

Second Edition
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VLE EDGE

E-News Letter

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GLASS INDUSTRY OUTLOOK

+INSIDE

- Consumer Price Index – Retail Inflation
- AMRUT – Atal Mission for Rejuvenation and Urban Transformation
- Renewable Energy Industry in India
- Oil Industry

FOR INNOVATIVE GROWTH

MESSAGE FROM THE PARTNER

Hello Everyone,

I welcome you all to our second edition of monthly magazine VLE EGDE.

I wish to thank all my colleagues, my mentors and CARE Ratings for their continued support and all of you for the overwhelming response of the first edition and making it a grand success. This will always encourage us to bring in new things to you every month.

As promised, we have continued our focus on all issues which are currently impacting the society and Indian economy in the big way thereby focusing on swatch Bharath, liquidity and special focus on Glass Industry in this edition.

I request for your continued support and feedback to make the better impact with every edition.



Regards,
Ritesh Vig
Partner & Founder
Veracity Leading Edge LLP

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Real Economy

Good Industrial growth
and High Trade
Numbers Low
Investments and
Weak Corporate
Numbers

The performance of real economy is evaluated through various economic indicators. GST has a positive impact on GDP as well as Industrial growth

Industrial Growth

Industrial growth in the first quarter of the year was higher at 5.2% compared with 1.9% last year. The positive aspect was that growth was broad based across the three major sectors: mining, manufacturing and electricity. The core sector growth was also better with growth of 5.2% in Q1-FY18 as against 2.5% last year. Here again with the exception of crude oil, natural gas and steel, the other segments witnessed relatively high growth rates.

Corporate Performance

While profit margins improved from 5.8% in Q1-FY18 to 7.1% in Q1-FY19, it was still lower than that in Q1-FY17 where it was 7.7%. Therefore, while there are signs of a recovery taking place, acceleration is missing presently. The next couple of quarters would be more indicative of the route taken by the corporate sector.

Investments

A good indicator to judge the investment climate is to look at the investment proposals that have been registered under IEM/LOI/DIL. For the quarter there were 460 proposals that have been filed compared with 543 last year. The value of investment proposals was also lower at Rs 1.33 lakh crore compared with Rs 1.70 lakh crore last year in the first quarter. The 3 key industries **Chemicals, Fuel and Paper accounted for about 60% of total investments.** The average investment per proposal was hence also lower this year at Rs 289 crore compared with Rs 314 crore last year.

Agricultural Situation

The kharif harvest is an important economic indicator as it accounts for around 50% of agricultural production and is also linked with rural demand which has a bearing on the rest of the economy as it coincides with the festival season when typically, there is higher demand for non-farm goods.

Highest Growth This Year	Lowest This Year
Oil Seeds (2.8%)	Rice (2.7%)
	Pulses (-3%)
Sugarcane (0.74%)	Coarse Grains (-7.8%)
	Cotton (-2.8%)

VLE Views

Agriculture – It has quite underperformed but there is still scope for improvement as 1 month of monsoon is left.

Industrial Growth – Low base effect will help it to attain higher overall growth number

Trade Numbers – Rising Trade numbers will have a positive impact on Indian Economy.

Investments Intentions – Lower investments this year would definitely be a worry for Indian Economy in case it persist.

Employment Scenario – Employment Scenario looks to be faded as per the data obtained from sources like CMIE and EPFO.

Corporate Results - Corporate results indicate a recovery, but it needs to be seen whether it will sustain over the next few quarters and accelerate towards the end of the year.

It remains to be seen in the next quarter will bring certainty that above analysed trends are going to sustain or it will be reversed.

Source: Care Ratings

Glass Industry

- Plastic Ban will uplift the demand for its alternative i.e. Glass.
- Implementation of MSP will boost the demand for Automobile Industry which is a good signal for Glass Sheet Production

Glass Industry can be classified into 3 following product categories –

1. Glass Sheet
2. GlassWare
3. FibreGlass

Production

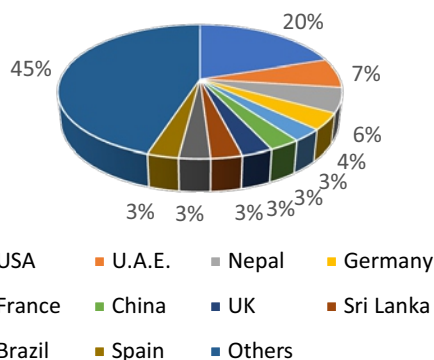
Due to Increase in sales of Automobiles Industry, The Production of Glass sheet have increase by 10 % from 21.06 Mn sqmts in Q1FY18 to 23.18 Mn sqmts in Q1FY19. Increased demand in Consumer durables results in output of Glassware grew from 837 Cr in Q1FY18 to 896 Cr in Q1FY19 BY 7%. Production of fibre glass declined 28% from 32058 tonnes to 22491 tonnes (QoQ).



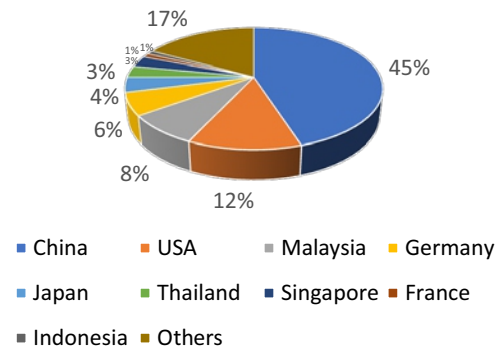
Exports and Imports

Indian exports of glass and glassware products grew 21% to USD 195 mn in Q1 FY19, compared with Q1 FY18. Indian imports of glass and glassware products grew 12% to USD 338 mn in Q1 FY19, compared with Q1 FY18. Imports from Malaysia saw a 213% growth during the period. Cheap imports of solar glass from China and Malaysia are one of the reasons for inadequate profits of domestic players.

Exports - Q1FY19 - Glass & Glassware Products



Imports - Q1FY19 - Glass & Glassware Products



Consumer Price Index – Retail Inflation

Consumer Price Index is a measure of Retail Inflation. There are 5 main components of Consumer Price.

- Food & Beverages Segment
- Pan & Tobacco
- Clothing and Footwear
- Fuel and Light
- Miscellaneous

Consumer Price Index for July 2018 is 4.20% which has been decreased from last month. It was 4.90 % in June 2018. The low CPI inflation number is due to low food inflation. As shown in table, Consumer Price Index has grown from 2.36% (Jul – 2017) to 4.20% (Jul 2018) YaGo

CPI holds moderate levels in food and beverages segment, pan and tobacco and clothing and footwear segment when compared with month ago levels. Even though Fuel and light and miscellaneous segments have recorded an increase in July'18 compared with the previous month. But there is increase in CPI levels when it gets compared with last year.

Inflation - %		
Month	CPI Value - %	Core Inflation %
Jul-17	2.36	3.9
Aug-17	3.28	4.5
Sep-17	3.28	4.6
Oct-17	3.58	4.5
Nov-17	4.88	4.9
Dec-17	5.21	5.1
Jan-18	5.07	5.1
Feb-18	4.44	5.2
Mar-18	4.28	5.4
Apr-18	4.58	5.9
May-18	4.87	6.2
Jun-18	4.9	6.4
Jul-18	4.2	6.3

- Retail Inflation declined from last month due to moderation in prices observed in F&B Segment.

- The future prospects does not appear bright as there are multiple factors which would bring numbers up.

Core Inflation = Consumer Price Index – Food & Beverages Segment – Fuel & Light

Core Inflation for July 2018 remained on same levels as that of last month. However, Core Inflation has been increased from 3.9% in July 2017 to 6.3% in July 2018

VLE Views

Retail Inflation declined from last month due to moderation in Food Inflation. Categories like Vegetable, Pulses and Sugar have witnessed a fall in the prices. It remains to be seen that how longer it would persist since MSP for all crops (Minimum Support Price) has been increased by the Government. Any increase in Food Prices will further exacerbate the situation since All categories of Miscellaneous Products are already above 5 %.

The factors which would put pressure on inflation are –

- Increase in Minimum Support Price (MSP)
- Kharif Prospects
- Increase in Fiscal Deficits
- Increase in Exchange rates

Spectrum Auctions in India

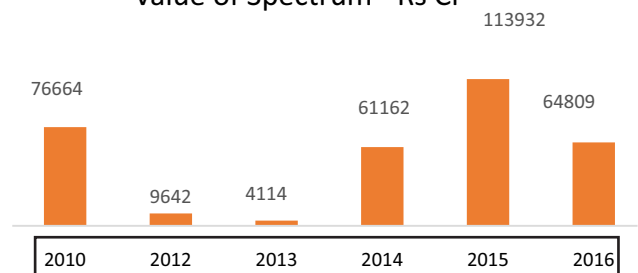
The regulatory body of Telecom Industry, TRAI (Telecom Regulatory Authority of India) have provided recommendation on spectrum auction about to happen next year. That auction will have several bands like 700 MHz, 800 MHz, 900 MHz, 1800 MHz, 2100 MHz, 2300 MHz, 2500 MHz, 3300-3400 MHz, 3400-3600 MHz. The 3300-3400 MHz band and 3400-3600 MHz band are expected to be utilized for the introduction of 5G.

Spectrum allotment was not done through any auction in 800 MHz, 900 MHz and 1800 MHz. It was for the very first time in 2010 that spectrum in 2100 MHz and 2300 MHz bands were assigned through auction mechanisms. Later from February 2012 onwards, spectrum assignment in all bands have been made through auction process. 2012-13 was relatively not successful as only 26.8% of the spectrum auctioned was sold while in the following years 2013-14 and 2014-15, 81.9% and 89% of the auctioned spectrum was sold, respectively. In 2015-16, no spectrum auction was conducted and later in 2016-17, spectrum auction was held in October 2016 which again was not a success where only 41% of the total auctioned spectrum was sold.

The first telecom frequency band of 900 MHz launched was way back in 1994. Initially 900 MHz band was used only for 2G services, Now It can be used for deploying 3G services. The bands of 1800 MHz, 2300 MHz, 2500 MHz that were introduced can be deployed for 4G services and 2100 MHz band can be deployed for 3G services.

- TRAI recommends to decrease the reserve price in auction.
- TRAI recommends bands to be introduced for the deployment of 5G.

Value of Spectrum - Rs Cr



VLE Views

With recent developments and announcements, it appears like the government is very keen on early adoption of 5G technology. For this, TRAI recommended introduction of bands that could be used for deployment of 5G technology and suggested a reserve price for the same. Subsequently, the Steering Committee recommended lowering the reserve price for spectrum as its price is higher compared to other countries.

Year	Spectrum bands	Spectrum put to auction	Spectrum sold	% of spectrum sold
2012-13	1800 MHz	295	127.5	27%
	800 MHz	95	0	
	900 MHz	46	0	
	1800 MHz	57.5	0	
	800 MHz	95	30	
	Total	588.5	157.5	
2013-14	900 MHz	46	46	82%
	1800 MHz	385	307.2	
	Total	431	353.2	
2014-15	800 MHz	108.75	86.25	89%
	900 MHz	177.8	168	
	1800 MHz	99.2	93.8	
	2100 MHz	85	70	
	Total	470.75	418.05	
2016-17	700 MHz	770	0	41%
	800 MHz	73.75	15	
	900 MHz	9.4	0	
	1800 MHz	221.6	174.8	
	2100 MHz	360	85	
	2300 MHz	320	320	
	2500 MHz	600	370	
	Total	2354.75	964.8	

AMRUT – ATAL MISSION FOR REJUVENATION AND URBAN TRANSFORMATION

In the journey of transforming India, infrastructure is a key driver. Indian economy had generated significant interest from international investors. This article gives detail of AMRUT mission of government of India aimed at improving the infrastructure with specific focus on upgrading the quality of life especially of urban poor.



Source: amrut.gov.in

In this article, first, we will talk about the what the mission is all about and its need in India. later, strategic components, and program management. Concluding with the mission impacts.

What is AMRUT Mission?

The focus of the mission is to providing basic services like water supply, sewerage, urban transport to households and build amenities in cities which will improve the quality of life for all, especially the poor and the disadvantaged is a national priority. The mission will cover 500 cities.

Why Does India Need To Develop Smart Cities?

The vision of creating better cities is a welcome development at time when India's urban population is expected to increase to 600 million by 2030 from 400 million today. The increased population demand better quality life especially poor and underprivileged.



Source: transformingindia.mygov.in

The previous mission such as JnNURM have been designed to tackle urban area problems, so the learning from such mission was administered in AMRUT mission. Prime focuses on the basic services needed in urban areas such as water supply, sewerage, urban transport. Additionally, to roll out the program in all cities simultaneously.

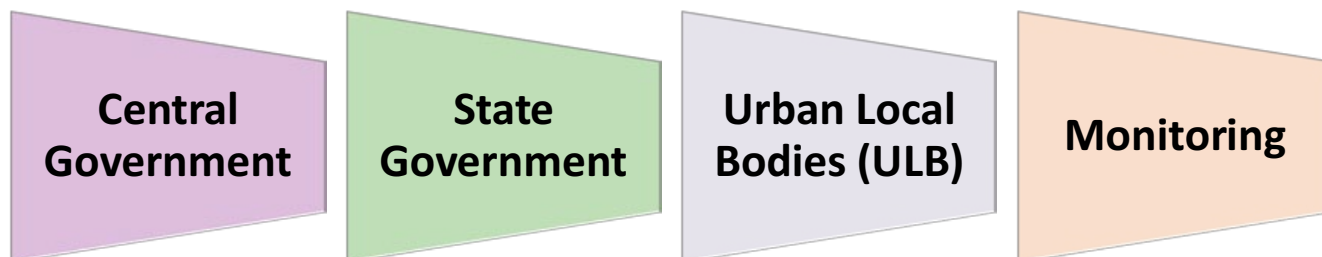
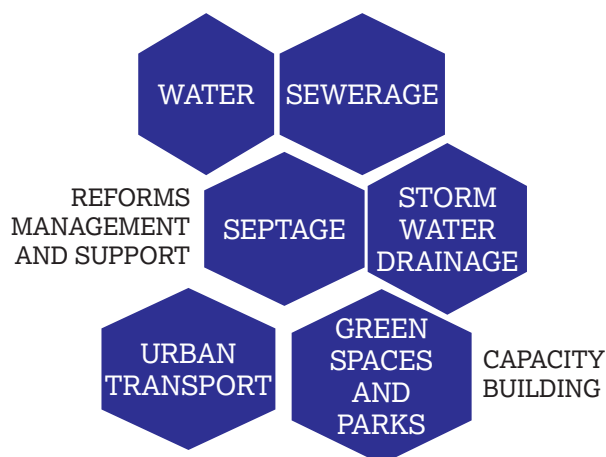
AMRUT – ATAL MISSION FOR REJUVENATION AND URBAN TRANSFORMATION

Strategic Components of the Mission:

The components of the AMRUT consist of capacity building, reform implementation, water supply, sewerage and septage management, storm water drainage, urban transport and development of green spaces and parks.

Program Management:

Strategic components of AMRUT mission AMRUT mission has a motto to create infrastructure creation that has a direct link to provision of better services to people



Mission impacts:

- It will give the States and the Union Territories the liberty and flexibility in formulation, approval and execution of projects.
- Under AMRUT, projects without availability of land and clearances will not be included in the Mission. Funds will have to be transferred to urban local bodies within seven days.
- A major break from the past is that AMRUT ends the system of central approval for individual projects. Now, the state governments would only have to submit a State Annual Action Plan based on which they would be allocated funds. The Centre would not appraise individual projects.
- AMRUT must be able to strike a balance between assisting towns and cities that were not aided by JNNURM and expanding services and infrastructure in cities already assisted.

SWACHH BHARAT MISSION OVERVIEW IN INDIA

According to a survey, over 26 million people in India defecate in the open. Around 60 percent of Indians do not have access to safe and private toilets. Such overwhelming majority of those without access to sanitation facilities poses a formidable obstacle in the development of the nation. Clean water and sanitation are objective no. 6th of Sustainable Development Goal which is adapted in the form of Swachh Bharat Mission in India.



"Swachhata Express" in Jashpur, Chhattisgarh
Swachhta Samachar, 2016

In this article, we will talk about the what Swachh Bharat mission and its need in India. Later, about key strategic components, stakeholders involved. Concluding with the existing scenario of the mission.

What is a Swachh Bharat Mission (SBM)?

The mission aims to eliminate open defecation by 2019 in India, (reorganization of the existing Nirmal Bharat Abhiyan) by 2 October 2019, the 150th birth anniversary of Mahatma Gandhi. The mission aims at constructing 12 crore toilets in rural India, at a projected cost of Rs. 1.96 lakh crore (US\$29 billion).

"The pursuit of cleanliness can be an economic activity, contributing to GDP growth, reduction in healthcare costs, and a source of employment."

By Narendra Modi

Key Features of the Mission:

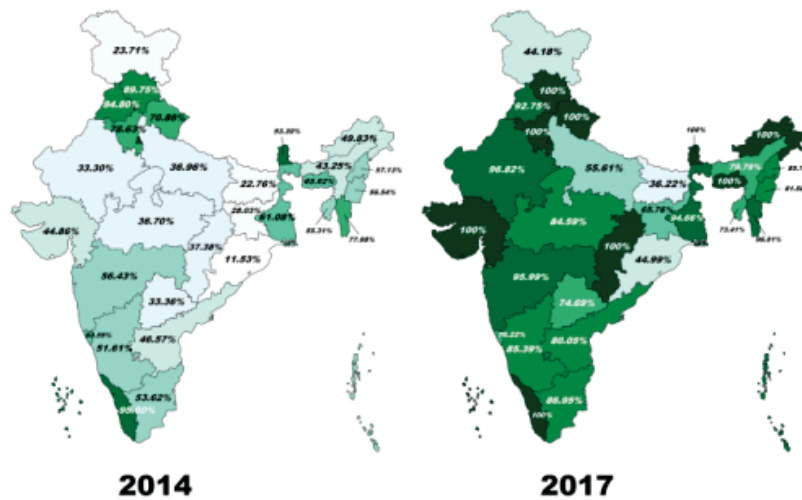


Source: Swachh Bharat Mission

Swachh Bharat mission also included different programs and activities under it, like Namami Gange, Swachhata Action Plan, Swachhata Pakhwada, Swachh Swasth Sarvatra, Swachhata at Petrol Pumps, Rashtriya Swachhata Kendra, Swachh Iconic Places, Swachh Bharat Kosh, Inter Faith Cooperation, these programs are included to holistically strengthen the mission by decentralising the power to different authority & departments and making those departments to show progress through transparent system.

SWACHH BHARAT MISSION OVERVIEW IN INDIA

Existing Scenario of Swachh Bharat Mission



Change In % Of Indian Households with Toilets From 2014 to 2017

Source: *Brilliant's Maps*, Updated on May 8th, 2018

- There has been a total of 8,42,40,061 household toilets built which is 92.47% as compared to 38.70 % in 2014,
- 4,43,952 Open Defecation free villages as compared to 47,036 in 2015-16,
- 449 Open Defecation Free Districts as compared to 5 Open Defecation Free Districts in 2015-16,
- 19 States/Union Territories has been declared Open Defecation Free till now.
- Rs 33,700 crore allocated under Swachh Bharat Mission since 2014. Amount of Rs 2,850 crore, Rs 6,525 crore, Rs 10,513 crore and Rs 13,948.27 crore were allocated respectively during 2013-14, 14-15, 15-16 and 16-17.

Renewable Energy

Unveiling of the RE Schemes by Government

India has set a new target of achieving 100 GW of solar power by 2022. The government target of installing 20 GW of solar power by 2022 was achieved four year ahead of schedule in January 2018, through both solar parks as well as roof-top solar panels.

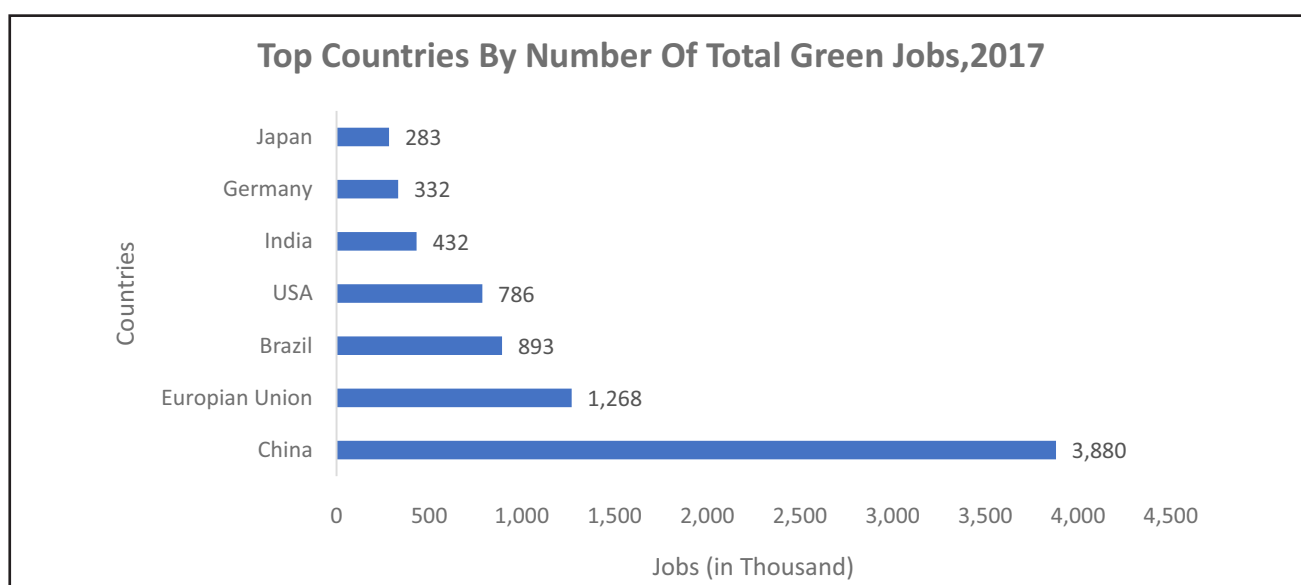
- The Government of India's [Kisan Urja Suraksha Evam Utthan Mahaabhiyan](#) (KUSUM) scheme
- The Gujarat government's [Suryashakti Kisan Yojana](#) (SKY) Scheme.

Solar-powered irrigation offers huge economic and environmental benefits and schemes like KUSUM and SKY are pointers to the attitudinal shift. The right direction for solar-powered irrigation initiatives. The KUSUM scheme mandates deployment of 2.75 million solar pumps in the first phase of its implementation. The initiative would produce an additional 4 Gw of installed solar power, thus giving a material boost to the country's renewable energy deployments.

Embarking a mega Plan for Job Creation: IRENA

India is one of the countries with the largest production of energy from renewable sources and the fourth-largest wind power producer in the world. In the electricity sector, renewable energy (excluding large hydro) accounted for 20% of the total installed power capacity (71.325 GW) as of 30 June 2018. Large hydro installed capacity was 45.29 GW as of 31 March 2018, contributing to 13% of the total power capacity. Wind power capacity was 34,046 MW as of 31 March 2018.

This increase in production of energy from renewable sources has created 47,000 new jobs in India in 2017, employing 4,32,000 people, according to a recent [report](#) by the inter-governmental International Renewable Energy Agency (IRENA). The countries across globe gradually switching to clean energy under Paris Climate Agreement 2015 to install 175 GW of renewable power capacity by 2022 which involve over \$42 billion investment in RE sector in India in 4 years.



Source: International Renewable Energy Agency, 2018

Renewable Energy

RE Automatic route for FDI: Expended Overseas Investment regime

Foreign Direct Investment (FDI) up to 100% is permitted under the automatic route for renewable energy generation and distribution projects subject to provisions of The Electricity Act, 2003. It added that 100 per cent foreign investment as equity qualifies for automatic approval and the government is also encouraging foreign Investors to set up renewable energy-based power generation projects on build-own-operate basis.

Indian companies have begun to explore foreign stock exchanges as a source of funds. India is progressively becoming a most-favoured destination for investment in renewables. Foreign investors can enter into joint venture with an Indian partner for collaboration and setting up renewable energy-based power generation projects.

New Investment Opportunities

- Reduction in solar and wind power tariffs to historic lows through transparent tariff based competitive bidding, waiver on inter-state transmission charges, notifying Renewable Purchase Obligation (RPO) trajectory up to 2019 and notifying a new wind-solar hybrid policy.
- USD 5.8 billion Green Energy Corridor being set up to ensure evacuation of Renewable Energy in the next 3-4 years
- Scheme for Development of Solar Parks and Ultra Mega Solar Power Projects has an approved capacity of 40,000 MW, which entails setting up of at least 50 solar parks, each with a capacity of over 500 MW. Planned Central Government financial support of USD 1.2 Billion.
- Upcoming 100 Smart City projects will have huge scope for being powered by Renewable Energy.
- Hydro projects exempt from competitive bidding till 2022
- Setting up of small hydro projects declared as 'Priority' under National Mission
- Upgradation of watermills and micro hydro projects
- Battery packs for Electric vehicles.

India has been an early mover in initiating policies for development of renewables, as also in establishing institutional structures for the same. Policy initiatives by government are major catalysts in triggering technology transition. The Government of India has ambitious plans to scale up renewable energy, and stakeholders are deliberating cost-effective ways to integrate ever increasing quantum of renewables with the power system. A challenge being faced today is the lack of robust data on renewable energy, which limits the ability of stakeholders to develop solutions. The current data regime is weak because of which it is difficult to obtain information on major trends and growth trajectories, market outlook, bottlenecks to deployment and procurement of renewable energy.

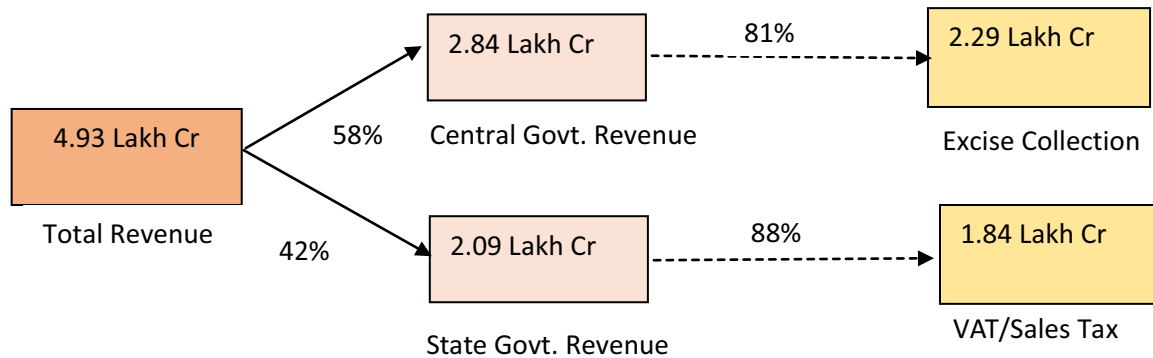
Source:

- <https://www.thequint.com/news/india/renewable-energy-sector-employment>
- <https://www.business-standard.com/article/economy-policy/solar-irrigation-pumps-can-help-india-reach-38-of-its-green-energy-target>
- <https://www.firstpost.com/india/renewable-energy-sector-created-47000-new-jobs-in-india-in-2017-employed-432000-people-in-all-irena-report-4673301.html>
- <http://www.makeinindia.com/sector/renewable-energy>
- https://en.wikipedia.org/wiki/Renewable_energy_in_India

Oil Industry

The Price of Petrol and Diesel have reached its heights and it would be a big concern for Government to consider measures for bringing it down anyhow. Petrol has crossed Rs 86/litre and diesel Rs 75/litre in Mumbai. The factors which drive the retail price are crude oil price, exchange rate and duty structure. We have analysed these 3 key aspects in deep and provide details of likely impact they would have on Oil Prices

The Indian crude basket is a combination of Oman, Dubai and Brent varieties and the average price in July'18 was around \$ 73.5/bbl. To this should be multiplied the exchange rate which has been depreciating of late to close to Rs 71/\$. Government taxes at both the central and state levels are then added besides commission to the dealers for arriving at the final price.



Tax Rates

The central government excise rate is fixed and is around Rs 20/litre on petrol and Rs 15.25 on diesel. The VAT/sales tax rates vary from 16% on Goa to 38.5-39.5% in Maharashtra for petrol. In case of diesel, it varies from 22-25% in Maharashtra to 11.5% in Chandigarh. As petrol and diesel are out of the GST framework, there is no compulsion to lower these rates.

- The situation can be controlled by reducing Excise Duty and VAT.
- Price can be controlled by providing Subsidy on Petrol and Diesel

Impact of Inflation

An increase in the price of crude oil impacts both the WPI and CPI inflation indices. Petrol and diesel have a combined weight of around 4.7% in the WPI. In case of CPI around 3% is directly impacted in terms of petrol and diesel and the changes in the derivatives like transport, airfares etc. the impact on inflation can be gauged by the following example: the price of petrol in Delhi was around Rs 70/litre, which is now around Rs 78.80. The price increase of above 10% would mean that WPI would have increased by around 0.5% (assuming the same holds for diesel too) on this score. In case of CPI (assuming all derivative prices went up by 10%), the increase would be 0.3%.

VLE Views

The situation can be controlled by reducing Excise Duty and VAT by central and State Government. If the excise duty is reduced by Rs 1 then revenue collection by the Government would get reduced by 7000 – 8000 Cr on an annualised basis. The price increase can also be neutralized by providing subsidy on Petrol and Diesel.

Liquidity Report

The banking system liquidity improved during the week and moved into a surplus during 1-3 August'18, for the first time since 10 July'18.

The system liquidity has tightened since mid July'18 with the pick-up in credit growth and the RBI increasing its sale of the US dollar to stem the depreciation in the Rupee

The RBI in its monetary policy announcement (1 August) indicated that it would provide liquidity support to the banking system.

The call money rates fluctuated during the week. After touching a 30 month high of 6.34% (2 Aug'18), it declined to a 2 week low of 6.01% aided by the liquidity surplus in the banking system.

The banking system moved from a net liquidity deficit position to a net liquidity surplus in the last 3 days of the week. The banking system liquidity moved from a net liquidity deficit of Rs. 37,637 crs at the start of the week to a net liquidity surplus of Rs 49,103 crs at the end of the week.

The total repo borrowings have declined from Rs. 85,804 crs on 30 Jul'18 to Rs. 67,864 crs on 3 Aug'18. On the other hand, the reverse repo transactions during the week rose 2.5 times from Rs. 48,167 crs to Rs.1,16,967 crs.

The entire liquidity in Banking system is likely to be pressured

There has been an improvement in the bank credit off-take in the current fiscal year. On a year-on-year (y-o-y) basis, as of 20 July'18, bank credit off-take has grown by 12.4% in FY19 compared with the 5.8% growth in FY18. Deposit inflows have risen by 8.3% in the current fiscal year, lower than the 9.9% growth a year ago.

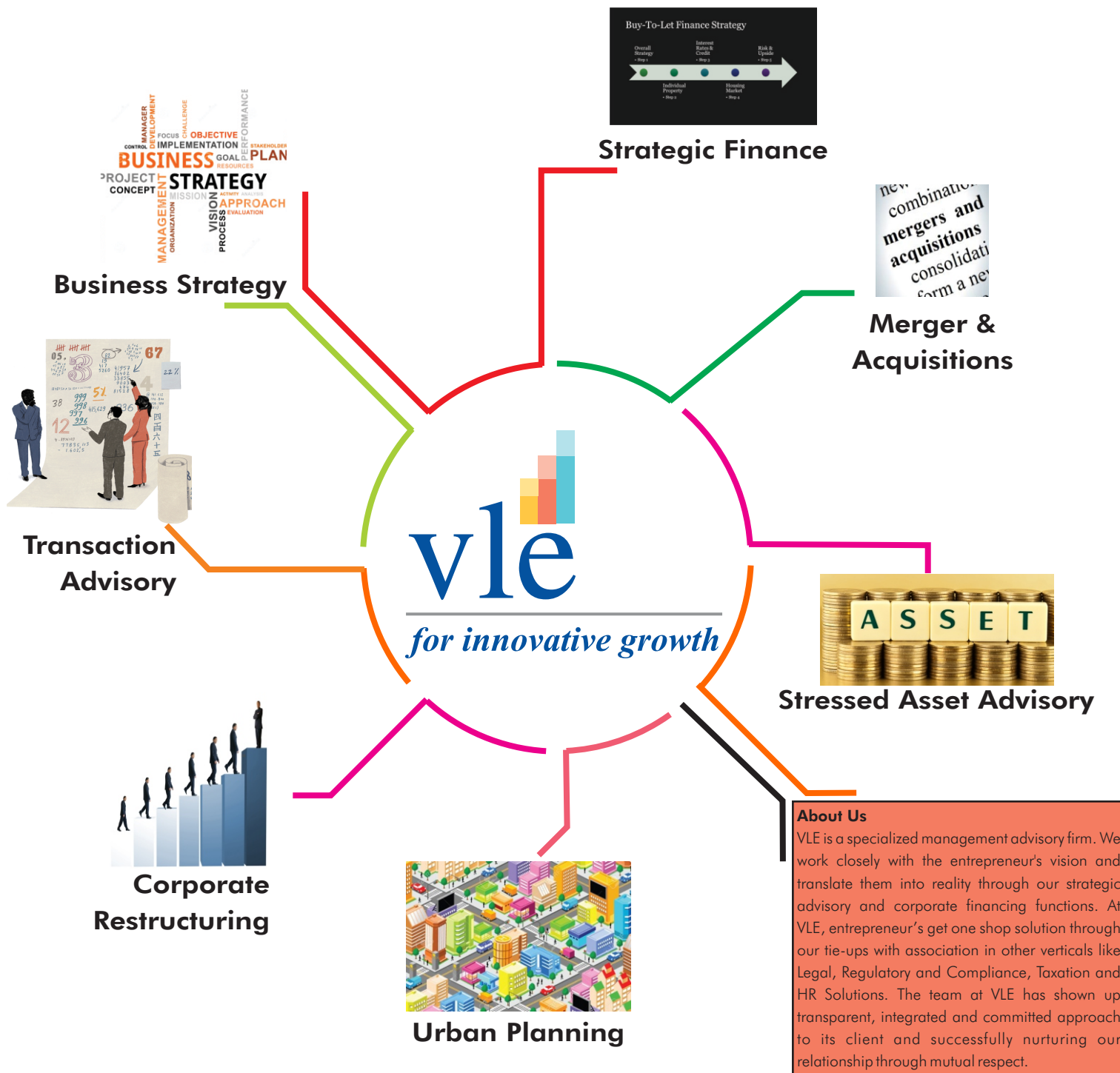
US treasury yields touched a 10-week high of over 3% during the week and ended the week at 2.95%. US treasuries were pressured by the US government's announcement of increasing market borrowings, indications of rate hike by the Fed at its September'18 meeting and the spill-over of the sell-off in the Japanese bond markets. The rise in yields was however limited by safe haven buying on intensifying trade conflicts between China and the US and lower than expected US employment data.

The call money market rate witnessed fluctuations during the week as it declined during the first three days of the week, following which it rose by 17 bps to touch a 30 month high of 6.34%. A banking system liquidity surplus towards the end of the week led to a steep fall in the call rates by 33 bps to 6.01% (3 Aug'18).

The daily volume traded in the call money market was high during the first two days of the week (average of Rs. 19,588 crs), following which it witnessed a sharp decline, to Rs 1,863 crs on 3 August. The average call money market borrowings for the last 3 days was Rs. 10,193 crs.

VLE Views

The overall liquidity situation in the banking system is likely to be pressured during the forthcoming week. The schedule auction of state government securities (Rs.13,000 crs on 7 August) , central government securities (Rs.12,000 crs as per auction calendar) and fortnightly reporting to be undertaken by scheduled commercial banks with the RBI could weigh on the liquidity scenario.



About Us

VLE is a specialized management advisory firm. We work closely with the entrepreneur's vision and translate them into reality through our strategic advisory and corporate financing functions. At VLE, entrepreneur's get one shop solution through our tie-ups with association in other verticals like Legal, Regulatory and Compliance, Taxation and HR Solutions. The team at VLE has shown up transparent, integrated and committed approach to its client and successfully nurturing our relationship through mutual respect.

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