



# The Fertiliser Association of India

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## Current News

Current news on the latest developments in fertiliser, energy, weather, agriculture, agri-business, logistics, economy, and other related areas

*(The views expressed in the news items are not necessarily of FAI)*

Thursday, March 15, 2018	
<b>WEATHER</b>	Depression weakens over Lakshadweep, rain seen for Kerala
<b>ENERGY</b>	PNGRB cancels GAIL's license to build Surat-Paradip natural gas pipeline
<b>FERTILISER</b>	DBT scheme for fertilizer subsidies gets cabinet nod Urea subsidy extended till 2020
<b>ECONOMY</b>	WPI inflation eases to 2.48% in Feb on cheaper food items, fuel World Bank forecasts India GDP growth rate at 7.3% in 2018-19
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## **WEATHER**

### **Depression weakens over Lakshadweep, rain seen for Kerala**

Last night's depression over South-East Arabian Sea moved further North-North-Westwards and weakened into a well-marked low-pressure area over Lakshadweep and adjoining seas this morning.

The system is forecast to travel further North-North-West (out of Lakshadweep) and weaken over South-East and adjoining East-Central Arabian Sea (off Kerala-Karnataka coasts) during the next 24 hours.

#### **STIFF RESISTANCE**

The depression had run into stiff resistance from opposing winds over the open Arabian Sea originating from West Asia and Afghanistan/Pakistan from yesterday.

These winds blew forcefully straight into the core of the depression, severely compromising its vulnerable Western and North-Western flanks, and destroying the storm structure.

They also caused the air to 'sink' over the Arabian Sea and set up high pressure (as against rise, to create low pressure), capping the strength of the depression.

India Met Department said the well-marked 'low' would still be able to generate rain or thundershowers with isolated heavy falls over Kerala and Lakshadweep until tomorrow. Rain or thundershowers have been forecast for parts of the Southern part of Tamil Nadu during this period.

#### **SQUALLY WINDS**

Squally winds reaching up to 45 km/hr in speed and gusting to 55 km/hr have been forecast over the Lakshadweep area and adjoining seas off South Karnataka-Kerala coasts until tomorrow.

Fishermen have been advised not to venture out into the sea off Lakshadweep and adjoining South-East Arabian Sea until this evening.

This serves to complete the life-cycle of a non-seasonal depression, borne out of a stray equatorial Rossby wave (a planetary wave), that mimicked the making of last year's cyclone 'Ockhi.'

The Kerala government and its disaster management agency had gone into an overdrive ensuring safety of fishermen, particularly those who were already sea-borne when the alert was sounded.

Those in the coastal areas were strictly advised not to venture out into the seas pulverised by the depression, and eventually had to sit it out over the last three days.

*Source: The Hindu Business Line, Thursday, March 15, 2018*

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## **ENERGY**

### **PNGRB cancels GAIL's license to build Surat-Paradip natural gas pipeline**

Petroleum and Natural Gas Regulatory Board (PNGRB) has cancelled GAIL's license to build Surat-Paradip natural gas pipeline and ordered encashment of its performance bank guarantee after the state firm failed to make progress on the project six years after obtaining license.

PNGRB, the downstream regulator, had authorised GAIL to lay Surat-Paradip pipeline in April 2012. After GAIL failed to submit its project funding plans for years, the regulator penalised the state firm by ordering encashing of a quarter of its Rs 20 crore performance bank guarantee in September 2015.

GAIL's challenge of the regulator's order was dismissed by Delhi High Court in April 2017, following which Rs 5 crore of bank guarantee was encashed. The regulator also directed GAIL to replenish this amount as bank guarantee and quickly submit financial closure plan for the project.

GAIL then submitted a financial closure report, which was accepted by PNGRB. On 18 January this year, PNGRB wrote to GAIL intimating that its financial closure plan has been accepted and the state firm must replenish within 15 days the Rs 5 crore guarantee already encashed, failing which the balance amount of Rs 15 crore would also be encashed and license to lay the Surat-Paradip pipeline terminated.

In response, GAIL argued that since its financial closure plan has now been accepted by PNGRB, the latter should consider restoring the Rs 5 crore guarantee amount. On 20 February, PNGRB again wrote to GAIL asking it to explain in a week why its license not be cancelled for not meeting the previous directive.

"Considering that enough time and chances have already been provided to GAIL for making good the encashed performance bank guarantee amount of Rs 5 crore, and also the ground progress made in implementing Surat-Paradip pipeline project is NIL after about six years from the date of authorisation," the PNGRB wrote in its Tuesday order, concluding that GAIL had failed to perform its obligations.

"Thus, action under the provision of Regulation 16(1)(c) be taken for encashment of the balance performance bank guarantee amount of Rs 15 crore and authorisation of GAIL (India) Ltd for Surat-Paradip Natural Gas Pipeline project be terminated," the PNGRB wrote in the order.

Lower domestic gas production and consumption has kept gas pipelines largely underutilised across the country for the last many years, a key reason why gas companies haven't been too excited about building new gas pipelines for which they had obtained licenses years ago. Companies must build pipelines within a reasonable period or must give up their claim, else they are likely to be seen as squatters and get their licenses terminated.

*Source: The Hindu Business Line, Thursday, March 15, 2018*

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## **FERTILISER**

### **DBT scheme for fertilizer subsidies gets cabinet nod**

*The implementation of the direct benefit transfer scheme is aimed at preventing diversion of fertilizers for commercial use and generating data on the usage of the nutrients to help farmers*

The government on Tuesday decided to implement direct benefit transfer (DBT) for fertilizer subsidy payments across India, seeking to prevent diversion of fertilizers for commercial use and generate data on the usage of the nutrients to help farmers.

The department of fertilizers has already rolled out the programme in most states, data from which shows that transaction time and alleged instances of overcharging by retailers have come down. Also, offtake has moderated, suggesting that overuse of subsidized fertilisers and their diversion for industrial use have declined. As a result, the Union government could limit the fertilizer subsidy for 2017-18 to Rs 64,999 crore in the revised budget estimate, down more than 7% from the initial estimate made at the beginning of the fiscal year.

The DBT model for fertilizers, however, is slightly different from that for others such as cooking gas, in which the ultimate consumer gets the entitlement in their bank account. That is because farmers cannot be forced to pay large amounts upfront on fertilizers and wait for reimbursement.

“DBT would entail 100% payment to fertilizer companies on sale of fertilizers to farmers at subsidized rates,” said the official statement. At the time of the sale, details of the buyer, the quantity, Aadhaar number, land records wherever available and soil health will be captured using a point-of-sale machine. The subsidy amount will be settled in a few days with the manufacturer, which will end the precedence of subsidy in the fourth quarter spilling over to the next fiscal.

The cabinet also approved continuation of the urea subsidy scheme for three years till 2020 at an estimated cost of Rs1.64 trillion. There will be no urea price hike till 2020, said the official statement.

The subsidy for locally produced and imported urea is part of the annual fertilizer subsidy outgo, which also covers similar spending on phosphatic and potash fertilizers. For FY19, the government has allocated Rs70,090 crore as total fertilizer subsidy.

Direct transfer of entitlements is now adopted in a large number of government schemes to reduce delays, remove fake beneficiaries and ensure better targeting of subsidy.

*Source: Live mint, Thursday, March 15, 2018*

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## **Urea subsidy extended till 2020**

New Delhi, March 14, 2018 21:36 IST

The Cabinet on Wednesday approved the proposal by the Department of Fertilizers to continue the ongoing Urea Subsidy Scheme from 2017 to 2020.

The estimated cost of this would be ₹1,64,935 crore, the government said. "The continuation of the urea subsidy scheme will ensure that adequate quantity of urea is made available to the farmers at statutory controlled price," the government said in a release.

The DBT mechanism would entail 100% of the payment going to fertiliser companies on the sale of fertilisers to farmers at subsidised rates.

*Source: The Hindu, Thursday, March 15, 2018*

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## **ECONOMY**

### **WPI inflation eases to 2.48% in Feb on cheaper food items, fuel**

*But analysts see a spike in the coming months due to unfavourable base effect*

Wholesale prices eased to a seven-month low of 2.48 per cent in February as food items and fuel became cheaper. Wholesale price index (WPI)-based inflation was at 2.84 per cent in January 2018 and was at 5.52 per cent in February last year.

Inflation in the WPI Food Index, which consists of food items from the groups of primary and manufactured products, also decreased to 0.07 per cent in February from 1.65 per cent in January, according to official data on Wednesday.

Retail prices in February too had eased with consumer price index-based inflation falling to a four-month low of 4.44 per cent in February from 5.07 per cent in January.

WPI inflation in vegetables eased to 15.26 per cent in February from 40.77 per cent in January. Wholesale inflation in onion slowed to 118.95 per cent, but rose marginally in the case of potato to 11.67 per cent.

WPI inflation in pulses contracted by 24.51 per cent, and also remained in the negative for other items including cereals, wheat and eggs; fish and meat too was in the negative zone. Wholesale prices of 'fuel and power' segment softened to 3.81 per cent in February compared to 4.08 per cent in January.

However, WPI inflation for manufactured items was higher compared in February at 3.04 per cent compared to 2.78 per cent in January.

Analysts however, expect a spike in inflation in the coming months but said that with the current softening in both retail and wholesale prices, the Monetary Policy Committee of the Reserve Bank of India is likely to keep the repo rate unchanged in the upcoming policy review in April 2018.

#### **Economists' view**

"An unfavourable base effect for crude petroleum and natural gas, and fuel and power is likely to push up the WPI inflation in March. At present, we expect the average WPI inflation to rise to around 3.9 per cent in 2018-19 from 2.9 per cent in 2017-18," said Aditi Nayar, Principal Economist, ICRA.

Similarly, CARE Ratings also said while food prices will remain stable in the coming months, inflationary threats could arise from increase in international oil or commodity prices, unseasonal weather patterns and increase in Minimum Support Prices for some crops.

*Source: The Hindu Business Line, Thursday, March 15, 2018*

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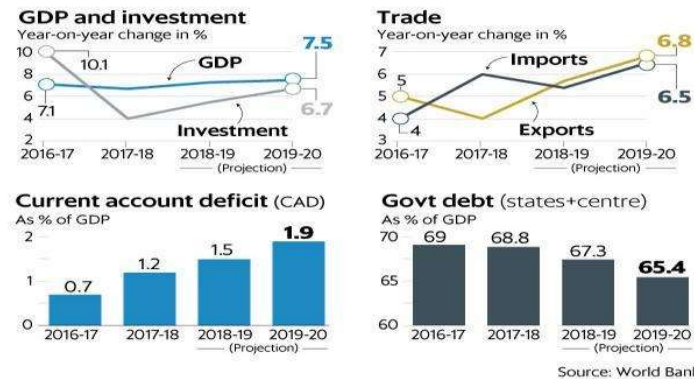
## World Bank forecasts India GDP growth rate at 7.3% in 2018-19

*World Bank's India report expects the Indian economy to clock a GDP growth rate of 6.7% in 2018-19*

The World Bank on Wednesday said while India's GDP growth rate will return to 7.5% in two years' time, to sustain an 8% GDP growth rate, India requires a decisive structural reform momentum that succeeds in stimulating investment and export growth while maintaining macroeconomic stability.

### India seen growing at 7.3% in FY19

The World Bank has projected India's economic growth to accelerate to 7.3% in 2018-19 and 7.5% in 2019-20.



The Indian economy regained its momentum in the December quarter, recovering from disruptions caused by demonetisation and implementation of the goods and services tax (GST), to expand at 7.2%, the fastest in five quarters. Based on the fiscal third-quarter gross domestic product (GDP) data, the full year's growth has been raised to 6.6%. The World Bank has projected economic growth to accelerate to 7.3% in 2018-19 and 7.5% in 2019-20.

In its latest biannual India Development Update, the bank said if liquidity in financial markets tightens or risk aversion increases, it may adversely impact India's growth outlook. However, it said oil price is less of a risk for now, as it expects

oil prices to remain range-bound and average \$58 per barrel in 2018.

The bank said despite the growth rate recovering, attaining a growth rate of 8% or higher on a sustained basis is not guaranteed in the absence of an effective structural reform agenda. There have been six episodes in the last five decades when growth rates exceeded 8%, about once in each decade. The only durable episode of growth sustaining at levels above 8% for five continuous years is the one which lasted from 2004 to 2008, with the average growth rate reaching an unprecedented high of 8.8% a year.

"This episode benefited from the combined effect of important reforms undertaken in the 1990s and early 2000s and from an unusual buoyancy in the global economy and easy global liquidity, leading to high sustained growth across sectors and all components of GDP," the bank said. Sustaining a growth rate higher than 7.5%, and reaching an aspirational growth rate of 8% or higher will require contributions from all domestic sectors and support from the global economy, the World Bank said.

"Maintaining the hard-won macroeconomic stability, a definite and durable solution to the banking sector issues, realization of the expected growth and fiscal dividend from the GST, and regaining the momentum on an unfinished structural reform agenda are key components of this. Accelerating the growth rate will also require continued integration into the global economy," the bank said. The multilateral lending institution said decisive reforms will be needed to enable the Indian banking sector to help finance India's growth aspirations.

"Besides recapitalization, a consolidation of public sector banks, revising their incentive structure to align it more closely with their commercial performance, ensuring a level playing field for private banks, and opening the space for greater competition would be important measures to durably enhance the stability and efficiency of the banking sector," the bank added. In addition, reforms to land, labour and financial markets would be needed to assure the continued competitive supply and use of key production inputs, the bank said.

*Source: Live mint, Thursday, March 15, 2018*

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**FOREIGN EXCHANGE RATES – Wednesday, March 14, 2018**

Currency	Buy (₹)		Sell (₹)	
	TT	Bill	TT	Bill
Dollar	64.88	64.91	64.79	64.78
Euro	80.31	80.35	80.20	80.19
Pound Sterling	90.66	90.70	90.56	90.55
100 Yen	60.96	60.98	60.86	60.86

*Source: The Hindu Business Line, Thursday, March 15, 2018*

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