Short Takes

Disinvestment Proceeds at ₹53,558 cr so far in FY19

NEW DELHI The government's disinvestment proceeds have touched ₹53,558 crore so far in the current fiscal, as against the full year budget target of ₹80,000 crore. Last week, as much as ₹10,000 crore came in from Bharat-22 ETF and, another ₹5,379 crore from the sale of Specified Undertaking of Unit Trust of India (SUUTI) stake in Axis Bank. Share buyback by Indian Oil corporation fetched ₹2,647 crore to the disinvestment kitty, while BHEL, NHPC and Cochin Shipyard garnered ₹992 crore, ₹398 crore and ₹137 crore, respectively.

High-level Panel Backs Older System for Oil Auction

NEW DELHI Two years after the government shifted to revenue sharing contracts for oil and gas block auctions, a high-level panel has suggested reverting to older system of awarding areas in most basins based on exploration commitment. The six-member panel, headed by Niti Aayog vice chairman Rajiv Kumar, which was formed on directions of Prime Minister Narendra Modi, in its report submitted on January 29 stated that "unexplored areas in Category II & III basins be bid out exclusively based on exploration work programme".

NHA, NATHEALTH to Tie Up for Ayushman Bharat Rollout

NEW DELHI The National Health Authority is all set to collaborate with apex healthcare body NATHEALTH-Healthcare Federation of India for better implementation of the government's flagship programme Ayushman Bharat and get more private hospitals on board. The NHA and NATHEALTH officials recently met in Delhi to discuss collaboration to scale up the impact of the scheme. "It was decided that NATHEALTH will extend full support and set up a mechanism to provide technical experts and inputs, as and when sought by NHA and the state governments."

Govt to Examine Demand for MIP on Steel Imports

NEW DELHI The government will examine domestic steel firms' demand for imposing minimum import price (MIP) on the metal. In a Feb 6 meeting, major players, including Steel Authority of India and JSW Steel, urged the steel ministry to impose an MIP on all steel products, amid a surge in imports from countries such as Indonesia and rising raw material costs, which are putting pressure on margins. "The situation has to be examined carefully. The ministry will first examine then take some action," a steel ministry official said.

Power Shortages likely during Polls as Discoms Miss Payments

SENDING OUT AN SOS Private producers write to govt seeking its help as state utilities fail to pay ₹14,600 crore, affecting their coal purchases and payments to railways

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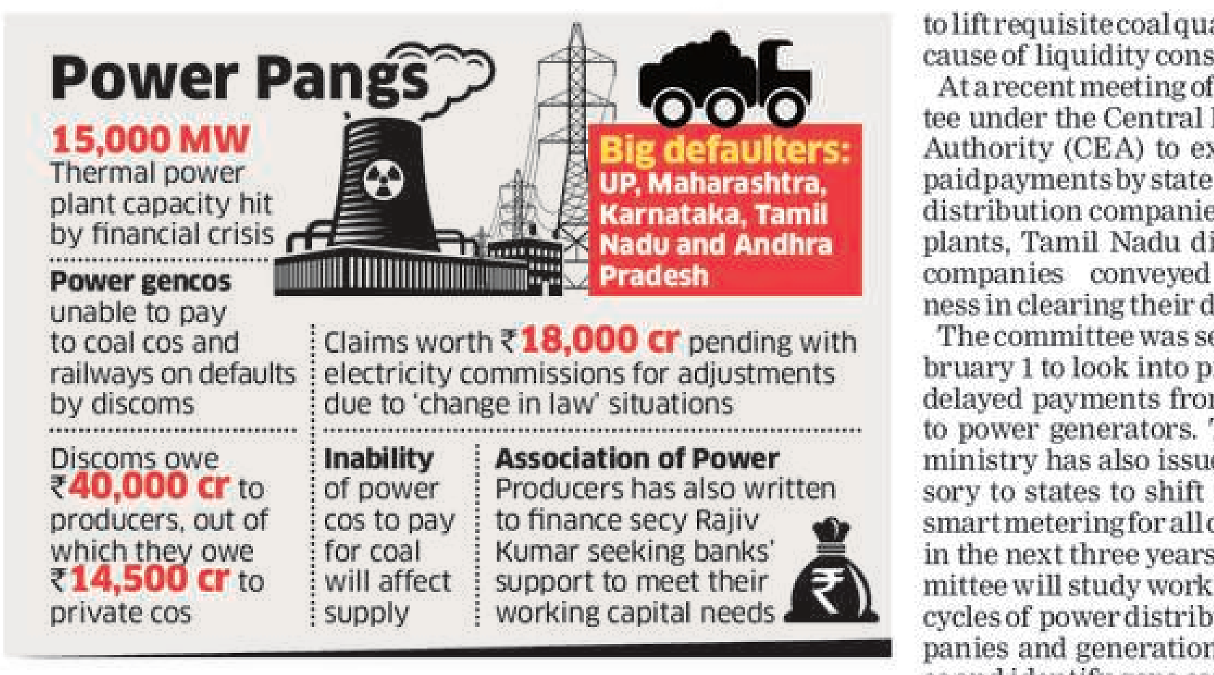

New Delhi: India may be heading for power shortages during summer when the country will go to polls as private producers have not been paid ₹14,600 crore by state utilities which has created a shortage of funds, particularly for coal and rail transportation which requires advance payments.

Private producers have asked the government to intervene and make state utilities pay up so that they can build fuel stocks that are needed to meet summer demand, which is expected to surge.

Industry sources said thermal power plant capacity of at least 15,000-mw is deeply impacted by the financial crisis as state power distribution utilities are faltering on timely bill settlements. The sources said power plants are not able to purchase coal as payments to coal companies and railways are made in advance.

The total overdue payments to generation companies from distribution companies are expected to be of the order of ₹40,000 crore, of which receivables by private companies were at ₹14,600 crore.

At a recent meeting on ensuring timely payments to generation companies, distribution companies of Tamil Nadu expressed their inability to settle the electricity bills. The major defaulter states include Uttar Pradesh, Maharashtra, Karnataka, Tamil Nadu and Andhra Pradesh. Besides claims worth ₹18,000 crore are pending with electricity commissions for adjustments due to 'change in law' situations.

Power companies have written to power minister RK Singh to ask states to clear pending payables as further piling up may result in inability of generators to pay for coal and adversely affect power supply position.

Association of Power Producers has also written to finance secretary Rajiv Kumar seeking banks' support for working capital term loan for operating plants with under-recovery of fixed and variable costs. The companies have also demanded that banks should not hold disbursals for group exposure issues and support the assets as standalone assets.

Banks are not lending working capital to the power sector as they have reached sector and group exposure limits. The private power companies told the finance secretary that banks are demanding 2-3 times of security cover or 100% cash margins.

APP director general Ashok Khurana said, "Large receivables from discoms coupled with reluctance of banks to extend enhanced working capital has resulted in severe cash crunch for already stressed private developers leading to inability of many to lift requisite coal quantities because of liquidity constraints."

At a recent meeting of a committee under the Central Electricity Authority (CEA) to explore prepaid payments by state electricity distribution companies to power plants, Tamil Nadu distribution companies conveyed helplessness in clearing their dues.

The committee was set up on February 1 to look into problems of delayed payments from discoms to power generators. The power ministry has also issued an advisory to states to shift to prepaid smart metering for all consumers in the next three years. The committee will study working capital cycles of power distribution companies and generation companies and identify gaps contributing to stress in the sector.

Cabinet secretary P K Sinha-led high level empowered committee had last November suggested that financial institutions like REC and Power Finance Corp may discount receivables from discoms and make up front payment to generators. The financial institutions providing the bill discounting facility be covered by tripartite agreement so that in case of default by discoms, Reserve Bank may recover dues from the account of states and make payment to the funding agencies. The recommendations of the Sinha panel are being looked into by a group of ministers (GoM) headed by finance minister.

Relief for Solar Developers from Safeguard Duty

Maharashtra regulator rules cos that had won projects before the levy kicked in last year should be compensated

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Bengaluru: Developers who won solar projects just before safeguard duty on solar panels and modules was imposed on July 30 last year have been greatly relieved by an order passed by Maharashtra's power regulator on Friday, maintaining that such duty amounted to a "change of law" and that developers should be adequately compensated for it.

Tata Power, Acme Solar and Adani Green Energy won 150 MW, 250 MW and 200 MW respectively in a 1000 MW solar auction conducted by Maharashtra's main discom, Maharashtra State Electricity Distribution Co Ltd (MSEDCL), in May last year, the first two quoting a tariff of ₹2.72 per unit, while Adani Green Energy sought ₹2.71 per unit.

All three had filed separate petitions before the Maharashtra Electricity Regulatory Commission (MERC), after the safeguard duty order came into effect, seeking it acknowledge that the imposition of safeguard duty was indeed a change of law, and fix the compensation they should receive. They noted that most of the panels and modules used in solar projects are imported and hence the safeguard duty would significantly raise their input costs.

Maharashtra power regulator says such duty falls under change of law

In its order, MERC, however, declined to fix any compensation or increase in tariff, noting that "impact of the safeguard duty is dependent upon the period in which solar panel/modules are imported from China PR or Malaysia. From the submissions of the petitioners, it is observed that they are in the process of importing the solar panels and hence exact impact of change in law is not quantified."

The safeguard duty is 25% for a year, followed by 20% for six months and 15% for another six months. The petitioners had also asked for an extension in the financial closure and commissioning deadline. But the commission rejected this request in its order.

Smuggling from Pak may not Rise on Import Curbs

India has hiked duty, revoked MFN status of its neighbour in wake of Pulwama attack

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Trade As Usual

India has hiked customs duty on all goods imported from Pak to **200%**

Major imports from Pak

- **Fruits and nuts**, gypsum, sulphur, finished leather, ores, mineral oils and cement
- **Cement** may become costlier but price rise may not be that large
- **Unfavourable** sentiment is also likely to hit illicit trade of fresh fruit, which happens at Kashmir border

Higher duties may encourage smuggling of products which are in demand or goods could be routed via Dubai with separate rules of origin, but they will not remain viable

Trade expert

New Delhi: India doesn't expect a significant rise in smuggling of goods from Pakistan that could undermine the recently imposed high customs duty on imports coming from its neighbour.

On Saturday, New Delhi hiked the customs duty on all goods exported from Pakistan or originating from there, to 200% with immediate effect, a day after it revoked the most favoured nation (MFN) status that it had given its neighbour in 1996, post the Pulwama terrorist attack that killed about 40 Central Reserve Police Force personnel.

"We don't expect much smuggling because hostility has increased, and public and military sentiment is against any engagement," said an official.

India's imports from Pak were $381 million in April-Nov period compared with $489 million in the entire FY18

India's major imports from Pakistan are fruits and nuts, gypsum, sulphur, finished leather, ores, mineral oils and cement.

While cement is likely to become expensive because of the hike in customs duty to 200%, the increase in prices is not expected to be large. "They are cement surplus and we expect the cumulative impact to be ₹10-20 per bag only," the official added.

India's imports from Pakistan were $381 million in the April-November period compared with $489 million in the entire FY18.

The unfavourable sentiment is also likely to impact illicit trade of fresh fruit, which happens at the Kashmir border.

"There is no smuggling at Attari-Wagah border but Chinese apples, which are banned in India, make their way into the country from Muzaffarabad," the official said. Bananas from India too are sent to its neighbour from this route.

"Higher duties may encourage smuggling of products which are in demand or goods could be routed through Dubai with separate rules of origin, but they will not remain viable," said an expert on trade issues.

Of the $2.6-billion bilateral trade, which is tilted towards India, almost $1 billion takes place through the Attari-Wagah border.

As for exports from India, Pakistan has not been importing onions and tomatoes for more than a year and has not issued import permits for the same. "Our plan to increase exports to our neighbouring countries to boost overall shipments would get impacted because the general downfall in agri commodity exports will continue," the official added.

Experts said the tensions will now further impact the South Asian Free Trade Agreement (SAFTA) of which both India and Pakistan are members.

"All energies are already focused on the Regional Comprehensive Economic Partnership agreement and the recent developments will further delay SAFTA," said another expert on trade issues.

As Competition Intensifies, L&T Stops Disclosing Order Win Details

In a change of strategy effected since mid-Jan, firm is only giving a price range of orders

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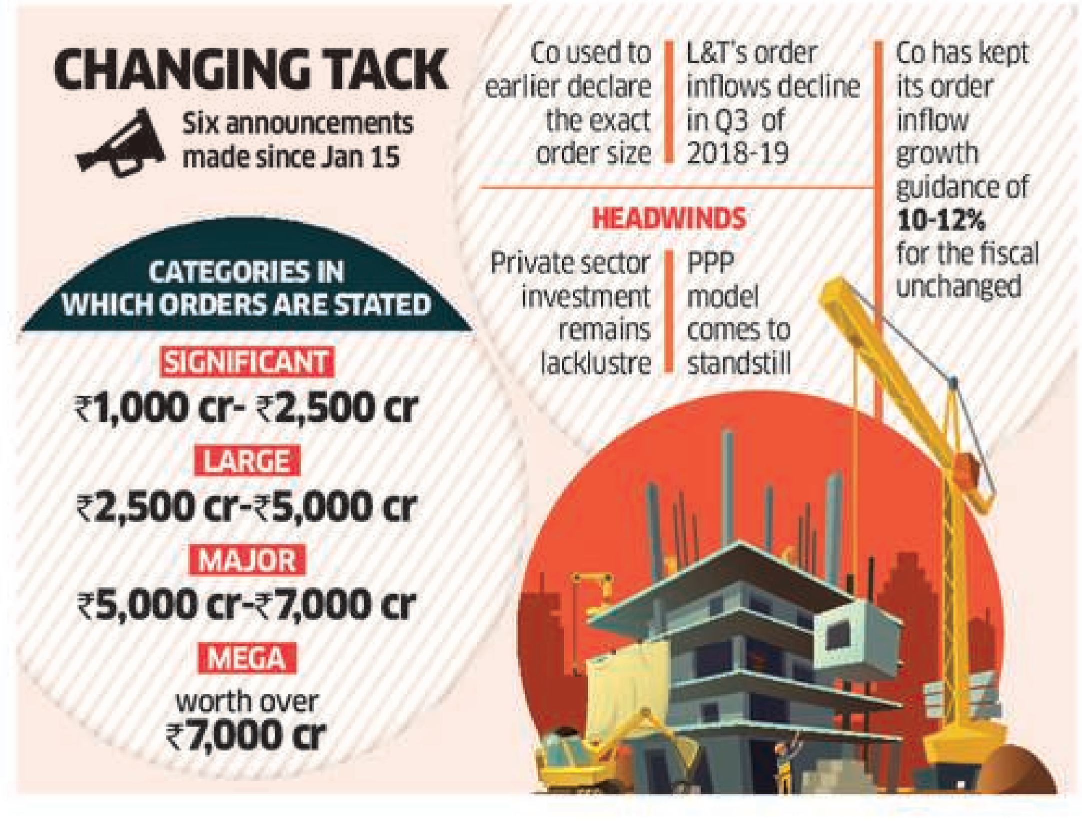

Mumbai: Wary of competition, infrastructure major Larsen & Toubro has changed its practice of disclosing details of order wins as the company doesn't want competitors to know its pricing strategy, a development that is a statement on the intensity of competition in the sector.

L&T, the bellwether for the construction and engineering sector in India, is closely tracked by shareholders, analysts and competitors and is often seen as a proxy for India's infrastructure growth story. But with competition intensifying at a time when the total pie of orders has already shrunk, the industry leader has taken a break from its tradition of giving details of order wins, and is instead only giving a broad range of the order size.

Noticing a change in the way the company announces its orders, **ET** enquired if this was in response to the competition in the sector. "L&T has revised its new order disclosure format to protect its competitive interests. We will continue to guide our stakeholders by providing order value range," L&T said in an emailed response to ET's query.

For years, L&T has been periodically announcing its order wins and in most cases the company gives details of customer and the exact financial consideration for the job won, unless there is a confidentiality agreement with the customer or the job is sensitive in nature. In a deviation, the company has now decided to only gives a price range.

Since January 15, the company has made six announcements, where it has categorised them as significant (₹1,000 crore-2,500 crore), large (₹2,500 crore-5,000 crore), major (₹5,000 crore-7,000 crore) and mega (worth over ₹7,000 crore).

Earlier, when the company would declare the exact size of the order, analysts and competitors could do a backwards calculation to have a fair idea of the profit margins and costs. This helped the analysts make a more calculated guess of the company's earnings in coming quarters. But it also helped competitors tweak their bids in the future to stay in the race with L&T.

Private sector investment continues to be lacklustre, and most engineering and construction companies are vying for government orders. Also, with the public-private partnership model coming to a standstill, and most infrastructure companies struggling with stretched balance sheet and muted cash flows, competition for cash contracts has become intense.

L&T reported a decline in order inflows in the third quarter of 2018-19, and its management had then said that domestic orders have slowed down. But the company had left it order inflow growth guidance of 10-12% for the fiscal year unchanged.

Hybrid Vehicles may Get Incentives

PHASE 2 OF FAME Govt to offer a ₹10k per kWh of batterey pack stimulus to vehicles

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New Delhi: Marking a reversal of its earlier stance, the government plans to incentivise hybrid vehicles along with electric vehicles to promote green mobility to help curb air pollution and oil imports.

The heavy industry department has firmed up a proposal to extend incentives linked to battery size under phase two of the FAME (Faster Adoption and Manufacturing of hybrid and Electric Vehicles) India to promote widespread adoption of electric mobility across segments and across vehicle technologies, said a senior government official in the know.

A uniform incentive of ₹10,000 per kilowatt hour (kWh) of battery pack capacity would be extended to all electric vehicles including plug-in hybrids (PHEVs) and strong hybrids, except for buses, as the cost of batteries is one of the main causes of difference in cost of hybrid/electric vehicles and internal combustion engine (ICE) vehicles, the official said.

"With this, it is estimated that the remaining extra cost of electric vehicles compared to equivalent ICE vehicles would be recovered in under three years by way of operational savings," the person told **ET**. The government had withdrawn subsidies on hybrid vehicles and subsequently placed them under the highest tax slab of 28% under GST in 2017. An additional cess of 15% is applicable on such vehicles, taking total levies to 43%. Electric vehicles were taxed much lower at 12% to encourage carmakers to go all-electric by 2030. Japanese auto majors Suzuki, Toyota and Honda have since been urging the government to promote hybrid and alternate fuel vehicles to curb oil imports and pollution till the time the vehicles can become fully electric.