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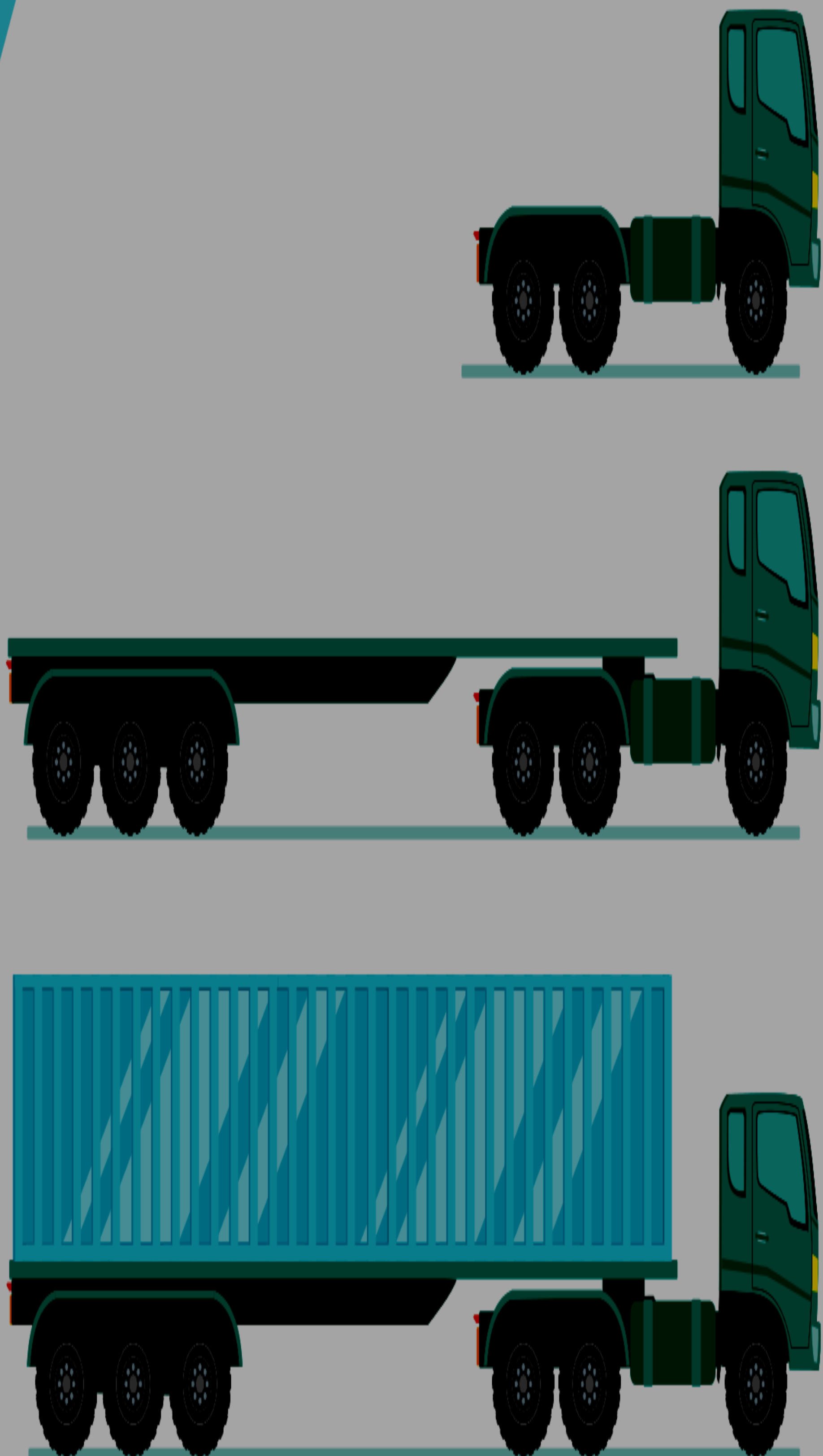

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EXPORT-IMPORT-NEWS

CASTOR SEED PRICES LIKELY TO STAY FIRM

Castor seed prices, which have been seeing an uptrend in recent months, are expected to stay firm on a projected decline in output for the year ahead.Castor production in the country is estimated at around 13.96-lakh tonnes, according to the first advance estimate of the government for the year 2017-18. This is, however, lower than the fourth advanced estimate of 2016-17 crop of 14.21-lakh tonnes.Castor crop had been on a decline due to persistently lower prices since 2011-12, when production stood at 22.95-lakh tonnes, following the peak prices of Rs. 6,200 per quintal during 2010-11.Market insiders maintained that carryover stock from the 2016-17 crop will be lower at around 1.5-lakh tonnes, thereby reducing the net availability of the oilseed.

"This will push up the prices from the current levels. We estimate carryover stock of about 1.5-lakh tonnes at the beginning of January 2018. And realistically speaking, the new crop will be lower than government estimates and will not cross 11-lakh tonnes," said Manoj Agarwal, a castor trader and exporter.

B/L-1/11/17

MOVE TO IMPOSE QRS ON PULSES MAY PROVE TO BE SHORTSIGHTED AND COUNTER-PRODUCTIVE

In the wake of record domestic harvest and concerns over the slump in prices of traditional pulses such as tur/arhar (pigeon pea), urad (black matpe) and moon (green gram), the government in August imposed quantitative restrictions (QRs) on the import of these pulses.

For tur/arhar import of up to 2-lakh tonnes was allowed during financial 2017-18, and for the other two pulses combined, it was 3-lakh tonnes. This has created utter consternation among major suppliers, including Myanmar and East African countries such as Ethiopia, Tanzania, Mozambique and others.

Importantly, like in India, in these countries, pulses are grown by smallholder farmers. They are the ones who produce pulses with India as the target market. Now that a major market has been shut out, these small growers have nowhere to go because these pulses are not the favourite legumes in other parts of the world.

A question that arises is whether the imposition of QRs on the import of these pulses is WTO-compliant, or whether it breaches any agreed rule or undertaking.
B/L-2/11/17

FARMERS THRONG MARKETS IN GUJARAT WITH HUGE QUANTITIES OF GROUNDNUT

Procurement of groundnut by State agencies is progressing at a snail's pace in Gujarat, with farmers queuing up with large quantities of their crop, even as the market prices continue to remain below the support price of Rs. 4,500 per quintal.

As per the data provided by the State agencies, since October 25, 10,034 tonnes of groundnut were procured at the support price levels.This is much lower compared to the daily arrivals of groundnut in the range of Rs. 3,500- Rs. 5,000 tonnes at key markets, including Rajkot and Gondal.

"The procurement is progressing well, but the wait is very long. We have sold about 4,800 kg of groundnut at the Jodiya procurement center two days ago. The payment is expected within a week or 10 days."Payment is pending even for those who sold at the beginning of the procurement process. The only concern is that payment should be made quickly to make it easy for the farmers," said Chandrakant Dalsania, a farmer from Lakhtar in Jamnagar district.
B/L-3/11/17

TRACK OF NEW 'LOW', KEY TO RAINS ALONG COAST
Thunderstorms accompanied with lightning was forecast for isolated places over Kerala, while heavy rain is expected to lash the Andaman & Nicobar Islands from Tuesday in view of the 'low.'The incoming 'low' is a remnant of typhoon Damrey that hit the Vietnam coast on Saturday. It has since passed over Vietnam and Cambodia before entering the Gulf of Thailand.Satellite pictures showed thick clouds converging over southern parts of Thailand hugging the tail of the country's geography that separates Andaman Sea and the Gulf.The track of the 'low' and the strength it acquires as it travels over the the Andaman Sea and the Bay of Bengal would be key to the performance of the North-East monsoon.

The US Climate Prediction Centre weather tracker shows activity building up over the North Tamil Nadu and adjoining South Coastal Andhra Pradesh coast three-four days from now.
B/L-6/11/17

TRADE NEWS

EXPORT SOPS GET READY

The Centre plans to work out export incentive packages worth Rs 15,000 crore in the coming weeks as global trade picks up. The packages will be compliant with the World Trade Organisation norms. The officials of the finance and commerce ministries will meet to discuss the measures and this could be announced as part of the Foreign Trade Policy review next month, a senior commerce ministry official said. Union commerce minister in a communication to finance minister has listed out the incentives. The officials of the two ministries will meet to work out the fine print.

The proposed measures include allowing the scrips earned under the popular Merchandise Exports from India Scheme (MEIS) to be used to pay the Goods and Services Tax (GST), increasing incentive rates and interest subsidy rates for labourintensive sectors, reducing the GST rate on MEIS/SEIS scrips and infusing more capital into the Export Credit Guarantee Corporation of India. The country would have to phase out export Subsidies at it have breached an income threshold stipulated by the WTO to end such sops. According to the special and differential provisions in the WTO's Agreement on Subsidies and Countervailing Measures, when a member's per capita gross national income (GNI) exceeds $1,000 per annum (at the 1990 exchange rate) for the third straight year, it has to phase out its export subsidies. There is, however, no clarity on the time frame to end such subsidies. Twin compliances Officials said the Merchandise Exports from India Scheme (MEIS) is being redesigned to make exports GST and WTO compliant. Duty-drawbacks are basically taxes foregone and that is considered a "prohibited subsidy" by the WTO. The five-year foreign trade policy (2015-20) provides a framework to boost the exports of goods and services, besides the creation of more jobs. Exports are showing signs of picking up as they soared 25.67 per cent to $28.61 billion in September, the highest growth in six months on the back of expansion in the the shipments of chemicals, petroleum and engineering products. Exports had grown 27.5 per cent in March. Imports, too, rose 18.09 per cent to $37.6 billion in September.

EXPORTERS CAN SOON CLAIM REFUND FOR GST PAID IN AUG, SEPT: GSTN CEO Exporters can soon start claiming refunds for GST paid in August and September as GSTN will launch an online application for processing of refund, its Chief Executive Officer said. GST Network (GSTN), the company handling IT infrastructure for the indirect tax regime, has from October 10 started issuing refunds to exporters for Integrated GST (IGST) they paid for the month of July, after matching GSTR-3B and GSTR-1. For August and September, while the initial return GSTR-3B has already been filed, the final return GSTR-1 has not yet been filed. GSTN has developed the app wherein exporters can save and upload their sales data which are part of GSTR-1 after filling up export details in Table 6A. The table will be then extracted separately and after exporters digitally sign it, it would automatically go to the customs department. The customs department will then validate the information provided in the table with the shipping bill data and also the taxes paid in GSTR-3B. The refund amount will be either credited to exporter's bank account through ECS or a cheque will be issued. As per data, 55.87 lakh GSTR-3B returns were filed for July, 51.37 lakh for August and over 42 lakh for September Preliminary returns GSTR-3B for a month is filed on the 20th day of the next month after paying due taxes. Thereafter, final returns in form GSTR-1, 2, 3 are filed by businesses giving invoice wise details of sales. The final return filing for August and September has not started yet. Over July-August, an estimated ₹67,000 crore has accumulated as the Integrated GST (IGST), of which only about ₹5,000-10,000 crore will be due as refunds to exporters. The Goods and Services Tax (GST), the amalgamation of over a dozen indirect taxes such as excise duty and VAT, does not provide for any exemption, and so exporters are required to first pay Integrated-GST (IGST) on manufactured goods and claim refunds after exporting them. This had put severe liquidity crunch, particularly on aggregators or merchant exporters. To ease their problems, the GST Council earlier this month decided a package for them that includes extending the Advance Authorisation / Export Promotion Capital Goods (EPCG)/100 per cent EOU (Export Oriented Unit) schemes to sourcing inputs from abroad as well as domestic suppliers till March 31, thus not requiring to pay IGST. The government is aiming to clear pending GST refunds of exporters by November-end. The first cheque after processing of July refunds was issued on October 10.

MISMATCH BETWEEN GSTR-1 INVOICE AND EXPORTERS' QUOTE

The disbursement of refunds to exporters under Goods and Services Tax (GST) regime that started from October 10 has been hit by a matching error. A mismatch between the number quoted by exporters in the Export General Manifest (EGM) and the corresponding invoice in GSTR-1 has slowed down the process of disbursement of refunds to exporters on Goods and Services Tax (GST) paid by them, two senior government officials said. The government has so far sanctioned about Rs 150 crore out of total claim of Rs 753 crore of Integrated GST (IGST) paid on exports in July, the officials said, adding that now the effort is to reach out to exporters for cases where the mismatch has been detected. "About Rs 150 crore has been released for July to exporters. This pertained to those cases where there was no discrepancy between the number quoted on EGM and the invoice number in GSTR-1. The Customs authorities were able to match both the numbers and hence, the refund was cleared. Rest of the amount is held up because of the matching errors," one of the officials cited above said. The official added that the Customs authorities have been instructed to reach out to the exporters for whom mismatches have been detected. "The government's intention is to release the refund as soon as possible but certain processes have to be followed. The mismatches have created a need for verification with some exporters," another official said. Federation of Indian Exports Organisation(FIEO), Director General and CEO concurred that there could be some lapses from the side of exporters and they are taking steps to sensitise exporters about the possible errors that may result in blocking of refunds. "The government has refunded about Rs 150 crore. The 10-digit number in EGM, which is a proof for exports, is entered manually by the Customs and there could be some errors there as well. So, there are technical challenges which need to be dealt on a war footing. FIEO, along with other trade bodies, are trying to sensitise exporters about the errors so that the mismatches can be reduced. The common objective of the government and the exporters is to ensure refunds and that process should be expedited," DG&CEO, FIEO said. As per CGST Rules, shipping bill filed by an exporter shall be deemed to be an application for refund of IGST on goods exported out of India and once EGM and valid GST return has been filed. In instructions issued to Customs authorities by CBEC on October 9, the CBEC had said that filing of correct EGM is a must for treating shipping bill or bill of export as a refund claim. In pursuance of the decisions taken in the previous GST Council meeting on October 6, the government had started the process of refund for July from October 10, but the process of refund for IGST paid on exports in August is yet to start. On October 6, after the GST Council meeting, Finance Minister had said that the data for blocked credit of exporters is available electronically but the electronic refund process was being prepared and that it may take some time. Till that time, Minister had said, state government officials and central government officials would be cross empowered to enable the process of refunds. Finance Minister had also said that the refunds for July would be paid to exporters from October 10 and for August from October 18 via cheques. Before GST, exporters enjoyed upfront tax exemption on exported goods, but under GST, they are required to pay taxes before procurement of goods and services. They can avail input tax credit after sale within the domestic tariff area or after sending their shipments outside the country and can then claim the unutilised credit as refund, a process in which their working capital was getting blocked with the government and raising their operating cost. FIEO had claimed that if refunds do not start flowing immediately, then about Rs 60,000-65,000 crore would be stuck by the end of October, following which the GST Council had approved the sops for exporters in its last meeting held earlier this month.

INDIA EYES TRADE DEALS WITH CENTRAL AMERICAN, CARIBBEAN COUNTRIES

India is looking to expand its trade footprint in America with initial discussions initiated in the government for a possible free trade agreement (FTA) with Caribbean and Central American countries and a logistics hub in Panama to help shipment of goods. The move comes with fresh overtures to Cuba, which is returning to the global mainstream. Sources said that a plan for Indian logistics centres in Panama has been discussed internally. The Central American country is a major shipping and airline hub and the facility can be useful to encourage warehousing facilities to enable Indian goods to be delivered 'just in time' to companies in the region. Although it's still in initial stages, a section in the Centre believes that it would be useful to explore a trade agreement with Carricom, the 15-nation trading bloc, along with a limited deal with the Central American countries, the sources said. While India had earlier tried to diversify its trade basket with a focused scheme for Latin America, the move has seen limited impact. The region's share in India's exports is less than 3%, with Brazil, Chile, Argentina, Columbia and Peru accounting for over 70% of this. Commerce & industry minister is making a rare visit to Cuba, where India is a partner country for the Havana Trade Fair, and is due to meet his Cuban counterpart apart from trade ministers from Suriname, Barbados, Dominican Republic and Haiti, sources said. Minister is also expected to meet Cuban president, and the first secretary of the Cuban Communist Party. He then goes to Panama, where a logistics hub — something that China has already done — is expected to figure on the agenda. Describing it as a "winwin" deal, the tropical farm produce from the Caribbean countries is unlikely to put pressure on India's farm sector, a no-go area as far as opening up is concerned, sources said.. On the other hand, government officers said, a trade agreement can open the doors for Indian companies to provide lowcost medicines, automobiles, engineering, textiles and leather products.

‘GERMANY, UK WILL GAIN THE MOST FROM AN INDIA-EU FREE TRADE DEAL’

Germany and the UK will witness the highest absolute gains if the proposed Free Trade Agreement (FTA) between India and the European Union (EU) is concluded, states a study conducted by the Bertelsmann Stiftung of Germany. Speaking at a round table on EU-India FTA organised by Business Line in association with the Bertelsmann Stiftung, Deputy Head of Mission of the German Embassy in India said: “We are afraid that those opposed to the India-EU FTA will keep finding reasons to delay it.” “Some fear that the FTA will put domestic players at unease. But protecting existing investments is also a part of the FTA negotiations. I object to the notion that an FTA would put the domestic auto industry in India at risk from German counterparts.” The study also suggested that if the UK exited the EU, India will stand to lose almost 21 per cent of the proposed gains from the FTA, which is officially called the Broad Based Trade and Investment Agreement (BTIA). As a result, India will then have to negotiate a separate trade pact with the UK to compensate for the losses, the study said. Counsellor, Trade & Economic Affairs, EU Delegation in India said, “We are keen on an FTA with India. The EU wants more market access in India for textile and agriculture sectors. There are very few bilateral investment treaties that have not yet expired. We have a very good reason to get FTA negotiations going to protect existing investments.” However, it said all sticky issues will be discussed when the chief trade negotiators from both sides meet next month to take stock of the matter and how to kick start the stalled talks. On the controversial issue of data adequacy, one of India’s long-standing demands, Counsellor, Trade & Economic Affairs said it cannot be discussed under the FTA as per EU rules. She said the issue of granting India ‘data-secure’ status can only be negotiated separately. For democracies, FTAs are not merely a function of economic benefit, BusinessLine Editor said. “The fundamental challenge is that agreements happen when the leadership feels it can politically sell it. For Indian Prime Minister, it will be difficult to sell an FTA with the EU as domestic businesses will say it increases competition and can lead to job losses,” it pointed out.

HUNGARY PUSHES EU TO FAST-TRACK PENDING FREE TRADE PACTS

The European Union needs to fast-track its pending free trade agreement (FTA) negotiations with partner countries to stay globally competitive as it has not signed any new pact since 2011, said Hungarian Minister of Foreign Affairs and Trade. “Hungary wants the EU to step up its efforts to sign FTAs to gain back its lost competitiveness. Hungary’s competitiveness is strongly linked to that of the EU’s,” said Hungarian Minister after inaugurating the World Export Development Forum (WEDF) 2017 in Budapest. The WEDF, jointly organised by the International Trade Centre (ITC), a development agency supporting internationalisation of small and medium enterprises, and the Hungarian government, has brought together small businesses, policy makers and trade experts to discuss inclusive and sustainable trade and forge networks. Hungarian Minister’s comments are important in the context of the proposed IndiaEU Broad-based Trade and Investment Agreement (BTIA) talks that were suspended in 2013 following disagreement over key market access issues in goods and services. However, the two sides, resolved to take a decision on re-starting negotiations soon at the India-EU Summit in New Delhi earlier this month.

GOVERNMENT PLANS TO SET RULES FOR FOOD EXPORTS PACKAGING

The government is working towards new packaging norms for export of food items to address concerns over food safety and health standards even as some Indian food products face rejection in developed markets. The ministry of commerce and industry has constituted a standing committee to formulate packaging standards for export of 500 products including fresh fruits and vegetables, spices, tea, and coffee. The regulations will be in sync with those of developed markets such as the US, Vietnam, the European Union, and Japan, said an official from the ministry. “A large amount of contamination can happen during transit if the packaging is not done properly,” said the official. “The government is keen to promote exports of fresh and processed food products and is hoping that these regulations will help in increased business for exporters,” the person said on condition of anonymity. The standing committee is also mandated to help introduce a degree course in packaging as an initiative to increase awareness about the matter. The committee will also engage in research of innovative materials for packaging of different products. The committee has representation from Indian Institute of Packaging (IIP), Agricultural and Processed Food Products Export Development Authority (APEDA), several research institutes and industry associations such as Tea Board of India and Coffee Board of India. The institute is organising three events — International Summit for Packaging Industry, Indiapack Pacprocess exhibition and Pacmachine Awards — to spread awareness about the importance of packaging. The development comes even as some Indian food products continue to be rejected by some western markets. The US Food and Drug Administration (FDA) has on several occasions refused entry to Indian food items such as spices, basmati rice, fisheries and herbal products. Russia had also imposed ban on import of rice and peanuts from India on grounds of contamination. Australia had issued an advisory that Indian exporters involved in the exports of processed food products, especially containing milk, have not been following the relevant regulation of imports into Australia, after detection of cases violating the import regulations.

READYMADE GARMENT EXPORTS UP 25% IN SEPT; FIRMS SAY CAN'T SUSTAIN GROWTH

After seeing a fall for three months in a row, ready-made garment (RMG) exports rose by 25 per cent in rupee terms and 30 per cent in dollar terms in September. But exporters say this will not be sustainable since government policies are not favourable. RMG exports rose to Rs 10,707 crore in September 2017 from Rs 8,583.55 crore in the same month a year ago. In dollar terms, these figures were $1.662 billion as against $1.284 billion. Of the total RMG exports, 52 per cent is woven and 48 per cent is knitwear. The sector started the year in April with 27.60 per cent growth in rupee terms and a 31.65 per cent increase in dollar terms. But in the following month growth (in rupee terms) was only 3.84 per cent. Exporters say that garment exports this year will surpass last year's total exports of $17.358 billion as, generally, exports tend to grow in the second half. January to March are the crucial months for RMG exports. Around 30-40 per cent of exports have taken place during these three months in the last few years. Exporters attributed the increase mainly to the upcoming Christmas season in western markets. The other factor is that inventories piled up due to the GST are now being cleared. Tirupur Exporters' Association President said that people are now becoming used to the system. In the last three months while global demand was increasing, exporters could not cater to it due to taxrelated confusion. Another exporter agreed and said unless India signs an FTA with European countries exporters will be in deep trouble. Competing nations have a duty advantage, which India does not possess. Customers have also started asking for a reduction in price after the rupee started strengthening against the dollar. This comes at a time when the cost of doing business is going down for exporters.

TEXTILE EXPORTERS TO TAP UAE MARKET

A 100-member delegation from textile and garment industry would be visiting the United Arab Emirates next month. Federation of Indian Export Organisation Chairman, (SR) would be leading the business delegation to take part in the International Apparel and Textile Fair to be held at the Dubai World Trade Centre between November 1 and 3, a press release said. During the visit, the traders would be displaying fashion readymade and fashion garments at the Indian pavilion. Currently, India's textile and garment export is focused to Europe and United

States markets. By the participation in the trade fair, "FIEO envisages to serve major GCC countries directly", it said. The United Arab Emirates ranks third in the world in terms of textile exports. It is also the fourth largest trading centre for fashion and apparel, it said.

BANKING/GST

BANK RECAPITALISATION MONUMENTAL STEP TO SAVE ECONOMY: RBI GOVERNOR

Reserve Bank Governor said the Rs 2.11 lakh crore bank recapitalisation plan is a ‘monumental step forward’ in safeguarding India’s economic future and a comprehensive policy would be put in place to address the challenges faced by the sector. Finance Minister announced that Rs 2.11 lakh crore would be infused in PSU banks over two years, of which Rs 1.35 lakh crore will be through recapitalisation bonds.

The remaining Rs 76,000 crore would be from the budgetary support and market raising. Welcoming the government’s decision, RBI Governor in a statement said that a well-capitalised banking system is a pre-requisite for stable economic growth. “Economic history has shown us repeatedly that it is only healthy banks that lend to healthy firms and borrowers, creating a virtuous cycle of investment and job creation. The Government of India’s decisive package to restore the health of the Indian banking system is in the view of the Reserve Bank of India, a monumental step forward in safeguarding the country’s economic future,” RBI Governor said.

Non-performing assets (NPAs) of banks have more than doubled to Rs 7.33 lakh crore in June 2017 from Rs 2.75 lakh crore in March 2015. “For the first time in last decade, RBI now has a real chance that all the policy pieces of the jigsaw puzzle will be in place for a comprehensive and coherent, rather than piece- meal, strategy to address the banking sector challenges,” RBI Governor said. Outlining the ‘desirable features’ of the recapitalisation package, RBI said the recapitalisation bonds will front-load capital injections while staggering the fiscal implications over a period of time.

"As such, the recapitalisation bonds will be liquidity neutral for the government except for the interest expense that will contribute to the annual fiscal deficit numbers," the governor said. Finance Minister said that the impact of the recapitalisation bond on fiscal deficit would depend on the nature of the bond and who issues it. The interest burden on the government for issuing recapitalisation bond would be about Rs 8,000-9,000 crore, according to Chief Economic Advisor. RBI Governor said these bonds would involve participation of private shareholders of PSU banks by requiring that parts of the capital needs be met by market funding. "Last but not the least, it will allow for a calibrated approach whereby banks that have better addressed their balance-sheet issues and are in a position to use fresh capital injection for immediate credit creation can be given priority while others shape up to be in a similar position," it said. The issuance of bonds would provide for a good way of bringing some market discipline into a public recapitalisation programme compared to the past recapitalisation programmes. Financial sector policies should support growth while maintaining financial stability, RBI Governor said. "RBI commends the government on its bold steps in this direction, starting with implementation of the Insolvency and Bankruptcy Code that is helping resolve the underlying corporate stress, and culminating in yesterday's announcement of the public sector bank recapitalisation programme," RBI Governor said. The RBI would work with the government to ensure these plans reach their natural completion to the benefit of the broader Indian economy, it added.

INDIA SHOULD HAVE 5-7 LARGE BANKS IDEALLY: CEA

A day after government announced a massive Rs 2.11 lakh crore capital support initiative, Chief Economic Adviser made a case for consolidation in the banking space saying the country ideally should have 5-7 large lenders. In an ideal banking world of tomorrow, India needs to have both large public sector and private sector banks, competing domestically and being competitive internationally, CEA said in a lecture at SGTB Khalsa College. Citing example of China, CEA said, there are four big banks which are now amongst biggest in the world. "The big question also going forward is should there be more majority private sector ownership in the banking system? What is a good banking structure for India 5-10 years from now and...basically India needs...India needs about 5,6,7 reasonably big banks both public and private sector and to be able to compete domestically and to be competitive intentionally," CEA said.

RBI SETS UP TASK FORCE ON 'PUBLIC CREDIT REGISTRY'

The Reserve Bank of India has constituted a 10-member 'High Level Task Force on Public Credit Registry (PCR) for India', which will, among other things, suggest a roadmap for developing a transparent, comprehensive and near-real-time PCR for India. Headed by YM Deosthalee, ex-CMD, L&T Finance Holdings, the task force includes Sekar Karnam, DMD & Chief Credit Officer, SBI; Vishaka Mulye, ED, ICICI Bank; Rashesh Shah, Chairman and CEO, Edelweiss Group; and Sriram Kalyanaraman, MD and CEO, National Housing Bank. The terms of reference of the task force include reviewing the current availability of information on credit in India, assessing the gaps in India that could be filled by a comprehensive PCR, and study the best international practices on PCR. Envisaged as an extensive database of credit information for India that is accessible to all stakeholders, PCR is expected to enhance efficiency of the credit market, increase financial inclusion, improve ease of doing business and help control delinquencies.

ECONOMY

ECONOMY TO GET 7,00,000-CRORE STIMULUS

Amidst concerns over growth slowdown, the government announced ambitious plans for bank capitalisation to boost the economy, spur investments and create jobs, as well as a highway construction project. Stressing that the macro fundamentals of the economy are strong, Finance Minister announced the ₹5.35 lakh crore Bharat Mala Pariyojana to construct 34,800 km of highways and an aggressive ₹2.11 lakh crore capitalisation plan for public sector banks. The decisions were taken at Union Cabinet meeting. Focus on infra Flanked by top Finance Ministry officials, Minister said the measures were not part of any course correction but consistent with the government's focus on infrastructure expenditure, public investments and fiscal consolidation. Following the note ban last November and the GST rollout in July, economic growth slowed to a three-year low of 5.7 per cent in the first quarter of the fiscal, raising concerns over the health of the economy.

"There has been a lot of discussion within the government and with the Prime Minister. India has been the fastest-growing major economy for the last three years and the attempt is to maintain high growth rate in the coming years," Finance Minister said. Capital infusion in PSBs To be carried out over two years, starting this fiscal, the capital infusion in PSBs envisages recapitalisation bonds, which are expected to raise ₹1.35 lakh crore; an additioal ₹76,000 crore will come through budgetary support and by tapping the market by diluting government equity, said Secretary, Department of Financial Services. "At present, budgetary support will come from only the ₹18,000 crore already allocated under the Indra Dhanush scheme for bank recapitalization," Minister said. This is unlikely to impact the fiscal deficit, it added. "This will depend on the nature of the recapitalization bonds and the manner in which they are dealt with," he said, adding that the structure of the bonds would be finalised soon. Chief Economic Advisor said recapitalisation bonds count as debt, but it depends on which agency issues it.

"Under the accounting practice of the International Monetary Fund, these are below the line and not part of the deficit, but in our own accounting, it is part of the deficit," it said. The government hopes that the capitalization plan will propel micro, small and medium enterprises through enhanced access to markets, and help finance such firms in 50 clusters. "While Ministries concerned will spearhead and provide momentum, banks will undertake speedy processing of loan applications," said an official release, adding that banks will have to compete for loans through the revamped udya mimitra.in portal. Non-performing assets of banks have increased from ₹2.75 lakh crore in March 2015 to ₹7.33 crore as on June 2017. The government had launched the Indradhanush scheme in 2015 to infuse ₹70,000 crore in state-run banks over four years to meet their capital requirement in line with Basel-III global risk norms. Banks were allocated ₹25,000 crore in 2015-16 and 2016-17 each; another ₹10,000 crore each will be infused in 2017-18 and 2018-19. Bharatmala Project The Bharatmala project envisages an outlay of ₹5.35 lakh crore over a five-year period till 2021-22. “While ₹2.09 lakh crore will be raised as debt from the market, ₹1.06 lakh crore of private investments would be mobilised through public private investments and ₹2.19 lakh crore is to be provided out of accruals to the Central Road Fund, Toll Operate Transfer monetisation proceeds and toll collections of NHAI,” said Finance Secretary.

INDIAN ECONOMY ON A STRONG WICKET: FINANCE MINISTER

Finance Minister said the Indian economy is on a strong wicket with sound macro— economic fundamentals. At a press briefing to detail state of the economy, Minister said India has been the fastest growing major economy for the last three years and the attempt is to maintain high growth rate in coming years. In a presentation made at the briefing, Economic Affairs Secretary said inflation has consistently come down since 2014 and will not cross 4 per cent this fiscal. Detailing macro—economic fundamentals, he said that current account deficit will be less than 2 per cent this year and foreign exchange reserves have crossed $400 billion. On fiscal deficit, he said the government is committed to sticking to the target of 3.2 per cent of GDP for the current fiscal but a review would be done in December. Stating that the GDP growth slowdown has bottomed out and the economy is turning around, he said the International Monetary Fund (IMF) had recently projected that the country would achieve a 8 per cent growth rate soon. Economic Affairs Secretary further said that the government is confident of surpassing the disinvestment target of Rs 72,500 crore for this fiscal. Finance Secretary said that total government expenditure so far this fiscal has been Rs 11.47 lakh crore out of Rs 21.46 lakh crore budgeted for this financial year. Out of capital expenditure target of Rs 3.09 lakh crore, Rs 1.46 lakh crore has already been spent. Central public sector units have spent an additional Rs 1.37 lakh crore out of their target of Rs 3.85 lakh crore. Banking sector non—performing assets (NPAs) rose from Rs 2.75 lakh crore in March 2015 to Rs 7.33 lakh crore as on June 2017, Department of Financial Services Secretary said. Of that Rs 1.75 lakh crore relates to just 12 cases which have been referred to NCLT.

ECONOMIC RECOVERY DEPENDS ON GOVERNMENT'S INITIATIVE, SAYS D&B

Post-demonetisation and implementation of the Goods and Services Tax (GST), the current economic slowdown has "bottomed out" and the recovery of the economy would "critically depend on the initiatives" the government takes from now onwards, according to a report released. The report also said the quantum of impact of the structural reforms - demonetisation and GST - was expected but the quantum was not estimated and hence the current slowdown in the economy is painful. "Report believes that the slowdown has bottomed out, however, the stage and pace of recovery would critically depend on the initiatives that the government takes from now onwards to boost the growth momentum, especially the private sector investment, without which we will not be able to aim for an ambitious growth rate," said Lead Economist, Dun & Bradstreet (D&B) India. According to D&B Economy Observer, the rebound in industrial production, especially in capital goods is not just driven by festive-led demand and is on a sustainable basis. "...as both the formal and informal segment of both the industrial and the services sector adjust themselves to the overall GST system and the frequent changes suggested under GST Councils, GVA (Gross value added) will grow only by 6.2 per cent in Q2 (second quarter) FY18, slightly higher than 5.6 per cent in Q1 (first quarter) FY18," the report said. It also said the recovery in exports, moderate interest rate, lower inflation rate, controlled trade deficit, sizable FDI inflows and the government's commitment towards fiscal discipline are likely to pave the way for the economy to recover from the current scenario on a strong note. "It is also expected that the continued reforms aimed at the formalisation and increase in accountability in the economy will help in preventing leakages and flow of resources in the desired direction and provide a strong foundation for a robust and sustainable growth process," it said. According to the report, Index of Industrial Production (IIP) is expected to grow by 4.-4.2 per cent during September 2017. The CPI inflation would be in the range of 3.3- 3.5 per cent and WPI inflation to be in the range of 2.7 - 2.9 per cent during October 2017, respectively.

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ARTICLES

ONION EXPORT JUMPS 56% IN APR-JULY, BUT INDIA NOW IMPORTING

ndia's onion export rose by 56 per cent to 12.29 lakh tonnes in April-July this year, but the country has now gone in for import of the kitchen staple as retail prices have shot up to Rs 65-70 per kg because of tight supplies.

In value terms too, the onion export increased by 47.69 per cent to Rs 1,443.09 crore in the period under review, from Rs 977.84 crore a year ago, it said.

Last week, the government allowed state-owned agencies like MMTCBSE 0.71 % to import onion from countries like Egypt and China to increase availability and cool retail prices that have skyrocketed to Rs 65-70 a kg level in many parts of the country.

According to data maintained by the Directorate General of Commercial Intelligence and Statistics (DGCIS), the country has exported 12.29 lakh tonnes of onion during April-July of 2017-18, up 56 per cent from 7.88 lakh tonnes in the year -ago period.

"Exports increased during April-July because of two reasons: firstly, there was no minimum export price (MEP) and second, the global prices remained much higher," the state-owned National Horticultural Research and Development Foundation (NHRDF) acting Director P K Gupta told PTI.

The exports helped farmers get better rates for their produce during the first quarter of the fiscal when local prices had fallen sharply. However, with old stocks getting depleted and rise in local price the exports have slowed, he said.

According to the DGIS data, exporters realised Rs 11,737 per tonne of onion during April-July of this fiscal.

MEP is the minimum rate below which export is not allowed. Onion MEP was scrapped in December 2015.

Despite demand from Consumer Affairs Minister Ram Vilas Paswan, the MEP was not imposed in August when retail onion prices had started showing an upward trend.

"Now, retail onion prices have come under pressure because the old crop is getting exhausted. Also, new kharif crop arrival is less," Gupta said.

For instance, in the national capital, the average retail price of onion was ruling at Rs 15 per kg in April and gradually rose to Rs 30-35 in July and by October-end, the rate crossed Rs 50, as per the ministry data.

However, local vendors are selling at Rs 65-70 per kg depending on the quality and locality in Delhi. A similar rise in prices of onion was witnessed in other cities also.

To boost local supply, the government facilitated import of onion through private traders, who have purchased 11,400 tonnes from the overseas market so far.

The new kharif crop is likely to be lower by 10 per cent as area sown is less by 30 per cent. The production assessment will be known once the harvesting completes, a senior consumer affairs ministry official said.

It may be noted that 40 per cent of the country's total onion crop is produced in the kharif season, and the rest during the rabi season. The kharif crop, however, cannot be stored.

Maharashtra, Karnataka, Madhya Pradesh, Bihar and Gujarat are major onion-producing states.

Economic Times

TEA PRICES SIMMER WITH EXPORT DEMAND, FALL IN N INDIA OUTPUT

KOLKATA, NOVEMBER 12: The drop in production of North Indian tea and a steady export demand from markets such as Kenya are likely to push tea prices up. Tea prices in north India have already firmed up by 6-10 per cent across various categories so far this year.

The average selling price of good quality Assam tea at close to ₹215 a kg is up by ₹15 a kg over same period last year.

“The price of best quality Assam tea was ruling at ₹245 a kg in the last sale compared to ₹220 same period last year,” J Kalyan Sundaram, Secretary-General, CTTA, told BusinessLine.
Climate plays spoil sport As per data available with the Tea Board, production in North India dipped

by 42 million kg (mkg) to 127.54 mkg in September. The decline was pronounced in Assam which saw production drop by around 31 mkg at 81.75 mkg.

Production in Dooars and Terai regions of West Bengal also declined by around 9 mkg owing to climatic adversities.

“Last year, we had a bumper crop in September and this year there has been an unprecedented drop primarily on account of very little sunshine and a lot of rain. Though there is some recovery in October, but that will not be enough to cover the loss in production,” said Azam Monem, chairman, Indian Tea Association.

The advent of early winter has also compounded matters as this would curtail the production period by at least a fortnight. With the end-season approaching, the industry is apprehensive about the scope of recovery of the crop within the current production cycle.

Nearly 65 per cent of the country’s tea is produced during the July-November period. In calendar 2016, the country produced 1,267.36 mkg of tea, with North India accounting for 1,054.51 mkg.

20 mkg shortfall seen Tea prices, which have remained largely stagnant the last three-four years, are likely to firm up in the days to come.

“The overall crop shortage this year is expected to be in the range of 20 mkg. Prices, which were stagnant in the last couple of years, are expected to firm up,” said Kamal Baheti, CFO, McLeod Russel India. With consumption growing at 2-3 per cent and exports also looking up, prices are likely to firm up by 10-15 per cent in the January-March quarter, Monem said. The country exports around 20 per cent of the tea produced.

Rising production cost

“The demand for Indian teas has increased in Kenya and Sri Lanka. A decline in production and higher exports are likely to keep the prices firm,” said Kaushik Das, Vice-President and Sector Head, Corporate Sector Ratings, ICRA.

According to Jagjeet Kandal, managing director, Amalgamated Plantations, while the rise in price has brought in some cheer for the industry, the drop in production is likely to push up costs by 5-10 per cent.

Production cost, which has been rising by 8-10 per cent annually, has been exerting pressure on the profitability of bulk tea producers in recent years.

-THE HINDU BUSINESS LINE

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Head quartered at Bangalore, IIEM acts primarily as a promotional and operational institution to help students, new entrants in exports, existing businessmen and managers in export organisations.In the 22 years since inception, more than 40,000 students have enrolled for various Export Management courses at IIEM.

The course material is designed to widen the knowledge base of young managers and to equip them with necessary skills to meet the challenges of globally competitive environment.