

India court should decide fast on coal mine fate: Jaitley

AFP, New Delhi

India's Supreme Court needs to decide fast on the fate of nearly 220 coal blocks it has declared illegal, India's Finance Minister Arun Jaitley said Saturday, as the nation grapples with already bad fuel shortages.

The court will hold a hearing Monday to consider what to do with the 218 coal licences awarded to companies over the past two decades to fuel their steel, manufacturing and other plants that it has pronounced illegal.

The court ruling last Monday moves the system toward fairer allocation of resources," Jaitley told reporters.

But he added, "We cannot allow the fate of these coal blocks to hang in mid-air. They need to be utilised."

Analysts have warned prolonged uncertainty could be disastrous for the already struggling energy sector and lead to fuel shortages at manufacturing and power plants and more electricity blackouts.

India relies on coal to generate nearly two-thirds of its electricity.

The court said in its ruling there were "legal flaws" in the transparency of the coal block awards. It said it might set up a panel of retired judges to investigate the matter further.

The ruling stems from a 2012 charge by the national auditor that the government underpriced coal mines and giving away as much as \$33 billion in windfall gains to companies.

"The question is whether the court will simply levy a penalty against companies like Hindalco and Jindal or take away their licences," Alok Brara, publisher of leading industry magazine PowerLine, told AFP this week.

"If it's simply a case of penalties,



REUTERS

India's Prime Minister Narendra Modi speaks with Finance Minister Arun Jaitley (L) during the launch of the Jan Dhan Yojana, or the Scheme for People's Wealth, in New Delhi on Thursday.

people will deal with that, but if it's a question of auctioning the blocks, that could make things more complicated."

In 2012, when the previous Congress government was in power, the Supreme Court cancelled 122 telecommunications licences sold at below-market prices, causing upheaval in the fast-growing cellular industry.

India has one of the world's biggest proven reserves of coal but disarray in the sector means demand outstrips supply. Lack of power is a drag on economic growth with the peak-hour deficit -- the gap between supply and demand -- at 12 percent.

The National Thermal Power

Corp, India's biggest utility company, already warned before the ruling supplies at many power plants were severely depleted.

Analysts say failure to overcome India's power woes could scupper hopes of new Prime Minister Narendra Modi of engineering a strong revival of Asia's third-largest economy.

New legislation to auction coal blocks instead of awarding them through a government-screening committee became law in 2010. But no auctions have been held.

Just 33 of the coal blocks singled out as illegal are in production, according to investment house CLSA Asia-Pacific Markets. The government has

already seized back 80 blocks because they are not being mined.

India's family-controlled Jindal Steel and Power and Reliance Power Ltd, steered by billionaire Anil Ambani, are among firms with the most to lose from the ruling, analysts say.

Their shares have plunged on worries they will be unable to exploit coal from their "captive mines" to fuel their industrial plants.

In another development, federal police dropped a corruption case against leading industrialist Kumar Mangalam Birla, who was accused conspiring to obtain a coal block at a cut-rate price nearly a decade ago, due to lack of evidence.

India better prepared for US Fed rate hike: Rajan

REUTERS, New Delhi

India is better prepared to handle the impact of interest rate increases in the United States as foreign funds are less likely to desert the country due to signs of an upturn in economic growth, the Reserve Bank of India (RBI) chief said in an interview published on Sunday.

RBI Governor Raghuram Rajan's comments to the Times of India came on the heels of US jobs data which has heated up speculation over when the Federal Reserve is likely to raise interest rates.

Any decision by the Fed to raise rates, which have been held near zero since December 2008, will have implications for economies like India, as it could lead to capital outflows from emerging markets.

That could put pressure on emerging market currencies, particularly those with economies running high current account deficits, as India was last summer when talk of the Fed trimming its monetary stimulus led to a sharp depreciation in the rupee.

India has since taken action to correct its current account deficit and increase foreign exchange reserves.

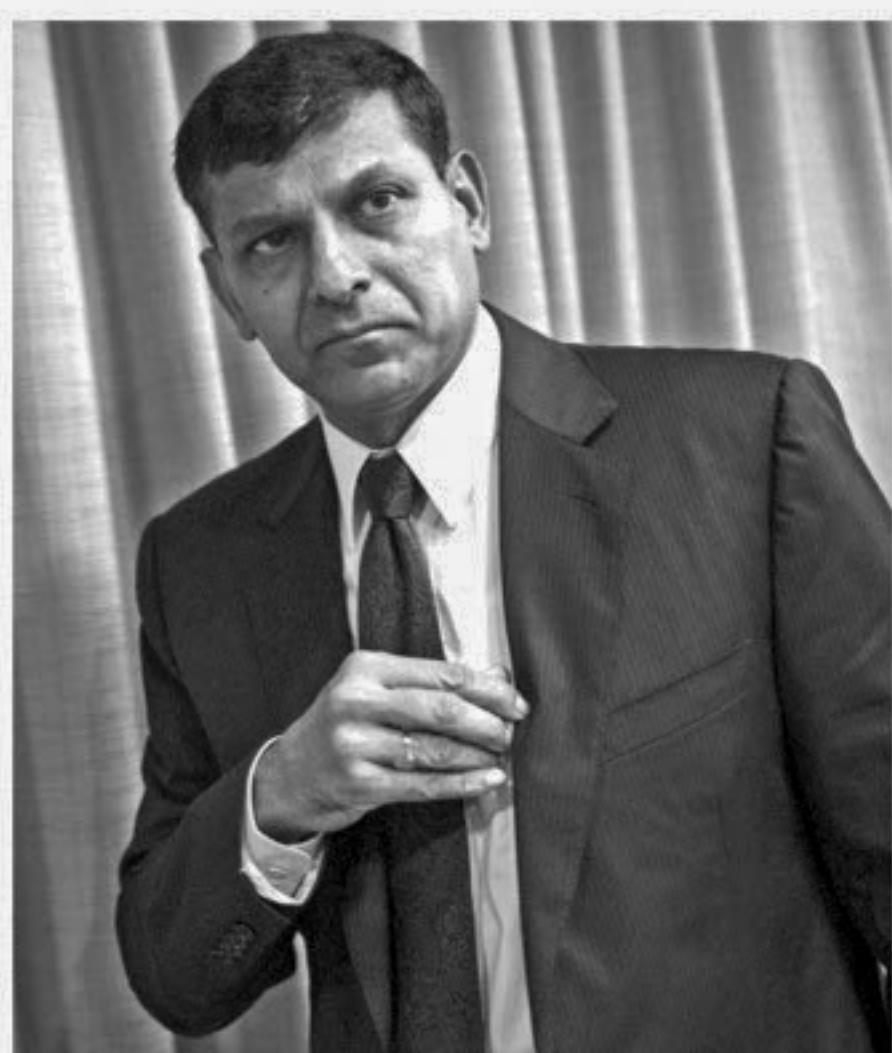
"We certainly have done a great deal of preparation and are in a very different position from the summer of 2013," Rajan told the newspaper.

"My sense is that even when the Fed withdraws, people, after an initial bout of withdrawal, may consider India a good place to leave their money."

Rajan, a former chief economist at the International Monetary Fund, took over the reins at the RBI a year ago, when pressure on the rupee had become acute.

Having weathered that storm by taking by taking steps to boost currency reserves and narrow the current account gap, the rupee avoided a re-run of the crisis when the Fed actually began tapering last December.

Curbs on gold imports, such as higher duties, helped dramatically narrow India's current account deficit to \$32.4 billion in the fiscal year that ended in March from



Raghuram Rajan

\$87.8 billion a year earlier.

India also built up its foreign exchange reserves, partly through measures that helped banks raise \$34 billion in overseas loans and deposits from the Indian diaspora.

"We have plenty of reserves, but I see reserves as a second or third line of defence, as we should be attractive."

Gross domestic product data released on Friday showed India's lumbering economy grew at its fastest pace in more than two years in the quarter ending in June, and strengthening global demand should help boost exports.

Adding to the cheer, falling global crude prices have helped improve the health of public finances by drastically slashing the government's fuel subsidy bill.

The central banker, who predicted the global financial crisis in 2005, said his commitment to cool surging prices will also support the rupee when US rates finally do rise.

Rajan wants to reduce retail inflation to 6 percent by 2016 from near 8 percent at present, and left interest rates steady early this month, citing inflationary risks from the weak summer monsoon rains.

Swatch prefers go-it-alone route for smartwatch plans

REUTERS, BIEL, Switzerland

Swatch Group is happy to go it alone with a launch next year of watches with "smart" features to compete with so-called wearable gadgets from the big tech companies, a market potentially worth \$93 billion.

The world's biggest watchmaker, which sees the advent of smartwatches as an opportunity rather than a threat, will unveil its new Swatch Touch next summer.

Swatch Chief Executive Nick Hayek said these new watches might allow the wearer to count the number of steps they take and calories they burn. And there will be a few other cool 'Swatchy' things on offer via latest Bluetooth technology, he said in an interview at the company's headquarters in Biel.

"All the big technology firms want to work with us and I don't rule out that we are or could be collaborating in

some areas. But we can also do many things on our own."

Wearable gadgets, such as smartwatches that allow users to connect to their phone to check emails, make calls or monitor their health, are expected to be the next big thing in the tech world and a potential threat to traditional wristwatch sales.

Apple Inc has just invited media to a "special event" next month, fuelling speculation it might present a much-anticipated "iWatch." The possibility of an iWatch launch is partly responsible for Swatch shares losing almost 15 percent so far this year, lagging a 3 percent rise in the European sector.

"For Swatch, this could mean a 2 percent hit to revenue and earnings before interest and tax for each 10 percent share that the iWatch was able to gain in its addressable market," Bernstein analyst Mario Ortelli said in a study in July. Ortelli has a "market

perform" rating on Swatch's shares.

Other tech companies are working on smartwatches. Google's Motorola is set to launch a Moto360 smartwatch next week in the United States.

But the spotlight is on Apple after the company poached executives from the fashion, luxury and medtech (medical) industries and registered the trademark "iWatch" in Japan.

For many analysts, Swatch and Apple would be the dream team for a smartwatch project, but Swatch has always played down its interest in such a relationship. The argument is that Swatch's business is selling watches not technology.

"Our first message for customers is the watch. If they like it, they might also be interested in the extra functions," Hayek said. "It is a problem if you only define a product by its technology. Technology alone doesn't sell, not in watches."



AK KHAN

Christophe Libon, vice president of Intertek Global, hands over the ISO 9001:2008 certificate for AK Khan Telecom to Abul Kasem Khan, director for corporate investment at AK Khan, at a ceremony recently.



BSA

M Anis Ud Dowla, president of Bangladesh Seed Association, presides over the annual general meeting of the association at Bangabandhu International Conference Centre in Agargaon, Dhaka on Saturday.

EU could send over €1b more aid to Ukraine

REUTERS, Brussels

The European Union may disburse more than one billion euros in loans to Ukraine over the coming months and could consider further aid beyond that, European Commission President Jose Manuel Barroso said on Saturday.

In March, the EU offered an 11 billion euro (\$14.45 billion) package of loans and grants to Ukraine over the next several years to help get the shattered economy back on its feet.

Ukraine has been caught in a geopolitical tug of war between the EU and Russia. Its eastern region is torn by fighting between pro-Russian separatists and Ukrainian government forces.

"More than half a billion euros in loans and 250 million euros in grants have already been mobilised by the European Commission as part of this package," Barroso told reporters after talks with Ukrainian President Petro Poroshenko in Brussels.

Indonesia grapples with fuel subsidy storm

AFP, Jakarta

Just weeks before Joko Widodo takes office, a ham-fisted attempt by the state energy firm to tackle huge fuel subsidies has sparked panic buying and highlighted the most pressing economic issue confronting Indonesia's next president.

The subsidies are a perennial dilemma for Indonesian leaders -- economists have long decried the expensive payouts as unsustainable, yet cutting them is hugely unpopular, and has in the past sparked violent protests.

But with economic growth slowing, observers say Indonesia can little afford to keep pouring around a fifth of the annual budget into keeping fuel prices artificially low, a programme that diverts money from much-needed reforms and has long caused concern among investors.

Outgoing President Susilo Bambang Yudhoyono has made some increases to the price of petrol and diesel during a decade in power, including a hike that averaged more than 30 percent last year, but has been criticised for not going far enough.

Politicians spent months this year gearing up for pivotal presidential elections and put the subsidy issue on

the back burner, but it has come back into sharp focus as Widodo, known by his nickname Jokowi, prepares to take office on October 20.

He has made slashing the payouts a priority and wants to redirect the money to other programmes, from overhauling creaking infrastructure to helping the country's poorest.

"I am prepared to be unpopular," he said last week, adding that money from subsidies could be redirected to "villages, small and medium enterprises... farmers... fishermen and their boats".

On the election campaign trail, Widodo said he would gradually reduce the subsidies over several years. But recent events have underscored the huge challenge facing him.

As fears grew that the subsidised fuel quota for the year was running down too quickly, state energy company Pertamina, which manages the programme, started limiting supplies.

But as news spread at the start of last week, cars and motorcycles rushed to fill up, with hours-long queues forming at petrol stations across the country, particularly on the main island of Java, with supplies at some kiosks running out entirely.

With the queues showing no sign of letting up after several days,

Pertamina backtracked on Tuesday and stopped rationing fuel.

Some economists saw this as yet another botched half-measure from a government that has failed to tackle the issue of fuel subsidies head-on. Other recent steps include banning the sale of subsidised fuel on toll roads and in parts of Jakarta.

Wellian Wiranto, a Singapore-based economist with OCBC Bank, said the long queues were "a rather visual reminder that the outgoing government's attempt at 'quantitative tightening' is simply not working".

Widodo has sought to take action even before being sworn in as president, and last week appealed to Yudhoyono to share the burden by starting to cut the subsidies before he leaves office.

However, the request was rejected. Chief Economics Minister Chairul Tanjung said afterwards that "people are already shouldering a heavy burden so the government has decided not to add to this".

Analysts say this means no honeymoon for Widodo, who will soon step down as Jakarta governor before taking over the presidency, as he will have to grasp the nettle of subsidy reform from day one, risking an immediate public backlash.

Carmakers force the smiles at Russia's car show

AFP, Moscow

The latest models gleam at the Moscow car show, but Russian sales have dropped because of the Ukraine crisis and the shine has gone off a key growth market.

Hostesses in cocktail dresses and high heels fawn over the cars as they do every year, and sober-suited executives boast about the newest features, but the smiles seem somewhat forced at this edition of the Moscow International Automobile Salon.

More than one million people are expected to visit the show, which closes on September 7, but Russians are doing more looking than buying, to the disappointment of carmakers.

In recent years Russia has become an important growth market for many automakers, and in 2012 it became

Europe's number two market behind Germany, with 2.9 million vehicles sold.

Carmakers were already expecting a fall in sales as Russia's oil-fuelled growth boom of the previous decade exhausted itself. But the conflict in Ukraine has sent the market into free fall.

Rising tensions between Moscow and the West have pushed the Russian economy to the brink of recession, and as the uncertainty persists consumers are hesitating before making big purchases.

The slow slide of the ruble is also pushing up prices on foreign cars.

According to the Association of European Businesses (AEB), which compiles car sales figures in Russia, sales plummeted by 23 percent in July from the same month a year ago.

No-one is expecting a quick rebound and carmakers are instead

looking further into the future: Russia's emerging middle class is still under-equipped for wheels.

The situation is "very challenging, but we believe in a recovery in the demand in the future," said Yong-Key Koo, who heads up operations for South Korea's Hyundai Motors in former Soviet states.

Opel, the German unit of US auto giant General Motors (GM), says Russia is key to its ambitions to become Europe's number two carmaker by 2022.

"Our objectives in Europe cannot be achieved without Russia," said Matthias Seidl, Opel's executive sales director for central and eastern Europe.

"Russia continues to play a vital role in our strategy despite the recent market challenges," he added.