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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

- **DMK slams NDA govt for 'imposing' Hindi on people:** The NDA government's decision to promote Hindi on government websites and social media has raked up a controversy, with the DMK accusing the Centre of "imposing" the language on non-Hindi speaking sections. However, MoS, Home Affairs, Kiren Rijiju insisted he will promote the use of Hindi in all official work. Home Minister Rajnath Singh sought to play down the controversy by saying the Centre will promote all languages in the country. Slamming the decision as the beginning of "imposition of Hindi", DMK chief Karunanidhi said, "Giving priority to Hindi will be construed as the first step towards attempt at creating differences among non-Hindi speaking people and making them second class citizens." The DMK had spearheaded the anti-Hindi agitation in the 1960s in Tamil Nadu. Rijiju, meanwhile, held a meeting with the language department of the MHA Thursday and asked them to develop a software to aid the use of Hindi on websites. The MHA's language department had issued a circular on May 27, asking all ministries, departments, public sector undertakings and banks to give prominence to Hindi on official accounts in social media. "...all officers and employees who operate official accounts on Twitter, Facebook, blogs, Google, YouTube should use Hindi and English languages. Prominence should be given to Hindi," director, official language, Avadesh Kumar Mishra wrote in the directive. Another circular announced prize money of Rs 2,000 to two employees who do their official work mostly in Hindi. Rs 1,200 and Rs 600 will be given to the second and third position holders respectively. (The Indian Express).

Economy

- **Fix your fisc, Moody's tells India:** Moody's Investors Service might not lower India's sovereign credit rating if Finance Minister Arun Jaitley goes easy on the fiscal deficit so long as his maiden Budget next month tries to heal the deeper malaise in government finances. "Whether the new government's 2014-15 fiscal deficit estimate is above or below the previous government's projection of 4.1 per cent of gross domestic product (GDP) is not the key determinant of India's credit outlook. More relevant will be whether the Budget includes measures that addresses the government's low revenue base, high current expenditure and exposure to commodity prices," the credit rating agency said in a report on Thursday. Moody's assigns lowest investment grade to India. Its comments came a few weeks after Indian-born economist Arvind Panagariya said there is nothing wrong if the government widens its overspending to 4.5 per cent of GDP in 2014-15 to boost the economy's growth. But, reasoning of Moody's is different from Panagariya's. "We do not expect a significant reduction in the deficit in the nine remaining months of this financial year," Moody's said, but added: "In the absence of measures to reduce the fiscal deficit, the future high growth rates many forecast for India may not be realised." India's growth has been below five per cent in the past two years but the World Bank has predicted the economy will expand by 5.5 per cent this financial year, 6.3 per cent the next and 6.6 per cent in 2016-17. (Business Standard).

Planning

- **Centre, unions lock horns over labour law dilution plan for NIMZs:** The Centre's renewed effort to dilute labour laws for the National Investment and Manufacturing Zones for making retrenchment easier is facing opposition from trade unions. Labour organisations have also rejected the Department of Industrial Policy and Promotion's suggestion that implementation of labour laws in the zone be looked after by the Special Purpose Vehicle set up for each NIMZ to monitor its activities. "Central trade unions have rejected the Centre's proposal for diluting labour laws for NIMZs as we feel that it would go against the interest of workers," DL Sachdev from the All India Trade Union's Confederation told *Business Line* . The Labour Secretary had called a tripartite meeting with labour unions and employees' unions to discuss changes in the Industrial Disputes Act to make firing of workers easier in case a unit in the NIMZ folds up. Other trade unions that attended the meeting include CITU and HMS. According to the DIPP's proposal, in case a unit in the NIMZ closes down and alternative employment cannot be provided to workers, the owners can retrench workers without giving notice by paying compensation at the rate of 20 days' wages for every completed year of continuous service. This will be a big flexibility for the industry as the current law lays down that companies with over 100 workers have to take permission of the State Government and give three month's notice if it wanted to terminate the services of workers who have been employed for over a year. (Business Line).

Editorial

- **An intractable problem:** The unexpected spike in wholesale inflation to a five-month high of 6.01 per cent in May from 5.2 per cent in April, largely underpinned by high food prices, has forced an already concerned government to unleash a package of measures to curb food prices. It has slapped high minimum export prices on two important staples, onions and potatoes, to discourage their exports. It has advised State governments to exempt perishables such as fruits and vegetables from the purview of the state-administered APMC Act. This legislation gives near-monopoly status to traders and middlemen to procure, stock and trade food produce. The Food Corporation of India has been asked to offload 5 million tonnes of rice from its overflowing godowns. The Centre cannot probably go much further than these minimal steps as agriculture is largely in the domain of the States. Yet, given the persistent nature of the problem, a holistic approach involving the States is called for. Food inflation has averaged 11 per cent over the last seven years. Though cooling slightly in April, it rose to 9.5 per cent in May and might go up further if the South West monsoon turns out to be below par. Consumers base their expectations of future prices on the present levels of retail inflation, which again is largely determined by food prices. Curbing skyrocketing food prices is imperative, not just because it means sound economics but also as a political necessity. Recent elections both at the level of the States and the Centre were fought primarily over an economic agenda in which inflation topped the list. The NDA government has to meet the very high expectations of people who have been ravaged by high food prices. (The Hindu)

Business Standard

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Fix your fisc, Moody's tells India

BS REPORTER
New Delhi, 19 June

Moody's Investors Service might not lower India's sovereign credit rating if Finance Minister Arun Jaitley goes easy on the fiscal deficit so long as his maiden Budget next month tries to heal the deeper malaise in government finances.

"Whether the new government's 2014-15 fiscal deficit estimate is above or below the previous government's projection of 4.1 per cent of gross domestic product (GDP) is not the key determinant of India's credit outlook. More relevant will be whether the Budget includes measures that addresses the government's low revenue base, high current expenditure and exposure to commodity prices," the credit rating agency said in a report on Thursday.

Moody's assigns lowest investment grade to India. Its comments came a few weeks after Indian-born economist Arvind Panagariya said there is nothing wrong if the government widens its overspending to 4.5 per cent of GDP in 2014-15 to boost the economy's growth. But, reasoning of Moody's is different from Panagariya's.

"We do not expect a significant reduction in the deficit in the nine remaining months of this financial year," Moody's said, but added: "In the absence of measures to reduce the fiscal deficit, the future high growth rates many forecast for India may not be realised."

India's growth has been below five per cent in the past two years but the World Bank has predicted the economy will expand by 5.5 per cent this financial year, 6.3 per cent the next and 6.6 per cent in 2016-17.

"The Budget in July could indicate whether fiscal constraints on India's sovereign credit profile would ease over the coming years," Moody's said, pointing out that India's Budget deficits increased its macroeconomic imbalances and exposed the economy to shocks.

"Low income levels limit the government's tax revenue base and, at the same time, drive socio-political pressure to increase government spending on subsidies and economic development," the rating agency said. Other countries with low per-capita incomes have avoided deficits as large as India's, it added.

Brazil's fiscal deficit is expected to be four per cent in 2014 and Argentina's 1.8 per cent. India's fiscal deficit, which was 4.5 per cent in 2013-14, was projected to narrow to 4.1 per cent in 2014-15 in the interim Budget presented by former finance minister P Chidambaram.

Moody's noted big deficits had kept India's inflation high and contributed to a widening current account deficit between 2011 and 2013, heightening exchange-rate volatility and pushing interest rates. These trends exacerbated the economic slowdown since 2011, it said.

India's growth rate fell to 6.7 per cent in 2008-09 from nine per cent in the previous three years because of the global financial crisis. The economy recovered to grow at 8.6 per cent in 2009-10 and 8.9 per cent in 2010-11. It dipped to 6.7 per cent a year later and then to below five per cent in the next two years.

VIEWS MATTER

LOW RATINGS: Three rating agencies have assign the lowest investment grade to India; ratings by these agencies are important to guide foreign investors putting money in India

BORROW ISSUES: The ratings are important also for the cost of funding by Indian companies accessing money abroad

BLEAK PHASE: India was under the threat of a rating downgrade for a large part of the later years of the UPA govt's second term

WEAK OUTLOOK: Standard & Poor's and Fitch Ratings in 2012 revised outlook on India to negative from stable (in 2013, Fitch reverted to a stable outlook)

STEEP BENCHMARKS: India's fiscal concerns are one of the most important parameters for these agencies to decide on the grade assigned to the country

Business Standard

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Decision soon on FDI in rail projects, fare hike

BS REPORTER
New Delhi, 19 June

The cash-short railways want to tap funding from the private sector and is likely to take a decision on foreign direct investment (FDI) projects shortly.

Minister Sadananda Gowda has met his commerce and industry counterpart, Nirmala Sitharaman, in this regard. Some key projects expecting FDI funding could be a part of the railway budget.

And, the pending decision on a fare rise is likely next week. The railways had put a 6.5 per cent increase in freight rates and 10 per cent in passenger fares under the fuel adjustment component on hold, awaiting the formation of a new government.

"We are short of resources and we need to mobilise all possible avenues of funding. We are holding discussions with the ministry of industry and commerce and very soon, we will come out with the course of action. The decision on fare hike will come in the next four-five days," said Gowda to the media after a meeting of general managers.

NOT ON TRACK
Some key focus areas for the railways

- Clean and hygienic stations and trains
- Ensure 100 per cent punctuality of trains
- Change the working culture, shed hierarchy
- Engage more with ground-level officers for new solutions
- Ensure safety of women and elderly

With public-private partnerships to be a focus area in the coming budget, the railways want the policy to get finalised as soon as possible. Port connectivity projects expecting FDI funding could be a part of the coming rail budget. Last year, private players had shown interest in various port connectivity projects worth over ₹3,800 crore.

Also, projects such as the locomotive factories for Marhowra and Madhepura have evoked the interest of various international companies. The two projects are estimated to cost ₹3,400 crore. However, these companies require more clarity on policy.

In December 2012, the railways ministry had notified a Policy for Participative Models for rail connectivity and capacity augmentation projects, after a government notification of 2012 permitted foreign investors in construction of fixed rail infrastructure projects and maintenance.

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Six Cabinet committees reconstituted

BS REPORTER
New Delhi, 19 June

REJIGGED CABINET PANELS

Prime minister will head:
- Security
- Economic affairs
- Appointments
- Political affairs

Home minister will head:
- Parliamentary affairs
- Official accommodation

The Narendra-Modi government announced the reconstitution of six Cabinet committees on Thursday.

Security, economic affairs, appointments and political affairs ones will be headed by the Prime Minister. Home Minister Rajnath Singh will head the parliamentary affairs and the official accommodation ones. Singh's name appears after the PM's in the other four panels.

Some ministers from allies of the ruling party in the National Democratic Alliance have been included in the political affairs one. They are Harsimrat Kaur (Akali Dal), Ram Vilas Paswan (Lok Janshakti Party) and Anant Geete (Shiv Sena).

The economic affairs one does not have Food Minister Ram Vilas Paswan. It will have 11, including Modi, Rajnath Singh, External Affairs Minister Sushma Swaraj, Finance Minister Arun Jaitley, Urban Development Minister M Venkaiah Naidu and Transport Minister Nitin Gadkari.

This month, PM had ended the Cabinet panels on prices, world trade matters and the UIDAI scheme. The economic affairs one will handle these matters

The parliamentary affairs one has eight members. The Modi-led security one will have Singh, Swaraj and Jaitley. The appointments one, led by Modi, has Singh as the other member. The accommodation one will have four members.

Earlier this month, Modi had scrapped the cabinet committees on prices, world trade matters and the Unique Identification Authority scheme. The economic affairs one will handle these matters. Modi had abolished the natural calamities one. Its functions are to go to a panel under Cabinet Secretary Ajit Seth. Other functions will mostly be handled by the economic affairs one.

The investment one did not figure in the dissolved or rejigged ones.

The Economic Times

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Govt Clears Investment Hurdles, 7 Projects worth ₹21k Cr Get Nod

These projects have been held up due to hurdles ranging from environmental issues to financing problems

VIKAS DHOOT
NEW DELHI

The Narendra Modi government has cleared seven big-ticket investment projects worth ₹21,000 crore, some of whom have been held up for decades, because of hurdles ranging from environmental issues to financing problems.

The oldest among them, which has been on the drawing board for over 30 years, is a 235 kilometre railway line that is critical to tap Chhattisgarh's second largest iron ore reserves and ensure the survival of the Bhilai Steel Plant whose current iron ore sources are expected to run out in a few years.

The Steel Authority of India (SAIL), which is partly funding the rail project along with NMDC, had first proposed tapping the iron ore riches in Chhattisgarh's Rowghat area in 1983. A vital second stage forest clearance for the ₹1,105-crore railway line between Dallirajhra and Jagdalpur in the Naxal-affected Bastar district has now been signed off by new environment and forest minister Prakash Javadekar.

Apart from this railway line, red-tape problems plaguing a major hydro-electricity project in Sikkim that has been in the works since 2005, a 120-kilometre six-lane highway in Karnataka, a four million tonne iron ore processing plant being set up by state-run NMDC in Chhattisgarh and three major power projects that could raise India's electricity generation capacity by over 3,500 MW, have also been fixed.

On Growth Path

- **AMONG THE** project approved is a 235 kilometre railway line that is critical to tap Chhattisgarh's second largest iron ore reserves
- **AMONG THE** projects include a hydro-electricity project in Sikkim, a 120-kilometre highway in Karnataka, a 4 million tonne iron ore processing plant in Chhattisgarh
- **IN ADDITION,** the government is also monitoring the progress of projects that were approved by the previous regime

"The resolution of long-pending issues for big investment projects has started in earnest under the new government, with policy problems facing seven large projects having been resolved already," said a senior government official aware of the development.

This official said while under the previous UPA regime, the Cabinet Committee on Investments and the project monitoring group in the cabinet secretariat merely facilitated clearances, this government will closely track the progress of all projects to ensure that approvals translate into actual production activity on the ground and help revive the economy.

The finance ministry has helped resolve financing issues facing three power projects, including the hydro-power project in Sikkim that is 94% complete and was to be commissioned by this December. The Reserve Bank of India and the finance ministry were roped in to help expedite a loan sanction from the Power Finance Corporation for the Sikkim project. Chief minister Pawan Chamling is betting on revenues from the hill-state's hydro-power potential to turn the state debt-free by next financial year.

A ₹5,600-crore 1,050 MW power project in Odisha, being developed by KVK Nilachal Power, also had financing troubles due to implementation delays. A consortium of lenders has agreed to treat its loans as 'standard assets' by adjusting overdue interest from its undisbursed term loan.

Similarly, a financing problem holding up a ₹9,000 crore power project in Chhattisgarh developed by RKM Powergen to generate 1,440 MW of power, has been resolved after talking to its lenders' consortium which includes Power Finance Corporation, Bank of Baroda and Corporation Bank.

Another ₹1,256 crore project mooted by Essar Power to re-start its 1,015 MW gas-based plants in Gujarat's Hazira has also been expedited with a state environmental appraisal committee being formed.

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The Economic Times

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Oil & Gas Stocks Still Hot as Investors Shrug Off Iraq Crisis

Market sure 'Modinomics' will lead to a complete de-regulation of diesel, including domestic fuel

PALAK SHAH
MUMBAI

Oil and gas stocks remain favourite among market players despite the conflict in Iraq pushing up global crude oil prices.

Experts are also not giving much weightage to reports that companies such as ONGC could take a hit if the government goes ahead with gas price hike only for incremental production.

They say large traders are betting on 'Modinomics' that could not only lead to a complete de-regulation of diesel but even cooking gas (LPG) and kerosene. According to them, the logic that giving gas price hike to incremental production may hit ONGC does not stand as the state-run explorer is in a better position to raise output than private sector player RIL.

FIIs, including Vanguard Group, Benchmark AMC and Brandes Investments, have shown huge buying interest in oil and gas company counters over the past month. "We have been biased towards oil marketing company stocks for the past one year and we continue to have that bias. Conflicts like the current one in Iraq come and go," said Saurabh Mukherjea, head of equities at Ambit Capital.

Wall Street analysts projected Brent crude to average at above $116 per barrel by the end of the year. This was on the back of escalating violence in Iraq and growing chances of a full-blown civil war in the country that could disrupt crude production. The international benchmark for crude surged above $114 on June 13 for the first time in nine months as militants routed the Iraqi army in the north and advanced towards capital Baghdad.

FIIs, including Vanguard Group, Benchmark AMC and Brandes Investments, actively buying in oil & gas stocks over the past month

A sharp rise in crude can hurt India's public sector oil companies as they sell their products at subsidised rates.

"Currently, the markets are not bothered about the Iraq scenario as they expect the government to announce a powerful roadmap for cutting complete de-regulation of oil and gas prices that could make companies more competitive," said Deven Choksey, MD at KR Choksey Shares and Securities.

Choksey says ONGC's gas output is around 50 mmscmd and that of RIL is around 14 mmscmd. "ONGC may be able to raise its production by 10 mmscmd and RIL by only 2.5 mmscmd this financial year. So, ONGC would still stand to make profit on the new formula."

"Most oil marketing companies are trading at 1.2 times their book value and they may face competition from private companies but ONGC could be the biggest beneficiary of the de-regulation regime. ONGC in many sense has no logical proxy," said Ambit's Mukherjea.

The oil ministry on Monday had said that the under-recovery on diesel applicable for second fortnight of June 2014, effective from June 16, has declined to ₹1.62 per litre, from ₹2.80 per litre during first fortnight of June. In the case of PDS kerosene and domestic LPG, the under-recoveries for the second fortnight of June continue to be ₹32.87 per litre and ₹432.71 per cylinder, respectively, as in the first fortnight of the month.

PSU oil marketing companies are incurring combined daily under-recovery of about ₹249 crore on the sale of diesel, PDS kerosene and domestic LPG. This is lower than daily under-recovery of ₹262 crore during the first fortnight of June. The under-recoveries for 2014-15 are projected to be ₹91,665 crore while the figure was ₹139,869 crore in 2013-14.

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DIPP for Easing Labour Laws in National Investment and Manufacturing Zones

Relax the Acts

- **MOVE PART OF GOVT'S BID TO** revive manufacturing, create 100 million jobs by 2022; sector contracted by 0.7% in 2013-14
- **FOR EASIER RETRENCHMENT OF** workers, DIPP seeks exemption from provisions of Industrial Disputes Act, Contract Labour Act
- **DIPP SUGGESTED SETTING UP** sinking fund to compensate retrenched workers; ministry is amending Factories Act
- **NIMZS ARE INDUSTRIAL HUBS** to be set over a minimum area of 5,000 hectares

DILASHA SETH
NEW DELHI

The department of industrial policy & promotion (DIPP) has pitched for relaxation in labour laws in the national investment and manufacturing zones (NIMZs), proposing that employers be allowed to remove workers without notice or compensation so long as they provide them alternative employment in the same zone, at the same pay and conditions of work.

The proposal for exemption of rules related to termination of services of workers under the Industrial Disputes Act and Contract Labour Act is part of the new government's bid to revive the manufacturing sector.

At a meeting called by the labour and employment secretary on Tuesday, the DIPP proposed setting up of a pool of funds to compensate retrenched workers at the rate of 20 days' wages for every completed year over six months.

"The DIPP has pushed for certain relaxations in the labour laws specifically for NIMZs, which will give flexibility to employers and facilitate bolstering of manufacturing activity. The emphasis has been to address labour unrest concerns, which impact manufacturing activity heavily. It is definitely the need of the hour," said a government official, who did not wish to be named.

The industry department has proposed that the special purpose vehicle set up for the NIMZ concerned may oversee the labour-related laws. NIMZs are industrial townships that were announced as a part of the National Manufacturing Policy in 2011, which aims to increase the share of manufacturing in GDP to 25% by 2022 from 15% at present and create 100 million jobs.

India's manufacturing growth slumped to (-)0.7% in 2013-14, the first contraction since 1991-92, pulling down the overall economic growth to a sub-5% for two straight years.

The new BJP-led government at the Centre is laying much emphasis on job creation and manufacturing.

As per the Industrial Disputes Act, for companies that have more than 100 workers, the state government's permission is required for retrenchment of workers employed for over a year along with a three months' notice.

Recently, Rajasthan made amendments to three labour laws – Contract Labour Act, Industrial Disputes Act and Factories Act. It introduced a three-year time limit for raising disputes and increased the percentage of workers needed for registration as a representative union from 15% to 30%.

As per the amendment, Contract Labour Act will now apply to companies with more than 50 workers from the current 20. In the Factories Act, currently applicable to premises with more than 10 workers with power and 20 without power, the amendments raise these numbers to 20 and 40, respectively.

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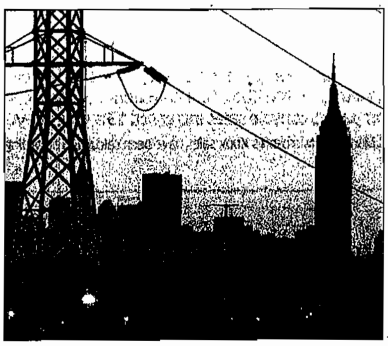
Power Honchos to Meet Jaitley, Goyal Today

Heads of Adani, Reliance, Essar, GMR, JSPL, Lanco to talk about lack of coal and pending clearances



MITUL THAKKAR
NEW DELHI

After withdrawing from bidding for two ultra mega power projects (UMPPs), the heads of developers inlcuding Gautam Adani, Anil Ambani, Naveen Jindal, Shashi Ruia, L Madhusudhan Rao and GBS Raju may meet Finance Minister Arun Jaitley and Power Minister Piyush Goyal on Friday to discuss their concerns ahead of the new government's first budget.

They represent some of the largest power producers such as Adani Power, Reliance Power, Jindal Steel & Power, Essar Power, Lanco and GMR that have been struggling to run their projects profitably and unable to expand capacities in line with plans.

The role of the private sector in power generation is on the rise, accounting for 87,000 mw of India's 2,45,509 mw installed power generation capacity compared with 38,800 mw in mid 2011 when total capacity stood at 1,76,990 mw. The private sector will soon surpass state utilities that control 93,300 mw of generation capacity now.

The executives are to meet Goyal in the morning and Jaitley at 3 pm in the afternoon. They are expected to raise issues such as lack of adequate coal and natural gas to fuel their plants and pending environment and forest clearances, said an executive with one of the power producers.

"Power producers' expectations are high from this government as BJP promised better electricity supplies and power for all in its election manifesto. Also, with both power and coal ministries assigned to a single minister, power producers are expecting firm action by Goyal to improve coal availability and quality," said the executive. He added that developers will also seek the Centre's active involvement in ensuring speedy implementation of transmission projects and reviving the financial health of distribution companies.

Private sector is expected to soon surpass state utilities that control 93,300 mw of generation capacity now

Earlier this week, the Association Power Producers, which represents the majority of private sector power producers, wrote to the Prime Minister's Office and the power secretary that its members want the government to review the terms of the design-build-finance-operate-transfer (DBFOT) model of bidding for UMPPs. The government is planning two new UMPPs with a generation capacity of 4,000 mw each at Odisha and Tamil Nadu.

The association has also been aggressively seeking better fuel availability and higher tariffs for plants that are incurring losses due to the rise in prices of coal and natural gas.

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IRAQ CRISIS Govt & industry officials worry as Brent crude soars to $115 per barrel

Prepare Contingency Plan for Imports: Govt to Oil Cos

SARITA C SINGH
NEW DELHI

The government has asked energy companies to prepare contingency plans for oil imports as the crisis in Iraq has put a cloud on India's second-biggest source of crude oil, while rising prices threaten to raise subsidies, stoke inflation and upset India's fiscal calculations.

Oil supply has not been disrupted and the country has adequate stocks, but officials and industry executives are worried as Brent crude oil, the most widely used international benchmark, has soared to a nine-month high of nearly $115 per barrel, government and industry officials said.

"There are clear concerns that significant supply disruption is not far off," said Tamas Varga, oil analyst at London brokerage PVM Oil Associates, according to a Reuters report.

The government wants to make sure that there is no disruption in oil supply, which can severely unsettle economic activity. It is also concerned about the rising oil prices. Brent crude soared to a nine-month high of nearly $115 per barrel.

Oil minister Dharmendra Pradhan held a series of meetings with senior bureaucrats and top executives of Indian Oil Corp officials till late evening on Thursday on back-up plans for oil imports as Iraq, world's second-largest oil exporter after Saudi Arabia, asked US for airstrikes to fight insurgents, a senior ministry official said.

A senior executive in Indian Oil Corp said the company has prepared its back-up plan but does not expect the effects of crisis in Iraq to spillover to India. He said Indian refiners will be hit only if the disruptions in Iraq continue for a longer time and the insurgents move toward southern part of that country that accounts for almost 70% of crude production. "We have prepared a contingency plan, which the ministry asked us to do. We do not expect any problems in India as we have a comfortable stock of 28 days," he said.

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>
> **SENIOR EXECUTIVE**
> Indian Oil Corp

> Iraq is not a major supplier to Essar Oil. In case of disruption in supplies from Iraq, we have other supply sources from where we can meet the shortfall
>
> **SPOKESPERSON**
> Essar Oil

Essar Oil said there are no major disruption of crude oil supplies out of Iraq yet, since the major oil fields are in southern Iraq and the hostilities are yet confined to Northern Iraq. "We are closely watching the situation. Having said that, let me reiterate that Iraq is not a major supplier to Essar Oil. In case of disruption in supplies from Iraq, we have other supply sources from where we can meet the shortfall," a company spokesperson said.

India imports about 25 million tonnes of oil from Iraq each year. It is the world's fourth largest oil consumer, importing roughly 80% of its crude requirements. Indian crude oil imports, which includes many grades that are cheaper than Brent crude, became costlier by about $4 a barrel to $110 per barrel in the past few weeks.

Crisis in Iraq will Lead to Spike in Inflation: Mukesh

PRESS TRUST OF INDIA
MUMBAI

Mukesh Ambani, chairman of Reliance Industries which operates the world's largest single-location oil refinery at Jamnagar, on Thursday said the crisis in Iraq will lead to higher fuel prices which in turn will raise inflation.

"In an inter-connected world like the one we are living in today, what's happening around the world affects everywhere. "The geopolitical crisis in the Middle East, especially the ongoing one in Iraq will increase crude oil prices which in turn will spike inflation in our economy," Ambani said.

Crude oil prices have gone up by four per cent as the civil war has engulfed Iraq and some analysts believe that if the crisis worsens it could jack up India's oil import bill by over $20 billion this fiscal, at close to $200 billion.

On the growth prospects of the domestic economy, which slipped below 5 per cent for two consecutive years, Ambani said our progress is both irrefutable and unstoppable, but there are developmental hurdles like low education and poor infrastructure. "We have a lot of challenges to overcome. But I am an eternal optimist. As a democracy of 1.2 billion people, we are a country and a market like no other. Our 400 million strong middle-class now has solid discretionary income, which drives investment from across the world.

The Economic Times

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PM & Home Minister to Constitute ACC

Step to free bureaucrats from the pulls & pressures of individual ministers

VIKAS DHOOT
NEW DELHI

The Cabinet panel that finalises the appointments of all senior bureaucrats will no longer have ministers of concerned departments as members, as the new government takes another step to free bureaucrats from the pulls and pressures of individual ministers.

The Appointments Committee of the Cabinet, reconstituted along with five other Cabinet panels by Prime Minister Narendra Modi on Wednesday, will now include only the Prime Minister and the Home Minister —marking a departure from the UPA government which also roped in the 'minister in-charge of the concerned ministry' into the panel while selecting officials for their departments.

The reconstitution of six Cabinet committees by Modi, including the crucial ones dealing with security, economic affairs and political affairs, firmly underlines the substantive role to be played by home minister Rajnath Singh, finance, defence and corporate affairs minister Arun Jaitley and the external affairs minister Sushma Swaraj.

While Singh is a member of all six panels, Jaitley figures in all committees except the one dealing with appointments. Swaraj is a key member of all the Cabinet panels, barring two that decide on appointments and accommodation.

In the Manmohan Singh regime, ministers had a free run in selecting their departments' top officials as they were included in the ACC along with the PM and the home ministry. The norms allowed ex-telecom minister A Raja to handpick the telecom secretary Siddharth Behura, among others, into his department.

While PM Modi had decided to scrap four cabinet committees set up by the UPA on subjects like UIDAI, WTO and natural calamities, he is still to take a view on the continuation and reconstitution of the Cabinet Committees on Investments and Skill Development.

Sticking to his mantra of minimising government and maximizing governance, Modi has also managed to make Cabinet panels leaner. For instance, the Cabinet Committee on Economic Affairs has just eleven ministers and three special invitees, compared to 16 members in the UPA's panel. Similarly, the cabinet panel on accommodation has only four members compared to seven in the UPA days.

Business Line

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Centre, unions lock horns over labour law dilution plan for NIMZs

Unions also oppose move to set up SPVs for each manufacturing zone

AMITI SEN

New Delhi, June 19

The Centre's renewed effort to dilute labour laws for the National Investment and Manufacturing Zones for making retrenchment easier is facing opposition from trade unions.

Labour organisations have also rejected the Department of Industrial Policy and Promotion's suggestion that implementation of labour laws in the zone be looked after by the Special Purpose Vehicle set up for each NIMZ to monitor its activities.

"Central trade unions have rejected the Centre's proposal for diluting labour laws for NIMZs as we feel that it would go against the interest of workers," DL Sachdev from the All India Trade Union's Confederation told *Business Line*.

The Labour Secretary had called a tripartite meeting with labour unions and employees' unions to discuss changes in the Industrial Disputes Act to make firing of workers easier in case a unit in the NIMZ folds up.

Other trade unions that attended the meeting include CITU and HMS.

According to the DIPP's proposal, in case a unit in the NIMZ closes down and alternative employment cannot be provided to workers, the owners can retrench workers without giving notice by paying compensation at the rate of 20 days' wages for every completed year of continuous service.

This will be a big flexibility for the industry as the current law lays down that companies with over 100 workers have to take permission of the State Government and give three month's notice if it wanted to terminate the services of workers who have been employed for over a year.

According to the DIPP's proposal, the owners of a NIMZ can retrench workers without giving notice by paying compensation at the rate of 20 days' wages for every completed year of continuous service.

The DIPP has proposed that a sinking fund be set up to fund the compensation package of terminated employees.

"The proposal is vague and inadequate. We don't know how it will apply to employees with different terms of employment (regular or contract)," Sachdev said.

Labour unions are also not in favour of the SPVs, with representatives from the Centre, State Government and investors, set up to monitor functioning of each NIMZ also implement labour laws. "Labour law is a State subject and should stay that way," Sachdev said.

The UPA Government which had formulated the National Manufacturing Policy under which the NIMZs are to be set up had tried to weave in labour law flexibilities when the policy was being formulated. But it had been opposed by the Labour Ministry at that time.

This is a second attempt by the DIPP to bring about changes in labour laws for the zones.

The Labour Law will now make a Cabinet note based on its deliberations following which the new BJP-led Government at the Centre will decide if the labour laws are to be made less restrictive for NIMZs.

The Government has already notified 7 NIMZs that will be set up in Gujarat, Maharashtra, Haryana, Rajasthan, Madhya Pradesh and Uttar Pradesh along the Delhi-Mumbai industrial corridor.

The Statesman

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India Inc sees GDP growth of 5-6%: Survey

PRESS TRUST OF INDIA
Mumbai, 19 June

As many as 81 per cent of Indian corporates believe the country's economy is likely to grow 5-6 per cent in the current financial year, says a survey.

"India Inc expects the economy to grow between 5-6 per cent, and around 77 per cent of the respondents feel that the rupee will appreciate against the US dollar," according to a survey by ING Vysya Bank.

Around 67 per cent respondents see the rupee to be at or below 60 for FY-15. There were 16 per cent participants who expect levels lower than 58 up to September 2014, but then see depreciation to levels greater than 62 by the end of FY-15.

More than 300 corporate finance executives representing a wic range of industries, both manufacturing and services sectors, clearly indicated a sustained momentum in growth, the survey said.

Of these, 24 per cent of respondents represented companies with a turnover more than Rs 1,500 crore, 39 per cent with turnover between Rs 200-1,500 crore while another 37 per cent represented companies with less than Rs 200 crore turnover.

The findings revealed that corporate sees some moderation in inflation going forward. Almost 75 per cent of the corporates across industries feel that RBI's target set at 8 per cent by January 2015 will be met.

Given the view on inflation, around 82 per cent of the corporates expect at least 25 basis points reduction in the repo rate this year, with 43 per cent and 39 per cent of the participants expecting a cut by 25 basis points and 50 basis points, respectively.

Approximately, 2 per cent of the participants expect the repo rates will increase and 16.61 per cent of the participants think that the rate will be unchanged, the survey said.

The Indian Express

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Govt seeks to link NREGS to agri

RUHI TEWARI
NEW DELHI, JUNE 19

THE Ministry of Rural Development has proposed to link the Mahatma Gandhi National Rural Employment Guarantee Scheme (MGNREGS) with agriculture, so that works taken up under the scheme help "enhance productivity in agriculture by creating infrastructure".

The proposed changes are supposed to be in "accordance with the priorities of the new government", and aimed at creating more durable and useful infrastructure, besides checking leakages in implementation and ensuring timely payment of wages.

MGNREGS, introduced in 2006 as the previous UPA government's flagship scheme, promises 100 days of employment every year to each rural household. The scheme, however, has come under increasing criticism for problems such as poor quality of assets it created, delays in the payment of wages, and gaps in implementation.

In a note circulated to states on suggested changes in MGNREGS and its modalities, the rural development ministry proposed that the District Programme Coordinator ensure "at least 60% of the works to be taken up in a district in terms of cost shall be for creation of productive assets linked to agriculture and allied activities through development of land, water and trees".

This, the note says, is expected to bring at least Rs 25,000 crore of investment into agriculture.

States are expected to revert with their suggestions to the ministry before June 23.

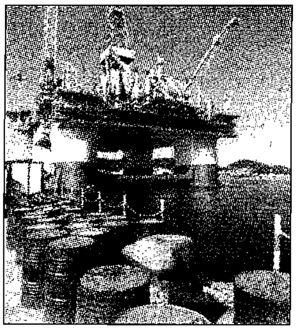
9-MONTH HIGH OIL PRICES COULD RIP APART THE FISCAL MATH FOR BUDGET

Iraq crisis fuels crude rise, gives FM a headache

ENS ECONOMIC BUREAU
NEW DELHI, JUNE 19

THE international crude oil price of the Indian basket rose to $111.25 a barrel on Wednesday, well above the average price of $105 that the government had estimated for the entire year. The price of Brent crude, the international benchmark, has risen to $114.44 a barrel, a nine-month high.

The rise — fuelled by the crisis in Iraq — could rip apart the fiscal arithmetic that finance minister Arun Jaitley is working on for his Budget FY15. Though about two thirds of India's oil imports are based on long-term contracts and not daily float rates, the prices are reset at intervals of 30 to 60 days. This means that the rise in the



price of the Indian basket will begin to pinch if the Iraq crisis keeps prices up in the next fortnight too, a government official said. India has contracted to import around 19 million metric tonnes of crude from Iraq in this fiscal year 2014-15. Any prolonged supply disruption would lead to major shortages, especially for Indian Oil Corporation, a Platts release noted.

Meanwhile, petroleum minister Dharmendra Pradhan on Thursday reviewed the availability of petroleum products in the country in light of the conflict, according to a statement issued by the oil ministry. In a meeting with senior ministry officials and oil firms, it was "confirmed that there is no possibility of supply disruption at present and adequate supply of petroleum products throughout the country would be maintained," the statement added.

Data released by the ministry on Thursday showed the price of the Indian basket had begun to rise since June 11. In the previous fortnight, the price had stayed at $106.72 a barrel. In Indian prices, the per barrel difference between the two works out to about Rs 374 — an additional hit of Rs 8,000 crore on the monthly import bill. Deep Mukherjee, senior director, India Ratings, said the geopolitical risks would kick in if the prices remained elevated from here on. "I am not sure how much the impact will be right now, but a fortnight later the difference will begin to show," he said.

The Interim Budget placed by the former government made almost no provision for any flare-up in oil prices. The medium-term fiscal policy statement had instead assumed that global prices would remain soft, and that the oil subsidy bill would come down by a massive Rs 32,000 crore from FY14 to FY15. The fall in the fiscal deficit to 4.1 per cent of GDP was based on this assumption. There is no way now that Jaitley can stick to this assumption. As on June 16, state-run oil marketing firms were incurring a combined daily under-recovery of about Rs 249 crore on the sale of diesel, kerosene and LPG.

BRENT HITS $144.44/BARREL

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