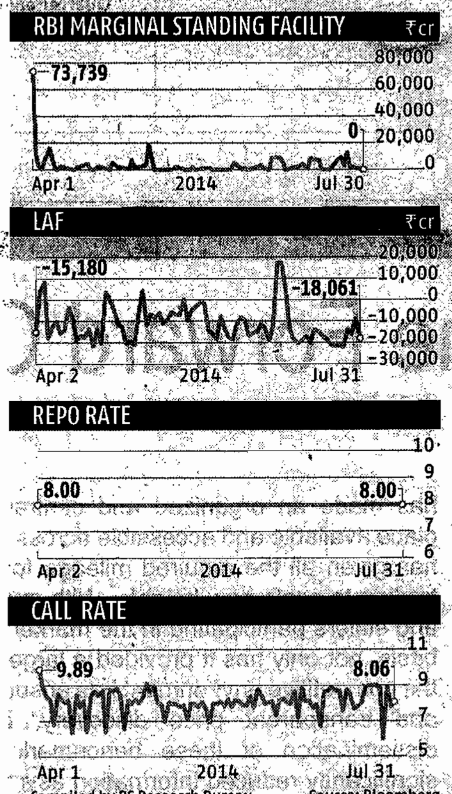
RUN-UP TO BIMONTHLY MONETARY POLICY REVIEW

Harding believes RBI has a choice between a cut in policy rates or to raise the amount of refinance from the overnight repo counter from the current 0.25 per cent of net demand and time liabilities (NDTL). In July, RBI has infused about ₹170,000 crore by way of term repos; even so, overnight rates continue to be volatile. Banks have not been tapping the Marginal Standing Facility of RBI much and there have also been days when they did not borrow anything through that window.

Experts have identified reasons for the tight liquidity and a few believe it might continue. "We have got good inflows on the FII front in both debt and equity. RBI has been buying these dollars to prevent the rupee from appreciating. When RBI buys dollars, it adds rupee liquidity in the system. To neutralise this, RBI has been doing forward swaps," Badrish Kulhalli, head of fixed income at HDFC Life, said. The government might also have slowed its spending compared with April and May, adding to liquidity tightness, he added. "In April and May, government spending was quite large due to payments of past dues for subsidies. Now, the government might keep tight control on spending. It might also be reassessing most of the programmes they are spending on."

In the June policy review, RBI had reduced the Statutory Liquidity Ratio for banks by 50 bps to 22.5 per cent. However, it had also reduced the liquidity provided under the export credit refinance facility to 32 per cent from the earlier 50 per cent. To compensate, RBI had introduced a special term repo facility of 0.25 per cent of NDTL.

THE BIG PICTURE



Compiled by BS Research Bureau Source: Bloomberg

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IIP signal: Core sector growth jumps to a 9-month high

BS REPORTER
New Delhi, 31 July

Output of eight crucial industries grew 7.3 per cent in June, which was the highest expansion after September 2013 and more than three times compared to only 2.3 per cent in May, official data showed on Thursday. This might augur well for the Index of Industrial Production (IIP) since these industries have almost 38 per cent weight in it, say economists.

Expansion of these industries had stood at just 1.2 per cent in a year ago period of June, 2013, also a factor in magnifying the growth in June of this year.

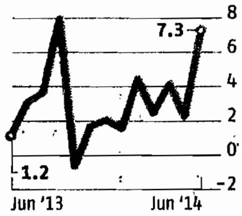
Called core sector, these eight industries — coal, crude oil, natural gas, refinery products, fertilisers, steel, cement and electricity — had risen eight per cent in September, 2013 at aggregate level, the earlier highest figure.

In the first quarter of the current financial year, core industries expanded 4.6 per cent from 3.7 per cent in the year-ago period.

In June, electricity generation recorded a phenomenal growth of 15.6 per cent, more than double of the 6.3 per cent in the previous month. It was closely followed by the cement sector, which rose 13.6 per cent against 8.7 per cent in the previous month. Coal production rose 8.1 per cent against 5.5 per cent. Steel production went up by 4.2 per cent against contraction of two per cent in May.

RECOVERY SIGNS

Core sector growth (% y-o-y)



Source: Ministry of Commerce and Industry

Production of crude oil and refinery products remained range-bound. Natural gas production fell 1.7 per cent in June against a decline of 2.2 per cent in the previous month. In fact, there is no single month in at least a year when natural gas production rose, clearly showing the problems the sector is engulfed with including pricing policies of the government.

After rising for previous two months, fertiliser production again slipped into contraction by one per cent.

Since the core sector constitutes more than one-third of IIP, the industrial growth is also expected to be robust in June, data of which will come in August.

"Yes, IIP growth is expected to be strong. We expect close to five per cent growth in the index," said Arun Singh, senior economist with Dun & Bradstreet India. IIP growth had stood at 4.7 per cent in May. If IIP indeed grows by five per cent in June, it would the second month of high growth compared to previous months. The industrial growth was highest at 2.6 per cent in July in 2013-14. IIP contracted in seven months of the year.

However, there is no one-to-one relation between core industry and IIP growth. For instance, the core sector expanded only 2.3 per cent in May and IIP rose 4.7 per cent. On the other hand, core sector grew 4.2 per cent in April and IIP went up by 3.4 per cent.

Singh attributed this to poor showing by the other 60 per cent of IIP, including capital goods, consumer durables and basic products. Volatile nature of capital goods could be seen as hindrance to exact link between the core sector and industrial growth.

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'44 port projects under PPP mode to be cleared in 2 yrs'

PIONEER NEWS SERVICE
■ NEW DELHI

In line with its decision to develop robust waterways for business and tourism, the NDA Government has scaled up work on 44 port projects worth over ₹30,000 crore under public-private-partnership (PPP) mode. It has set themselves a two-year deadline for the completion of the works.

"Forty-four projects worth ₹30,220.78 crore are at different stages of completion under PPP mode in the ports sector," said Krishnapal Gurjar, Minister of State for shipping in a written reply to Lok Sabha on Thursday.

"The Government has taken a total of 72 projects for the sector under PPP mode and of these 28 projects of ₹8,945.86 crore have been completed and about 44 should complete in the next two years," he said.

India has 12 major ports—Kandla, Mumbai, JNPT, Marmugao, New Mangalore, Cochin, Chennai, Ennore, VO Chidambarnar, Visakhapatnam, Paradip and Kolkata (including Haldia) which handle approximately 61 per cent of the country's total cargo traffic.

India has one of the largest merchant shipping fleet among the developing countries and is ranked 17th in the world, he said.

Minister of Shipping Nitin Gadkari has claimed that once completed, the waterways transport system will bring in investment of at least ₹80, 000 crore.

In the year's annual budget, Finance Minister Arun Jaitley announced an outlay of ₹11, 600 crore for building the outer Harbour Tuticorin port.

Govt hikes upstream fuel subsidy burden; ONGC to pay 4.5% more

NEW DELHI: Oil and Natural Gas Corp's (ONGC) fuel subsidy outgo will rise by 4.5 per cent in April-June quarter to ₹13,200 crore as Government raised upstream fuel subsidy burden.

Fuel retailers Indian Oil Corp (IOC), Bharat Petroleum Corp (BPCL) and Hindustan Petroleum Corp (HPCL) sell diesel, domestic LPG and kerosene at government controlled rates which are lower than cost. The loss they thus make are compensated through a combination of government cash subsidy and upstream dole.

During April-June, the three fuel retailers lost ₹28,690.74 crore on the three fuel. Of this, the upstream firms ONGC, Oil India Ltd (OIL) and GAIL have been asked to meet ₹15,546.65 crore or 54 per cent of the under-recovery or revenue loss.

ONGC has been asked to chip in ₹13,200.10 crore, official sources said. This is 4.5 per cent higher than ₹12,622 crore it had paid in first quarter of previous fiscal.

OIL has been asked to provide ₹1,846.55 crore while the share of gas utility GAIL has been fixed at ₹500 crore.

The Government is yet to announce its cash subsidy for the first quarter.

Sources said out of the upstream dole, IOC will get ₹8,107.21 crore, BPCL ₹3,830.56 crore and HPCL ₹3,608.88 crore.

Of the ₹28,690.74 crore revenue loss in April-June, fuel retailers lost ₹12,129 crore on domestic LPG, ₹9,037 crore on diesel and ₹7,524 crore on kerosene sold through PDS.

Oil firms are currently losing ₹2.49 a litre on diesel, ₹33.07 on PDS kerosene and ₹449.17 crore on domestic LPG, they said adding at the current rate the three firms are likely to end the fiscal with an under-recovery of ₹98,345.55 crore.

Sources said IOC lost ₹15,328.34 crore on sale of the three products in Q1, HPCL ₹6,620.01 crore and BPCL ₹6,742.39 crore.

Last fiscal, oil firms had lost ₹139,869 crore on sale of diesel, PDS kerosene and domestic LPG. PTI

Petrol price cut by ₹1.09 per litre, diesel gets costlier

PNS ■ NEW DELHI

In a second reduction in the last almost four months, petrol prices were on Thursday cut by ₹1.09 per litre, even as diesel rates underwent the usual monthly hike of 50 paise a litre.

The revised rates will be effective from early hours of Friday, Indian Oil Corporation (IOC) said in a statement.

Petrol in Delhi will subsequently cost ₹72.51 per litre from as against ₹73.60 a litre currently. Similarly, diesel will be priced at ₹58.40 per litre as compared to the prevailing ₹57.84 per litre (including VAT).

Petrol prices were reduced following drop in international oil rates and rupee depreciation against the US dollar, making imports cheaper.

For the same reason, price of bulk diesel, which unlike the subsidised fuel available at petrol pumps is priced at market rate, has been cut by 72 paise per litre.

Price of bulk diesel, which as per Government policy is meant for large consumers like state road transport corporations, railways and defence, was last revised on July 16 when rates were cut by ₹1.09 to ₹59.32 per litre.

The Tribune

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₹5 lakh cr required for ongoing projects

GIRJA SHANKAR KAURA
TRIBUNE NEWS SERVICE

NEW DELHI, JULY 31

Indian Railway will need Rs 5 lakh crore to complete all sanctioned projects for which it is mobilising additional resources, including private investment, FDI and private-public partnership.

Informing the Lok Sabha about the expected cost of the ongoing projects, Railways Minister DV Sadananda Gowda said keeping in mind the various pending projects announced by previous governments, he had refrained from announcing any new projects in the Railway Budget this year.

There are 362 major ongoing railway projects across the country having a throw-forward of Rs 1.82 lakh crore.

He said 113 out of the 362 new lines, gauge conversion and doubling projects have been included in railway budgets during 2011-12, 2012-13 and 2013-14.

In his response to the supplementary questions raised by members, the minister said the public sector undertaking had a huge throw-forward of ongoing projects and a limited overall availability of funds.

"As such, it is not possible to allocate adequate funds to the projects on a regular basis, which is a prerequisite to fixing timelines and schedules," he said.

The minister pointed out that various projects were announced by his predecessors but would not take off since no funds were ever allocated for them.

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Railways to spend ₹73k cr on two freight corridors

The big plan

- The government has sanctioned two Dedicated Freight Corridors — 1,839 km-long Dankuni-Ludhiana Eastern DFC and 1,499 km-long Jawaharlal Nehru Port Terminal-Dadri Western DFC
- The construction cost of the two is estimated at Rs 73,392 crore (Rs 26,674 cr for Eastern DFC and Rs 46,718 cr for Western DFC)
- Western DFC is set to be commissioned in 2018 and Eastern DFC in 2019, excluding the Sonnagar-Dankuni section

GIRJA SHANKAR KAURA
TRIBUNE NEWS SERVICE

NEW DELHI, JULY 31
Indian Railways will spend over Rs 73,000 crore on two Dedicated Freight Corridors (DFCs) under construction from Dankuni to Ludhiana (Eastern DFC) and Jawaharlal Nehru Port Terminal (JNPT) to Dadri (Western DFC).

Minister of State for Railways Manoj Sinha, in a reply, said two DFCs — Eastern (1,839 km-long Dankuni-Ludhiana section) and Western (1,499 km-long JNPT-Dadri section) — had been sanctioned.

In Eastern DFC, construction work is underway on the Mughalsarai-Sonnagar section. Civil contract has been awarded on the 343-km Khurja-Kanpur section and work has started.

In Western DFC, civil contract has been awarded on the 625-km Rewari-Palanpur section and work has started. Construction of 25 major bridges between Vaitarana and Bharuch has been completed.

The estimated completion cost of construction of the two, excluding land and the Sonnagar-Dankuni section — to be implemented through public private partnership (PPP) — is Rs 73,392 crore (Rs 26,674 crore for Eastern DFC and Rs 46,718 crore for Western DFC). The cost of land is estimated at Rs 8,067 crore (Rs 3,684 crore for Eastern DFC and Rs 4,383 crore for Western DFC).

Western DFC is being funded by loan from Japan International Cooperation Agency (JICA), which has extended 77 per cent (Rs 38,772 crore) of the project cost.

World Bank is funding the 1,183 km section from Ludhiana to Mughalsarai of Eastern DFC. It has extended Rs 13,625 crore in loan, which is 66% of the project cost.

Further, the 122 km stretch of the Mughalsarai-Sonnagar section in Eastern DFC is funded by Gross Budgetary Support and the cost is Rs 3,679 crore. The 534 km stretch of the Sonnagar-Dankuni section of Eastern DFC is to be implemented through PPP.

The balance excluding debt is funded through budgetary support from the government. Land for DFC projects is being acquired under the Railway Amendment Act (RAA), 2008. Of the 10,667 hectares to be acquired for the project, award under 20F of the RAA 2008 declared up to June 2014 is 9,641 hectares (5,600 hectares for Western DFC and 4,041 hectares for Eastern DFC).

Western DFC is targeted to be commissioned in 2018 and Eastern DFC in 2019, excluding the Sonnagar-Dankuni section.

The project implementation schedule, timelines and milestones have been drawn up and are being monitored on a regular basis. For better coordination, state-level coordination committees with respective state governments have been formed to avoid delay in land acquisition and other related issues.

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Infrastructure output growth hits 9-month high of 7.3% in June

HT Correspondent
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NEW DELHI: Riding on high coal, crude oil, cement and electricity output, the infrastructure sector grew at a nine-month high of 7.3% in June against 1.2% over the same period last year.

The infrastructure sector has a combined weight of about 38% in the index of industrial production (IIP).

Coal, crude oil, cement and electricity grew 8.1%, 0.1%, 13.6% and 15.7%, respectively.

COAL, OIL, CEMENT AND ELECTRICITY RECORDED A GROWTH OF 8.1%, 0.1%, 13.6% AND 15.7%, RESPECTIVELY IN JUNE

"This shows the economy is on path to higher growth with significant increase in electricity generation and coal production. However, concern remain on oil and gas, which requires pricing reforms," said Arvind Mahajan, head of infrastructure and government services, KPMG India.

According to the data released by the commerce and industry ministry, natural gas and fertiliser output contracted by 1.7% and 1%, respectively.

Refinery products output growth slowed down by 1.2% against 1.8% in June last year. Steel production, too, declined by 4.2% in June from 7.6% in the same month last year.

During the April-June quarter, the eight core industries grew by 4.6% compared to 3.7% a year ago.

Unions unhappy with changes in labour laws

ONE-SIDED? Amendments will benefit only employers, made without consulting workers, claim labour unions

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NEW DELHI: Major labour unions in the country have opposed the amendments proposed by the NDA government to three labour laws, alleging that the government did not hold prior discussions with them.

The unions will submit a joint statement to labour minister Narendra Singh Tomar next week, highlighting their objections.

The Cabinet, on Wednesday, cleared 54 amendments to the Factories' Act, 1948, the Apprenticeship Act, 1961 and the Labour Laws (Exemption from Furnishing Returns and Maintaining Registers by Certain Establishments) Act, 1988.

Unions argue that these amendments are aimed at benefitting the employers and not the employees. "If the government was concerned about workers, they would have spoken to us first," said Viresh Upadhaya, secretary general, Bharatiya Mazdoor Sangh (BMS).

The unions have alleged that the proposed changes were not in line with the report of the Second National Commission on Labour, submitted by former labour minister Ravinder Verma.

"The government had assured that no decision would be taken without discussing the amendments with unions, but it has gone back on its word," said AK Padmnabhan, president, Centre of Indian Trade Unions (CITU).

"It is anti-labour and will have negative impact on labour reforms. It only legitimises the corporate wrong doings, giving them impunity...we will seek its revocation and oppose it at all levels," said Gurudas Dasgupta, general secretary, All India Trade Union Congress (AITUC).

There have also been demands of holding back all the proposed amendments till they are discussed with union representatives. "The proposed labour reforms are against the national interest, we have asked all central trade unions to meet on August 7-8 in Delhi to discuss the joint action plan," said G Sajeeva Reddy, president, Indian National Trade Union Congress.

WHAT'S IN, AND WHAT'S OUT

THE LAWS
- Factories' Act, 1948
- Apprenticeship Act, 1961
- Labour Laws Act, 1988

PROPOSED CHANGES
- Doubling of the overtime limit to 100 hrs per quarter
- Exemption from compliance of regulations for firms employing up to 40 workers
- Lifting relaxations on night shifts for women in factories
- Reduction of annual paid leave to 90 days from the present 240
- Lunchrooms and shelters in factories with 75 or more staff; the current norm is 150
- Factories with 200 workers should provide a canteen; the cutoff is 250 workers now