

Daily Economic News Summary: 6 July 2018

1. India May Face Greater Scrutiny At WTO After 13% MSP Hike For Paddy

Source: Livemint ([Link](#))

India is likely to face greater scrutiny at the World Trade Organization (WTO) after the centre hiked the minimum support price (MSP) for paddy by 13%. While India has maintained that its food subsidy for paddy is below 6%, against the permissible 10%, till 2015-16, and has notified WTO, the US has raised doubts about India's calculations. A commerce ministry official said India may still be in the safe zone even with the latest hike in MSP. "Though there is a sharp jump in MSP for paddy, India may still be in the safe zone as the rupee has depreciated against the dollar. However, the actual government subsidy will depend on total production and size of procurement," he added. WTO rules cap government procurement for subsidized food programmes by developing countries at 10% of the total value of agricultural production based on the 1986-88 prices, and are always reported in dollar terms. India has secured an indefinite peace clause at the WTO, under which its existing food subsidy programmes will not be challenged if they breach the 10% limit. However, the peace clause comes with onerous obligations, under which countries need to notify their food subsidy levels to WTO till the previous year. Such countries are also not allowed to start any new subsidized food programmes after 2013.

2. Hong Kong's PAG Looks To Enter India, Targets Stressed Assets

Source: Livemint ([Link](#))

Hong Kong-based alternative investment firm PAG, formerly Pacific Alliance Group, is looking to enter India. The firm is preparing to set up its leadership team, said two people close to the development, on the condition of anonymity. Besides private equity, PAG invests across diversified asset classes, including real estate, distressed assets, pre-IPO financing, asset-backed lending and investment in high-yield bonds, among others. At present, the firm manages assets of over \$20 billion. "The firm has started reaching out to people for setting up its leadership team. It is looking to venture into India soon," said one of the people cited above. In September 2017, *Mint* had reported that PAG, along with US-based Cerberus Investment Management, was exploring investment opportunities in the distressed assets space in India. Following the

implementation of the insolvency and bankruptcy code (IBC) in 2016 stressed assets specialists are looking for opportunities across businesses.

3. Non-Tariff Charges In Electricity Bill To Attract GST

Source: Financial Express ([Link](#))

Electricity bills can have a goods and services tax (GST) component at times. Non-tariff charges, which include application fee for releasing connection, rentals charged against metering equipment and labour charges for shifting of meters and service lines, are liable to taxed at 18% under the GST. The AAR in Rajasthan has ruled that while distribution and transmission of electricity is outside the GST ambit, other associated services would attract the tax. Although the AAR hasn't specified any GST rate, Rajat Mohan, partner at AMRG & Associates said, services in the GST regime usually attract 18% tax, unless specified otherwise. The application for advance ruling was filed by Tata Power Ajmer Distribution (TPADL), a subsidiary of Tata Power. "The other services such as application fee for releasing connection of electricity, rental charges against metering equipment, testing fee for meters/transformers, capacitors, etc, labour charges from customers for shifting of meters or shifting of service lines and charges for duplicate bill provided by distribution companies to consumer are taxable," the ruling said.

4. Govt In Process Of Creating Comprehensive Plan For Aviation Sector: Prabhu

Source: Business Standard ([Link](#))

The government is in the process of coming out with a comprehensive plan for the aviation sector with deliverables by 2035, Civil Aviation Minister Suresh Prabhu said on July 5. He laid the foundation stone for Civil Aviation Research Organisation (CARO) being set up by Airports Authority of India (AAI) with an expenditure of Rs 2.5 billion at the Begumpet Airport here. "Everyone is a passenger today or an aspiring passenger. It would be our mission to make sure that air travel will be accessible and affordable and then it should be comfortable. We will try to match all the three elements of aviation into one and we are working on it," Prabhu said at the ceremony. "To make it we need to put so many things in place. One of the first orders I issued as Minister of Aviation was to prepare a comprehensive plan for the aviation sector with complete deliverables

by 2035,” he added. He said the government is working on a cargo policy which will aim at using the unused aviation infrastructure.

5. India Records Double-Digit Air Passenger Growth For 45th Month

Source: Business Standard ([Link](#))

India registered double-digit domestic air passenger growth for the 45th straight month in May, even though volumes have fallen in recent months, airlines’ grouping IATA said on July 5. The International Air Transport Association (IATA) said the country’s Revenue Passenger Kilometre (RPK) a measure of passenger volumes rose 16.6 per cent in May. Seasonally-adjusted passenger volume in India has fallen back in recent months alongside some mixed signs on the economic front, it said. “Nonetheless, the bigger point is that May was India’s 45th consecutive month of double-digit annual RPK growth (16.6 per cent). “Passenger demand has continued to be supported by strong growth in the number of airport connections within the country too; 22 per cent more airport-pairs are scheduled to operate in 2018 compared to last year,” IATA said. While industry-wide RPK increased marginally to 6.1 per cent in May, the grouping said growth this year is expected to slow slightly due to reduced stimulus from lower airfares and a more mixed economic backdrop.

6. Project Sashakt: Banks Give Shape To Inter-Creditor Pact For Bad Assets

Source: The Economic Times ([Link](#))

Banks have finalised an inter-creditor agreement and are working on details of an asset management company as part of a five-pronged mechanism they have identified to resolve the issue of mounting non-performing assets (NPAs) under Project Sashakt. Banks will now take inter-creditor agreement to their respective boards for approval and it’s expected to go live later this month, Punjab National Bank chairman Sunil Mehta said. Under Project Sashakt, financial institutions will enter into an inter-creditor agreement to authorise the lead bank to implement a resolution plan in 180 days. The agreement is the bedrock of the bank-led resolution approach (BLRA) for loans between Rs 50-500 crore. This inter-creditor agreement will be a legal document and enforceable in any court of law, Mehta said. “It makes sure that there is effective, good communication amongst banks and if anyone has a difference, then they will resolve it among

themselves,” he said. Mehta headed a committee of bankers that drew up the NPA resolution strategy.

7. Supreme Court Gives Nod For Auction Of Three Unitech Properties Worth ₹600 Crore
Source: Livemint ([Link](#))

The Supreme Court on July 6 permitted the auction of three properties belonging to Unitech Ltd in Agra, Varanasi and Sriperumbudur to reimburse the claims of those who had booked homes with the troubled real estate developer. The auction of these properties, which are together worth an estimated ₹600 crore, would take place under the aegis of a committee, constituted by a three-judge bench of the apex court comprising Chief Justice of India Dipak Misra and justices A.M. Khanwilkar and D.Y. Chandrachud. The committee, which was constituted in May, is headed by former Delhi high court judge, S.N. Dhingra. Unitech was also directed to submit a list of all properties belonging to its subsidiaries, as well as the personal properties of its directors. During the hearing, additional solicitor general Pinky Anand informed the court that Unitech also owes ₹955 crore to the Central Board of Direct Taxes. In April, the court had directed the amicus curiae (friend of the court), Pawan Shree Agrawal, to issue a public notice in all leading newspapers, seeking objections, if any, to the sale of Unitech’s land parcels across the country, after saying that it would consider auctioning the company’s unencumbered properties to raise money to refund homebuyers. Unitech was asked to furnish a complete list of its unencumbered assets in India and abroad.

8. Trade War Risk, Rising Oil Costs Seen Keeping India’s Rupee Near Record Low
Source: Financial Express ([Link](#))

Global trade tensions and rising oil prices are expected to weaken India’s rupee over the next year, a Reuters poll has found, dragging the currency closer to the record low hit last week against the dollar. While economic growth has picked up and India has retained its spot as the fastest growing major economy this year, the rupee hit an all-time low of 69.09 per dollar last week and is the worst-performing currency in Asia this year. The rupee, already down more than 7 percent this year, has been pressured by a sell-off in emerging markets driven by the daily escalation in global trade tensions and on worries of a widening current account deficit from the rising price of oil,

India's biggest import item. In the poll of 45 strategists taken July 2-5, the rupee was forecast to weaken to 68.90 per dollar by June 2019, slightly down from July 4's close of 68.69. Just last month, the rupee was expected to have strengthened in a year's time. "We are pretty bearish (on the rupee) at this moment, given all the circumstances combined. Not only high oil prices but also the trade war that has been taking off," said Hugo Erken, senior economist at Rabobank. "So, although India has a large internal market, and I still think the Indian recovery will last, the external pressure is really building at the moment. This is not good for the Indian currency."

9. IG International Ties Up With Peru's Camet Trading For Import Of Avocados To India
Source: The Economic Times ([Link](#))

Fresh fruit importer IG international has tied up with Camet Trading, Peru's leading fresh and processed fruit trader, to import fresh Peruvian avocados to India. Through the first sea shipment of Peruvian Hass avocados, IG International will receive a 40-foot container carrying 4,000 boxes of avocados, which will be distributed in Mumbai, Delhi, Bangalore, Kolkata, Hyderabad, and Cochin. IG International's partnership with Camet Trading marks a major development in India's rapidly-growing fresh fruit market and further strengthens its position as the domain leader in the space. Camet Trading produces both Hass and Fuerte variants of avocados, and is one of the leading exporters of Hass avocados in Peru. From a commercial viewpoint, Hass avocados are the most popularly consumed avocados in the world. Commenting on the first shipment, Tarun Arora, Director, IG International said, "Our vision at IG International is to provide Indians with the freshest and healthiest fruits from around the world. We are therefore thrilled to bring healthy and tasty avocados to the Indian masses through our partnership with Camet Trading. Indians are diversifying their palate when it comes to fruits and vegetables, and are now adding exotic foods like avocados to their daily diets. We envision avocados becoming a staple fruit in Indian households, just like apples and mangoes.

10. India Should Take New Bold Reforms In Agri-Food Sector: OECD-ICRIER Report
Source: The Economic Times ([Link](#))

Stating that India's agro-food sector is at a critical juncture, facing multiple challenges, a new OECD-ICRIER report suggested to the government to launch new bold policy initiatives and

accelerate existing reforms to achieve higher agriculture growth and ensure better income to farmers. The report 'Agriculture Policies in India' pointed out that the gross farm revenue declined 6 per cent annually between 2014 and 2016 period because of low market prices even as farmers got large subsidies for various inputs like fertilisers, power and irrigation. "Farmers in India face complex domestic market regulations and import and export trade restrictions, which together often lead to producer prices that are below comparable international market levels," the Organisation for Economic Co-operation and Development (OECD) and the Indian Council for Research on International Economic Relations (ICRIER) said. The government should reduce tariffs and other restrictions on imports, it said, adding that even food subsidies should be either targeted lump sum transfers (DBT) or a food stamp type of mechanism.

11. London Court Permits Seizure Of Beleaguered Liquor Baron Vijay Mallya's UK Assets
Source: Firstpost ([Link](#))

A UK High Court judge has issued an enforcement order in favour of a consortium of 13 Indian banks, seeking to recover funds owed to them by beleaguered liquor baron Vijay Mallya who is fighting extradition to India on fraud and money laundering charges worth nearly Rs 9,000 crore. The order grants permission to the UK High Court Enforcement Officer to enter the 62-year-old tycoon's properties in Hertfordshire, near London. It permits the officer and his agents entry to Ladywalk and Bramble Lodge in Tewin, Welwyn, where Mallya is currently based. However, it is not an instruction to enter, which means the banks have the option to use the order as one of the means to recover estimated funds of around 1.145 billion pounds. According to legal experts with knowledge of the case, the latest order by the High Court's Queen's Bench Division is the granting of permission, should it be required, while the banks consider "all the enforcement options available to them". The victory for the 13 Indian banks – which include State Bank of India, Bank of Baroda, Corporation Bank, Federal Bank Ltd, IDBI Bank, Indian Overseas Bank, Jammu & Kashmir Bank, Punjab & Sind Bank, Punjab National Bank, State Bank of Mysore, UCO Bank, United Bank of India and JM Financial Asset Reconstruction Co. Pvt Ltd – enables them to enforce the Indian judgment against Mallya's assets in England and Wales.