

## IN BRIEF

**DoT panel on FDI in telecom**

A Department of Telecommunications (DoT) panel has suggested completely opening up the telecom sector to foreign direct investment (FDI), a move which is expected to bring in fresh funds into the industry that is facing a financial crisis. The FDI cap is currently fixed at 74 per cent. **PTI**

**Pitroda panel mulls fully digital DD**

A Sam Pitroda-led expert committee on Prasar Bharati hopes to ready the first draft of its recommendations for the public broadcaster within two weeks. The committee is expected to raise the possibility of Doordarshan going completely digital thus sparing extra spectrum so that it can yield the government precious revenue. **PTI**

**Govt errs in key GoM's decision**

Officers of the rank of joint secretaries will be also covered under a key directive to Central Bureau of Investigation (CBI), Central Vigilance Commission (CVC) and other departments in probing corruption, with the government rectifying an error 20 months after it crept into an office order. A group of ministers headed by former finance minister Pranab Mukherjee gave a report. The recommendations of the GoM were accepted by the government. The Department of Personnel and Training had in September 2011 issued an office memorandum for implementation to all central government departments and CBI mentioning the word "above" the level of joint secretary in place of "of". **PTI**

**Iran crude costs India \$2 less: Moily**

Crude oil from Iran costs India \$2 less per barrel than global prices, Petroleum Minister, M Veerappa Moily said on Friday, outlining the reasons for the country's desire to source oil from sanctions-hit Tehran. "Our refiners enjoy much better margins. The cost is \$2 less... that's why we are seriously engaging with Iran," Moily added. Brent crude was trading at \$105 a barrel on Friday while US oil was at \$96.75. **REUTERS**

**Water levels at 20% capacity**

Water levels in the country's main reservoirs in the week to June 13 were at 20 per cent of capacity, up two percentage points from the year ago period, government data showed on Friday. The latest reservoir level is above the 10-year average of 16 per cent for the week. Water levels at reservoirs are vital for hydro power, which accounts for a quarter of India's generation capacity. **REUTERS**

**Engineering exports may be up 10%**

Hit by sluggish demand in western markets like the US and Europe, engineering exporters are targeting up to 10 per cent exports' growth in the current financial year, the Engineering Export Promotion Council said on Friday. **PTI**

**Pawar on land acquisition Bill**

The proposed land acquisition Bill of the Centre would make it difficult to acquire land for dams and other projects, Union Agriculture Minister Sharad Pawar on Friday said. "The new Bill will create difficulties in acquisition of farmers' lands for any projects or dams," the NCP president said in Maharashtra. **PTI**

**Bashir meets Sharma over trade ties**

Pakistan High Commissioner Salman Bashir on Friday met Commerce Minister Anand Sharma and discussed issues relating to economic and trade cooperation. "He (Bashir) had useful exchange of views on a broad range of subjects..." Pakistan High Commission said. **PTI**

**IGI airport world's second best**

Indira Gandhi International Airport has been named the world's second best airport in the 25-40 million passengers category by the Airport Council International. The airport also has been adjudged as the fourth best in the world among 199 airports across all categories. **PTI**

**Business Standard****MUMBAI EDITION**

Printed and Published by Ranjit Anand Singh Rawat on behalf of Business Standard Limited and printed at M/s. Sai Duniya - A Unit of Jagran Prakashan Limited, 23/4/5-A, Sector - D, Govindpura Industrial Area, J.K.road, Near Minal Residency, Bhopal (M.P.) & M/s. Dangot Media Private Limited, Mehra Centre, Marwah Estate, Saki Vihar Road, Off. Saki Naka, Mumbai - 400 072 and published at 3rd & 4th Floor, Building H, Paragon condominium, Opp. Century Mills, P B Marg, Worli, Mumbai - 400 013  
Editor : A K Bhattacharya  
RNI No: 66308/1996

Readers should write their feedback at [feedback@bsmail.in](mailto:feedback@bsmail.in)  
Fax : +91-11-23720201

For Subscription and Circulation enquiries please contact:  
**Ms. Mansi Singh**  
Head-Customer Relations  
Business Standard Limited,  
3rd & 4th floor, Building H,  
Paragon Condominium, Opp Century Mills,  
P B Marg, Worli, Mumbai - 400 013  
E-mail: [subs.bs@bsmail.in](mailto:subs.bs@bsmail.in)  
Tel: 1800-11-4300 (Toll Free)  
or sms, SUB BS to 57007

Overseas subscription:  
(Mumbai Edition Only)  
One year subscription rate by air mail  
INR 37440 : USD 830 : EURO 613

**DISCLAIMER** News reports and feature articles in Business Standard seek to present an unbiased picture of developments in the markets, the corporate world and the government. Actual developments can turn out to be different owing to circumstances beyond Business Standard's control and knowledge. Business Standard does not take any responsibility for investment or business decisions taken by readers on the basis of reports and articles published in the newspaper. Readers are expected to form their own judgement. Unless explicitly stated otherwise, all rights reserved by M/s Business Standard Ltd. Any printing, publication, reproduction, transmission or redistribution of the contents, in any form or by any means, is prohibited without the prior written consent of M/s Business Standard Ltd. Any such prohibited and unauthorised act by any person/legal entity shall invite civil and criminal liabilities.

**No Air Surcharge**

# Below-normal rains likely in northwest India

In August, intensity of monsoon might decline across the country, says meteorological department

**BS REPORTER**  
New Delhi, 14 June

This year, rainfall in northwest India, including Delhi and the primary grain-producing regions of Punjab, Haryana, Rajasthan and Uttar Pradesh, might be below normal, the India Meteorological Department (IMD) said today.

It added in August, the intensity of the southwest monsoon was expected to decline across the country. Below normal rains in the northwest parts is unlikely to make any major impact on kharif crop output as more than 80 per cent of the area is irrigated. However, some impact could be

felt on the rabi crops if ground water levels drops sharply.

Releasing the second-stage forecast for the southwest monsoon this year, the department said in August, cumulative rainfall across the country was expected at 96 per cent of the long-period average (LPA), while in July, it was expected to stand at 101 per cent of the LPA. Both predictions have a model error of +/- nine per cent.

LPA is the average rainfall in the country in the last 50 years.

IMD classifies rainfall between 90 and 96 per cent of the LPA as below-normal; rainfall between 96 and 104 per cent of the LPA is classified as normal. Rains below 90 per cent of the LPA are considered

**SHOWERING BELOW ESTIMATES**

Below-normal rains might have some impact on rabi crops

Region	Rainfall (As % of Long Period Average)*
Northwest India	94 (below normal)
Northeast India	98 (normal)
Central India	98 (normal)
Southern Peninsula	103 (normal)

Note: Northwest India comprises Punjab, Haryana, Rajasthan, Uttar Pradesh and Delhi. The northeast includes West Bengal, Jharkhand, Bihar, Assam, Tripura. Central India comprises Madhya Pradesh, Gujarat, Maharashtra, Chhattisgarh and Odisha and Southern Peninsula consists of Karnataka, Tamil Nadu, Andhra Pradesh and Kerala

\*According to the IMD's classification rainfall between 90-96 per cent of the long-period average (LPA) is categorised below normal, while rainfall between 96-104 per cent of the LPA is classified normal. Rains below 90 per cent of LPA are deficient and those over 104 per cent are above normal. LPA is the average rainfall received in the country in the last 50 years  
Source: India Meteorological Department

deficient, while rains above 104 per cent are above-normal. "There should not be much worry if rain in the northwest is 94 per cent of LPA, if distribution is even. The bigger cause of concern

**INFLATIONARY PRESSURE SOFTENING: LEEWAY TO RBI FOR A RATE CUT**

## How much has core inflation really fallen?

In May, the wholesale price index (WPI)-based inflation fell to 4.7 per cent from 4.9 per cent a month ago. While overall inflation is now within the Reserve Bank of India's threshold level of five per cent, it is crucial for the monetary policy making to correctly gauge the underlying demand pressures in the economy.

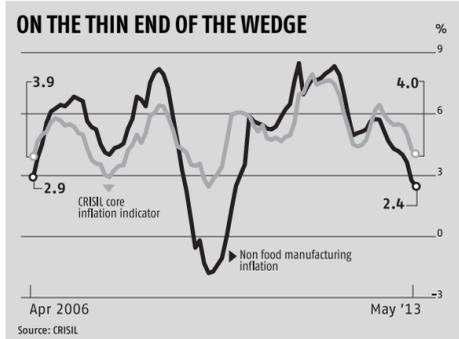
This is done by excluding the prices of commodities not directly influenced by domestic demand. For example, the prices of food and fuel items are swayed by fluctuations in supply, influenced by administrative price hikes, global prices, and value of the rupee. Measures of core inflation are often calculated by excluding such prices to measure demand momentum. The frequently-used measure of core inflation in India is

non-food manufacturing inflation, which fell below three per cent in April for the first time since January 2010. In May, it fell further, to 2.4 per cent.

Could a drop in non-food manufacturing inflation be exaggerating the extent of demand moderation?

In April 2012, CRISIL released an alternative measure of core inflation — CRISIL Core Inflation Indicator (CCII) — that, we believe, is a better indicator of underlying demand pressure on prices and more stable than non-food manufacturing inflation. In May, CCII was at four per cent, compared to non-food manufacturing at 2.4 per cent.

CCII is defined as manufacturing inflation excluding prices of base metals. It differs from non-food manufacturing inflation in two respects. First, it excludes base metals prices,



which are determined by global demand-supply factors and tend to be highly volatile. Leaving these out makes the measure more stable as well. Second, unlike non-food manufacturing inflation, CCII includes prices of processed food, as these prices represent domestic demand strength, and not an influence of supply-side

shock on primary food prices. Although both indicators of core inflation have been declining in recent months, the wedge between these has widened. After July 2012, there has been a correction in global prices of metals. In May, prices of ferrous and non-ferrous metals together fell by 1.8 per cent compared to a year ago. In such a situa-

tion, non-food manufacturing inflation can exaggerate the extent of a decline in core inflation. A similar situation had risen in 2009, when non-food manufacturing inflation went into a negative zone due a severe fall in global metal prices. Subsequently, base metal prices rose sharply to 5.9 per cent in April 2010 from -1.8 per cent in July 2009.

The behaviour of CCII suggests the room for monetary policy easing is not as much as indicated by the drop in non-food manufacturing inflation. As and when demand pressures resurface, CCII could again move over five per cent, since the economy's supply potential or the trend growth has fallen. It is therefore, critical to keep monitoring the developments in CCII. Sustaining WPI-based inflation around five per cent would be monetary policy's biggest contribution to the cause of higher growth.

**Montek: Consider dip in inflation while deciding on repo rate**

Satisfied over easing of inflation, Planning Commission Deputy Chairman Montek Singh Ahluwalia on Friday said the Reserve Bank should take into account the improvement, while deciding on an interest rate cut in its mid-quarter policy review due on Monday, to boost growth. "Certainly, 4.7 per cent for the month is better than we had expected. I think it does indicate a distinct downturn on inflation which is welcome," Ahluwalia told reporters. The Wholesale Price Index-based inflation fell to 4.7 per cent in May, driven mainly by a decline in prices of manufactured items, even as prices of food articles inched up. "They should certainly consider it because it is very clear that the underlying inflationary pressure is softening," he said when asked on the steps needed to be taken by RBI. **PTI**

## Easing inflation fails to bring cheer to corporate India

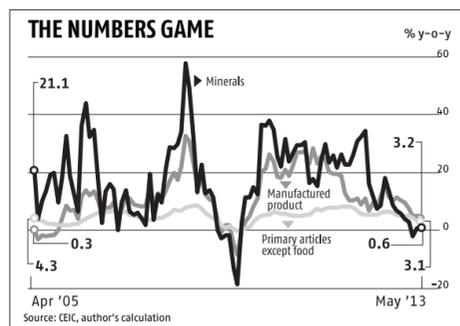
**KUNAL KUMAR KUNDU**

India released its official inflation data (Wholesale price index) for May on Friday. The data showed, inflation fell to 4.7 per cent (lower than the market expectation) from 4.89 per cent recorded a month before, the lowest since October 2009. What added a tad to the relief was a minor downward revision in the March inflation data (from 5.96 per cent to 5.65 per cent), though this relief might be short-lived since it was only the second downward revision since September 2011, while the data was revised upward 15 times in the intervening period. With this, India ended with FY13 inflation at 7.4 per cent, compared to nine per cent in FY12.

However, as was mentioned

earlier, the recent softening of inflation is purely a base effect at play. In fact, the average monthly inflation for three years, between FY11 and FY13, was 8.63 per cent. Not surprisingly, inflation is easing despite the index value moving up.

Indian companies say the easing brings little cheer, despite the fact that their input costs have been falling. In fact, while core inflation (headline inflation stripped of the volatile food and fuel component) fell to a mere 2.43 per cent (the lowest since December 2009), non-core inflation still remains high. And, a sustained level of high inflation manifests itself in the form of wage price spiral. In fact, corporate margins still continue to be squeezed due to high wage cost and a high inter-



est rate scenario. Moreover, like the recently released IIP data, even the WPI data seems to suffer from wrong input. Cases in point are the indices for diesel and coal. In March, when the diesel price was increased by 50p, the diesel index actually fell from 202.7 to 201.7. On the other hand, while the diesel prices were left untouched, on account of the Karnataka Assembly elections, the index went up to 203.7 in April. Surprisingly, however, the May index dipped to 203.3, when the price actually rose by

₹1. Similarly, the coal index, which remained steady for 13 continuous months (at 210.3) till February, fell by nine per cent in March to 189.7, jumped back up by 11 per cent in April to 210.4, only to dip again by nine per cent in May to 189.7. Revision of these numbers would have material impact on the WPI, given that diesel has 4.67 per cent weight in the index, while coal has 2.09 per cent weight.

The writer is a Delhi-based independent economist

## JD(U) signals break-up of 17-year alliance with BJP



**Bihar Chief Minister Nitish Kumar at the airport, in Patna on Friday** PHOTO: PTI

**SATYAVRAT MISHRA**  
Patna, 14 June

The breakdown of the 17-year-old alliance between the Bharatiya Janata Party (BJP) and the Janata Dal (United) seemed imminent today, with leaders of both parties dropping hints that it was game over.

"The situation is such that there are problems (in continuing the alliance). On one hand, some are calling for the alliance to continue given that it is such an old one. On the other, conditions are such that there are problems. We will let you know after discussions within the party," Bihar Chief Minister Nitish Kumar told reporters with a smile.

He then recited an Urdu couplet, describing the condition of the alliance. "Woh dua karte hain jeene ki aur dawa dete hain marne ki, sari dush-wariyon ka sabab haiyehi" (You wish me a long life, but offer medicines for death. This is the crux of the problem!)

After showing a lot of restraint, the Bihar unit of the BJP today took potshots at the JD(U), hinting the alliance was on the verge of collapse. The saffron party accused its collation partner of trying to steal its Members of Legislative Assembly (MLAs).

"Our MLAs are getting phone calls from JD(U) leaders, who are seeking their support for a trust vote. One of our MLAs is even being offered a post in the cabinet," state party president Mangal Pandey alleged. He also claimed the BJP had been denied permission for a venue to hold a rally during the visit next week of its national president, Rajnath Singh.

All BJP ministers skipped work today as well. According to government sources, Deputy Chief Minister and BJP leader Sushil Kumar Modi returned all work-related files to his finance department. Many other BJP ministers did the same.

The JD(U) is expected to make the break official by announcing it at the weekend. Sources have told *Business Standard* that most of the JD(U)'s MLAs and Members of Parliament have arrived in the state capital. JD (U) President Sharad Yadav is expected to arrive late tonight or early tomorrow morning.

The BJP has called a meeting of its own MLAs on Monday to reportedly discuss its role as the major opposition party in the state assembly.

The ties between the JD (U) and the BJP reached an all-time low since Gujarat Chief Minister Narendra Modi was made the BJP's poll campaign chief, giving rise to speculation that he might be the BJP's prime ministerial candidate in the 2014 general elections.

## Modi's ouster may complicate GST riddle

**BS REPORTER**  
New Delhi, 14 June

The roll-out of the Goods and Services Tax (GST), which has already seen numerous delays, is likely to be hit by another salvo if Sushil Kumar Modi, deputy chief minister and finance minister of Bihar, quits as head of the group of state finance ministers, in case the Janata Dal (United) and the Bharatiya Janata Party part ways tomorrow. Earlier, Prime Minister Manmohan Singh had said GST could be rolled out after the general elections in 2014.

Initially, it was planned GST would be rolled out on April 1, 2010. A Constitution amendment Bill was tabled in Parliament by former finance minister Pranab Mukherjee in this regard, and the parliamentary standing committee on finance is likely to give a report on this in the monsoon session of Parliament.

Analysts say the tussle between the Centre and states over compensation for loss of revenue due to a cut in central sales tax and demands for an independent mechanism for compensation due to the GST roll-out might worsen after Modi quits the empowered committee of

state finance ministers on GST.

They said for state-level value-added tax (VAT), too, much bargaining was seen between the Centre and states. When VAT was introduced, Asim Dasgupta, then West Bengal finance minister, was at the helm of affairs of the empowered group of finance ministers. He continued to head the committee till all states joined the new tax system.

However, GST saw much change in the committee of state finance ministers. After the Left front government lost the 2011 assembly elections in West Bengal, Dasgupta quit the committee. Now, it is likely Modi is on his way out.

**GST DEADLOCK**

- Then FM P Chidambaram proposed to roll out GST for the first time in 2006-07 Budget
- The initial roll-out date was April 1, 2010
- The original deadline was missed and implementation is still not in sight
- PM said could be rolled out after 2014 Lok Sabha polls
- Modi said 80% of GST work was over
- Chidambaram said 70% of GST work was through

## Jairam's views on Modi: Cong distances itself

**BS REPORTER**  
New Delhi, 14 June

The Congress today distanced itself from Rural Development Minister Jairam Ramesh's remarks on Gujarat Chief Minister Narendra Modi, calling him a "managerial and ideological" challenge to the Congress.

"Modi could be a challenge for the Bharatiya Janata Party (BJP) and the National Democratic Alliance (NDA), but not for the Congress... We do not consider him a challenge. It is the considered view of the Congress party," party spokesman Shakeel Ahmed said.

A miffed Satyavrat Chaturvedi, Congress Member of Parliament, was also quoted as saying, "If Jairam feels Modi is a threat and a challenge, he should resign from the Congress and join the BJP in Gujarat."

Another spokesperson, Bhaktacharan Das dismissed Modi as any threat for the Congress saying, "He has little presence or impact in Uttar Pradesh."

In an interview to the Press Trust of India yesterday, Ramesh had called Modi "Bhasmasur", the "Ash Demon" of Hindu myth. He had also called Modi "India's first authentic fascist".

When questioned, Ramesh had said,

"Why should we be afraid of Modi? Yes, he won three elections in Gujarat. No doubt, he was formidable campaigner. He will certainly impose a challenge on us. He represents not just a managerial challenge, but also an ideological one."

Ramesh's comments rankled the party brass as till now, the Congress has refused to even consider that Modi's elevation in the BJP would have any impact on the party and its prospects in the polls. While the Congress will not admit it publicly, but many within the party perceive Modi as a threat who could upset Congress calculations in the run up to 2014.

## Congress core group discusses Telangana

**BS REPORTER**  
New Delhi, 14 June

The Congress' core committee was compelled to hold a meeting today to discuss the controversial demand for a separate Telangana, after violent protests by pro-Telangana groups in Hyderabad.

The group, chaired by Sonia Gandhi with the prime minister and the top brass of the party in attendance, was also attended by Andhra Pradesh in-charge, Ghulam Nabi Azad.

The Congress-led United Progressive Alliance has been averse from biting the bullet, as the party in Andhra Pradesh is deeply divided over the issue. With the party vacillating for long, several leaders in the state like Keshava Rao have already quit the party and joined the Telangana Rashtriya Samithi, alleging "betrayal" by the Congress.

Significantly, it is Andhra Pradesh which had brought in the highest number of Lok Sabha members for the Congress in 2009.

Assembly polls are slated in the state in 2014, coinciding with the general elections. The party has been making noises about trying to address 'all concerns' and take an 'informed decision.'

The official line the Congress maintains is, "We are not averse to creation of smaller states including Telangana."

**1,400 Telangana activists held after violent protests**

1,400 pro-Telangana activists were today held in preventive custody in Hyderabad after the police foiled the 'Chalo Assembly' protest march of various pro-Telangana parties including the TRS and the Bharatiya Janata Party. All roads leading to the legislature building were blocked by police.

Several roads leading to the Legislative Assembly were closed and only government, emergency personnel and media persons were allowed after thorough checks on way to the Assembly and Secretariat buildings.

Around 900 protesters were taken into preventive custody under the Hyderabad Police Commissionerate, while 476 were taken into custody under Cyberabad Police Commissionerate, a police officer said. Those taken into custody were later let off, he said.

The police had denied permission to the protest rally, suspecting that Maoists might infiltrate into it. Similar protests organised by pro-Telangana groups earlier had turned violent. **PTI**