Planning Commission
Government of India

PART A: News pertaining to Planning Commission

20.10.2014

Compiled by:

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आज का विचार (महात्मा गांधी के मूल्यवान वचन)

“उपवास करने वाले को समझना चाहिये कि वह ईश्वर का प्रतिनिधि हें और ईश्वर के प्रतिनिधि के नाते उसमे किसी प्रकार का मैल नहीं होना चाहिये।“

1. Panel's principle accepted, says C Rangarajan

Business Standard: 20.10.2014

As against the C Rangarajan panel's recommendation, made public early last year, to double the price of natural gas, the Union government has decided on a lesser rise

As against the C Rangarajan panel's recommendation, made public early last year, to double the price of natural gas, the Union government has decided on a lesser rise.

However, says Rangarajan, who was head of the then prime minister's economic advisory council, it appears the principle behind his panel's suggestion has been accepted.

Rangarajan, chairman of the Madras School of Economics and former governor of the Reserve Bank of India, was speaking to reporters on the sidelines of the 1st Annual Chennai Lecture Series organised by the Rotary Club of Chennai Carnatic. He said: "Basically, they have accepted the principle underlying our formula, namely the boarder price should be taken as an approximation for the competitive price. Apparently, they have taken other prices also into account than what we have suggested. I have not seen the details on the basis on which the government has (decided)…It appears that they have provided some additional incentives for exploration in deep sea areas. That will mean an extra to explorers beside the price. Therefore, it all depends upon whether it is attractive enough for explorers." On the decision to exclude Japanese prices from the formula, he said it had very little weight even in the committee's formula.

The government had added some other data, such as from Russian and Canadian hubs, he said.

According to an announcement by the Centre on Saturday, the Cabinet Committee on Economic Affairs, chaired by Prime Minister Shri Narendra Modi, approved a new domestic gas pricing policy, with the upward revision about 75 per cent less as compared to that arrived at by using the Rangarajan formula.

Around 80 per cent of the additional revenue due to the revision will go to government companies and the government will get additional revenue of around Rs 3,800 crore annually with higher royalty, higher profit on petroleum and higher taxes. For all discoveries after this decision, in Ultra Deep Water Areas, Deep Water Areas and High Pressure-High Temperature areas, a premium would be given on the price, on a prescribed procedure.

Answering the audience after delivering a lecture on 'The Indian economy - past, present and future', he said one also needed to look at what weight the government gives to imported gas while determining the formula. The new $5.6 a unit is still much lower than what we pay for imported gas,hesaid.

On diesel price deregulation, he said it had come at the right time, accompanied by a reduction in the price. He added that the subsidies on cooking gas should also be brought down.

'Toughdecisionsneeded'

Delivering the lecture, he said the target of containing the central government's fiscal deficit to 4.1 per cent of gross domestic product (GDP) this year will mean several policy decisions which might not be popular. The subsidy regime, for instance, needs reform in three directions. First, there has to be a fix on the total amount as a proportion of GDP. Second, these need to be targeted, only directed to vulnerable groups. Third, there has to be a rethink on the appropriate delivery system.

With export increasing and the increase in import having been contained, the trade deficit seems likely to come down from $77 billion in 2013-14 to $70 billion in 2014-15. However, the current account deficit might remain at last year's level, he said. A fiscal deficit of 2.5 per cent of GDP will require capital flows annually of the order of $40-60 billion in the next few years, which might be around five per cent of the capital flows to emerging markets. The level can be expected to materialise and requires policy action such as taming inflation to ensure export competitiveness, fiscal consolidation, proper pricing policies and decision to help raise the domestic production of coal.

Priorities

He said two sectors posing a major challenge are the farm economy and the power sector. A decline in agricultural production can cause serious distortions in the economy and it is imperative the country should aim at GDP originating from agriculture and allied activities growing at four per cent yearly. And, aggressive capacity creation is required in power.

Good government is at the very heart of economic growth and poverty reduction, he added. He said the country must learn to walk on the two legs of growth and social development. If India grows at eight to nine per cent annually, per capita GDP should rise from the current $1,600 to $8,000-10,000 by 2025. Growth is the answer to many of the socio-economic problems, he added.

2. FinMin’s new A-team

A K Bhattacharya, Business Standard: 20.10.2014

A new team is in place in the finance ministry. Can it help Arun Jaitley produce a sterling Budget next February?

Finance Minister Arun Jaitley’s second Budget, to be presented next February for 2015-16, will now have the benefit of a virtually new team. Rajiv Mehrishi has replaced Arvind Mayaram as the new secretary in charge of the economic affairs department. And Arvind Subramanian, till recently a columnist with Business Standard and a senior fellow with the Washington D C-based Peterson Institute for International Economics, has taken charge as the chief economic advisor — a post that had been vacant for well over a year since Raghuram Rajan left that job to become the governor of the Reserve Bank of India in early September of 2013.

Jaitley’s first Budget, presented on July 10, was prepared in a hurry. He did not have the benefit of a chief economic advisor and his team in the finance ministry was largely what he had inherited from his predecessor. That Jaitley showed no undue haste in putting in place his own new team even before the first Budget was a sign of his maturity as a politician and a minister. He had little time to shuffle his team because he had to present his first Budget in less than seven weeks of the formation of the Narendra Modi government on May 26.

In this, he has the company of Manmohan Singh who, as finance minister in 1991, showed exemplary poise and patience in putting together his own famous team led by Montek Singh Ahluwalia. Indeed, the July 1991 Budget was prepared by a team that had Sriranga Purushottam Shukla as finance secretary and Deepak Nayyar as the chief economic advisor. Both of them were part of the predecessor government led by Chandra Shekhar. And both had to leave within months of Singh’s first Budget. His second Budget in February 1992 was prepared with the help of Ahluwalia as economic affairs secretary and Ashok Desai as chief consultant (a contractual post created in lieu of a chief economic advisor). Doesn’t it look somewhat similar to what Jaitley has planned for his team for the next Budget?

Yet, there are quite a few dissimilarities and it is difficult to ignore them. Mayaram is no Shukla. Mehrishi cannot be compared with Ahluwalia and Subramanian is quite unlike Desai. Until a day or two before his sudden shift to the tourism ministry (Shukla had been sent to Inter-State Council as its secretary), Mayaram looked supremely confident in his role as finance secretary — preparing for the goods and services tax regime, grappling with the G20 issues and looking at the fresh contours of a new fiscal consolidation programme. The shift was sudden, quite unlike Shukla’s departure from North Block, which had been anticipated for some months even before Singh”s first Budget.

Similarly, Mehrishi has done exceedingly well in steering the Rajasthan government’s reforms agenda particularly in the area of labour legislation, but nobody will say he has the same grasp of Budget issues at the Centre as Ahluwalia had. There is another crucial difference between the two. When he became the economic affairs secretary in late 1991, Ahluwalia was 48 with a vast experience — having worked with the World Bank and in different key economic ministries at the Centre, including the Prime Minister’s Office. In contrast, Mehrishi is just 10 months away from retirement, though like Ahluwalia he enjoys a good equation with his finance minister, after having worked with him in the company affairs department in the previous government headed by Atal Bihari Vajpayee.

For Subramanian, this will be his first exposure to working in the complex government set-up that the Indian steel frame (the famed civil service) has created over the years. Desai negotiated that web of bureaucracy with some success because he had a friend and long acquaintance in Singh as his finance minister. Subramanian cannot claim that advantage. A lot of meanings, perhaps unnecessary, are being attributed to the long delay that took place in the proposal of his candidature and its eventual clearance.

In short, a new team in the finance ministry is in place. But only time will tell whether it can help Jaitley produce a sterling Budget next February and make amends for the disappointment of his first Budget.

3. A five-year baseline scenario

Subir Gokarn, Business Standard: 20.10.2014

The International Monetary Fund's projections suggest macroeconomic stability but little upside to growth

At the annual meetings of the World Bank and the International Monetary Fund (IMF) earlier this month, headlines were grabbed by the rather pessimistic outlook for the global economy in the near future. This was the basis for a strong recommendation that economies in the region most at risk, Europe, should consider reversing the rather severe fiscal contraction that they have been pursuing over the past few years and increase public expenditure, particular on infrastructure. This is an issue that I've explored in a number of previous columns, so in this one, I want to go behind the headline issues and look into some numbers that the IMF's World Economic Outlook (WEO) presents on the Indian economy.

The WEO makes five-year projections of key macroeconomic indicators for over 180 countries. In an interlinked global model of this kind, each country's specific conditions and context are clearly somewhat in the background. The exercise is most useful as a baseline, business-as-usual projection, assuming no dramatic game-changing developments, either positive or negative. The WEO's five-year scenario for India is the subject of this article.

First, looking at the growth trajectory (the IMF forecasts gross domestic product, or GDP, at market prices for the calendar year), growth in 2014 is expected to accelerate a bit from the five per cent clocked in 2013 to 5.6 per cent. 2015 will see a further acceleration to 6.4 per cent, but after that, growth plateaus out in the 6.5-6.7 per cent range until 2019. In effect, the projection says that while the Indian economy will see a recovery over the next five years, the upside is somewhat limited.

Second, the consumer price inflation projections provide some comfort, but not a whole lot. After highs of 10.2 per cent in 2012 and 9.5 per cent in 2013, there is a steady decline. The projection for 2014 is 7.8 per cent. It declines from 7.4 per cent in 2015 to six per cent in 2019. This pattern suggests that the growth recovery will not be strong enough to trigger significant demand-side pressures, which would push the inflation numbers up again. It also implies that the room for monetary stimulus remains quite limited over this horizon.

Third, the projections for the investment-GDP ratio indicate that this very important driver of growth will stabilise at a reasonable level. It declined sharply from 34.8 per cent in 2012 to 31.4 per cent in 2013. However, with a slight recovery to 32.2 per cent in 2014, it continues to climb to 33.1 per cent in 2017 and remains at that level until 2019. It certainly is reassuring that investment remains in a range that should be able to support growth in the six-seven per cent range.

However, the devil is in the composition. Going by the experience of the past few years, the same investment ratio can co-exist with a wide range of growth outcomes. To maximise the productivity of investment, it has to be balanced across critical sectors so that no bottleneck emerges. The message from the annual meetings is something that Indian policymakers need to take to heart; they have to find ways to put large amounts of money into infrastructure and, in the current context, I do not believe that there is a viable alternative to public spending on this.

Fourth, the projections for net government borrowing as a percentage of GDP (not quite the same as the fiscal deficit as we define it) also suggest that fiscal consolidation is an achievable objective. This variable was estimated to be 3.1 per cent in 2012 and 2.6 per cent in 2013. It is expected to remain at that level in 2014 and decline steadily to 2.1 per cent by 2019. There are a number of positive implications of this.

From a foreign-investment perspective, this baseline removes the risk of a sovereign rating downgrade from the equation. Domestically, declining government borrowing is tantamount to monetary easing, as it softens the longer end of the yield curve, which will support the growth recovery. But the caveat about the composition of public expenditure is valid here as well. We need fiscal consolidation, but we also need more spending on infrastructure,which means the "how" of consolidation is as important as the "how much".

Finally, the current-account deficit as a ratio to GDP strongly reinforces the overall picture of macroeconomic stability that emerges from the baseline. From the high of 4.7 per cent seen in 2012, it dropped sharply to 1.7 per cent in 2013. It is expected to increase somewhat over the next five years, but move within the range of 2.1 to 2.6 per cent, something that should create no significant vulnerability to external shocks. In this range, capital inflows should easily cover the deficit and the rupee should remain quite stable.

I draw three implications from this baseline scenario. First, notwithstanding the IMF's rather negative view of global prospects, India is seen to be entering a phase of relative stability, with all the indicators showing an improvement compared to the past couple of years. More importantly, these improvements are not expected to be short-lived. These projections broadly reflect both the space that the government has to achieve a reasonable set of macroeconomic outcomes and its ability to use that space effectively.

Second, it must be emphasised that the macroeconomic stability that is being projected does not match aspirations of economic performance. Stability can, of course, be consistent with a range of outcomes; the growth and inflation outcomes in this baseline scenario are not particularly attractive. Growth between six and seven per cent over a five-year period will leave the country far short of meeting legitimate employment and quality of life aspirations. Structural, game-changing reforms are critical; what the projections suggest is that there is a significant buffer being provided by the macroeconomic situation for a government that takes on the challenge.

Finally, recent developments in the global oil market may actually significantly improve outcomes relative to this baseline. If the current price situation persists - and I think there are good reasons to expect that it will - within the same fiscal-monetary configuration, all these indicators will look a lot better. There will be even more space available and less risk for structural reforms.

4. India aims to boost investment in Africa

The Economic Times: 19.10.2014

(India's investments in…)

UNITED NATIONS: India aims to boost investment in industrial, economic and social sectors of Africa as the 54-nation continent tries to ramp up development to alleviate poverty, the UN General Assembly was told Friday.

"Scaled-up investments in infrastructure, both economic and social, as well as in productive capacity for industrial development are needed," Amit Narang, a Counsellor at India's UN Mission, said. "This is an area of priority for India's partnership with Africa as well."

"Sustained and robust inclusive economic growth is indispensable for eradicating poverty and therefore also a central policy objective," he said speaking at the UNGA session on New Partnership for Africa'sDevelopment (NEPAD). India attaches high importance to the programme's goal of "broad-based and equitable economic growth that allows Africa to reduce poverty and better integrate into the global economy," he added.

UN Secretary General Ban Ki-moon noted the growing cooperation between and India and Africa in his progress report on NEPAD, saying, "Indian investment in Africa has surged, with major investments in information and communications technology, energy, engineering, chemicals, pharmaceuticals and automobiles sectors."

Narang said that India's partnership is aligned with Africa's own development priorities and trade has grown 31 percent annually between 2005 and 2011 and is now estimated to be over US$ 72 billion. Indian Investment in Africa is estimated to be over US$ 35 billion and in the last decade, India has provided more than US$6.7 billion in concessional lines of credit for African countries, which is more than two-thirds of the total such credit extended by the country, he said.

A report by the consulting company, KPMG, said, "India has become one of the leading investors in African countries, with investments in joint ventures and wholly owned subsidiaries touching the $33 billion mark." The investments take in a wide range of sectors including oil and gas, pharmaceuticals, petrochemicals, IT, fertilisers and infrastructure," the report, "India Investing in South Africa and Africa," said.

About the contributions investments make, the report said, "India's investments in agriculture and telecommunications may also have more of a direct economic impact on the lives of ordinary Africans, 70 percent of whom are engaged in some form of agriculture, and at least 30 percent of whom have access to a mobile phone."

Indian telecommunications company, Bharti Airtel, is a major player in the area, having acquired the African operations of Zain Telecommunications for an estimated US$10.7 billion in 2010. The company says it has 70 million subscribers in 17 African countries.

Looking to the future, a report by the World Trade Organisation and Confederation of Indian Industry said India-Africa trade is projected to reach US$ 90 billion by 2015.

The report said, "Information, communication and technology (ICT) has been a significant feature of India and Africa's trade and capacity building initiatives" with many Indian IT companies, including NIIT Wipro and HCL, having entered Africa's IT sector.

It highlighted the work of India's Pan-African e-Network Project which offers tele-education and telemedicine solutions to over 47 African countries. The report said that under the project, India plans to connectivity between heads of state in addition to supporting e-governance, e-commerce, infotainment, resource mapping, meteorological and other services.

5. Getting smart about smart cities

Vishal Dhupar , The Financial Express: 20.10.2014

SummaryPrime Minister Narendra Modi's vision for smart cities has finally begun to take shape...

Building a smart cityNo tie up with NCP: Prakash JavadekarNarendra Modi's BJP surges in Maharashtra, Haryana as election results pour in, booster for economic reformsBJP's Amit Shah ignores erstwhile ally Shiv Sena, hints at tie-up with Sharad Pawar-led NCP

Prime Minister Narendra Modi's vision for smart cities has finally begun to take shape with the ministry of urban development identifying new and existing locations that will soon be remodeled 'smart'. Smart cities can be defined as urban areas which have intelligent physical, social and economic infrastructure in place. The infrastructure of such a city should be equipped with systems aimed at better management of energy resources, water, transport and traffic, safety and security.

With R7,060 crore allocated in the budget, the smart cities initiative has garnered the maximum attention from the IT sector as this project will rely heavily on ICT. In fact, IDC expects a minimum of R2,000 crore flowing into the technology sector on the back of this initiative.

Technology is an enabler for all smart cities. From centralised control system which provides real-time inputs on availability of water, electricity, healthcare and education to effective management of traffic, weather prediction, pollution control and disaster management. What this means is a large volumes of data are sifted through to make intelligent, informed, accurate and swifter decisions. And this is where GPUs lend a hand.

Graphics processing units (GPUs) are built from ground up to handle tasks in parallel and are optimised for compute-intensive tasks. From oil exploration to cancer research. From Bollywood studios to weather modelling. From diamond cutting to helping farmers: GPUs offer superior computing capabilities everywhere. They even help you identify the song you just liked on the radio. The popular Shazam application uses a GPU to rapidly search and recognise songs from its 27-million track database. Next time you use Shazam, think about the fact that the lightning-quick computing task took place in a far-off data centre in the cloud—and was brought to you in a matter of seconds!

Now apply the same power of the GPU in a smart city environment. Take the

example of disaster recovery and emergency response. When cyclone Hudhud hit Indian coasts—authorities had to track the weather conditions to get the correct assessment of the impact on-ground. For this they rely on satellite images. However, processing these images could take hours, if not days. GPUs can not only condense the time taken but also help in providing a better synopsis of the exact situation. Speed and accuracy can save millions of lives.

Healthcare: Our government has a daunting task not only to provide basic healthcare to our citizens but also to guard ourselves against global pandemics like Ebola. How can technology help here? In 2009, when the deadly H1N1 influenza outbreak took place, it was infectious and deadly primary due to frequent virus mutations that rendered existing anti-influenza drugs ineffective. Then, researchers in the UK and Thailand ran a large number of advanced simulations using a small computing cluster equipped with GPUs. This allowed them to observe how a multitude of H1N1 mutations could cause changes in the chemical and biological structure and behaviour of a key enzyme of the virus. Armed with this information, they were able to determine, for the first time, what made the H1N1 virus resistant to existing antiviral drugs.

Urban planning: As India's urban areas become ever more densely populated, reducing energy use and mitigating air pollution will be critical. As part of the smart initiative, planners have to make cities more sustainable through green infrastructure projects, such as parks, alteration of building rooftops and the use of novel paving materials for streets and parking lots. However,

understanding the complex interactions among these projects, the environment and urban microclimates on citywide scales is a complicated challenge.

Globally, scientists are developing large-scale simulations of urban environments using extremely fast and inexpensive modeling tools that run on GPUs. This includes an interactive and immersive virtual environment that

examines the dynamic physical processes associated with energy use and pollutant dispersion in settings ranging from neighbourhoods to cities to metropolitan areas. With a better understanding of these relationships, urban planners can design future projects and policies that optimise green infrastructures and energy conservation while minimising air pollution in urban landscapes.

In India too, this ability of GPUs has caught the attention of scientists and engineers with premier research and educational institutes such as department of space, IITs and top Universities already using them. The next logical step is to take the message to the top decision makers in the government, as many of

India's governance projects are very amenable to the use of GPUs.

The writer is managing director, South Asia, Nvidia

6. Policy Push for Mental Health Care

By Papaya Bhattacharya, The Indian Express: 19.10.2014

BANGALORE: Mental disorders are a leading cause for disability burdens. They impose high economic costs and affect the quality of life of affected people, shows evidence worldwide. The national health policy does not have a comprehensive response system to address mental health problems, according to the first National Mental Health Policy of India report announced recently by the Union Ministry of Health and Family Welfare.

The policy paper suggests integration of mental and general health, inter-sectoral coordination that focuses on illness and disability, promotion of human rights, reforms in mental hospitals, response to the needs of vulnerable groups such as women, children and homeless persons with mental illness and support for caregivers and families.

To address the shortage of mental health nurses, Masters and Diploma courses should be started so that there are more para-medical personnel trained in psychiatric or mental health nursing. A clear defined role along with required skills should be outlined so that nursing services are used appropriately, the report states.

The policy paper also notes that auxiliary nursing midwives should be given an opportunity for skill upgradation in mental health as this is also perhaps the largest women health workforce in the country. This workforce caters to mothers and children, hence their involvement in child and adolescent mental health services will be useful.

For specialised health services, the report recommends that more jobs be envisaged in the government sector. There should be a cadre of specialised mental health service providers in district hospitals.

While the biomedical approach to understanding mental health problems is important, the report suggests there are equally important psycho-social interventions that need to be incorporated into programmes across all disciplines that will help alleviate distress in small ways.

This will help broaden the scope and reach of mental health programmes and thus help bring down stigma and position mental health more positively, the report notes.

PART B

NEWS AND VIEWS

Monday, 20th October 2014

Polity	: BJP wins Haryana, emerges largest Party in Maharashtra
Economy	: Government mulls separate FDI Policy in medical devices sector
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Communication, IT & Information Division
Phone # 2525

Business Standard

Date 20/10/2014

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BJP wins Haryana, emerges largest party in Maharashtra

Modi hails 'historic' verdict; Amit Shah says Sena ties not over even as NCP lends unconditional support

BS REPORTER

New Delhi/Mumbai, 19 October

Despite a spectacular electoral performance in Maharashtra and Haryana, the ultimate prize of forming a government on its own eluded the BJP in Maharashtra where a hung Assembly decreed a coalition government.

With parties such as the Nationalist Congress Party (NCP), that were former enemies, virtually falling over themselves with offers to support the BJP, it seemed that despite overt political instability a firm government might be in place in the next 48 hours.

In Haryana the BJP's performance was stellar as it was poised to form a government in a state where in the 2009 Assembly elections it had managed to get just four seats out of 90. The Haryana election dispelled the myth that the BJP was only an urban party as it won seats in rural and urban areas alike. Although it coasted to victory largely on the back of the support of non-Jat castes in Haryana, its seat tally suggested Jats had abandoned the Congress in some areas and elected to go with the BJP. The Om Prakash Chautala-led Indian National Lok Dal (INLD) suffered a loss in the number of seats but its vote share remained a respectable 24 per cent. A two-member team of observers comprising former BJP president Venkaiah Naidu and Dinesh Sharma will oversee the election of a leader of the legislature party.

Taking advantage of recrimination and bitterness between the BJP and erstwhile ally Shiv Sena after the results trickled in, the NCP jumped in the fray hoping the BJP would take it up on its offer, thereby forcing the Sena into adopting the role of the principal opposition party.

In a tweet, Prime Minister Narendra Modi hailed the electoral verdict as historic. In New Delhi, party president Amit Shah said the BJP had emerged as the single largest party in Maharashtra and would form the government. He said the NCP had offered unconditional outside support to the BJP. "NCP doesn't want to be a part of the government," he said. Shah stressed that it wasn't the BJP that severed ties with the Shiv Sena, and that the Sena's Anant Geete continued to be a minister in the Modi government while the two parties still ran civic bodies in Maharashtra, including in Mumbai, in an alliance. Shah said the results had vindicated the BJP's demand for more seats in both Haryana and Maharashtra from its erstwhile allies.

A couple of hours later, Shiv Sena chief Uddhav Thackeray congratulated Prime Minister Modi and Shah for the BJP's success. At a press conference an hour earlier, Thackeray had said his party would take a call whether or not to support the BJP in the formation of the government only if it was approached with a proposal.

Negotiations are still on and it is the BJP's top leadership which will have the final word. The BJP parliamentary board, its highest decision-making body, met in the evening in Delhi. Former BJP president Rajnath Singh and vice-president J P Nadda will go to Mumbai to hold consultations, elicit the views of the legislature party and elect a leader. BJP leaders said no overtures had been made by them to the Sena leadership. The Sena said it would await a call from the BJP. The process of wooing a disaffected partner is now on, with both conscious of the fact that they cannot do without the other. This logjam is likely to be broken in the next two days.

It is clear that the management of a coalition will need a degree of seasoned leadership and while the BJP's party chief in Maharashtra, Devendra Fadnavis, got warm words of praise from Narendra Modi at various rallies, whether the BJP's future allies will have a veto over his candidature as chief minister remains to be seen. This is another reason for the NCP to jump rapidly in the breach with its promise of support without conditions, anticipating that in the BJP there might be little patience with the Sena's gerrymandering.

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PHOTO: KAMLESH D PEDNEKAR

BJP workers celebrate as musicians play instruments next to a poster bearing Prime Minister Narendra Modi's image in a victorious gesture in Mumbai on Sunday

LOTUS IN FULL BLOOM

MAHARASHTRA — TOTAL SEATS: 288

	Seats 2014		Vote (%)	
BJP	122	(+76)	27.8	(+14)
Shiv Sena	63	(+19)	19.4	(+3)
Congress	42	(-40)	17.9	(-3.1)
NCP	41	(-21)	17.3	(+1)
MNS	1	(-12)	3.1	(-2.6)
Others	12	(-5)	9.0	(-2)
Independent	7	(-17)	4.7	(-11)

HARYANA — TOTAL SEATS: 90

	Seats 2014		Vote (%)	
BJP	47	(+43)	33.2	(+24)
INLD	19	(-12)	24.1	(-2)
Congress	15	(-25)	20.6	(-15)
HJC(BL)	2	(-4)	3.6	(-4)
Shiromani Akali Dal	1	(#)	0.6	(-0.3)
Independent	5	(-2)	10.6	(-2.5)
BSP	1	(#)	4.4	(-2.2)

#Unchanged

Figures in brackets are gains/losses against 2009 polls
Source: Election Commission of India

The Pioneer

Date: 20|10|2014
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Government mulls separate FDI policy in medical devices sector

Once inter-ministerial consultations are over Cabinet note will be floated

PRIYANKA DUA ■ NEW DELHI

In order to attract more investors in country, the Government is working on to bring separate foreign direct policy (FDI) policy in medical devices.

"We are trying to bring separate policy for FDI in medical devices from other pharmaceutical foundations and inter-ministerial consultations are going on. We have asked them (Department of Pharmaceutical) to define what are medical devices because they are administrative ministry," sources close to the development told *The Pioneer*.

"We have also asked Health Ministry, Department of Pharmaceuticals and Finance Ministry to give their input soon and once the consultation is over, we will float the Cabinet note," added sources.

Currently, medical devices come under the purview of the Drugs and Cosmetics Act, and the rules framed under it. FDI in the sector is governed by the same rules as for pharmaceuticals.

India allows 100 per cent FDI in the pharma sector. While FDI is permitted through automatic route in case of greenfield investment or new venture, Foreign Investment Promotion Board (FIPB) approval is required in case of brownfield or existing companies. Besides, there are many other riders.

WE ARE TRYING TO BRING SEPARATE POLICY FOR FDI IN MEDICAL DEVICES FROM OTHER PHARMACEUTICAL FOUNDATIONS AND INTER-MINISTERIAL CONSULTATIONS ARE GOING ON. WE HAVE ASKED THEM (DEPARTMENT OF PHARMACEUTICAL) TO DEFINE WHAT ARE MEDICAL DEVICES BECAUSE THEY ARE ADMINISTRATIVE MINISTRY

According to a recent report from The Boston Consulting Group and Confederation of Indian Industry (CII), the medical technology sector in India was estimated at $6.3 billion in 2013, growing annually at 10-12 per cent. The report says the sector is highly under-penetrated, contributing merely seven to eight per cent of the spending on health care, compared to 18 per cent on pharmaceuticals.

It says the medical technology sector has the potential to touch $50 billion by 2025, if it gets ample Government support and clarity, in terms of policy and regulation

"Attracting large global companies will create a base, which will then build up the components ecosystem. This, in turn, will enhance local capabilities and help local companies build their access to components, and greatly enhance the manufacturing capability," report added.

Currently, India imports around 70 per cent of the medical devices used here. On the other hand, domestic pharma companies are major exporters of essential medicines to the world.

After a spate of mergers mergers and acquisition of big domestic pharma companies by multi-national firms, Government tightened the FDI policy for the sector.

The Economic Times

Date: 20/10/2014
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Revival Plan on Cards for Gas-based Power Plants

Proposal to raise fixed cost cap will help developers of 6,000 mw plants to service debt

Sarita.Singh@timesgroup.com

New Delhi: After the big-ticket oil sector reforms, the government is turning to the power sector to help banks. Developers of about 16,000-mw stranded gas-based power plants will be able to service their debt, if a joint proposal of the power and oil ministries is approved by the Union Cabinet.

The government proposes to increase the fixed cost of the gas-based plants at ₹1.10 per unit of electricity while keeping the tariff at ₹5.50 per unit, which will allow the operating companies to meet their financial obligations. This will prevent the idling projects, put up at an investment of ₹64,000 crore, from turning non-performing assets.

The proposal will benefit power plants of Lanco Infratech, Essar Power, Reliance Power, GVK Group and GMR Energy, among others.

The fixed cost cap has been raised from ₹0.85 per unit planned earlier by the two ministries. The proposal has been made after major power companies conveyed their willingness to the government to forego part of their fixed costs.

The fixed cost of ₹1.1 per unit are much less than the actual average fixed cost of about ₹2 per unit that the companies incur in operating the projects. Fixed costs increase when the projects are under-utilised.

"We plan to allow companies to recover around ₹1.1 per unit as fixed cost from sale of electricity from the gas-based projects. This will help in capping the overall tariff from gas-based stations at ₹5.5 per unit while enabling the companies to repay banks," a senior government official said.

Rescue Act

Proposal to raise fixed cost of gas-based plants to ₹1.10 per unit

Power cos will also be supplied gas enough to operate their plants at 40% capacity

Plan includes simplifying procedure for availing customs duty waiver on LNG and scrapping VAT and CST collected by states

Gas transporters Gail India and RGTIL will be asked to take 20% cut in pipeline tariff

Gail India will be asked to halve marketing margin to $0.1 per mmBtu

A panel formed to examine a debt recast plan for stranded power plants

₹64,000 cr Investments in idling power plants that may turn NPAs

As per the proposal being prepared jointly by the ministries of oil and power to bailout power plants idling due to acute scarcity of domestic gas, power companies will be supplied domestic and imported gas enough to operate their plants at 40% capacity.

Any additional gas produced in the country in the next four years will be supplied to the power stations along with imported liquefied natural gas. State-run GAIL India will be the pool operator.

The gas will be supplied at an average 'pooled' price of domestic and imported gas, while the electricity tariff from the plants will be supplied at ₹5.5 per unit to power distribution companies.

The scheme, to be put before the Cabinet Committee of Economic Affairs for approval, also proposes to subsidise firms operating the gas-based power stations from the National Clean Energy Fund made of a cess collected from coal miners.

The plan includes simplifying procedure for availing customs duty waiver on LNG and scrapping value added tax and central sales tax collected by states.

Presently, there is a 5.15% customs duty on imports as most developers are unable to avail the waiver benefits due to technical problems. Value added tax varies from 0-26% in various states. The central sales tax is levied by the central government but collected by states.

The government plans to subsidise gas-based plants located in states that have agreed for the waiver.

Gas transporters Gail India and Reliance Gas Transportation Infrastructure Ltd will be asked to take 20% cut in pipeline tariff which will help them improve utilisation of pipelines. GAIL will also be asked to halve marketing margin to $0.1 per million British thermal units.

The government has already appointed a committee to examine a debt restructuring and moratorium scheme for stranded power plants. The committee headed by India Infrastructure Finance Company Ltd chief Santosh Nayyar and constituting officials of various banks will submit its report to the government by November 7.

The Statesman

Date: 20/10/2014
Page No. 04

DELHI GOVT NOT SERIOUS IN FIGHTING CHILD LABOUR: BBA

PRESS TRUST OF INDIA
New Delhi, 19 October

The Nobel Peace Prize to child rights activist Kailash Satyarthi may have put the spotlight on the issue of child labour, but his NGO Bachpan Bachao Andolan says Delhi government is not serious about dealing with the "menace", unlike many other states.

The NGO, which was set up by Satyarthi in 1980, said that as many as 238 rescued child labourers belonging to Delhi, many of whom were declared bonded labourers, are yet to be rehabilitated as per the Bonded Labour (Abolition) Act, 1976. "Under the Act, it is incumbent upon the authorities to ensure the rehabilitation of the rescued children by creating a rehabilitation-cum-welfare fund of Rs 25,000 of which Rs 20,000 shall be paid by the employer as a fine and the rest shall come from the state," said BBA chairperson RS Chaurasia.

In a letter to the chairperson of the District Task Force on child labour in May, 2013, Rakesh Senger of BBA had said that there was a need to urgently take up the matter and rehabilitate all

the rescued children.

"While the reply came from all the other state governments on the rehabilitation of rescued children, government departments in Delhi keep on dodging the matter and shirking responsibility by putting the onus on each other," Senger said. The labour department of Delhi government did not respond to BBA's criticism on the issue.

Senger said that Delhi government had conveyed to BBA that the child labourers and their families have changed their addresses in most of the cases, making them difficult to locate and rehabilitate. Chaurasia said BBA had filed "an RTI application in this regard with the Department of Women and Child Development" which responded "citing a reply from the Child Welfare Committee that only the SDM of the areas concerned would have the status report" on the rehabilitation of rescued children. The vigilance committees constituted for raid, rescue and rehabilitation of bonded child labourers – which are supposed to meet at regular intervals – are lying almost dysfunctional, he alleged. "On May 24 this year, we wrote to all district magistrates in Delhi to constitute new vigilance committees at the earliest, but did not receive a single reply," Chaurasia said.

Section 13 of Bonder Labour System (Abolition) Act, 1976, stipulates that every state government shall by notification in the official gazette, constitute such committees in each district and sub-division as it may think fit.

Satyarthi, 60, was on October 10 named for this year's Nobel Peace prize along with Pakistani teenager Malala Yousafzai. He has been working for child rights for over 30 years through BBA, the NGO which is credited with freeing over 80,000 child labourers across India.

The Statesman

Date: 20/10/2014
Page No. 11

INDIA INC HAILS BJP SHOW

EXPRESSES HOPE IT WILL ALLOW MODI GOVT TO PUSH AHEAD WITH KEY REFORMS

PRESS TRUST OF INDIA
New Delhi, 19 October

India Inc today hailed the good show by BJP in Maharashtra and Haryana Assembly polls hoping that it will give further impetus to the Modi government to push ahead with key economic reforms, including Goods and Services Tax (GST).

It also hoped that the new governments in the respective states would meet all the legitimate aspirations of their people with good governance.

"Haryana elections were highly inclusive....The results are true representation of masses. This shows decisive public sentiment for effective governance and growth aspirations of Haryana," Rattan Kapur, Chairman, CII Haryana State Council and Managing Director, Mark Exhaust Systems Ltd, said.

PHD Chamber of Commerce and Industry President Sharad Jaipuria congratulated BJP for getting majority on its own in Haryana and emerging as the largest party in Maharashtra and said that development should would follow to ameliorate the lot of the people in the two states.

The industry chamber hoped that the new governments in the respective states would meet all the legitimate aspirations of their people with good governance, involving minimum intervention of polity and bureaucracy in the routine affairs with utmost transparency and effectiveness.

"In addition, the chamber anticipates that among the priorities of the new governments, the states' industrialisation would be one of the leading concerns to ensure that growth visits them for employment and demand generation for the produce of all segments of industry with foolproof law and order situation in place," PHD Chamber said.

Assocham said that the new governments in Haryana and Maharashtra should bring in much better coordination between the Centre and the states on important but politically difficult issues like labour reforms.

"A clear dominance of the BJP in Haryana and Maharashtra Assembly elections will strengthen Prime Minister Narendra Modi's government at the Centre and give it a further crucial political support for going ahead with key economic reforms, including the long-pending GST, better subsidy targeting and labour laws," Assocham said in a statement.

"Also victory in these states will also enable the BJP and its allies to send more members to the Rajya Sabha where the ruling party at the Centre at present does not enjoy full majority. Such victories will take the BJP steadily to the majority in the Upper House of Parliament, which is crucial to take forward crucial economic legislations," Assocham President Rana Kapoor said.

Thumbs up for diesel deregulation: The auto industry today welcomed the government's move to deregulate diesel prices, saying the clarity on fuel prices would help the manufacturers plan for future products and investments in a better way.

"It is great that the government has been able to deregulate the diesel prices. Now the prices of petrol and diesel would move together and there won't be any distortion. It will help the auto manufacturers to plan for future products and investments in a better way," Maruti Suzuki India (MSI) Chairman RC Bhargava told PTI.

Yesterday, in a much-awaited reform, the government deregulated diesel prices that resulted in a price cut of Rs 3.37 a litre. Retail rates of the fuel will now reflect international movement in oil prices.

Commenting on the development, Hyundai Motor India Ltd Senior Vice President (Sales & Marketing) Rakesh Srivastava said having clarity on fuel pricing is going to be good on overall industry in terms of planning for new models and investment capacity.

"From a customer's point of view also, any clarity is also good for them to take decision as cost of ownership is one major deciding factor for acquisition of a new car.

"The price differential between petrol and diesel was artificial due to diesel being subsidised. If the difference were to stay between less than Rs 10 after this deregulation, then contribution of diesel vehicle on overall industry sales could be between 30-40 per cent," he added.

Business Line

Date 20/10/2014
Page No.01

Why gas price hike is no cheer for explorers

New price of $5.61/unit lower than expected

ANAND KALYANARAMAN
BL Research Bureau

The price hike announced by the Government on Saturday for domestically produced natural gas is unlikely to cheer either the PSU majors ONGC and Oil India or the private sector behemoth Reliance Industries. This is because the new price of $5.61 a unit is lower than what reports had suggested ($6-6.50) as also that arrived at by the Rangarajan panel formula (about $8.4).

This is primarily because the Government has excluded the Japanese and Indian LNG import price; these components have a higher cost than many other global benchmarks given the demand-supply dynamics in Asia. Under the new formula, the price will be revised on a half-yearly basis (the next revision is on April 1, 2015) instead of every quarter, as recommended by the Rangarajan Committee.

The new price, based on the gross calorific value, translates to about $6.17 a unit on net calorific value basis, nearly $2, or 47 per cent, more than the current $4.2 on net calorific value basis.

Yet, explorers will be disappointed. Under the Rangarajan formula, ONGC's annual profit would have been ₹8,000 crore higher, and Oil India's about ₹1,000 crore more. Under the new formula, ONGC's profit could be up by ₹4,700 crore and Oil India's by ₹600 crore. ONGC and Oil India account for nearly 80 per cent of the natural gas produced in India.

It is also unlikely that the new price will incentivise high-risk deep/ultra-deep-water exploration. While the Government has said that it will pay a premium for discoveries in deep/ultra-deep waters and high-pressure temperature areas, it has not spelt out the quantum.

RIL bears the brunt

For Reliance Industries, the price hike benefit is not likely to kick in anytime soon. This is because it will be paid $4.2 a unit until its dispute with the Government over the production shortfall in the KG-D6 field is settled. So, while RIL's customers will pay $5.61 a unit from November 1, the company will get only $4.2 with the excess credited to a gas pool account maintained by GAIL.

RIL had been unhappy even with the $8.4 a unit mooted by the Rangarajan panel and was pitching for arm's-length based market-linked pricing. So, the lower new price and denial, for now, of this benefit come as a double-whammy. Also, the premium on deep/ultra-deep-water blocks will apply only to new discoveries, not operational fields.

Also read p14

Business Line

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Sops for deep-sea search may make new gas price attractive: Rangarajan

R RAVIKUMAR
Chennai, October 19

The revised gas price of $5.61 a unit (measured in million British thermal units), up from $4.2 a unit now, may not be adequate to encourage explorers.

But, along with incentives offered for deep-sea exploration, it may be attractive enough, said C Rangarajan, former chairman of the Prime Minister's Economic Advisory Council.

Earlier, a panel under Rangarajan, set up by the UPA Government to determine the gas price, had proposed a formula that would have raised the price to $8.4 a unit.

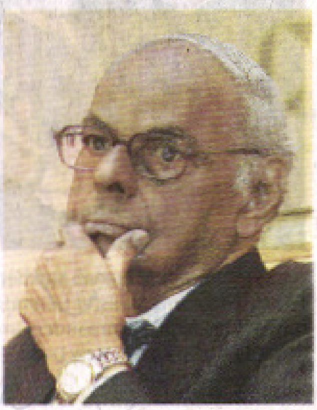
The Rangarajan formula was based on the average of two prices — price at other producing destinations and the volume-weighted price of the US' Henry Hub, the UK's NBP and Japan Custom Cleared.

The new formula takes into account gas consumption in the US, Mexico, Canada, the European Union and Russia.

"Basically, the principle underlying our formula has been accepted.

"But apparently, they have taken other factors also into account, which I do not know the details of.

"It appears that they have provided some incentives for exploration in deep sea as well. That will mean an extra to the explorers besides the price fixed, which may make the pricing attractive enough," Rangarajan said.



C Rangarajan, former chairman of the Prime Minister's Economic Advisory Council

Japan does not matter

Speaking to reporters on the sidelines of his lecture on Indian Economy in Chennai, he said even removal of Japan from his pricing formula would not matter much.

"Even in our formula, Japan had a very small weight. But Russian and Canadian hubs were included in the new formula, which is good enough."

Industry bodies hail Centre's initiative on labour reforms

OUR BUREAU
Coimbatore, October 19

Industry associations have hailed the labour reforms initiative taken up by Prime Minister Narendra Modi as they feel they will aid in making the 'Make in India' movement a success.

It was felt that the Government should also launch special schemes to help the MSME sector in view of its role in employment generation and in dispersal of economic prosperity.

In a statement, Prem Malik, Chairman, Confederation of Indian Textile Industry (CITI), said the "rigid labour laws" were a major hindrance to fresh investment and scaling up of production in the textile sector as it was labour intensive. He felt that the 'Shramev Jayate' programme, along with the 'Make in India' initiative, will benefit the textile sector in a significant way.

Malik said the labour reforms will give a boost to large scale investment and increasing production capacity, aiding exports.

The Indian Chamber of Commerce and Industry, Coimbatore (ICCIC) President D Nandakumar hailed the move to simplify procedures and launch of a unified web portal for complying with labour laws as it would help avoid harassment of officials.

He described the steps announced by the Prime Minister as benefiting the youngsters, workers and employers as they will improve businesses and also help in training workers.

Business Standard

Date 20|10|2014
Page No. 22

Panel's principle accepted, says C Rangarajan

BS REPORTER
Chennai, 19 October

As against the C Rangarajan panel's recommendation, made public early last year, to double the price of natural gas, the Union government has decided on a lesser rise.

However, says Rangarajan, who was head of the then prime minister's economic advisory council, it appears the principle behind his panel's suggestion has been accepted.

Rangarajan, chairman of the Madras School of Economics and former governor of the Reserve Bank of India, said: "Basically, they have accepted the principle underlying our formula, namely the boarder price should be taken as an approximation for the competitive price. Apparently, they have taken other prices also into account than what we have suggested. I have not seen the details on the basis on which the government has (decided)...It appears that they have provided some additional incentives for exploration in deep sea areas. That will mean an extra to explorers beside the price. Therefore, it all depends upon whether it is attractive enough for explorers."

PC

The Financial Express

Date: 20/10/2014
Page No. 02, 13

GDP set to hit $2 trn this year

New Delhi, Oct 19: India is poised to become a $2-trillion economy this year and its GDP will cross the $3-trillion milestone in 2019, says IMF's latest world economic outlook.

India's ranking would improve to seventh in the world based on current prices (in dollars) in 2019 from its tenth position currently.

Latest data from the IMF show the economy is set to be worth $2.05 trillion this year, increasing from $1.88 trillion in 2013.

Last yearm too, India was among the 10 largest economies in the world.

Going by the IMF, the US would remain the world's largest economy with a size of $17.42 trillion, followed by China at $10.35 trillion.

Meanwhile, India is all set to cross the $3 trillion milestone in 2019 with a size of $3.18 trillion, surpassing Russia, Brazil and Italy. This would also make India the world's seventh largest economy.

PTI

NDA constituents oppose deregulation of diesel prices

Chennai, Oct 19: Two NDA constituents in Tamil Nadu on Sunday opposed the government's decision to deregulate diesel prices, and voiced concern against stopping of subsidy for the fuel. The PMK and MDMK, both allies of BJP, however welcomed the reduction in prices by ₹3.65 pet litre.

PMK founder S Ramadoss said diesel deregulation was a 'matter of concern' and that governments at the Centre have been keen on doing away with fuel subsidies.

With a ₹30.10 increase in diesel rates since January 2009, besides dip in international crude prices, oil marketing companies were making profit and therefore the reduction in diesel prices, he said in a statement. "At the same time, subsidy has been stopped. By deregulating diesel, the Centre has shied away from responsibility of keeping its price under control," he said.

The timing of reducing diesel rate coincided with the drop in international crude rates else there would have been a public backlash, he said. "This may be a clever decision, but certainly not good for people's welfare," he added.

The move, in which the prices will be in tandem with international trends, may affect the common man when prices in the global market go up and it would affect common sections of society like farmers and fishermen, while there would be a cascading effect on prices of essential commodities, he added.

MDMK founder Vaiko also made similar remarks and both leaders sought immediate withdrawal of diesel deregulation. *PTI*

The Economic Times

Date: 20/10/2014
Page No. 09

BSNL may Seek ₹2k-Cr Grant to Give Up a Part of Spectrum

In return, BSNL will relinquish 1.2 MHz of 900 MHz in 18 circles, except Punjab

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Kolkata: State-run Bharat Sanchar Nigam Ltd is considering seeking government grant in return for relinquishing a slice of the premium 900 MHz spectrum which the telecom regulator wants to free up for the next round of airwave auctions.

A top BSNL executive told ET that the company is likely to seek a "near ₹2,000-crore grant from the government to meet additional capex and network re-engineering costs" as a pre-condition to heeding the regulator's call and relinquishing 1.2 MHz of efficient 900 MHz spectrum in some 18 circles (barring Punjab) where its licences expire in 2015-16.

"It's technically possible to provide mobile coverage with five units of 900 MHz spectrum instead of our current 6.2 MHz allocation in each circle. But that would require BSNL to install at least 15,000-odd additional base stations across India and also entail additional investments in core networks to maintain coverage quality with reduced spectrum holdings," the executive said.

The Telecom Regulatory Authority of India (Trai) has suggested taking back a portion BSNL's 900 MHz airwaves to boost spectrum supply before conducting a sale and pre-empt over-bidding. It has also proposed assigning 1.2 MHz of airwaves to the company in the less efficient 1,800 MHz band in Gujarat, West Bengal and Rajasthan circles where BSNL's spectrum holdings are below 3.8 MHz.

In its recent spectrum pricing recommendations, Trai said BSNL's ability to offer mobile broadband services would not be hurt even if it is left with 5 MHz in the 900 MHz band once it converts such spectrum holdings into "liberalised form".

Another BSNL board member said the telco would dismiss Trai's suggestion if the government is not a position to fully compensate BSNL for meeting additional capex and network re-engineering costs.

A senior official of the Department of Telecommunication (DoT) said the government would shortly "seek BSNL's views", like it did when Trai earlier this year called on the telco to return 50% of its CDMA spectrum in the 800 MHz band.

"We can't simply take away a slice of BSNL's most efficient spectrum without eliciting its views on whether such a move would hurt their pan-India mobile operations and reduce long-term competitiveness vis-a-vis private operators, especially at a time when the government is exploring ways to strengthen the loss-making telco," the DoT official said.

Analysts feel Trai's recommendation is justified as it would free up extra 900 MHz spectrum that can be productively used for 3G services, but remain skeptical on DoT playing ball.

"Trai's recommendation (if accepted by DoT) will doubtlessly create an additional 5 MHz contiguous block in the 900 MHz band and will be very positive for telcos, but we aren't building in a benefit to incumbents, considering that similar past attempts by Trai haven't fructified," said Phillip Capital in a recent note to clients. Brokerage Credit Suisse said, "Taking back 1.2 units in the 900 MHz band from BSNL and adding it to the auctioned spectrum is a positive recommendation but is unlikely to be implemented so soon."

Complete Spectrum Auction by Feb 28: Telecom Commission

NEW DELHI The proposed telecom spectrum auction should be completed by February 28 next year, inter-ministerial panel Telecom Commission has said. "Telecom Commission has decided chairman of the panel i.e. Secretary, DoT is authorised to recommend the time line for auction process with condition that it would be desirable for the auction be concluded by February 28, 2015," an official source said. An inter-ministerial committee formed to work on modalities of spectrum auction has suggested to start bidding rounds from February 3.

The Economic Times

Date: 20/10/2014
Page No. 15

DIPP Prepares Composite Limit Draft for Foreign Investments

Move aims at bringing clarity in FDI policy related to sectoral caps & conditionalities

Dilasha.Seth
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New Delhi: The department of industrial policy and promotion (DIPP) has finalised proposed foreign investment policy reforms related to composite limits as part of efforts aimed at greater clarity and the plugging of loopholes.

DIPP, the nodal agency for overseas investment policy, has readied a cabinet note incorporating suggestions from various government departments that had raised concerns over the stringent guidelines recommended for portfolio investment, especially in pharmaceutical companies. The government will prescribe one limit that will include all kinds of overseas investment — foreign direct investment (FDI), foreign portfolio investment, NRI investment, depository receipts, foreign currency convertible bonds and fully and mandatorily convertible preference shares or debentures.

"No government department has an objection to the basic principle of the need for composite caps. The aim is to attract foreign investment by clearing ambiguity in the existing FDI policy related to sectoral caps and conditionalities. Investors want clarity in policies for safety of investment," said a government official.

The note is likely to be presented to cabinet by the end of the month. The current policy allows foreign institutional investors (FIIs) and foreign portfolio investors (FPIs) to invest up to 24% in the capital of Indian companies.

This limit can be increased to sectoral FDI caps through a special resolution passed by the company's board and shareholders. A company in a sector in which 49% FDI is allowed through the approval route could also get permission for another 49% through the FII and FPI avenue, taking the overall foreign investment to as much as 98%, DIPP has argued in its note pointing out ambiguities in the policy. The intent in this case was to allow only a 49% stake to foreign investors and keep control in Indian hands. But ambiguity allows a company to effectively become a foreign-owned one.

However, DIPP has diluted its earlier stand on a stringent policy for investment in existing Indian pharmaceutical companies following objections by the department of economic affairs (DEA) and the department of pharmaceuticals. DIPP had suggested FII and FPI in excess of 24% in brownfield or existing drug makers would require government approval as opposed to 49% recommended for other sectors.

The draft note is likely to be sent to cabinet by the end of the month

"Now for brownfield pharma too we are recommending a 49% cap like the other sectors, as DEA and department of pharma had raised objections," said the official.

An increase in FPI and FII limit over 49% either individually or in conjunction, leading to a transfer of ownership or control to foreign investors for a sector that requires government approval, will require permission from the Foreign Investment Promotion Board (FIPB).

Such a company will also need to abide by performance-linked conditions that may apply to the sector. In areas where there are sub-limits, these will continue. For instance, power exchanges, credit information companies and commodity exchanges have composite limits, but within those the caps for FDI and FII are at 26% and 23%, respectively.

The Pioneer

Date: 20/10/2014
Page No. 05

Now, 'Clean India' billboards to come up on PMGSY rural roads

PNS ■ NEW DELHI

The network of rural roads constructed under the centrally sponsored scheme Pradhan Mantri Gram Sadak Yojna (PMGSY) will have to publicise Prime Minister Narendra Modi's pet project Swachchh Bharat Mission.

The Union Rural Development Ministry has asked the States to put a billboard detailing the road maintenance measures and slogan on cleanliness campaign that was launched with much fanfare by the Prime Minister on October 2 on the occasion of Mahatama Gandhi's birthday.

This is being done with an aim to ensure that States initiate intensive national cleanliness campaign for routine maintenance of completed PMGSY road works, said a senior official from the Rural Development Ministry.

The billboard will give details of the maintenance activities such as repair of road side shoulders, bitumen shoulders, filling/repair of potholes, clean and clear side of pucca drain among others

"The contractors are being encouraged to engage local community in such maintenance works. The States have been asked to hold meeting in this regard at the level of SRRDA with contractors responsible for carrying out the maintenance so that so that necessary man and material are mobilised in a campaign mode," the official said.

However, so far it is just a few States such as Haryana and Gujarat which have shared the details of the comprehensive action plan for maintaining these activities throughout the year.

The billboard will give details of the maintenance activities such as repair of road side shoulders, bitumen shoulders, filling/repair of potholes, clean and clear side of pucca drain among others.

Garbage, grass along the waysides of roads are also being removed on regular basis as part of the campaign while tree trunks along the roads are being painted with lime..

Pradhan Mantri Gram Sadak Yojana (PMGSY) was launched in December 2000 as a fully funded centrally sponsored scheme to provide all weather road connectivity in rural areas of the country. The programme envisages connecting all habitations with a population of 500 persons and above in the plain areas and 250 persons and above in hill States, the tribal and the desert areas.

The Indian Express

Date: 20|10|2014
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37% of GDP now in states under BJP control: what this means for economics and politics

Pushing second-generation reforms, BJP can change Gujarat model to five-state model

SHAJI VIKRAMAN & HARISH DAMODARAN
MUMBAI, NEW DELHI, OCT 19

PAGE 1 ANCHOR

THE Bharatiya Janata Party's control of Maharashtra and Haryana, in addition to Gujarat, Rajasthan and Madhya Pradesh, where it is already in power, will ensure that the BJP-led Central government can push through second-generation reforms, largely under the purview of states, with much more ease.

To start with, these states geographically make a large contiguous belt, now accounting for almost 37 per cent of India's GDP, the country's powerhouse of investment activity and growth. For investors, the fact that political control in these states is firmly vested with a party that is also ruling at the Centre — and that, too, in a majority — will make a significant difference when it comes to deciding where to put up their next factory.

According to economists, the next generation of reforms involve labour, power tariffs, Goods and Services Tax (GST). If a few larger states can be induced to undertake these, the demonstrative effect on other states to follow suit could be enormous, says Sajjid Chinoy, Chief India Economist, JP Morgan. "Given the nature of India's federal

CONTINUED ON PAGE 2

SHARE OF BJP-RULED STATES

	% Share of GDP	Growth
Maharashtra	16.26	9.77
Gujarat*	7.69	7.95
Rajasthan	4.26	4.58
Madhya Pradesh	4.21	11.31
Haryana	3.58	6.61
Chhattisgarh	1.49	4.50
Total BJP-Ruled	37.49	

*2012-13; other figures are for 2013-14

The Indian Express

Date: 20/10/2014
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37% of GDP

policy, states will have a crucial role to play in reforming land, labour, energy and taxation laws," he adds.

A friendly government in New Delhi would well mean faster environmental and other statutory approvals for projects such as a coastal highway, for instance, in Maharashtra. Neelkanth Mishra, India Equity Strategist, Credit Suisse, says that the Centre's role has shrunk dramatically now. "For states ruled by the same party, there will be no fundamental dissonance in accepting the Centre's advice," he says.

According to Mishra, doing business in India today is more about interacting with state governments. "Labour inspectors, sales tax officers and police are all under the state," he says. It is important for the Centre to get states on board to meet the various promises made. "In this context, BJP coming to power in Maharashtra and Haryana is very significant," Mishra says.

Equally important is the fact that the Delhi-Mumbai Industrial Corridor, currently under execution, runs through these five States. The Khushkhera-Bhiwadi-Neemrana belt in Rajasthan — an extension of the Gurgaon-Manesar region of Haryana — has already attracted investments from Japanese firms like Honda, Daikin, Hitachi and Nissin Brakes. Likewise, there are two electronic manufacturing clusters coming up in Madhya Pradesh near Jabalpur and Bhopal.

While Rajasthan and MP qualify as aspirant industrializing States, the BJP gaining power can change fortunes even for an already developed Maharashtra, which, along with Gujarat, has a one-quarter share of India's GDP.

At Rs 80,000 crore in just sales tax revenues, Maharashtra is in a pole position with tax revenues alone aggregating Rs.1,30,000 crore — way ahead of other states. And what's encouraging is that VAT collections have been growing at a good clip — 10 to 11 % — over the last six months compared to a year ago.

What could further help Maharashtra or Gujarat in attracting further investments is the uncertain political scenario in Tamil Nadu — post Jayalalithaa's exit as Chief Minister — and the impact of the Hudhud cyclone in Andhra Pradesh, which could temporarily set back the new CM, Chandrababu Naidu's ambitious industralisation plans for a newly formed state.

But on the other hand, much of eastern India — from Uttar Pradesh and Bihar to West Bengal, Orissa and Jharkhand — may face relative investor apathy, not the least for being ruled by non-BJP parties. They could, however, benefit indirectly through migration opportunities for their labour force that accelerated growth and investments in western India would create. This could, in the form of labour flows from east to west, turn into a political trump card for the BJP when these relatively less industrialised states go to the polls.

These states will also face competitive pressures, as Chinoy observes, to reform or be left out by investors. Otherwise, their relative lack of development could strengthen the BJP's claims of development in states ruled by it — something that worked well in the 2104 Lok Sabha elections — and, in fact, fuel the party's rise.

In some ways, the results in Maharashtra and Haryana could also boost the Centre's plans of introducing the legislation paving the way for implementing a nationwide GST regime. Haryana, which had till recently expressed concerns, and Gujarat earlier, may now come on board.

What economic policy makers expect now is a more confident government backed by more electoral numbers and a popular mandate taking more measures including perhaps unpopular decisions now that polls are out of the way for a while.

Editorial

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Half step forward

Follow-up reforms needed after diesel decontrol, gas price hike

On Saturday, the Union Cabinet of the National Democratic Alliance government met and took several important decisions, especially some dealing with petroleum products. A new formula for pricing natural gas in the domestic market was determined; the decontrol of diesel prices was announced; and the scheme that directly transferred subsidies to bank accounts of users of liquefied petroleum gas (LPG) cylinders was modified and relaunched. It is good news that the government has taken these progressive steps; all three of them are broadly in the right direction. However, they are not quite enough in each case, and the government must follow up with further action.

The decision on natural gas pricing was politically controversial and long delayed. The new formula is an improvement on the previous candidate, derived by a committee headed by C Rangarajan, who was the chairman of the economic advisory council of former prime minister, Manmohan Singh. Many problematic elements in the Rangarajan formula have been dropped, such as the Japan price, which is inflated because that country is only a consumer market and its price includes many hidden margins. The India price based on the landed cost of imported gas has also been left out, which is sensible. Further, until arbitration with Reliance ends, the gas from the disputed blocks in the Krishna-Godavari basin will not be included in the price hike — which is fair. But a 34 per cent price rise will nevertheless increase costs. Some downstream user industries, such as fertilisers, have prices that are not yet freed. Unless those prices are also freed, this increase in gas prices will inflate the government's subsidy bill. There is a similar problem when it comes to the power sector, where tariff differentials for sectors have already played havoc. The gas price revision will prove expensive to the taxpayer unless the government follows up with freeing end-user prices in gas-intensive industries. It is important to note, however, that in some major ways the government is retaining control over pricing in a bid to attract investments into gas exploration. For example, a "premium" has been promised for making investments in higher-cost areas, such as for deep-sea exploration. It is not clear what norms will be followed to determine this premium, and how transparent the process will be. If it is purely a ministerial decision, that would be a step backward.

Diesel price decontrol is the planned end-point of the gradual increase in diesel prices since January 2013. It will be hailed, certainly, when crude oil prices are going down, as they are today. The political establishment, however, must show equal firmness about following market principles when crude oil prices go up. The important point here is that the government should completely distance itself from pricing decisions; those should be taken entirely by the oil companies. The decisions taken by oil marketing companies will now be carefully watched to see if this decontrol is genuine. Indeed now that both petrol and diesel prices are decontrolled, the oil companies should be allowed to move away from co-ordinating their prices. The true test of whether market-based pricing has been introduced is if individual oil companies use price movements to compete with each other.

Finally, there is the reworking of direct benefit transfers, or DBT, for LPG cylinders. But, again, it is meaningless unless the real hard work of fixing the back-end is undertaken — seeding bank accounts with Aadhaar numbers. Real political capital has not been expended here, though. Genuine reform would be to limit or eliminate an LPG subsidy for families that are above the poverty line.