

योजना आयोग  
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**Planning Commission**  
GOVERNMENT OF INDIA

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*"Always have a plan, and believe in it. Nothing happens by accident."*

*Chuck Knox*

## Polity

- ▶ **Telangana is born today:** Midnight celebrations heralded the birth of the new state of Telangana on Sunday, ending the decades-old struggle for statehood. Telangana Rashtra Samithi (TRS) chief Kalvakuntla Chandrasekhara Rao, 60, will be sworn in as the first Chief Minister of Telangana at 8:15 am on Monday – the grand finale of the bifurcation process that started on December 9, 2009, when the then UPA government promised KCR, who was at the Nizam's Institute of Medical Sciences at Hyderabad after undertaking an indefinite fast, that the process of creating a separate state had been set in motion. But the party began on Sunday night itself as special teams from Mumbai lit up the skies in Hyderabad with a dazzling display of perfumed firecrackers. The hour-long celebrations were held mainly at Tank Bund and Necklace Road, abutting the Hussain Sagar lake, which saw many agitations and student protests. Fireworks displays were also held at 50 other places across the twin cities of Hyderabad and Secunderabad. As the clock struck midnight, "Jaya jayahe Telangana janani jaya ketanam", which will be the official song of Telangana state, was played on loudspeakers. The Golconda, Assembly complex, Gun Park, Tank Bund, Necklace Road and monuments in Hyderabad were all lit up. Before KCR takes oath on Monday, the Governor of undivided Andhra Pradesh E S L Narasimhan will take oath as the Governor of Telangana at 6:30 am, and President's Rule will be revoked in the new state. Narasimhan will then swear in KCR. A 10-member Cabinet is also likely to be sworn in. The TRS won 63 of the 119 seats in the newly-formed Telangana Assembly. (The Indian Express).

## Economy

- ▶ **RBI may maintain Status quo in June 3 policy review:** The Reserve Bank of India may leave the key interest rate unchanged in its June 3 monetary policy review as Governor Raghuram Rajan is likely to prefer containing stubborn inflation before conceding to demands for a rate cut to boost growth. Rajan had kept the policy rate unchanged at 8 per cent at its April 1 review as inflation, especially of food items, hovered at over 8 per cent. Food inflation in April stood at 9.66 per cent and retail inflation was at 8.59 per cent. The bi-monthly policy review on June 3 will be the first after Prime Minister Narendra Modi assumed office on May 26. "RBI is likely to maintain status quo as inflation is still high and there is threat of monsoon being weak this time looming large," Indian Overseas Bank Chairman and Managing Director M Narendra told the news agency. An emerging risk on the inflation front is the likelihood of a deficient monsoon, which could lead to a surge in food inflation and affect growth adversely. The India Meteorological Department (IMD) has indicated a 60 per cent probability of El Nino this year along with a below-normal monsoon. The RBI has increased the key repo rate three times since Rajan took over as Governor in September. According to DBS, "The RBI reiterated that inflation control was a priority and the bank will also attempt to balance growth-inflation objectives. (The Pioneer)

## Planning

- **Govt Readies Plan for Rs 25k-cr National Waterway Grid:** The Narendra Modi government has drawn up an ambitious Rs 25,000-crore plan to create a national waterway grid linking Ganga, Brahmaputra, Mahanadi and Godavari rivers. "The plan is ready....We will soon move a formal proposal," a senior shipping ministry official said, adding that the underlying objective is to enable water from big perennial Himalayan rivers to flow into peninsular ones generally have strong seasonal flows. Nitin Gadkari, the new minister for roads and shipping in the BJP government, has given an in-principle clearance to the eight-year project, which aims to ensure high water levels in rivers through the year, improving their role in crop irrigation and making them navigable. The waterway grid will also help control floods. Nitin Gadkari, the new minister for roads and shipping in the BJP government, has given an in-principle clearance to the eight-year project, which aims to ensure high water levels in rivers through the year, improving their role in crop irrigation and making them navigable. The waterway grid will also help control floods. The proposed grid will have road linkages to ports to facilitate faster movement of cargo. According to the ministry's estimates, transportation of goods on this network could lead to savings of about Rest 300 per tonne. "It will create a network of passageways in a large part of the country in rivers that are navigable," the official added. (The Economic Times)

## Editorial

- **Settle Urjit report first:** It is just as well that the largely media-created hype over likely strained relations between RBI and government have been put to rest by finance minister Arun Jaitley and RBI Governor Raghuram Rajan's co-ordinated statements on growth and inflation. But that still doesn't leave us any the wiser over what RBI policy will be over the year. Certainly there will be a pause on Tuesday since there are still too many imponderables. Barring fruit and vegetable prices, both CPI and WPI inflation look more comfortable, but with freak weather right now and a possible El Nino-induced drought, it may just be a matter of time before food inflation starts becoming a serious problem again. More important, while the role of interest rates in stimulating investment is positive, this is not the binding constraint at the moment. That remains India Inc's excessive leverage as well as the banks' under-capitalisation. While it remains to be seen whether the government will address this, as well as the larger question of autonomy for PSU banks, the other data point RBI needs to wait for is the budget. Will a fiscal correction be announced and, if so, how credible will it be—the last two budgets have seen dramatically high taxation numbers being projected even in the face of slowing/declining economic growth forecasts. The lack of clarity over the fate of PSUs also casts a shadow over the budget—since the prime minister is convinced PSUs can be turned around, it is not clear how much money the budget will allocate under this head. (The Financial Express).

# INDIA'S 29TH STATE COMES INTO EXISTENCE TODAY

## *A dream comes true*


**ANINDITA CHOWHURY**  
aninditasmil@gmail.com  
Hyderabad, 1 June

Some of them had pelted stones at buses to protest against the merger of Telangana and Andhra. Others had led protests in 1969 demanding statehood and saw young people felled by police bullets. Yet after a series of betrayals and disappointment none had dreamt they would see the birth of Telangana in their lifetime.

Telangana had been denied its rights for quite some time. When the whole of India celebrated independence at midnight of 15 August 1947, it could only raise the tricolour on 18 September 1948, only after the police action which saw merger of the State of Hyderabad with the Union of India. In between, it had to suffer terribly because of the Razakars who wanted Hyderabad to go with Pakistan.

"Nobody in Telangana wanted unification with Andhra but Pandit

**NEW STATE**



**1 Chandrasekhar Rao is to be sworn as CM at 8.15 am in Hyderabad**

**2 TRS activists have already painted Hyderabad pink in celebration**

Nehru persisted. While 18 September 1948 was a day of jubilation there was no such thing when the unification happened on 2 November, 1956. I remember as a 15 year old boy we pelted stone at buses, were caught by police and made to sit in police stations for some hours before being released," said Mr M Padmanabha Reddy, a retired IFS officer.

In 1956, a gentlemen's agreement was reached between Andhra and Telangana leaders. Provisions were chalked out for power sharing and promises made to safeguard the interests of

Telangana. That didn't materialise either. The fears were well-founded because Telangana under the Nizams had Urdu as medium of instruction while those from Coastal Andhra knew English, which was an advantage in getting government jobs.

The Telangana agitation in 1969 saw bloodshed. On 1 May 1969, students took out a procession from Charminar to Raj Bhavan. Despite a ban the procession became longer with the passage of time. At Siddi Ambar Bazaar mosque, police opened fire, leaving one dead. That was

just the start. Several people were killed in the course of the agitation. The movement was taken over by M Chenna Reddy in May 1969. The Telangana Praja Samithi under Chenna Reddy won the elections in 1971 and merged with the Congress after which the movement fizzled out and the dreams and hopes of the people were shattered. It took them a long time to come out of the loss of faith and trust. "People lost hope. There was a general feeling of frustration, of an opportunity lost", says Prof Kodandaram who have been associated with the movement for some time. He voices concerns that political adjustment between Centre and Andhra leaders may again lead to injustice for Telangana.

Even old timers are a little sceptical about the future. "Telangana has the potential for development and reconstruction," said Mr Reddy, before adding: "At least we have got back our pride."

AUTOMATIC DEREGULATION OF THE FUEL EXPECTED IN NEXT FEW MONTHS

# Loss on sales of diesel at new low

**PRESS TRUST OF INDIA**  
New Delhi, 1 June

Losses on sale of diesel have dipped to a new low of Rs 2.80 per litre, strengthening the prospect of automatic deregulation of the fuel in next few months if the rupee continues to strengthen and monthly price hikes continue.

Continuing with the reform initiated by the previous UPA government of eliminating subsidy on the fuel through small doses of monthly price increases, the week-old BJP government yesterday allowed oil companies to raise rates by 50 paise a litre.

The increase, the first

## RUPEE RISE & MONTHLY HIKE SHOULD CONTINUE

Losses on sale of diesel have dipped to a new low of Rs 2.80 per litre after Saturday's decision to hike diesel prices by 50 paise a litre

It strengthens the prospect of automatic deregulation of the fuel in next few months if the rupee continues to strengthen and monthly price hikes continue

The UPA government had in January 2013 decided to raise diesel prices in small doses of 40-50 paise a litre every month till the losses are completely eliminated

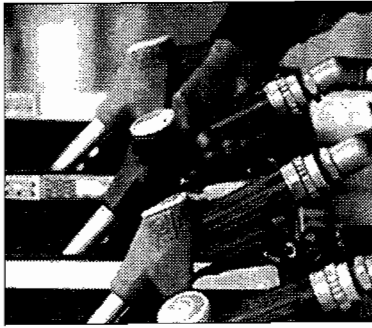
Diesel prices have risen by a cumulative Rs 10.12 a litre in 16 installments since Jan 2013

under Narendra Modi-led government, together with appreciation in rupee value against the US dollar, helped trim losses on diesel sales to

Rs 2.80 a litre from Rs 4.41 a litre last week, officials said.

The UPA government had in January 2013 decided to raise diesel

prices in small doses of 40-50 paise a litre every month till the losses, which are made good through government subsidy, are completely elim-



inated.

Officials said the monthly increases had trimmed losses to less than Rs 3 a litre in May last year before a fall in the rupee value led to losses on diesel sale widening to Rs 14.50 per litre in September 2013.

Since then, monthly increases have continued and the rupee has strengthened.

The losses have fallen rapidly since March this year as prospect of a stable and decisive government under Mr Modi helped rupee gain against the US dollar. Losses on diesel stood at Rs 8.37 per litre in March.

Officials said the yes-

terday's decision to raise diesel price came after new oil minister Dharmendra Pradhan held several rounds of discussions with state-owned oil firms to understand the reform.

Diesel prices have risen by a cumulative Rs 10.12 a litre in 16 installments since January 2013. Besides diesel, the oil firms are at present losing Rs 32.87 a litre on kerosene and Rs 432.50 on LPG (per cylinder).

At current rate, the three fuel retailers will incur a revenue loss of Rs 101,700 crore in the current financial year, down from Rs 140,000 crore in the previous financial year.

# Fiscal discipline must to bring back growth: FM

## TRIBUNE NEWS SERVICE

NEW DELHI, JUNE 1

Finance Minister Arun Jaitley today cautioned the country to prepare for "fiscal discipline" in order to restore the health of the economy and bring it back on the path of higher growth.

Aware of the immediate challenge he faces, the Finance Minister said the Narendra Modi government inherited an economy whose GDP figures grew by sub-5 per cent for two successive years, that had negative growth in mining and quarrying sectors, poor performance in manufacturing, a disturbed investment cycle and negative sentiment that affected trade, hotel and transportation sectors, which are going to witness slower growth than last year.

## Slowdown will have serious social fallout

“The slowdown in economic growth coupled with high inflationary pressure poses a challenge to the macro-economic environment.... India can ill-afford this trend. This has serious social consequences since slowdown comes with a decade of jobless growth”

—Arun Jaitley, FINANCE MINISTER



## Jaitley's recovery prescription

- Price stability and growth are intertwined but may require a different strategy — fiscal rectitude as a combination of monetary and fiscal policy. Country must move towards an era of fiscal-discipline to reduce fiscal deficit, contain inflation and improve growth rate
- Need to boost domestic low-cost manufacturing and hasten the pace of reforms

In his blog, "From Celebration to Challenges", he noted that CSO estimates, released in May, show the inflation continuing to rise with April figure at 8.9 per cent. The slow-

down in economic growth coupled with high inflationary pressure poses a challenge to the macro-economic environment. Tax collections are at 10.1 per cent of the GDP

compared to the initial budget estimates of 10.9 per cent.

"India can ill-afford this trend. This has serious social consequences since slowdown comes with a decade of jobless growth. Reviving the growth momentum, containing inflation and altering the pattern of growth to gainful employment is today an overriding priority. There is a need to boost domestic low-cost manufacturing and hasten the pace of reforms. Price stability and growth are intertwined but may require a different strategy," the Finance Minister said.

Jaitley interpreted the recent verdict as two different electoral attitudes of the voters — a high level of dissatisfaction with the UPA government and hope in the Modi-led BJP/NDA which

## FM pushes for fiscal discipline

FROM PAGE 1

commands the government to pull the country out of the present economic situation.

The Finance Minister said fiscal rectitude would be a combination of monetary and fiscal policy. Slower GDP growth will imply lower tax buoyancy and higher fiscal deficit. The country must move towards an era of fiscal discipline where it can reduce the fiscal deficit, contain inflation and improve upon its growth rates. India must prepare itself for this.

"We must commit ourselves to this discipline in order to strengthen the Indian economy, which can improve the quality of life of every Indian and pull out the deprived ones from the state of poverty. Short-term disciplining till we reverse the present trend will give us long term benefits."

# Inviting SAARC leaders right move: Modi

**VIBHA SHARMA**  
TRIBUNE NEWS SERVICE

NEW DELHI, JUNE 1

Prime Minister Narendra Modi today cited the example of his SAARC initiative to explain how a "right decision at the right time" can make the desired impact.

At the BJP headquarters for the first time after becoming the Prime Minister, he used the occasion to thank the party cadres across the country for their hard work and keep them enthused for future. He also used the occasion to tell how his first major foreign policy initiative sent out a message to the world about India's strength.

Speaking for the first time about his initiative which got all-round praise, he said the world was still talking about it. The world, he said, should realise the strength of India's democracy so that the country gets its due respect and status.



Prime Minister Narendra Modi and Home Minister Rajnath Singh pay tributes to Deen Dayal Upadhyaya in New Delhi on Sunday. PTI

"We have never thought beyond the country's frontiers. We are a big country, we are an old country, we are a big power. We should make the world realise it. Once we do it, the world will not shy away from giving us the due respect and status," the Prime Minister

told a gathering of party cadres.

Then referring to his invitation to SAARC leaders for the May 26-ceremony at the Rashtrapati Bhavan, he said: "The entire world got a message and they are still talking about it...what happened? How it happened?

It shows how effective a right decision taken at the right time can be".

The invitation to the SAARC leaders, including Pakistan Prime Minister Nawaz Sharif, provided an opportunity for Modi to establish contact with them. With Pakistan partic-

ularly, it was perceived as an ice-breaker and a step in the right direction.

Home Minister Rajnath Singh, Health Minister Harshvardhan and other leaders of the party, including general secretaries JP Nadda and Ramlal (organisation), were present on the occasion.

He also talked about how dedicated people who worked behind the scene often went unsung. He recalled how he was among those who arranged chairs for a function when Atal Behari Vajpayee visited the party headquarters after becoming the Prime Minister.

He told party workers today to uphold people's expectations. "The hope they (people) have entrusted in us should be maintained at all costs. We have to do our duty with purity and selflessness," he said.

Meanwhile, Modi will hold a meeting with his entire Council of Ministers tomorrow.

# Health minister to meet PM over proposed policy

SUSHMI DEY  
New Delhi, 1 June

More than a decade after India's last health policy, the government is planning a new one. The health ministry, headed by Harsh Vardhan, is deliberating on the key areas to be included in a comprehensive policy, it is learnt.

Vardhan is believed to have conveyed to senior health ministry officials, in the many meetings that he has had with them, that among the things to be attended to immediately is the new health policy.

The move is in line with Bharatiya Janata Party (BJP)'s 2014 election manifesto. "India now needs a comprehensive healthcare policy to address complex healthcare challenges, keeping in view the developments in the healthcare sector and changing demographics. The BJP will initiate a New Health Policy," the manifesto said.

Vardhan is expected to meet Prime Minister Narendra Modi early this week, to brief him on the policy.

Issues which are likely to be a part of the new policy are malnutrition, rational use of essential medicines, expansion of the immunisation programme to include Hepatitis B, Hemophilus influenza and other preventable diseases, an official said. Other key areas could be modernisation of public hospitals, the tobacco-control programme and a separate division for environmental health. There are plans for an inclusive health insurance policy too but it could be a separate national policy.

The last health policy dates back to 2002. It included objectives to ensure a more equitable access to health services across the social and geographical expanse of the country. One of the key highlights of the policy was to build a strong primary health network in rural India. The policy also talked about increasing health sector expenditure to 6 per cent of gross domestic product (GDP), with 2 per cent of GDP being contributed as public health investment, by



## BUILDING A HEALTHY INDIA

Key areas of deliberations which could be part of the proposed new health policy

- Reduction of malnutrition
- Tobacco Control Programme
- Expansion of immunisation programme to include Hepatitis B, Hemophilus influenza and other preventive diseases
- Modernisation of public hospitals
- Rational use of essential medicines
- Free drug distribution
- Separate division for environment health

### Highlights of National Health Policy, 2002

- Increase health sector expenditure to 6 per cent of GDP, with 2 per cent of GDP being contributed as public health investment, by 2010
- The gradual convergence of all health programmes under a single field administration
- Enforce a mandatory two-year rural posting before the awarding of the graduates degree
- Kick-starting the revival of the Primary Health System by providing some essential drugs under central government funding

the year 2010. That goal, among many others, has remained unfulfilled.

While the proposal for the new policy is currently in its initial stages, leading health activists are already apprehensive about the approach to the policy.

Amit Sengupta, co-convenor of Jan Swasthya Abhiyan, a public health advocacy movement, said the government first needs to distinguish between health policy and healthcare policy. "What the government is currently deliberating on is more of a healthcare policy whereas there is a need for an all inclusive health policy which would deal with issues related to

commerce, trade, women, gender, etc."

According to Sengupta, this system has to be integrated and networked so that at various levels, they are linked. For instance, the focus should be to start with building primary health care systems that can then determine the need for secondary and tertiary care hospitals.

Experts also said the BJP-led government is focused on creating an insurance-based healthcare system which might not be conducive to India's socio-economic scenario.

Even so, stakeholders are watching out for a new health policy that might formally be announced soon.



# Gas price issue to go back to Cabinet

Oil Ministry wants clarity on pricing method, applicability to output from D-1, D-3 fields

**RICHA MISHRA**

New Delhi, June 1

The Petroleum and Natural Gas Ministry will soon approach the Cabinet for clarifications on some of the contentious issues affecting the implementation of the new price for domestically produced natural gas. The Ministry is required to notify the price for the July quarter within the first fortnight of June.

Ministry sources said clarifications are needed on the method of price calculation and the applicability of the new price to D-1 and D-3 gas fields of the Reliance Industries-operated KG-D6 block.

The new Minister of Petroleum and Natural Gas, Dharmendra Pradhan, has been briefed by Secretary Saurabh Chandra. Since the decision on the pricing and KG-D6 was taken by the Cabinet, any clarification thereon also needs to come from there, the official said.

Asked what the pricing issue was when the Rangarajan Pan-

el has already suggested a formula, a Ministry official said, "Clarity is needed on whether the calculation will be on the basis of gross calorific value (GCV) or net calorific value

(NCV). The high-level panel had wanted it based on NCV, but the global practice is to use GCV."

The heat produced from natural gas is measured in calorific value. The issue cropped up when RIL-BP-Niko proposed a price based on GCV. This was not acceptable to the buyers, as

that would automatically push up the price by a dollar. The new gas price is expected to be almost double the current \$4.2 a unit (gas is measured in million British thermal units).

"That the Ministry is talking in terms of approaching the Cabinet to sort out some of the pending contentious issues is a clear indication that the issue will be re-opened. If the new Government was to endorse the decision of the previous regime, there was no need to approach the Cabinet; the Ministry itself would have notified the price," said an official associated with the development.

"Besides, let us not forget it is a tricky issue and the Government may want expert opinion before taking a call," another official added.

### Arbitration Notice

Meanwhile, the contractors of the D6 block — RIL, BP, Niko Resources — on May 9 issued an arbitration notice to the Government seeking implantation of the gas pricing guidelines notified in January. They are also in dispute with the Government on reasons for drop in output from the block.

## PMO to review Ministry

The Prime Ministers' Office is expected to do a performance review of the Ministry for Petroleum & Natural Gas in next three-four days.

Sources within the BJP and the Ministry told *Business Line* that the presentation is likely to happen a day after Prime Minister Narendra Modi addresses the nation. Indications are that Modi's address will be on Tuesday. "Though Modi himself doesn't believe in such things, there is thinking among party seniors that he must do it," said an official.

The Prime Minister had asked all the ministries to spell out the hits and misses, achievable targets, and decisions that should not have been taken.

On what should not have happened, the Petroleum Ministry has pointed to loss of focus of national oil companies on domestic exploration and production, keeping in abeyance the direct benefit transfer of subsidy, increase in the cap of supply of subsidised domestic LPG cylinders, and the lack of clarity on engagement with Iran in view of the US sanctions.

# Fiscal rectitude is needed to pull out of low growth: FM

Finance Bureau  
New Delhi, June 1

Finance minister Arun Jaitley said on Sunday that pulling the country out of the situation of low growth and high inflation would involve fiscal rectitude and a combination of monetary and fiscal policies.

"We have inherited an economy whose GDP has grown sub 5% for two years in a row. Slower growth will imply lower tax buoyancy and higher fiscal deficit. We must move towards an era of fiscal discipline where we can reduce the fiscal deficit, contain inflation and improve upon our growth rates," Jaitley said in his first blog since taking over as the finance minister.

"Reviving the growth momentum, containing inflation and altering the pattern of growth to gainful employment is today an overriding priority," he said.

Marginally higher than FY13, GDP growth of 4.7% in FY14 was less than 4.9% projected in the advance es-



Arun Jaitley

timate made in February. Meanwhile, the fiscal deficit for last year stood at 4.5% of GDP, lower than 4.6% projected in the revised estimate, mainly on account of curbs on government expenditure.

The finance minister wrote that the mining and quarrying sectors gained a negative growth trend and the manufacturing sector recorded an abysmal performance last year. "The investment cycle has been disturbed. The negative sentiment has affected trade, hotels and transportation sectors which are poised for a slower growth compared with last year," he wrote.

## Modi to meet ministers today

**New Delhi, June 1:** After asking the ministers to set a 100-day agenda, Prime Minister Narendra Modi will hold a meeting with the council of ministers on Monday to focus on efficient governance and delivery and implementation of programmes.

The meeting will take place against the backdrop of Modi's 10-point agenda which includes increasing investment, completing infrastructure projects in a time-bound manner and exploiting natural re-

sources, besides giving freedom to bureaucrats to take decisions and implement them.

He is expected to highlight his thrust areas and seek suggestions from the ministers at the meeting, sources said.

The deliberations are expected to be reflected in President Pranab Mukherjee's address to the joint sitting of Parliament next week.

The PM had scrapped the Empowered Group of Ministers (EGoMs) and Group of Ministers (GoMs) to entrust

ministries with the responsibility of decision-making and speedy implementation.

Earlier, he told the ministers to set a timetable for the first 100 days listing the priorities with a focus on efficient governance and delivery and implementation of schemes.

Modi has told the Cabinet ministers to take the ministers of state along in implementation of programmes and that he would be regularly meeting them as also the Secretaries individually. *PTI*

# RBI may maintain *status quo* in June 3 policy review

**NEW DELHI:** The Reserve Bank of India may leave the key interest rate unchanged in its June 3 monetary policy review as Governor Raghuram Rajan is likely to prefer containing stubborn inflation before conceding to demands for a rate cut to boost growth.

Rajan had kept the policy rate unchanged at 8 per cent at its April 1 review as inflation, especially of food items, hovered at over 8 per cent. Food inflation in April stood at 9.66 per cent and retail inflation was at 8.59 per cent.

The bi-monthly policy review on June 3 will be the first after Prime Minister Narendra Modi assumed office on May 26.

"RBI is likely to maintain status quo as inflation is still high and there is threat of monsoon being weak this time looming large," Indian Overseas Bank Chairman and Managing Director M Narendra told the news agency.

An emerging risk on the inflation front is the likelihood of a deficient monsoon, which could lead to a surge in food inflation and affect growth adversely.

The India Meteorological Department (IMD) has indicated a 60 per cent probability of El Nino this year along with a below-normal monsoon.

The RBI has increased the key repo rate three times since Rajan took over as Governor in

## Interest rate may be cut by 25 bps: Assocham survey

**PNS ■ NEW DELHI**

A survey conducted by an industry chamber Assocham says that RBI on Tuesday may cut rates by 25 basis points at its first credit policy review as governor Raghuram Rajan tries to strike a balance between fighting inflation and reviving growth.

"A small, though symbolic cut in interest rates of say, 25 basis points, looks on cards," the survey of economists and CEOs said.

"While the RBI is an autonomous central bank and the monetary policy is its sole prerogative, it is expected by a large number of corporate leaders and economists that the central bank chief would show much more pragmatism," Assocham said.

RBI is scheduled to unveil its credit policy on June 3.

Around 76 per cent of the respondents in the 125-sized

September.

According to DBS, "The RBI reiterated that inflation control was a priority and the bank will also attempt to balance growth-inflation objec-

sample survey said that RBI Governor Raghuram Rajan is walking a tight rope as he "knows the mind" of the new government, which has been projected as pro-growth.

"The RBI Governor's job would become much easier as he along with others can see much higher level of commitment to reduce the inflation, both at the whole-sale price inflation (WPI) and retail level," Assocham President Rana Kapoor said.

India's economic growth has remained below the 5 per cent mark for the second year in a row at 4.7 per cent in 2013-14.

While industrial production shrank for the second month in a row, contracting 0.5 per cent in March, retail inflation surged to a three-month high of 8.59 per cent in April.

Industry leaders have been clamouring for low interest rates to spur growth.

We look for the repo to be left unchanged next week (June 3)."

After meeting new Finance Minister Arun Jaitley last week, Rajan said fighting price

increases is a priority and the central bank has always maintained a balance between the need to check inflation and prop up growth.

India's economic growth stayed below 5 per cent for the second year in a row at 4.7 per cent in 2013-14. Growth remained subdued at 4.6 per cent in the fourth quarter.

Foreign lender RBS said while keeping rates unchanged in the policy review, the RBI could gradually ease liquidity conditions in the inter-bank market, which in turn could allow for lower cost of borrowings.

However, industry bodies are clamouring for a rate cut to boost growth.

Assocham said the low level of wholesale inflation of items such as wheat, pulses, vegetables and oilseeds would give extra room to the RBI to be accommodative.

"Governor's job would become much easier as he along with others can see much higher level of commitment to reduce the inflation, both at the WPI and retail level," Assocham president and Yes Bank Managing Director Rana Kapoor said.

Wholesale inflation of food products under manufactured items is under 2 per cent, while items such as sugar, edible oils and cement and lime have shown a negative trend, it said. PTI

# IT, Telecom Lead Charge in Q4 Growth



**Average operating profitability, at 17.1%, on a par with previous quarter & highest over past 3 years**

Such companies witnessed weak growth, but their numbers were in line with the expectations since analysts and investors had factored in lower growth given the weak demand.

"At the aggregate levels, the numbers were soft but within these sectors, the leaders did not disappoint, which is a positive indicator. Results of Larsen & Toubro, ITC and JSW Steel were quite good. Also, some of the mid-cap companies performed well," said Rahul Arora, CEO of Nirmal Bang Eq.

earnings growth of such companies going forward, as lower base effect would kick in and interest rates would be the key factor, he said. "Eventually, the interest rates have to come down, whether in six months or one year, and the street will gradually start discounting this," he said.

industries such as auto ancillaries, and fertilisers and pesticides proved to be the major earnings growth driver. The IT sector, which accounts for 22% of the aggregate earnings, was the major earnings growth driver; its earnings grew 45%. But cyclical sectors, such as capital goods, cement, construction, metals and mining, continued to suffer from declining earnings.

Analysts say the situation is likely to change after a quarter or two, with the cyclical expected to drive earnings growth instead of the companies focused on exports.

"Growth in the IT and other export-focused industries has remained high due to the sharp depreciation in the rupee. However, this advantage will start fading from the current quarter. The fall in the rupee began in the June quarter last year, so the lower base advantage will go away and it may also be possible that in the September quarter, the rupee will be positive year-on-year,"

**JWALIT VYAS**

ET INTELLIGENCE GROUP

India Inc had a mixed quarter to March with select sectors and companies exposed to the global markets accounting for the bulk of the growth even as the average operating profitability of 17.1% was on a par with the previous quarter and the highest over the past three years.

An analysis by the ET Intelligence Group shows this was the third successive quarter of strong performance, with 13.1% growth in sales, while net profit grew at a healthy 24.8%, which was slower than the previous 3-month period.

The analysis of the results of 1,650 companies — excluding banking and finance, and oil and gas players — shows IT, telecom and some smaller in-

said Rajat Rajgaria, managing director-institutional equities, Motilal Oswal Securities. "We expect the domestic demand to pick up gradually, which will start reflecting in the numbers with a lag of one or two quarters."

**Cyclical sectors continued to suffer from declining earnings. But that may change as cost cuts bear fruit**

Among the heavyweights, metals, cement, auto and capital goods suffered decline in earnings over the year-ago period, while FMCG and mining showed a decline in earnings growth. This was primarily due to lower realisations on account of depleted demand.

"Although the domestically driven companies did not witness robust growth, they were able to sustain their margins. The companies have taken strong cost-cutting measures and the benefit of all these measures will start reflecting from the September

ber 2015 quarter onwards once the demand also picks up," said Daljeet Kohli, head of research at IndiaNivesh.

Such companies witnessed weak growth, but their numbers were in line with the expectations since analysts and investors had factored in lower growth given the weak demand.

"At the aggregate levels, the numbers were soft but within these sectors, the leaders did not disappoint, which is a positive indicator. Results of Larsen & Toubro, ITC and JSW Steel were quite good. Also, some of the mid-cap companies performed well," said Rahul Arora, CEO of Nirmal Bang Eq.

earnings growth of such companies going forward, as lower base effect would kick in and interest rates would be the key factor, he said. "Eventually, the interest rates have to come down, whether in six months or one year, and the street will gradually start discounting this," he said.

## Govt Readies Plan for ₹25k-cr National Waterway Grid

**DEEPSHIKHA SIKARWAR**  
NEW DELHI

The Narendra Modi government has drawn up an ambitious ₹25,000-crore plan to create a national waterway grid linking Ganga, Brahmaputra, Mahanadi and Godavari rivers.

"The plan is ready.... We will soon move a formal proposal," a senior shipping ministry official said, adding that the underlying objective is to enable water from big perennial Himalayan rivers to flow into peninsular ones generally have strong seasonal flows.

Nitin Gadkari, the new minister for roads and shipping in the BJP government, has given an in-principle clearance to the eight-year project, which aims to ensure high water levels in rivers through the year, improving their role in crop irrigation and making them navigable. The waterway grid will also help control floods.

The proposed grid will have road linkages to ports to facilitate faster movement of cargo. According to the ministry's estimates, transportation of goods on this network could lead to savings of about ₹300 per tonne.

"It will create a network of passageways in a large part of the country in rivers that are navigable," the official added.

In 2002, the NDA government under Atal Bihari Vajpayee had set up a task force to look into inter-linking of rivers. The same year, the Supreme Court ordered the constitution of a committee to take the idea forward. The plan, however, could not take off in earnest.

It was only recently that the Rajasthan government started to pilot project to take the idea forward.

Five inland waterways have already been declared as national waterways, though only three are operational so far.

The shipping ministry has also readied Cabinet notes for a coastal shipping policy aimed at cheaper and faster movement of cargo among the nine coastal states.

On its part, the Inland Waterways Authority has written to state governments to plan roads keeping in view waterways falling in their states.

The shipping ministry successfully bucked slowdown in 2013-14 and awarded 30 projects worth ₹20,709.93 crore that would lead to the creation of 217.57 mtpa capacity in the country.

# Uttar Pradesh Counters Centre over Power Supply Situation

Centre suggests state to procure adequate power from exchanges to meet shortage

**MITUL THAKKAR**  
NEW DELHI

Uttar Pradesh's power utility countered central government's criticism over short supply of electricity when most parts of the state are under heat wave. It called centre's statements an eye wash and said that the centre is distorting facts of power supply situation.

Newly formed NDA government and Akhilesh Yadav government in Uttar Pradesh are blaming each other for long power supply cuts in the state where ruling Samajwadi Party failed to make a mark in the general elections. Opposition parties are claiming that Yadav government is victimising voters in the constituencies that did not vote for his party.

Of the state's demand for 12,700 Mw, power utilities are able to cater about 10,700 Mw is met, leaving a shortfall of 2,000 Mw. The state's power utilities are suffering transmission and distribution losses to the tune of 32%, which translates into loss of ₹7,000 crore per annum to state exchequer. Power utilities of Uttar Pradesh are able to supply electricity for less than 13 hours in urban areas and eight hours in villages.

On Friday evening, Press Information Bureau's statement read that 600-Mw power project Anpara-C is not generating electricity because of non-procurement of imported coal by the generating company. "This is wrong that Anpara C is not procuring imported coal. In fact, it is only due to imports that one of its units is operational. Coal India subsidiary Northern Coalfield has not been able to provide any coal from its Khadia mine for the last 15 days. Against the allocation of 5,200 Mw for Uttar Pradesh from the central power stations, we are getting only

4,200 Mw from second week of May," Uttar Pradesh Power Corporation Ltd (UPPCL) chairman SK Agarwal told ET. He added government of India should see the problem in the present context and

**Of the state's demand for 12,700 Mw, power utilities are able to cater about 10,700 Mw, leaving a shortfall of 2,000 Mw**

improve supply of coal to Anpara C. Agarwal disagreed with centre's claim of availability of power from the its generating stations to Uttar Pradesh normal. "Uttar Pradesh is not taking power equivalent to its allocation from gas based stations of Anta, Aurayia and Dadri and in case requisition is made by the state distribution utilities, about 300 mw can be made available immediately," said centre that suggested Uttar Pradesh government to procure 377 Mw

from NTPC's Jhajjar plant like it did during the election season from May 3 to 15.

Agarwal said that these gas based plants are not operating at full capacity due to inadequate gas availability. Incidentally, Tata Power's electricity distribution arm has also offered to surrender its capacity allocation from these three plants on account of their higher costs.

Centre also suggested Uttar Pradesh to procure adequate power from the power exchanges to meet its shortage while the state has already started buying close to 800 Mw from Indian Energy Exchange alone. On Friday evening, it also asked NTPC to supply 325 Mw of supply till June 7. Uttar Pradesh is unable to procure power from not only southern grid but lack of transmission network is also preventing UPPCL from availing 700 Mw of power it tied up early this year to meet summer demands.

Both have made presentations to finance minister on the issue

# FinMin, DIPP ask in whose turf does FDI policy lie

SURABHI

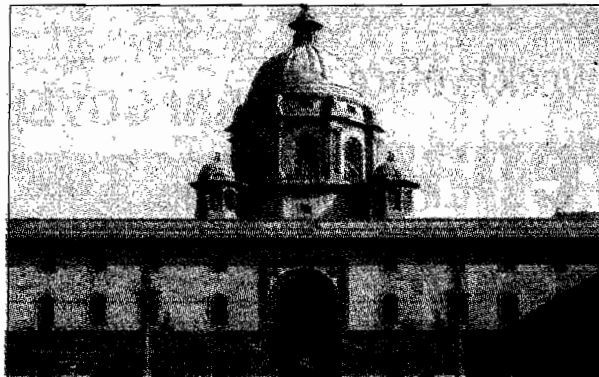
NEW DELHI, JUNE 1

**R**EVIVING the debate over who should control the country's foreign investment policy, the finance ministry and the department of industrial policy and promotion (DIPP) have raised the issue with their new ministers.

"The finance ministry controls all economic policies but for that relating to foreign direct investments. Further, it also governs the Foreign Exchange Management Act (FEMA)," said a senior government official.

The issue is understood to have been raised by the department of economic affairs in their presentation last week to finance minister Arun Jaitley.

"Bringing it under control of the finance ministry will also help streamline the formation and administration of FDI policies," the official



said, referring to the inter-ministerial differences that often crop up over sectoral policies that result in a lack of clarity for investors.

Meanwhile, the DIPP is also understood to have pitched for full control over the foreign direct investment (FDI) policy to minister of state for commerce and industry (independent charge) Nirmala Sitharaman.

Officials in both departments are hopeful that the ministers will take a call on the issue soon.

Significantly, Sitharaman is also the minister of state for finance and is expected to work in close coordination with Jaitley.

Under the current system, the Foreign Investment Promotion Board is housed in the finance ministry and chaired by the secretary of the department of economic affairs. While the department of economic affairs looks at formulation of FDI policies along with the DIPP, it is the latter that notifies all such policy decisions.

## OFFICIALS

are hopeful that the matter would be resolved as Nirmala Sitharaman, minister of state for commerce and industry, also holds concurrent charge of finance

However, this was not always the case. The FIPB was originally transferred to the DIPP from the Prime Minister's Office in 1996 but was then given over to the finance ministry in 2003.

There have been several instances of differences between the two ministries over formulation of FDI policies.

The most recent was in the case of investments in the pharmaceuticals sector where the Prime Minister's Office had to finally step in to resolve the matter.