4 ECONOMY & PUBLIC AFFAIRS



"Chowkidar was caught indulging in theft and as he was caught, chowkidar says the whole of Hindustan is chowkidar" RAHUL GANDHI Congress president



"In India, 50% of our population is dependent on agriculture. If India's GDP has to grow at 9-10% for the next 30 years, then it cannot be without bringing revolution in the agri sector" AMITABH KANT NITI Aayog CEO

MUMBAI | TUESDAY, 19 MARCH 2019 Business Standard



"When the entire country feels proud about the valour and heroic deeds of the armed forces, they (opposition) seek evidence of surgical strikes and air strikes" YOGI ADITYANATH

Uttar Pradesh chief minister

IN BRIEF RBI to set up panel for cap on borrowings by state govts

In a move to promote greater fiscal discipline, the Reserve Bank of India (RBI) has decided to form a committee to recommend parameters of a rule-based approach in fixing new Ways and Means Advances (WMA) limits for state governments. Further, the states agreed to work towards complete integration of their receipts and payment systems with the RBI's integrated accounting system (e-Kuber) for greater system efficiency, said the RBI website. These decisions took place at the 31st Conference of State Finance Secretaries held in Mumbai on Monday. The conference was attended by officials from the Union Ministry of Finance, Controller General of Accounts, Comptroller and Auditor General of India and Finance Secretaries of 25 states and Puducherry, said the BS REPORTER4 central bank.

General insurers' premium rises 23% in Feb: Irdai

General insurers registered 23 per cent growth in their premium at ₹12,959,44 crore in February, the data from the Insurance Regulatory and **Development Authority of** India (Irdai) showed on Monday. The gross premium collected by all the 34 insurers in the general sector stood at ₹10,573.70 crore during the same month a year ago. In a break-up of premium collected by these firms, Irdai showed that 25 of these firms garnered ₹10.916.33 crore premium during February 2018-19, a 18.1 per cent rise over the same period last **PTI** fiscal.

Counterfeit, pirated goods form 3.3% of global trade: Study

Global sales of counterfeit and pirated goods have soared to \$522 billion a year, amounting to a whopping 3.3 per cent of world trade, according to a report published Monday. The latest assessment by the EU Intellectual Property Office (EUIPO) and the OECD found the share of counterfeit goods had seen a "considerable" rise since its previous 2016 estimate of 2.5 per cent of **PTI** global trade.-

India, Africa should examine free trade pact, says Prabhu

India and Africa should examine if they can enter into a free trade agreement or preferential trade agreement, Commerce Minister Suresh Prabhu has said Addressing a conference here, the minister said India's exports of services and merchandise together would touch a record USD 540 billion in the current financial year ending March 31, reflecting its robust economic fundamentals. PTI∢

Logistics market to reach \$215 billion by 2020, says study

The market size of the logistics sector is seen climbing to \$215 billion by 2020, logging 10.5 per cent compounded annual growth rate (CAGR) over 2017. The logistics sector earned the 'infrastructure' status in 2017 when its market size was estimated at \$160 billion. A study by the India Brand Equity Foundation pegs annual investments in the logistics sector to reach \$500 billion by 2025. Between 2018 and 2020, the warehousing segment is poised to receive ₹50,000 crore investments. The logistics and warehousing sectors will get a fillip with the foray of Hiranandani Group, pledging₹2,500 crore investments on two projects in 2019. BS REPORTER∢

SBI board meet to consider capital raising timeline

State Bank of India (SBI) on Monday said its central board will meet later this week to consider extension of approval accorded by it for raising equity capital of up to ₹20,000 crore from the market till the end of fiscal 2020. In December last year, shareholders of the country's largest lender approved its plans to raise up to ₹20,000 crore through various modes, including a follow on public offer (FPO), to fund its growth.

Muthoot securitises two-wheeler loans, raises ₹236 crore

Auto financing company Muthoot Capital Services has raised ₹236 crore via securitisation of two-wheeler loans in one of the biggest deals in two-wheeler finance space. The issue was subscribed by HDFC Mutual Fund and the deal was arranged by Vivitri Capital, an institutional debt market platform in India. BS REPORTER4

At 68.5/\$, ₹ hits 9-mnth high on FPI flows

ANUP ROY Mumbai, 18 March

he rupee on Monday strengthened the most among all major currencies in Asia, hitting an eight-and-a-half month high of 68.53 a dollar on increased portfolio flow.

Rupee gained 0.823 per cent against the dollar in intra-day trade on Monday, the steepest gain in the region, while Korean won gained 0.442 per cent. Year-to-date, the rupee has gained 1.8 per cent. whereas some others in the region, such as Thai baht, have gained just over 2 per cent.

"Rupee is appreciating because of strong portfolio inflow in March. Globally, stock markets are rallying too, and there is a feeling that Modi is going to form the government

said Ritesh Bhansali, vice-president, Mecklai Financial. So far in March, the portfolio flow in equity has been over \$3 billion, while in debt, the flow has been

of more than \$800 million. The Reserve Bank of India's (RBI's) proposal to swap \$5 billion with banks is also viewed positively

again after the Pulwama incident.

That indicates political stability,"

by the market. "The policy stimulus from the RBI is sustaining strong foreign investor inflows into the Indian equity markets," Nomura said. "Scope for the policy stimulus is provided in parts by the lower inflation environment, with inflation unlikely to become an issue into H2, 2019," it added.

However, the RBI's swap facility may not have much of a bearing on

FIRMING UP Rupee vs dollar (inverted scale)



Source: Bloomberg

the exchange rates, and should be visible on the day of the auction on March 26, or the day before,

Bhansali said

One of the reasons why the rupee is appreciating against the dollar is because the RBI has minimised its intervention in the currency markets, currencv dealers said.

Exporters, who have been sitting cautiously, expecting the rupee to depreciate, have now started selling dollars to cut their losses.

"Stop losses are getting triggered. Exporters are disappointed with the sharp movement and have started selling dollars. This is strengthening the rupee even more," said a currency dealer with a foreign bank.

Exporters have predictably expressed their disappointment on the rupee appreciation. "Such sharp appreciation is causing concerns both among exporters and

importers as uncertainty in the exchange rate is driving volatility,' said Ganesh Kumar Gupta, president, Federation of Indian Export Organisation.

According to Gupta, exporters have contracted at who higher exchange rate, for example, at ₹74 to a dollar, but could not hedge it due to non-availability of limit by the banks, tend to incur huge losses. Similarly, those who imported at ₹74 to dollar for exports a few months back, will now get ₹68-69 upon exports, resulting in losses

"This is a new and additional challenge faced by exporters, who are struggling with contraction in global demand, liquidity challenge at the domestic turf and fierce competition from other competing currencies," Gupta said.

2nd-generation

reforms were

introduced by

Modi govt: FM

GST COUNCIL MEET TODAY

Housing GST rule must Council to finalise be changed: Amit Mitra

ISHITA AYAN DUTT Kolkata, 18 March

Ahead of the GST Council meeting on Tuesday, West Bengal Finance Minister Amit Mitra has proposed that the new goods and services tax (GST) rate for ongoing residential housing projects be made optional.

The GST Council meeting slated for Tuesday will take up the issue of finalising the rules and procedures to implement the decisions of the last Council on real estate.

In his latest letter to Union Finance Minister, Arun Jaitley, Mitra has said that while the basic decision of bringing the effective rates of affordable housing and non-housing to 1 per cent and 5 per cent without input tax credit (ITC) was something everyone agreed upon, the mechanism being proposed was highly cumber-

some and mind boggling. Mitra said if the developer had purchased material and taken the ITC, he would be permitted to use only the percentage he had invoiced and had to reverse the rest. This needs to be done project



he added.

Also, according to him, the formulae specified would leave a lot of discretion with the tax authorities and might encourage rent seeking.

In the previous meeting, held on February 24, the GST Council had slashed tax rates for under-construction flats to 5 per cent and affordable homes to 1 per cent, effective April 1.

Currently, GST is levied at 12 per cent with an ITC on payments made for underconstruction property or ready-to-move-in flats where completion certificate is not issued at the time of sale. For affordable housing units the existing tax rate is 8 per cent. Mitra had argued in a letter ahead of the last meeting that the rates of the affordable housing should be reduced from 3 per cent proposed by GoM to 1 per cent as the effective rate of tax

Finance Minister

Mitra, in his latest letter, has suggested that the scheme be made mandatory

come on or after April 1, 2019. Further, the minister has proposed that the long-term lease and transfer of development rights be completely exempt for residential real estate projects as the Council

Tax exemption on such rights and lease has been allowed to residential apartments, till the time the completion certificate has not

norms for houses underconstruction

ABHISHEK WAGHMARE New Delhi, 18 March

In its 34th meeting scheduled on Tuesday, the Goods and Services Tax (GST) Council will discuss and finalise the rules, under which the new rate structure on under-conbenches in the meeting.

While the first decision would help bring transparency between home buyers and builders, the second would help faster resolution of "place of supply"-related disputes.

Sources said the GST Council will work out a formula that will clarify the extent to which a developer can avail the input-tax credit (ITC) available in the system against inputs purchased. This is in addition to the mandatory requirement of 80 per cent purchases from registered dealers, they said.

The mechanism decided ould help determine quantum of ITC that could be used to set-off against GST liability, the part that would be reversed and the part that would be lapsed. The extent of project completion on April 1, extent to which purchased inputs have been billed before

March 31, and the point of taxation for them would be key parameters that would determine the quantum of ITC that can be used.

This, in turn, would help builders determine the price of unsold inventory of houses under construction, said experts. While the GST rate on affordable houses was reduced to 1 per cent, that for houses costing more than ₹45 lakh and having carpet area bigger than specified sizes would attract 5 per cent GST after April 1. But ITC would not be available in this structure, the Council had approved in its

meeting earlier this month. Various doubts have been raised by real estate developers about the reduced tax rates without ITC eligibility, which would be resolved to a good extent, officials said. Whether the prices would reduce across the board depends on a multitude of factors. However, phase of completion and the point of time at which the inputs for the concerned unit (flat/house) were bought would be crucial for price

"Five years is not a long period in the life of a nation. It can, however, be a turning point in its direction for progress," he said, adding that 1991 was an importar

factoring in the ITC comes to around 1 per cent.

only for new projects that

had done for industrial plots.

been obtained.

The decision

PRESS TRUST OF INDIA New Delhi, 18 March

The Narendra Modi government "systematically and consistently" introduced the much-needed second generation reforms, Finance Minister Arun Jaitley said on Monday as he highlighted several "game-changing decisions" taken over the last five years.

The senior BJP leader highlighted taxation reforms, measures to curb black monev, enactment of Insolvency and Bankruptcy Code, demonetisation, steps to check inflation, promoting cooperative federalism, rollout of Ayushman Bharat scheme, social sector investment and infrastructure development as the government's gamechanging decisions.

struction houses will be implemented. Further, the GST Appellate Tribunal (GSTAT), whose national bench was approved in January, is set to get approval for regional

wise though earlier accounts were not maintained project wise, he said. The net result would be that the cost of the project would increase immediately and the consumer would end up actually paving more rather than less.

GST on long-term lease and transfer of development rights on land for residential sold after apartments issuance of completion certificate would increase the cost to buyer and required redressal, Mitra said.

determination " said Gupta, CEO, ClearTax.

Another agenda item that will see fruition is the approval to setting up of regional benches of the GST Appellate Tribunal. The states which the Council decides would need to constitute them.

watershed in Indian history. Continuing his 'Agenda 2019' series of blogs, Jaitley said then Prime Minister PV Narasimha Rao was confronted with an economic crisis. The economic situation compelled reforms.

India staring at severe water crisis, among worst in the world, says WaterAid research

Country's water footprint 3,000 litres per day, highest in the globe: Report

ARUP ROYCHOUDHURY New Delhi, 18 March

India tops the list of countries with the most number of people living with water scarcity during at least one part of the year, and is facing the worst water crisis in its history, said a new report by global nonprofit organisation WaterAid.

"With one billion people living in water scarcity during at least one part of the year and around 600 million living in areas of high to extreme water stress, India is suffering from the worst water crisis in its history," said the report, titled "Beneath the Surface:

The report said

The State of the World's Water 2019".

The report also said for almost one-India's national water groundwater footprint, or litres per person per day, stands at 3,000 litres, making it more than that one of the highest in the of China and the world. The highest water US combined footprint is that of the

United States, at 7,800 litres per person per day. These numbers include what the report describes as 'virtual water', which is the water included

RUNNING DRY

Countries with large populations living with physical water scarcity			
Country	Population living		

National water footprint with water

	scarcity* (million)	(litres per person per day)		
Bangladesh	130	2,100		
China	900	2,900		
India	1	3,000		
Nigeria	110	3,400		
Pakistan	120	3,600		
Mexico	90	5,400		
United States	130	7,800		
*Population living with water scarcity during at least one part of the year				

Source: WaterAid

in the production of everything people eat/drink, buy and wear. In India's context, the WaterAid report stated that export of food

and clothing items. while important sources that India accounts of income, exacerbate the problem of water fourth of the total crisis in India and if production is not made extracted globally, sustainable, it will make it harder for many poor and marginalised communities to get access to

clean water supply. The report said that India accounts for almost one-fourth of the total groundwater extracted globally, more than that of China and US combined thus using the largest amount of groundwater, around 24 per cent of the global total.

Wheat accounts for 22 per cent of groundwater depletion. It has a global average water footprint of 1,827 litres per kilogramme, although this varies by region. In India, it has an average water footprint of 1,654 litres per kilogramme, which can vary depending on geography and climate," the report said.

"Rice accounts for 40 per cent of all global irrigation, and 17 per cent of global groundwater depletion, with an average water footprint of 2,500 litres of water per kilogramme. In India, it has an average water footprint of 2,800 litres per

kilogramme," the WaterAid report pointed out.

India's rate of groundwater depletion has increased by 23 per cent between 2000 and 2010 and it was also the third largest exporter of groundwater, accounting for 12 per cent of the global total.

'There is a dire need to make investments in making clean water within the household accessible to everyone, everywhere, India's success in providing its citizens with access to clean water will significantly impact the success of global goals that the government has committed to," said V K Madhavan, the Chief Executive of WaterAid India.

CRISIL SME TRACKER In duty drawback, a readymade short-term gain for SMEs

RISIL expects the export incentives announced by the government in December 2018 to materially benefit the readymade garments (RMG) segment.

In fiscal 2018, the segment housed about 37,400 SMEs, accounting for a quarter of the market. These units undertake job work for branded apparel companies.

RMG is the largest segment of India's textiles sector. The domestic market accounts for about 76 per cent of its revenues, and grew at 10 per cent in 2018, while exports fell two per cent.

Export growth has slowed in recent years due to waning costcompetitiveness compared with China, Vietnam and Bangladesh. Growth in non-traditional markets (other than US and EU) also likely slowed. In addition, demonetisation, GST and a cut in duty drawback hurt.

To rebound and attain the target of \$82 billion exports by fiscal 2021, duty drawback rates were hiked and the cap on products where the rates were less than two per cent was removed.

This should improve competitiveness in markets where India has preferential tariff agreements. The withdrawal of the US from the Trans-Pacific Partnership will also help. But withdrawal of benefits under the Merchandise Exports from India Scheme could be a dampener and a key monitorable.

In the domestic market, deeper penetration of organised retail and the growing preference for RMG over

SHARE OF EXPORTS HAS FALLEN IN THE LAST FIVE YEARS



HIKE IN DUTY DRAWBACK RATES EXPECTED TO HELP

Revised Exis	ting	(in %)		
Saris	2.6			
	2.0			
Denim	1.8			
fabric	1.6			
Woven fabric	1.6			
of cotton	1.3			
Grey cotton yam	1.7			
with MMF blend	1.0			
Core spun	1.8			
·	1.5			
Dyed cotton yam	1.3			
	1.0			
Grey cotton	1.7			
yam	1.2			
Source: Ministry of Commerce, CRISH Research				

Source: Ministry of Commerce, CRISIL Research

tailor-made garments would lead to a growth of 10 per cent in the domestic market in 2019.











