

योजना आयोग  
भारत सरकार  
**Planning Commission**  
GOVERNMENT OF INDIA

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## NEWS AND VIEW S

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

*Chuck Knox*

## Polity

- **NDA thumbs down to national intel grid chief:** Signalling impending change in the higher echelons of the intelligence establishment, the NDA Government has decided not to renew the contract of Raghu Raman, CEO, National Intelligence Grid (NATGRID). One of the UPA's biggest showpiece internal security projects to build a database that could be accessed by multiple agencies, the project has been crawling. While formal orders have not been issued yet, Home Ministry officials have confirmed to The Indian Express that the NATGRID head office in New Delhi has been informed about the CEO's contract not being renewed, a day after it was to end on May 31. While Raman himself did not respond to calls or text messages, it is understood he had agreed to accept a two-year extension when the UPA sounded him out in April. The orders, however, did not arrive. And just three days ago the NATGRID office was informed orally that such an extension had been denied. The NATGRID was conceived by the UPA Government in 2008 after the 26/11 terror attacks in Mumbai as an intelligence database which would have networked 21 sets of data sources to provide quick and secure access of information to about 10 intelligence and law enforcement agencies. These data sources include records related to immigration entry and exit, banking and financial transactions and telecommunications. The agencies include the Intelligence Bureau, local police and revenue and Customs departments. (The Indian Express).

## Economy

- **Services PMI in growth zone after 10 months:** The services sector returned to growth in May on increased orders, after contracting for 10 months, according to the HSBC Purchasing Managers' Index (PMI). The index rose to 50.2 points in May from 48.5 in April. Any reading above 50 points indicates an expansion and any below indicates a contraction. The growth is fragile but "fortunately, this momentum will be further supported by the strong election results", said Frederic Neumann, co-head of Asian Economic Research at HSBC. That said, the increase in activity was weak in the context of historical data, noted Markit Economics, the financial information agency which compiles the PMI data. The survey covers about 350 companies, all non-government. Divergent trends were seen at the sub-sector level, with only post & telecommunication and renting & business activities registering higher output, it said. The composite output index, comprising both manufacturing and services, rose to 50.7 points in May from 49.5 in the previous month. It shows expansion for the first time in three months. Supporting the rise in services activity was a rebound in new orders. The rate of expansion in incoming new work was, however, slight overall. Order book volumes placed with manufacturers also rose, leading to higher new business across the private sector as a whole, said Markit. Service providers were optimistic in May that activity would increase over the next 12 months. (Business Standard)

## Planning

- **Finmin mulls agency to take over NPAs, revive sick units:** The finance ministry is considering a proposal to set up a National Asset Management Company that may act as a nodal agency to take over bad loans of banks and help revive sick units. There is a proposal to form such an entity, for which public sector banks can jointly put in capital, sources said. "We have asked banks to prepare some modalities for setting up of this company, which could look at the stressed asset issue holistically, including taking over non-performing assets (NPAs) and revival of sick units," sources said, adding the proposal was part of a presentation made to the finance minister by the Financial Services Department. As per the proposal, it can act as an aggregator of NPAs and clear such assets quickly. Presently, there are 14 asset reconstruction companies – of which four are very active – which can take over part of a stressed account. Once set up, the proposed National Asset Management Company can pick up large stressed assets entirely from a consortium instead of the normal practice of a partial takeover. Stressed assets have been on the rise due to the economic slowdown and the delay in infrastructure projects. The gross NPAs of banks increased to 4.4% of advances at the end of December from 3.84% at the end of March 2013. Bad loans of PSU banks rose 28.5% to R1.83 lakh crore in March 2013 over the preceding September. (The Financial Express)

## Editorial

- **The stock supply problem:** The Indian stock market faces a peculiar challenge today – too much money chasing too few stocks. The prolonged bull run since September 2013, largely a result of foreign institutional investors pumping in almost \$17 billion, has seen prices of good quality stocks – whether in the large, medium or small cap segments – shoot up to extraordinarily high levels. So much so, there are very few such stocks that are now available at reasonable values. Worse, the bull run may not be over with retail investors – who did not participate enthusiastically in the rally – suddenly showing an interest in the primary and secondary markets. Recently, the retail portion of an IPO by an amusement park operator was oversubscribed seven times – unthinkable a few months ago. Similarly, there has been a strong response by domestic institutions to qualified institutional placement offers by Yes Bank and Muthoot Finance, suggesting a late surge of interest from this quarter as well. The race for investment-worthy stocks is going to get only more intense as the rally progresses, with more and more investors waiting on the sidelines to join in. But our markets have a limited capacity to absorb this kind of demand. Around two-thirds of the listed stocks now have little or no liquidity, making exiting difficult in the event of price declines. No wonder that much of the trading happens in the top 100 stocks, which account for more than three-fourths of the market volume. Of course, this can change with a revival in the primary market, as companies recognise the fund-raising potential from floating fresh issues. (Business Line).

# NPA norms stressed, RBI may revamp soon

■ New rules working, but banks need more time to fix bad loans

**Vishwanath Nair**  
Mumbai, June 4

**T**HE Reserve Bank of India (RBI) may soon change the guidelines for dealing with Special Mention Accounts (SMA), making it mandatory for banks to set up joint lenders' forums (JLFs) as soon as a borrower delays payments beyond 30 days. Bankers in the know said they were expecting revised rules soon, adding the idea was aimed at giving banks more time to come up with action plans to deal with stressed accounts.

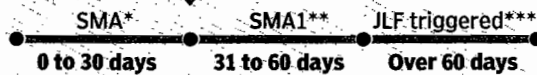
Once interest payments are delayed beyond 90 days, the account turns into a non-performing asset (NPA). The central bank wants lenders to spot trouble early on so as to be able to contain NPAs. Forming a JLF earlier might prompt borrowers to become more disciplined, bankers believe.

Lenders, however, feel the time given is too short to do justice to the case and come up with a suitable corrective action plan (CAP). "As of now, we form a JLF if repayments are delayed for 60 days or more. As such, we

## EARLY WARNING SYSTEM

Banks to act faster on problem loans...

**Existing process**



**Likely process**



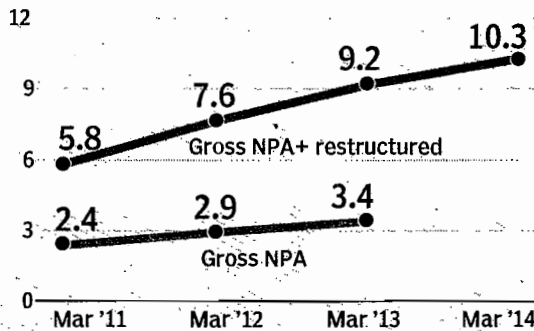
\*Special Mention Accounts, interest overdue 0-30 days

\*\*Interest overdue 31-60 days

\*\*\*Joint lenders' forum to take action

...as bad/doubtful loans pile up

% of total loans, for all banks



have only 30 more days within which to form the JLF, take a decision on what is to be done. Also, corrective action cannot be taken before a viability study is conducted. This is too short a timeline

for us to function," a public sector banker told *FE*.

Since April this year, when the new guidelines came into force, close to 40 cases, each with loan exposure of ₹100 crore and

above, have been discussed. "A few have slipped into the NPA category and will probably have to be restructured," a banker with a leading PSU bank said.

As part of the regulator's guidelines to manage stressed assets, banks are required to devise a CAP within 30 days of the first JLF meeting and decide on whether they want to restructure the account or move to recover their loans.

A restructuring would require a techno-economic viability (TEV) report to be given to the corporate debt restructuring (CDR) cell. "If you are rushing to do a TEV report, the quality will be poor," another senior banker at a large public sector bank pointed out. He also highlighted the fact that not all banks have board meetings often enough to be able to discuss the cases.

Sources told *FE* the Indian Banks' Association had already sounded out the RBI requesting the regulator to review the timelines. Typically, borrowers tend to pay up on the 89th day to avoid the NPA tag.

# Finmin mulls agency to take over NPAs, revive sick units

■ Company may pick up stressed assets entirely from a consortium

New Delhi, June 4

**T**HE finance ministry is considering a proposal to set up a National Asset Management Company that may act as a nodal agency to take over bad loans of banks and help revive sick units.

There is a proposal to form such an entity, for which public sector banks can jointly put in capital, sources said.

"We have asked banks to prepare some modalities for setting up of this company, which could look at the stressed asset issue holistically, including taking over non-performing assets (NPAs) and revival of sick units," sources said, adding the proposal was part of a presentation made to the finance minister by the Financial Services Department.



## FISCAL FITNESS

■ Sources say there is a proposal to form an entity for which PSBs can jointly put in capital

■ As per the proposal, the company can act as an NPA aggregator and clear such assets quickly. Presently, there are 14 ARCs that can take over part of a stressed account

■ There is also a proposal to finance the acquisition of bad assets

As per the proposal, it can act as an aggregator of NPAs and clear such assets quickly.

Presently, there are 14 asset reconstruction companies—of which four are very active—which can take over part of a stressed account.

Once set up, the proposed National Asset Management Company can pick up large

stressed assets entirely from a consortium instead of the normal practice of a partial takeover.

Stressed assets have been on the rise due to the economic slowdown and the delay in infrastructure projects.

The gross NPAs of banks increased to 4.4% of ad-

vances at the end of December from 3.84% at the end of March 2013.

Bad loans of PSU banks rose 28.5% to ₹1.83 lakh crore in March 2013 over the preceding September. The top 30 NPAs of state-owned banks account for 40.2% of their gross bad loans.

The finance ministry has asked public sector banks to act tough in case of wilful defaulters and has suggested that they go in for a change of management of defaulting companies.

There is also a proposal to finance the acquisition of bad assets. In such cases, bank finance would be made available to a financially strong buyer to acquire stressed assets or a sick company.

This facility is presently not available and the RBI is looking into the matter. *PTI*

# Govt must improve supply, storage of crops to counter El Nino: Assocham

New Delhi, June 4: Industry body Assocham has asked the government to take measures to improve supply and storage facilities for the country's crop produce, in view of the likelihood of deficit rainfall due to the El Nino effect.

"We recommend the government to immediately announce steps to control food inflation in view of the impending El Nino and the cascading negative affect it will have on crop production," Assocham president Rana Kapoor said.

"The government needs to make some key announcements on supply side management, logistic management, including warehousing, and implement changes in the Agricul-

ture Produce Market Committee Act to curb hoarding," he added.

After four years of normal and above-normal monsoon, India is expected to have below normal monsoon this year with rainfall projected to be 95%, a news which is disap-

pointing for the farming community.

About 60% of net sown area of the country is rainfed. The deficit rainfall of 5% due to El Nino factor will cause loss to the GDP of about 1.75%, i.e. ₹1.80 lakh crore, which in turn will hurt lakhs

of unskilled jobs, according to Assocham.

With every 1% deficit in rains, the country's GDP falls by 0.35%, it added.

Officials in the weather department earlier said the monsoon is expected to be below normal because of El-Nino effect, which is generally associated with the warming of ocean water.

The outlook for agriculture is clouded by the meteorological department's forecasts of a delay in the onset of the south-west monsoon with a 60% chance of the occurrence of El Nino," RBI governor Raghuram G Rajan said in a second bi-monthly monetary policy statement on Tuesday.

PTI



**AFTER FOUR YEARS OF NORMAL AND ABOVE-NORMAL MONSOON, INDIA IS EXPECTED TO HAVE BELOW-NORMAL MONSOON WITH RAINFALL PROJECTED TO BE 95% THIS YEAR**

**The Road Map** Modi Sarkar will shun quick fixes in initial years & instead focus on a plan for fiscal consolidation. Later, it would pursue aggressive growth

# Govt's 2+3 Plan: 2 Years Repair & then Growth

**DEEPSHIKHA SIKARWAR & VINAY PANDEY**  
NEW DELHI

The Narendra Modi government will take a series of steps to rebuild investor confidence while keeping fiscal consolidation firmly in sight as part of its plan to mend the economy in the next two years and then make an aggressive push for growth in the remaining three years of its term.

Insiders say the government will shun populism and quick fixes and instead focus on a concrete plan to fix the struggling economy it has inherited with two consecutive years of growth below 5% and no fiscal or monetary lever to stimulate economic expansion.

The broad programme will be outlined in the upcoming Presidential address to the joint session of Parliament and followed by detailed steps in the budget that's expected in the first week of July.

"Economy is facing acute chal-

**Notable Leads for Tough Road**

<b>2-PRONGED STRATEGY</b>	Presidential address will spell out the broad agenda	Budget will list concrete steps	PM to be actively involved in budget
<b>1</b>	<b>FISCAL CONSOLIDATION</b> Focus on better spending mix to improve quality of expenditure and curb wastage. Also, more tax revenue.	<b>2</b>	<b>IMPROVED INVESTMENT CLIMATE</b> Budget will list concrete steps to improve investment climate. PM to be actively involved in budget.

lenges of high inflation and poor government finances... Focus clearly needs to be on consolidation for the next two years and then take it forward... All efforts would be

driven to turn the business sentiment with concrete measures," said a top government functionary

**Govt Prepared for Tough Steps >> 18**

## Retro I-T Act Amendment Likely to go

 The government is likely to modify the controversial retrospective amendments to the I-T Act and make them prospective, justifying the move as a necessary measure to improve investment sentiment, report **Deepshikha Sikarwar & Vinay Pandey >> 15**

## May Sees Revival in Services

 After the better core sector and manufacturing numbers, there is more good news: Activity in the services sector expanded for the first time in nearly a year, in May, boosted by a surge in new businesses, the HSBC Purchasing Managers' Index showed. **>> 15**

**6.5 LAKH CR PROJECTS TO BE REVIEWED**  
PAGE 15

# Govt to Review ₹6.5-Lakh Cr Projects Cleared by UPA

Ministries directed to seek details from project promoters on actual activity on ground

**VIKAS DHOOT**  
NEW DELHI

The Narendra Modi government has decided to review the progress of all projects worth ₹6.5 lakh crore cleared by the outgoing UPA government's Cabinet Committee on Investments (CCI), which was set up to revive the investment cycle and shore up the economy by resolving red-tape hurdles facing big-ticket projects.

The Namo mantra for spurring the economy back to higher growth – part of the key message he conveyed to his council of ministers on Monday night – is to go beyond facilitating clearances for such investments and focus on making them operational on the ground.

With CCI having cleared projects worth ₹6.5 lakh crore since January 2013, the government has now written to all those project promoters to ascertain if they have started production yet and if not, why. Such monitoring is expected to be the norm for all other projects that the government manages to rescue from red tape in the coming months.

"Just granting approvals such as environment and forest clearances or fuel supply agreements for power projects won't be enough to revive the economy. It is equally important to ascertain if these projects actually started production and if not, what else is holding them up," said a senior government official aware of the development.

In order to ascertain the situation, ministries have been asked to seek details from project proponents on the actual activity

## Economy Boost



"Budgetary consultations have started. Commerce Ministry participated... On the advice of PMO held a consultative meeting with Dr C Rangarajan to boost the economy" Commerce Minister Nirmala Sitharaman said in her tweet

on the ground after they secured the clearances they had sought help with, and report the status to the Cabinet secretariat.

The development assumes significance as the Indian economy recorded a growth of just 4.7% in 2013-14 and is trapped in a vicious cycle where investments have come to a grinding halt, hurting job creation and savings rates are plummeting due to high inflation.

"Clearances have to translate into more production of goods and services, generation of power, et al, to show a tangible improvement in economic output. In many power projects for which fuel supply agreements were ensured after CCI's intervention, generation of power hasn't started yet as power purchase agreements with state electricity boards haven't been signed," said the official.

Former finance minister P Chidamba-

ram had proposed the creation of CCI and a special project monitoring group (PMG) in the Cabinet Secretariat back in July 2012, but the CCI was only set up in January 2013 and the PMG was created in June 2013 to resolve problems facing all investments of ₹1,000 crore or more.

The Manmohan Singh PMO had decided in September 2013 that the department of financial services in the finance ministry should keep track of project expenditure and investments in such stalled projects that were rescued by the CCI and PMG. The Modi government has taken the view that the same group in the Cabinet secretariat that facilitated the clearances should monitor their post-clearance activities and such monitoring shouldn't be restricted to checking investment and bank credit flows to these projects as the finance ministry was doing.

A CCI intervention helped Posco's \$12-billion mega-steel plant in Odisha, touted as India's largest FDI proposal, secure a critical environment approval ahead of South Korean President Park Geun-hye's visit this January.

However, the company was forced to knock on the Cabinet panel's door again by April, informing the Centre it is putting all construction work on hold due to its failure to grant mining clearances despite assurances from former Prime Minister Manmohan Singh during the South Korean president's visit.

While some projects like the ₹12,000-crore Aerocity around the Capital's airport have become visibly operational, the status of other projects is not yet known.



# Bank Mergers: Finmin Looking at Various Options

## Plausible Scenarios

### TOTAL ASSET BASE

PNB, Indian Bank, Dena Bank

Bank of Baroda, Syndicate  
Bank, IOB, UB

Canara, Central Bank of  
India, OBC

Bank of India, Allahabad  
Bank, Corporation Bank,  
Bank of Maharashtra,  
Punjab and Sind Bank

Union Bank of India, Andhra  
Bank, Vijaya Bank, UCO, IDBI



Merger on basis of business mix, branches and no conflicting subsidiaries

**DHEERAJ TIWARI**

NEW DELHI

The finance ministry is examining various suggestions made by investment bankers to merge the country's biggest state-run banks to create much stronger financial institutions.

One proposal suggests Punjab National Bank, Indian Bank and Dena Bank be merged to create a bank with an asset base of more than ₹9 lakh crore. Another possible combination is Bank of India, Allahabad Bank, Corporation Bank, Bank of Maharashtra and Punjab & Sind Bank.

The finance ministry is examining proposals that include consolidation based on geography, business mix and information technology systems. Both private and public sector investment banking firms have made proposals, a senior finance ministry official told ET.

Separately, ET has learnt that at least three investment banks made suggestions while pitching for mandates.

"We are examining those inputs. The basic framework is to look at creating large banks with a pan-India presence," the official said, adding that any merger decision will hinge on political more than economic considerations.

India's banks are still small when compared with global rivals. The country's largest, State Bank of India, is ranked 16th in Asia while Bank of Baroda is at 32.

According to a report by Morgan Stanley, there is significant overlap among various state-owned banks in terms of branches, mode of operation and clients. "Consolidation should enable (state-owned) banks to extract synergies fairly easy," it said.

But, it also noted that mergers won't be easy given the strength of the unions. In presentations to the finance ministry, most investment bankers

pointed to HR issues standing in the way of consolidation efforts.

One proposal, based on business mix and the absence of conflicting subsidiaries, calls for the merger of Bank of India, Allahabad Bank, Corporation Bank, Bank of Maharashtra and Punjab & Sind Bank to create an entity with an asset base of more than ₹11 lakh crore.

"The only challenge in this scenario is how to achieve integration of technology as all these banks work on different banking solution platforms," said the official cited above.

If the government decides to integrate banks on the same IT platform, it would mean about six banks, including PNB and United Bank of India, can be merged with an asset base of ₹16 lakh crore. "In such a merger, there will be a lot of issues with business integration and geographical presence," the official said.

The finance ministry is looking at three to four large banks with a pan-India presence with entities present across all financial service sectors.

The Reserve Bank of India (RBI) is also open to the idea of mergers that aren't forced. RBI governor Raghuram Rajan has said that the central bank is open to voluntary mergers.

"When you go forcing mergers, then there is an issue of culture... so we should be careful about forcing mergers," he had said.

According to RBI, state-run banks will need about ₹4.15 lakh crore to meet Basel-III norms - equity capital of ₹1.5 lakh crore and non-equity capital of about ₹2.75 lakh crore. The government, with its fiscal deficit, won't be able to capitalise banks over a long period.

The department of financial services is also considering the establishment of a holding company of all state-run banks to have a single mechanism to enable the government to better manage banks' capital needs.

# PM Meets Secys, Calls for Faster, Collective Action

OUR BUREAU  
NEW DELHI

Prime Minister Narendra Modi 'promised to stand by' bureaucrats who take decisions and called for a review of archaic rules to simplify governance.

In a meeting on Wednesday evening with all secretaries of central government, Modi also called for 'simplifying and streamlining the administrative rules and procedures to make them people-friendly.'

Without mentioning the policy paralysis that had beset the UPA administration, the PM "empathized with the sentiment expressed by the secretaries and their anguish in not being able to realize their true potential because of circumstances" according to an official statement from the PM's office. Opening a direct line of communication with all the secretaries, the PM said he would be accessible to all of them and urged them to approach him with their ideas and inputs.

A freewheeling interaction on challenges facing the Indian economy where he sought top officials' views on tackling them, this was the first such meeting of its kind held by the Prime Minister with top officials without their ministers being present at the same time in eight years.

Faster results, the PM told the 77 secretaries at the meeting, could only be achieved through collective action and urged them to work together with a team spirit.

"There may be rules and processes which have become outdated, and instead of serving the process of governance, they are leading to avoidable confusion. The PM stressed upon the need to identify and do away with such archaic rules and procedures," a PMO communique said.

Modi, whose top two governance mantras for his ministers are to empower the bureaucracy and create an environment where officials can take innovative decisions, walked the talk and expressed confidence in officials' 'commitment and competence to build a better future for the coun-

try' by reviving the economy, giving a fillip to infrastructure projects and improving the investment climate.

"The process of governance of his government should begin with cleaning-up of the offices, improving the workplace, which would automatically result in a better work culture and efficient services to the citizens," the Prime Minister's Office statement said, adding that Modi stressed on the use of technology to improve the efficiencies of administration and improve the resolution of public grievances.

The PM said that administrative and schematic convergence is possible by the use of technology and better understanding among departments.

"Modi offered that he would always be ready to give an account of the work being done by him. The senior bureaucrats echoed this sentiment and welcomed a similar standard of accountability," the official release said.

"It was a highly motivating experience and there was a great flow of ideas. This is the first time in my career that a free, frank and fearless interaction took place with the Prime Minister of the country," secretary, department of industrial policy and promotion Amitabh Kant noted on social media website Twitter after the nearly three and a half hours long meeting concluded.

"The PM did not want secretaries to speak only on their sectors, for which we have been asked to make presentations to him separately later. This interaction was on a much broader canvas," said a senior government official, adding that the PM heard their ideas and views for over two and a half hours.

Former UPA minister Shashi Tharoor said that though it is the Prime Minister's prerogative to hold such meetings, his congregation with secretaries without their ministers days after dismantling the empowered Groups of Ministers, raises the question if he has 'created disempowered ministers.'

# Govt Prepared for Tough Grind

►► From Page 1

The finance ministry will work out the details of the budget under the overall direction of Prime Minister Narendra Modi and the government is prepared for a tough grind in the next two years to build a base for rapid expansion in the following three years.

"Fiscal deficit has to follow the downward trajectory... Addressing inflation is a priority, so growth has to be revived without compromising on the fisc," the person, privy to deliberations, told ET.

Quality fiscal consolidation will be the underlying theme and the target for next year's deficit will be narrower than the 4.5% of GDP achieved last year. However, the government does not want the burden of this to be excessive and is not likely to increase any taxes in the name of fiscal consolidation. On the other hand, there may be some small relief for taxpayers.

Additional spending will be met from the room created by

the abolition of the diesel subsidy through monthly increases in the retail price and the restructuring of social sector schemes. A monthly price increase mechanism for cooking gas could also be introduced.

Detailed deliberations have begun in the government on how to deal with the schemes put in place by the Congress-led United Progressive Alliance government that did not focus on asset creation, including the Mahatma Gandhi National Rural Employment Guarantee Scheme.

"MGNREGS could be used to build toilets," the person said, offering an instance of merging two schemes to divert government spending to more productive use and creating utilities and public assets.

"The mandate means that you can announce bold steps and also carry them out," the person said.

To ensure faster clearances and timely implementation, the Centre is likely to rope in state governments for large projects in the initial stages it-

self, since that's where the actual implementation takes place. The Project Management Group in the Cabinet secretariat could be reoriented toward this end.

Revival of manufacturing has been identified as a key priority area and the government could look at creating new dedicated hubs as the special economic zones tend to have turned more into tax shelters for IT. There is a feeling that UPA focused too much on the Delhi-Mumbai Industrial Corridor to revive manufacturing whereas a wider national outreach is needed and the reforms planned by the Modi government need to make factories cost competitive.

The first budget of the new government, which will be keenly watched by global analysts and investors, would also clearly spell an end to retrospective taxation that played a large role in undermining business sentiment.

Meanwhile, the induction of a number of new ministers in key economic ministries is ex-



pected to lead to the generation of new ideas and fresh thinking besides infusing the energy needed for implementation while reducing the turf battles that bedeviled the UPA government.

# India to Iran: Use pending oil payments to buy medicines, food

ONGC still keen on developing Farsi block

AMITI SEN/RICHA MISHRA

New Delhi, June 4

In a move that could help India clear its pending oil payments to Iran, the Government is planning to allow the sanction hit country to use the money to pay for humanitarian goods such as food and medicines bought in third countries.

The Finance Ministry has asked UCO Bank to put in place the necessary payment arrangements, a Government official told *Business Line*. This could be done in dollars or euros without attracting any western sanctions.

India owes Iran an estimated \$3 billion to \$4 billion in pending oil payments as it has not been able to transfer the money in dollars or euros for more than a year. This is due to sanctions put in place by the US and the EU



Payment glitches A file picture of the Azadegan oil field in Iran. INDIA owes Iran an estimated \$3-4 billion in pending oil payments.

against Iran for its alleged nuclear activities. Once among the largest crude oil supplier to India, Iran has now significantly slipped down the ranks with countries such as Iraq replacing it.

"We are hopeful that we will be able to pay off a substantial part of the pending payments through this method," the official said.

India put in place a rupee payment system for making 45 per cent of oil payments to Iran in Indian rupees in an account in UCO Bank. The amount was used to pay Indian exporters to Iran.

But, it is the remaining 55 per cent amount held by India in IOU (I Owe You - pending payment) account that is bothering Iran. Since humanitarian goods are not covered by the sanctions ei-

ther by the UN or the West these can be easily paid for by India if the required processes are put in place. "We plan to start the process as soon as possible," the official said.

On pursuing oil and gas exploration opportunity in Iran that was put on hold following the sanctions, the Ministry for Petroleum & Natural Gas has now expressed that India is willing to take up work in the discovered Farsi offshore block, now named Binaloud. This discovery was made by ONGC.

India, however, feels that Iran needs to rework the contract and make it more attractive. ONGC-Videsh Ltd is keen to develop the Farzad-B gas find. The gas has been discovered by OVL and its Indian partners.

The gas field is estimated to hold in-place reserves of up to 21.68 trillion cubic feet (Tcf), of which 12.8 Tcf of gas and 212 million barrels of condensate may be recoverable.

## Centre urged to set up independent green regulator for speedy clearances

OUR BUREAU

New Delhi, June 4

Environment Minister Prakash Javadekar has made it clear that delay in green clearances will not be tolerated. While environmentalists agree that the system of green clearances needs to be changed, the solution, they say, is not just to speed up clearances but to also change the system.

The Centre for Science and Environment (CSE) on Wednesday urged the new Government to put in place an independent green regula-

tor, as ordered earlier by the Supreme Court as well. It also highlighted the need for consolidating all clearances - environment, forests, coastal and wildlife - to ensure that clearances are given after analysing the overall impact of projects.

"On the eve of World Environment Day, we are presenting our agenda for urgent action that we hope the new Government will take on. We need to move beyond the rhetoric of environmental protection to implementing a tough action plan for change,

and this is what we want the Government to do," said Sunita Narain, Director General of CSE, an advocacy body.

### Forest rights

She said the Government should utilise the resources of State Pollution Control Boards to monitor and ensure compliance with clearance conditions instead of focusing just on clearing projects. CSE also recommended that a task force be set up to look at enforcement of rules, and strict penalties in cases of non-compliance. On the con-

scientious Forest Rights Act, which has also been a focal point in several cases such as the clearance for Mahan Coal Ltd, CSE said: "Seven years on, the Act is yet to live up to expectations. The new Government must implement FRA in letter and spirit and include it in its key development agenda."

The think-tank said the new Government should frame policies increasing the share of renewable energy to 25 per cent from the current 3 per cent by the end of the 12th Plan.

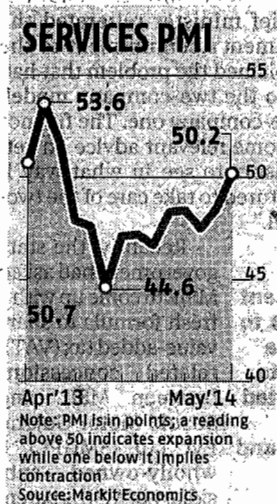
# Services PMI in growth zone after 10 months

Rises to 50.2 points in May from 48.5 in April on increased orders

BS REPORTER  
New Delhi, 4 June

The services sector returned to growth in May on increased orders, after contracting for 10 months, according to the HSBC Purchasing Managers' Index (PMI). The index rose to 50.2 points in May from 48.5 in April.

Any reading above 50 points indicates an expansion and any below indicates a contraction. The growth is fragile but "fortunately, this momentum will be further supported by the strong election results", said Frederic Neumann, co-head of Asian Economic Research at HSBC. That said, the increase in



activity was weak in the context of historical data, noted Markit Economics, the finan-

cial information agency which compiles the PMI data. The survey covers about 350 companies, all non-government.

Divergent trends were seen at the sub-sector level, with only post & telecommunication and renting & business activities registering higher output, it said. The composite output index, comprising both manufacturing and services, rose to 50.7 points in May from 49.5 in the previous month. It shows expansion for the first time in three months.

Supporting the rise in services activity was a rebound in new orders. The rate of expansion in incoming new work was, however, slight overall.

Order book volumes placed with manufacturers

also rose, leading to higher new business across the private sector as a whole, said Markit. Service providers were optimistic in May that activity would increase over the next 12 months.

Marketing campaigns, the end of the elections and the launch of new services are expected to promote new business growth and, therefore, output. The May data indicated staffing levels in the Indian private sector were broadly unchanged. Workforce numbers increased at manufacturing firms but stagnated in the service economy.

Both input and output inflation eased to the weakest since July 2013.

# FM's pre-Budget interactions begin today

BS REPORTER  
New Delhi, 4 June



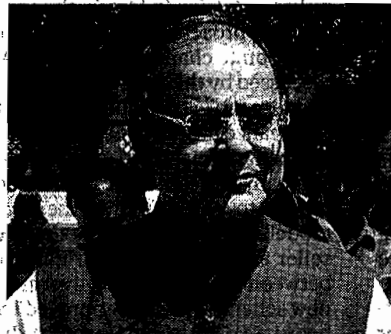
Finance Minister Arun Jaitley will start pre-Budget consultations with various stakeholders on Thursday. The Budget for 2014-15 is likely to be presented in the first week of July.

Representatives from the agriculture sector would be the first to interact with the finance minister, an official statement said on Wednesday. This comes in the wake of various quarters expressing fears on emergence of the El Niño weather phenomenon this year. For this year, the India Meteorological Department has forecast a sub-normal monsoon.

For 2013-14, the agriculture sector was one of the few ones that aided growth in gross domestic product; the sector grew 4.7 per cent, against 1.4 per cent in 2012-13. Growth in the sector stood at a whopping 6.3 per cent in the quarter ended March this year, compared with 3.4 per cent in the December quarter.

Thursday evening, the finance minister will meet representatives from the social sector. There is speculation various social sector schemes such as the Mahatma Gandhi National Rural Employment Guarantee Scheme may be tweaked by the new government.

On Friday, the finance minister would meet members of trade unions, industry chambers and trade associations, officials said. Various industry



## JAITLEY'S MEETINGS

### June 5 (Thursday)

MORNING: Agriculturalists

EVENING: Social sector

### June 6 (Friday)

MORNING: Trade unions

EVENING: Industry chambers and trade associations

### June 10 (Tuesday)

MORNING: Banking and financial services heads

EVENING: Economists

chambers have been asking the new government to revive the investment cycle. In its pre-Budget memorandum, the Confederation of Indian Industry urged the government to reduce the general rate of excise duty from the current 12 per cent to 10 per cent across the board to revive demand. It also recommended the cut in the excise duty on certain

goods be extended up to March 31, 2015. Interim Budget 2014-15, presented on February 17, had announced a two-six per cent cut in this regard up to June 30 this year.

The Federation of Indian Chambers of Commerce and Industry has said the government should clarify it will not apply retrospective amendments to the Income Tax Act.

A survey by the Associated Chambers of Commerce and Industry showed taxpayers wanted the Budget to provide for income tax exemption thresholds, after factoring in inflation for the past five years, as well as a saving rebate of more than ₹1 lakh.

At their meeting with Jaitley, it is expected trade associations will raise the issue of a fragile recovery in exports. After declining for consecutive months, exports rose 5.36 per cent in April.

On June 10, the minister is scheduled to meet officials from the banking and financial services sectors, as well as economists. Ministry officials have already indicated the government might not provide additional recapitalisation to public sector banks than the ₹11,200 crore pegged in the interim-Budget.

The issue of financial inclusion and rising non-performance assets (NPAs) might also come up at the meeting.

At 4.44 per cent, NPAs of public sector banks in the quarter ended March were less than 5.07 per cent in the previous quarter. However, these are at elevated levels.

# Centre extends Paradip port operation limits

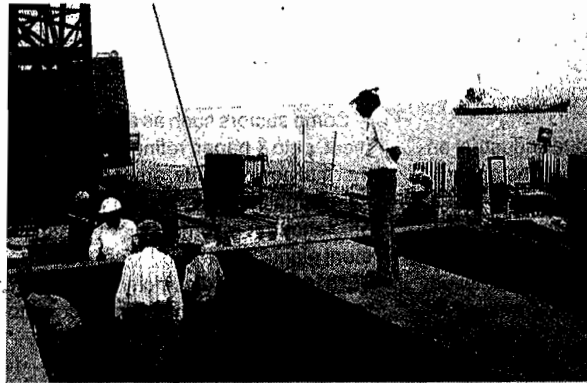
RUCHIKA CHITRAVANSHI  
New Delhi, 4 June

The central government has extended the water limits of Paradip Port Trust (PPT) to Kanika Sands, a cluster of islands around 70 nautical miles from Paradip, for setting up a trans-loading facility.

PPT plans to invite bids from private parties to operate the trans-loader, which will transfer shipments from one mode of transportation to another.

Last month, the Supreme Court had okayed the new arrangement to put an end to the dispute between Kolkata Port Trust (KPT) and the Odisha government over territorial waters. "We are not expecting much revenue but just helping out our brother port (Kolkata, on the load the latter has too handle). We would get some royalty from the facility since it is in our waters," said S S Mishra, chairman, PPT.

KPT was doing this trans-loading activity for eight months at Sand Heads in the Bay of Bengal within its own water limits (40 km from Haldia). From May to September, it was relocating to Kanika Sands, since the waters turn choppy during that period and the trans-loader has to be sheltered. With PPT now the official operator, the facili-



**The Adani Group-owned Dhamra port in Odisha had raised objection to the trans-loading operations by KPT** BS FILE PHOTO

ty will be available the year round.

The Adani Group-owned Dhamra port in Odisha had raised objection to the trans-loading operations by KPT. "Our objection was to the comprehensive extension of Kolkata port limits by more than 100 km to the south in such a manner that the entry to Dhamra port was falling in Kolkata port limits. That notification has been repealed. This will not affect Dhamra port," said Santosh Mohapatra, chief executive officer, Dhamra.

The state government had signed an exclusivity agreement with Dhamra port by which no port facility could be

created within 25 km. The Union law ministry had, however, said all coastal waters belonged to the central government and a state government had no jurisdiction over the water that surrounds its land.

"Even Dhamra can use the trans-loading facility if it wants in the new arrangement. But they have enough capacity of their own," a senior official said.

PPT would now be authorised for trans-loading at the berth on Kanika Sands. The Odisha government would also initiate steps to re-notify the limits of Bahabalpur port, a non-major one which comes under the state's jurisdiction, so that the facility can function without any further hurdle.

# MGNREGA workers to get wages soon

ARCHANA JYOTI ■ NEW DELHI

MGNREGA workers, who have not received their daily wages due to poor network of internet or banks and post offices in their villages, may get their payments soon in cash.

The Union Rural Development Ministry is mulling to write to the State Governments to identify 800-1,000 blocks, which have not been able to pay wages due to technical problems to the workers associated with the rural job scheme.

The Mahatma Gandhi National Rural Employment Guarantee Act, 2005 clearly says that the disbursement of daily wages shall be made on a weekly basis or in any case not later than a fortnight after the date on which such work was done.

However, even after eight

**WHILE STEPS ARE BEING TAKEN TO CORRECT THE FLAWS LEADING TO DELAY IN WAGE PAYMENTS, OUR IMMEDIATE PRIORITY IS TO ADDRESS THE WORKERS WHO ARE BEING MADE TO WAIT FOR THEIR WAGES IN WANT OF POST OFFICES AND BANKS**

years of the implementation of MGNREGA and the number of measures taken for timely wage payment, serious delays in payment have been recorded, noted a senior RD official.

It has been found that on an average around 40 per cent of the total wage payments are delayed for more than 15 days.

In fiscal year 2013-14

around 16 per cent of the total payments were delayed between 15 to 30 days, 15 per cent were delayed for 30 to 60 days, 7 per cent of payments were delayed for 60 to 90 days and 6 per cent were delayed for more than 90 days, the official added.

He enlisted delay in closure of muster roll (MR) and its computerization, inadequate staff for taking measurement of work done, inor-

dinate delay in measurement of work in spite of dedicated staff, excessive time taken to link MRs with the measurement book and delayed generation of wage lists among a few others as major reasons for the delay in wage payments.

"While steps are being taken to correct the flaws leading to delay in wage payments, our immediate priority is to address the workers who are being made to wait for their wages in want of post offices and banks," the official said.

"We will write to all the States to identify 800-1000 blocks in the country-based on criteria of low or nil internet connectivity and non-existence of banks/Post Offices — for allowing payments through cash in these places. Once this happens, they will be paid their dues," he said.



TOP 100-DAY PRIORITY

## HRD Min asks officials to set up national e-library

DEEPAK KUMAR JHA ■ NEW DELHI

Taking further, the concept of total e-governance of Prime Minister Narendra Modi, HRD Minister Smriti Irani has asked her officials to set up a national e-library. The ambitious concept also figures in the new HRD Minister's 100 days agenda as has been sought by Modi. The Ministry is now keen on setting up a national hub for a digitized library for users, institutions and all those keen on having a library or study at home.

The matter has already been taken up with Finance Minister Arun Jaitley and the digitisation of the old materials and texts would be done with support from Department of Information Technology, a top HRD Ministry officials said. The online concept of e-library would have audio-visual facility, e-books and other resources, which can be accessed by anyone across

world.

"It will be a national asset. Libraries are the storehouse of knowledge as they maintain the book and other knowledge resource available — mostly in printed form. However, with the advent of digital technology and Internet connectivity, the library scenario is changing fast. Digital technology, Internet connectivity and physical content can be dovetailed



resulting in digital library. Data available in physical form would be preserved digitally in e-library. Such libraries would have the ability to enhance access to information and knowledge. They also bridge barriers of time and space," said the official.

The HRD Ministry has already set up such a concept for technical hands named the Indian National Digital Library in Engineering Sciences and Technology (INDEST-AICTE) Consortium. The Ministry provides funds for access to elec-

tronic resources and databases to Centrally-funded institutions.

The benefit of consortia-based subscription to electronic resources is also extended to all educational institutions under its open-ended proposition. "The AICTE approved Government or aided engineering colleges are getting access to selected electronic resources with support from the AICTE and number of other engineering colleges and institutions have already joined the consortium on their own. A mechanism is in place wherein this consortium takes advantage of collective bargaining and passes on the benefit of e-journals to subscribing members," said a HRD Ministry official.

In the past initiatives have been taken by different Ministries, departments, organizations for digitising and preserving data available in physical form. However, this activity has been restricted mostly in the area of the work/interest of the organization.

## Jaitley to visit aircraft carrier INS Viraat in Mumbai

**New Delhi:** Defence Minister Arun Jaitley will visit aircraft carrier INS Viraat in Mumbai on Saturday and review the operational preparedness of the Western Naval Command, which witnessed two major submarine mishaps in the last one year.

During his visit to the Western Command, the Defence Minister will also commission two fast-attack craft ICGS Ahook and ICGS Agrim, of the Indian Coast Guard, Navy officials said here.

After taking charge, Jaitley has been busy with briefings by Defence Ministry officials and the chiefs of Armed forces and is reviewing the functioning and performance of various departments.

In his first visit as Defence Minister, Jaitley will visit INS Viraat in Mumbai harbour and then move to review the functioning and operational preparedness of the Western Naval Command.

INS Viraat was till recently the only aircraft carrier in the Indian Navy and the force is working towards keeping it operational for a few more years to meet its requirements.

The command suffered more than 10 mishaps in the last ten months and even saw its Commander-in-Chief resigning after being superseded by the Government for the appointment of new Navy chief.

The Western Naval



**INS Viraat was till recently the only aircraft carrier in the Indian Navy and the force is working towards keeping it operational for a few more years**

Command, considered to be the sword-arm of the Indian Navy, suffered major blows in terms of the loss of the latest submarine INS Sindhurakshak in an explosion in which all 18 persons on board were killed.

The Defence Minister has been invited by the Armed forces to visit far flung bases to show solidarity with the troops and Prime Minister Narendra Modi is believed to have been invited to visit Siachen glacier by the Army and largest warship aircraft carrier INS Vikramaditya by the Navy. **PTI**

Based on the presentation MoF to decide on mergers of regulators

# Jaitley seeks detailed update on ₹5,500-cr NSEL payment scam

SANDEEP SINGH &  
SUBHOMOY  
BHATTACHARJEE

NEW DELHI, JUNE 4

**F**INANCE ministry officials have worked out a detailed presentation on the National Spot Exchange Limited (NSEL) crisis for finance minister Arun Jaitley. The presentation is important as the minister has to take some key decisions, including the issue of merger of regulators for the sector in June itself, before the Union Budget is finalised.

He is also expected to face a lot of questions from MPs on this subject once the two Houses get down to business in the Monsoon Session.

The Rs 5,500-crore crisis at the NSEL which broke out in August 2013, has thrown up the gaps in the regulatory structure for commodity markets. An examination of those will be necessary for Jaitley to decide whether to move on a quick merger of the commodity market regulator, the Forward Markets Commission (FMC), with the Securities and Exchange Board of India.

## *FinMin issues show cause notice*

**NEW DELHI:** The finance ministry has issued a show-cause notice to the National Spot Exchange Ltd (NSEL), which is engulfed in a Rs 5,500 crore payment crisis, asking why exemptions granted to it in 2007

should not be withdrawn.

"NSEL has received this letter from the ministry of finance. We are examining the letter and as per the deadline given, we will respond in 15 days' time," an NSEL spokesperson said.

The alternative is to let the two regulators continue their independent ways for now.

The ministry has, for instance, in April advertised for the post of chairman of the FMC that falls due in July. The minister needs to take a call on this, too. The crisis at the NSEL has led to the arrest of Jignesh Shah, founder chairman of FTIL, the promoter company of NSEL, among others.

The government has besides, already overhauled the board of MCX (the commodity exchange) and MCX-SX (the stock exchange) independent of FTIL. Shah's company had promoted both of them.

A source close to the development said they hope to brief the finance minister on the entire thread of the NSEL

payment crisis. This will also be the first time that a finance minister will be fielding questions from legislators on commodity markets, as the shift of FMC and consequently that of NSEL happened on to the finance ministry turf only last year from the department of consumer affairs. Questions about repayment of investor's money will come up now. Jaitley will field questions on both how the finance ministry and the ministry of corporate affairs respond to the developments.

Till now, based on an interim inspection report from audit firm PricewaterhouseCoopers, the consumer affairs department has concluded that the parent FTIL purposely faulted on conducting prudent and sound business of its subsidiaries —

NSEL and MCX.

The department was even pursuing legal provisions to take control of FTIL and, in the extreme, shut it down for deliberate bungling in its subsidiaries that have been under the scanner for scam.

"It has been recommended that as FTIL failed to carry on the business of the company along with its subsidiaries, on the Boards of which there were common directors, on the basis of commercial prudence and sound business principles, the ministry may invoke provisions under Sections 397 & 398 read with Sections 401, 402 and 408 as well as under Section 388B of the Companies Act, 1956 against FTIL," noted the consumer affairs ministry in its evaluation report.

Also in a previous presentation prepared by the finance ministry, several regulatory violations were observed on the part of NSEL such as — violation of conditions on short selling, issuance of warehouse receipt without verification of underlying commodity, trading with inadequate underlying commodity etc.