योजना आयोग
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Planning Commission
GOVERNMENT OF INDIA

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Communication, IT & Information Division
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NEWS AND VIEWS

"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

- **Saharanpur simmers but Army keeps lid on it:** Even though shoot-at-sight orders and curfew in violence-hit Saharanpur in western Uttar Pradesh (UP) prevented rioters from going on the rampage on Sunday, sporadic incidents of looting and clashes forced most people to stay indoors. As the situation remained tense, the Centre kept a close watch and the Army was called in from neighbouring Delhi and Chandigarh to take control of the situation. There were no reports of clashes in urban pockets though sporadic violence erupted on the outskirts of the city. This included areas like Hasanpur, Shanti Nagar, Dolikhal, Habib Garh, Labour Colony, Ambala Road and Gurudwara Road among others. A handful of miscreants went on to block the highway leading to Ambala but were scattered by the police and the highway was cleared. Curfew was imposed in six police station areas, including Kutubshehr, Janakpuri, Shahr Kotwali, Mandi and Dehat. Three persons were killed on Saturday and 19 others, including a policemen, injured in the clashes between two communities over a land dispute. With Eid round the corner, Muslims in the city demanded lifting of curfew while the other communities cried foul saying this would aggravate the situation. The locals alleged that a biker gang in the city went on a firing spree despite the curfew being in place. They said the miscreants took advantage of the narrow by-lanes and escaped from the police. More than 150 vehicles, and over a hundred shops were set afire by rioters from both communities. (The Pioneer).

Economy

- **Better days elude early birds:** The early-bird results for the first quarter of this financial year do not seem to justify the current rally on Dalal Street. The combined net profit of 290 companies, excluding information technology (IT) exporters, has risen only 2.4 per cent on a year-on-year basis, the slowest pace in nine quarters. The same set of companies had reported 3.8 per cent annual net profit growth in the previous quarter and 7.5 per cent annual growth in the same quarter last financial year. The net profit of the entire sample of 316 firms that have announced their results so far (including IT companies) was up nine per cent year-on-year in first quarter, compared with 10.7 per cent growth in the fourth quarter of last financial year and 8.4 per cent growth in the year-ago period. Volume growth has remained on a slow track, with revenues rising 10 per cent (except IT), compared with 10.5 per cent annual growth in the previous quarter and 3.9 per cent growth during the same quarter last year. The brighter side, however, is that the companies in the domestic manufacturing and services sectors (excluding IT, financial and oil & gas ones) have reported higher net sales growth of 9.5 per cent in the first quarter, against 5.8 per cent in the previous quarter – the upside, though, has been largely due to a handful of good results like those of Idea Cellular, Asian Paints, TVS Motors and Reliance Power. (Business Standard).

Planning

- **Put PRI plan does in public domain: Centre:** To make gram panchayats, panchayat samitis and zila parishads more accountable and bring transparency in their functioning, the Centre has directed states to put their plan document in the public domain. The document, which is a statement of available funds, their allocation to different schemes and programmes by local bodies, had to be uploaded on panchayati raj ministry's website through software developed by the national informatics centre. "In view of the enhanced emphasis to promote transparency accountability and efficiency of Panchayati Raj Institutions (PRIs), it is requested that all PRI Plan may kindly be put in the public domain through the application," the panchyati raj ministry said in a note sent to all states last week. According to a senior ministry official the decision pushed by the Prime Minister's Office is a major step towards checking corruption at the local bodies which are flush with funds. "The Move will also enable the residents of a panchayat, block and district to see how the local bodies are spending the funds allocated by the funds allocated by the Centre," the ministry said. The Centre allocates funds to state governments for the implementation of the centre scheme such as MGNREGA, Pradhan Mantri Gram Sadak Yojna and National Rural Health Mission, and more than 45% of these funds get tr5ansferred to the local bodies. The 73rd and 74th amendment in the Constitution provided the local bodies the constitutional status and empowered them for bottoms up decentralised planning. (The Hindustan Times).

Editorial

- **FRP alone won't help:** Given how just 16 of India's 29 state electricity regulators have issued tariff orders this year despite the sector's huge losses—tentatively estimated by the Planning Commission at R71,271 crore in FY14, though the number is likely to go up—it is not surprising that electricity discoms have scaled back their power purchases. Apart from the poor availability of fuel, this has been one of the major reasons for the drop in load factors at thermal plants to 65.6% in FY14 from nearly 70% in FY13. Indeed, while the biggest loss-making states have not issued tariff orders in FY15 despite having signed on to the central government's financial restructuring plan (FRP) which had annual tariff balancing as a pre-requisite, as power minister Piyush Goyal points out, the delay in implementing the FRP meant that the losses of state electricity boards (SEBs) that needed to be restructured also soared. The average electricity hikes, as ratings agency ICRA points out, were the highest in FY13, when the SEBs were the most stressed, and ranged from 2% to 37% with an average of 14%—much of this was due to the fact that states like Tamil Nadu, Rajasthan and Uttar Pradesh had not hiked tariffs for several years before that. With the big hike out of the way, FY14 hikes ranged between 5% and 14% with an average of 7%. Among the states that have not hiked tariffs in FY15 are Rajasthan, Tamil Nadu and Uttar Pradesh, states that have run up the biggest losses and, more important, have signed on for the FRP. While part of the delay could have been attributed to the general elections, in seven states the regulators have not approved any revision in tariffs while in eight others the revision has been a modest 5-10%. (The Financial Express)

Business Line

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Revenue visibility makes Prestige Estates a good bet

Project pipeline, margins make the stock attractive

MEERA SIVA
BL Research Bureau

A slew of Budget measures such as introduction of real estate investment trusts and easier FDI norms have boosted the prospects of real estate sector players. These changes bode well for Prestige Estates, a Bangalore-based real estate developer. It is on a strong growth track in both its commercial and residential business. The company's revenue and earnings grew 30 per cent and 10 per cent respectively in 2013-14. The stellar performance in a difficult year was due to an annual growth of 50 per cent in new project launches, 16 per cent in new sales and 26 per cent in rental income.

Investors have rewarded the stock – it has nearly doubled over the last year. At the current market price of ₹252, the stock trades at around 20 times its 2013-14 earnings. This is comparable to its peer Oberoi Realty and at a discount to Phoenix Mills which trades at multiple of 26 times. Strong upcoming project pipeline, improving margins and higher rental income make Prestige an attractive option for investors.

Prestige's earnings are expected to increase by over 30 per cent in 2014-15, aided by both commercial and residential segment growth. The management expects bookings to increase nearly 15 per cent to ₹4,000 crore in 2014-15. Additionally, the company has unrecognised revenue (from existing bookings) of around ₹6,800 crore, as of March 2014. This is sizeable in comparison to the company's revenue of nearly ₹2,500 crore in 2013-14. Many of these projects are likely to reach their revenue recognition threshold in the next two years, providing good revenue visibility.

BUY

Improving rentals

Prestige's rental income from malls, hospitality and commercial assets has been increasing, as new properties are completed. After growing 25 per cent in 2013-14 to ₹290 crore, rental income is expected to rise nearly 35 per cent in the current year, to ₹390 crore.

However, capital expenditure on the rental portfolio has increased debt by ₹6,400 crore; the company's consolidated net debt stands at ₹23,300 crore, as of March 2014. Debt-to-equity ratio stands at a manageable 0.8 times and may stay at these levels next year; this could likely improve in 2015-16 as cap-ex reduces. Also, the launch of real estate investment trusts could provide exit opportunities, easing debt concerns.

The Financial Express

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DIPP secy takes on commerce min over FTAs

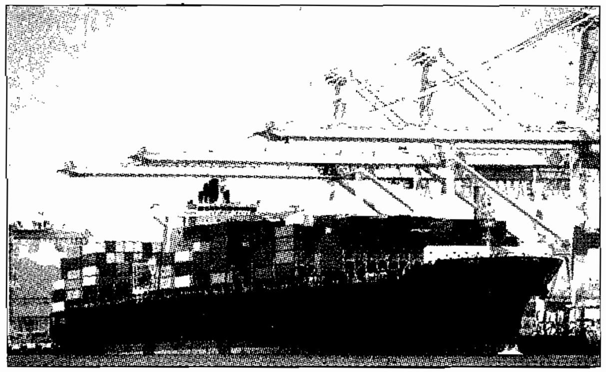
In response to commerce secy's letter, bats for focus on implementation of manufacturing policy instead

Arun S
New Delhi, July 27

THE wrangling within the commerce and industry ministry over the desirability of more free trade pacts has intensified.

Delivering a riposte to commerce secretary Rajeev Kher, who had argued for more FTAs and CEPAs, secretary in the department of industrial policy and promotion (DIPP) Amitabh Kant last week told Kher that rather than signing more such pacts, the country should focus on implementation of the National Manufacturing Policy (NMP) and reap the country's demographic dividend (60% of Indians are in working age group of 15-59 years).

In a letter to Kher last week, Kant said FTAs/CEPAs would adversely affect NMP and make it difficult to achieve the targets mentioned therein. The NMP envisages raising the share of manufacturing in the GDP from around 15-16% (the level where it has stagnated since 1980s) to 25% and generating 100 million additional jobs.



The DIPP secretary said the duty concessions under the free-trade pacts have resulted only in an increase in imports from the partner countries, but not a corresponding growth in India's exports to them. Besides, the FTAs have led to an inverted duty structure (where the duty on the final product is nil or low, while raw materials/intermediates attract higher duty), the DIPP said, a point which the recent Economic Survey also highlighted. This inverted duty structure is harming domestic manufacturing especially that of capital goods, indigenisation of technology, local value addition and job creation, Kant said.

Kant is believed to have cited Tariff Commission reports that pointed out the inverted duty structures on several items and said this anomaly needs to be removed. The Budget 2014-15 has addressed the issue partially by reducing the import duties on some inputs and raising duties on certain finished products.

When contacted, Kant refused to comment, but sources in DIPP and commerce department told *FE* that he indeed replied to Kher's letter last week. The DIPP is trying to protect the manufacturing sector's interests, said a source.

Kant is understood to have wrote in the letter that the Tariff Commission reports have been endorsed by the National Manufacturing Competitiveness Council, some Parliamentary panels and several other ministries. The reports are also being looked into by the Competition Commission of India from the competition law and market distortion perspectives.

Kant is learnt to have sought caution while negotiating FTAs and he added the government should hold more stakeholder consultations before signing and reviewing such pacts. In addition, the DIPP secretary has also called for an internal discussion on the ongoing studies on the impact of FTAs.

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FM may brief RBI board on steps taken to cut deficit, need to lower rates on August 9

New Delhi, July 27: Finance minister Arun Jaitley will address the board of the Reserve Bank on August 9 amid expectations that the central bank will complement government actions by reducing rates to boost growth.

"The meeting has been scheduled for August 9 where he would be addressing the board members and talk about announcements made in the Budget to perk up growth," a source said.

Jaitley is likely to inform the RBI board about the steps taken to contain the fiscal deficit and may underline the need to reduce interest rates to promote growth.

It has been a custom that the finance minister addresses RBI board, consisting of RBI governor and existing three deputy governors, after the Budget.

In the last policy review in June, RBI chose not to tinker with the rates. It was the second time that the RBI governor kept interest rates unchanged

The meeting comes in the backdrop of the persistent high food inflation and deficient rain. Food inflation is still hovering around 8%. For the month ended June, it stood at 8.14% against 9.5% in the previous month.

"If inflation moderates and RBI agrees, which I am sure will agree, (the government would like) to bring down rates... We want to go back to a situation of Vajpayee's time when buying a flat becomes cheaper than taking on rent. So that installments becomes less than rent," the finance minister had said recently.

In the last policy review in June, RBI chose not to tinker with the policy rate. Thus, it was the second consecutive time that RBI governor Raghuram Rajan kept interest rates unchanged.

The repo rate, at which the RBI lends to banks, was retained at 8% and the cash reserve ratio (CRR) was kept unchanged at 4%.

The statutory liquidity ratio (SLR), the mandatory amount of bonds lenders must park at the RBI, was cut by 0.5% to 22.5% of their net demand and time liabilities (NDTL) with effect from June 14.

RBI is likely to announce its second bi-monthly policy review on August 5. As far as economic expansion is concerned, the country has witnessed GDP growth of sub-5% level for last two years. For 2013-14, the economic growth was restricted to 4.7%. However, the growth is expected to improve to 5.4-5.9% during the current fiscal as per the latest Economic Survey. *PTI*

The Indian Express

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After Aadhaar, UPA's NPR also gets Modi's push

VIJAITA SINGH
NEW DELHI, JULY 27

WHILE Home Minister Rajnath Singh was reported to be keen on merging the previous UPA government's two flagship schemes — the National Population Register (NPR) and Aadhaar — Prime Minister Narendra Modi is learnt to have indicated his interest in running both the schemes side by side.

The Prime Minister's Office (PMO) has asked the Ministry of Home Affairs to corroborate data on various beneficiaries — pensioners, scholarship holders, those who get subsidised LPG cylinders, passport holders — with the National Population Register (NPR) in about 300 districts across 22 states.

While the PMO has not spelt out the objective, it is believed that the exercise is being done to identify and weed out ghost beneficiaries — the biggest drawback of the Direct Benefits Scheme (DBT) launched by the UPA.

Earlier this month, the PMO had asked the Planning Commission to collect similar information on Aadhaar and DBT with regard to five key schemes — MGNREGS, pensions, scholarships, Public Distribution System and subsidised LPG — and submit a report by August 15.

"We have also been given an August 15 deadline. We have been asked to match the data of beneficiaries with the NPR. It is a huge task as we have a set format. So if a beneficiary's name is misspelt in his scholarship form, it would not match with our data. This does not necessarily mean that the person is a ghost beneficiary. It will then require field visits to ascertain the identities," said a senior official.

Home Secretary Anil Goswami has asked all the concerned departments, including HRD, Finance, Department of Personnel, Public Grievances and Pension, Rural Development, External Affairs, to furnish the relevant details.

Sources said the government agreed to give a push to Aadhaar, the previous government's flagship scheme, after its former chairman, Nandan Nilekani, gave a presentation to the PMO. Subsequently, at a meeting on July 5, Modi made it clear that both the projects would stay. "The Home Ministry had already convened a meeting with the Planning Commission to discuss ways to integrate the two projects.

But Nilekani gave a presentation to Modi, after an appointment was arranged by a senior Cabinet minister. Following this meeting, the plan to integrate the projects has been put on the backburner, said a senior official.

The Indian Express

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Centre expects consensus with states on GST soon, Bill likely in Winter Session

SHRUTI SRIVASTAVA
NEW DELHI, JULY 27

THE BILL needs to be passed by a majority of two-thirds in both Houses and by the legislatures in half of the 29 states

THE government is working on introducing the Constitution (115th Amendment) Bill, for the proposed Goods and Services Tax (GST), in the Winter Session of Parliament.

A senior official told *The Indian Express* that the Centre has already reached out to the states for building a consensus on the Bill and the procedure should be complete in 2-3 months following which the Bill would be tabled in Parliament.

On Friday, finance minister Arun Jaitley had assured Parliament that the government will seek to move the amendments to the Constitution this year itself for implementing the new indirect tax regime.

The BJP in its manifesto had touted the GST as a major tax reform for facilitating industrial growth and improving the business climate in the country.

Earlier, the UPA-II government had introduced the Bill in Parliament proposing a GST council and a dispute resolution panel for fixing the rate of the new tax for both states and Centre and resolving their differences.

The previous government had revised the draft of the Bill four times to accommodate concerns of states.

However, the Bill had received stiff opposition from states including the BJP-ruled states like Gujarat and Madhya Pradesh.

The Bill needs to be passed by a majority of two-thirds in both Houses and by the legislatures in half of the 29 states to become law.

It is vital for GST as it provides power to the Centre to tax beyond factory gate and to states to tax services.

In a meeting with the Empowered Committee (EC) of state finance ministers last month, Jaitley had told the states that their concerns over design of the GST and issues related to compensation for revenue loss on account of rolling out GST and phasing out the central sales tax (CST) would be suitably addressed sooner than later.

He had assured that the states would be given compensation for loss on account of GST roll out for three years beginning the implementation of GST.

The issue of CST compensation, a vexed issue between the Centre and states, will also be resolved, the minister had said.

Further, regarding the design of GST, states are insisting that petroleum and alcohol be kept out of the purview of the new indirect tax regime.

They also want to include a mechanism for compensation in the Bill.

The Empowered Committee has also demanded that the centre's share of integrated GST should be made a part of the divisible pool between the Centre and the states.

The Statesman

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RBI issues draft guidelines to facilitate finance for MSMEs

PRESS TRUST OF INDIA
Mumbai, 27 July

In order to facilitate financing to MSMEs and to help them convert trade receivables into liquid funds, the Reserve Bank has issued draft guidelines for setting up of and operating a Trade Receivables Discounting System (TReDS).

The RBI said micro, small and medium enterprises (MSMEs), despite their important role in the economic fabric of the country, continue to face constraints in obtaining adequate finance, specially in terms of their ability to convert their trade receivables into liquid funds.

It said there is a need to address this pan-India issue through setting up of an institutional mechanism for financing trade receivables for MSMEs.

"The scheme for setting up and operating institutional mechanism for facilitating the financing of trade receivables of MSMEs from corporate buyers through multiple financiers will be known as Trade Receivables Discounting System (TReDS)," the RBI said in a release.

As per the draft guidelines, TReDS will facilitate the discounting of both invoices as well as bills of exchange.

"TReDS could deal with both receivables factoring as well as reverse factoring so that higher transaction volumes come into the system and facilitate in better pricing."

MSME sellers, corporate buyers and financiers ~ both banks and non-bank (NBFC factors) will be direct participants in the TReDS, the RBI release said.

It will provide the platform to bring these participants together for facilitating uploading, accepting, discounting, trading and settlement of the invoices/bills of MSMEs.

For the entities desirous of setting up and operating the TReDS, the RBI said TReDS will not be allowed to assume any credit risk, its minimum paid-up voting equity capital shall be Rs 100 crore.

"Any additional voting equity capital to be brought in will depend on the business plan of the promoters. Further, the TReDS should have a net worth of Rs 100 crore at all times."

Further, foreign shareholding in the TReDS would be as per the extant FDI policy.