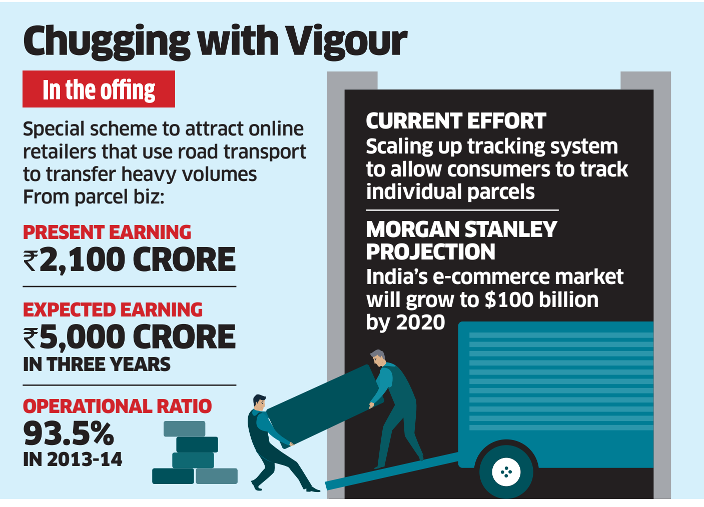
Railways Planning E-commerce Push for Parcel Business

NEW MILESTONES Railways earn around ₹2,100 crore from its parcel business, which could go up to ₹5,000 crore in three years if it manages to tap the emerging ventures



Rajat Arora & Dheeraj Tiwari

New Delhi: The railways parcel business is all set to get an e-commerce push with the national transporter planning a special scheme to attract online retailers that use road transport to transfer heavy volumes.

The railways earns around ₹2,100 crore from its parcel business, which could go up to ₹5,000 crore in three years if it manages to tap the emerging businesses.

The move comes at a time when the railways is battling its worse financial crisis ever. It reported an operational ratio of 93.5% in 2013-14, leaving it with little funds to finance upgrade and modernisation of rail infrastructure.

"We are working on a special scheme to tie up with emerging e-commerce companies for transportation of their parcels," said a senior railway board official, who did not wish to be identified.

"Initial deliberations have been held and suggestions will be sought from all major online retailers including Amazon and Flipkart before a detailed plan is firmed up." According to a Morgan Stanley projection, India's e-commerce market will grow to $100 billion (about ₹6 lakh crore) by 2020 from $3 billion (about ₹18,000 crore) in 2013.

Shares of logistics companies such as Blue Dart and Gati have been among the best performers on stock markets in anticipation of this boom, in which the railways has a very small stake.

"Railways get a minimal share of 5% for white goods as rest is transported through road. It could easily be expanded to 25% with e-commerce companies on board," the official added.

The railways feels it can offer significant cost advantage, particularly over long haul transport

The railways is already scaling up its tracking system to allow consumers to track individual parcels, a key consideration in e-commerce where buyers want to keep tab on the time of delivery.

Parcel tracking system has been operational only on the Delhi-Howrah route for the last three years.

The railways feels it can offer significant cost advantage, particularly over long haul transport.

"We can offer a cost advantage of up to 50% over road to these companies, especially for distance up to 500 km," said an official from the freight traffic department.

Experts say the move has the potential to make the supply chain in the country more efficient.

"It will not only help the railways improve its traffic in various segments, including increasing its share in white goods, but also help e-commerce to diversify into bulky products, which can be economically transported over the railways," said Jaijit Bhattacharya, partner, infrastructure and government services, at KPMG in India.

Traditionally, the railways has parcel vans attached to all express and premium trains. Under railway minister Suresh Prabhu, the national transporter is looking at innovative ways of expanding its revenue stream.

The railways will also encourage private operators, logistics operators and aggregators for lease of such trains. "We must offer full logistics service to its users by engaging these service providers at each location," the railway board official said.

The automobile freight train operator policy of the railways is also being tweaked to encourage more auto companies to use the railways. Firms can invest in specially designed wagons to offer transport services.

EXPLORING WAYS OF HIKING INVESTMENT

Govt Plans Strategic Sale, Listing of PSU Subsidiaries

There are 121 subsidiaries of 169 CPSEs, although most of them are loss-making enterprises

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New Delhi: The government will explore strategic sale and listing of subsidiaries of state-run firms to unlock value that can be used for further investments. A senior government official told **ET** that in the first phase, the government may go for stake sale in some hotels and non-strategic firms.

At present, there are 121 subsidiaries of 169 CPSEs, although most of them are loss-making enterprises.

"Profitable subsidiaries should be listed on the exchanges, and if there's a scope for strategic sale, it may also be explored," he said, adding that companies such as ONGC Videsh, NHDC and some subsidiaries of Coal India have the potential to attract both foreign and domestic investors.

Last month, finance minister Arun Jaitely had hinted that the government is going big on strategic sale. "A list has been drawn (of companies for strategic sale)," he had said, adding the word strategic disinvestment has a broad connotation.

"Listing of subsidiaries will help raising resources for the holding firm, find better valuation for the subsidiary, and also fetch better dividends to the government," said the above quoted official. Experts agree that profitable subsidiaries may find takers, given that they have a captive business through their parent companies. "If these firms have good market position and the issues are rightly priced, the market will have an appetite for such issues," said Jagannadham Thunuguntla, head of Fundamental Research at Karvy Stock Broking Ltd. Another government official aware of the deliberations said that the government will eventually exit from all non-strategic and loss-making CPSEs. The government is already looking to wind up the Board for Reconstruction of Public Sector Enterprises (BRPSE), which was set up in 2004 to prepare revival plans for sick state-owned companies.

Some of the subsidiaries which may be pushed for strategic sale in the first round may include loss-making hotels of Indian Tourism Devlopment Corporation Ltd (ITDC). "Four of the seven ITDC subsidiaries are loss-making, and they can be put on the block," the official added.

In its previous stint, the National Democratic Alliance (NDA) government had sold four loss-making entities, including two hotels. Modern Food Industries Ltd was sold to Hindustan Unilever Ltd, while Paradeep Phosphates Ltd was bagged by Zuari Industries Ltd.

Of the ₹69,500 crore disinvestment target for the next financial year, the government proposes to raise ₹41,000 crore from stake sales in PSUs and the rest through strategic disinvestment, including the sale of residual stake in Hindustan Zinc and Balco.

Plan in Progress

ACTION IN THE OFFING: To explore strategic sale and listing of subsidiaries of state-run firms

AIM: To unlock value that can be used for further investments.

INITIAL PLAN: To go for stake sale in some hotels and non-strategic firms

CURRENT DEAL: 121 subsidiaries of 169 CPSEs

Lisitng of subsidiaries will help:

- Raise resources for the holding firm
- Find better valuation for the subsidiary
- Fetch better dividends to the government

NEAR FUTURE: Govt may wind up Board for Reconstruction of Public Sector Enterprises

GOVT PLANS TO RAISE:
₹41,000 CRORE from stake sales in PSUs
Rest through strategic disinvestment

Expert Speak

Profitable subsidiaries may find takers given they have a captive business through their parent companies

HOPES HIGH

If these firms have good market position and the issues are rightly priced, the market will have an appetite for such issues

J THUNUGUNTLA
Head of Fundamental Research at Karvy Stock Broking Limited

Bidi Baron's Presence in Parl Committee Raises Eyebrows

Experts feel the BJP MP's participation in panel may question India's commitment to WTO's tobacco treaty

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New Delhi: India could be violating its commitments under the World Health Organization tobacco-control treaty by letting a bidi baron sit on a Parliamentary committee that is deliberating on tobacco-control laws, experts said. This comes in the backdrop of a raging debate on whether Shyama Charan Gupta, a BJP MP from Allahabad who owns Shyam Bidi Works, should be part of the panel.

On the interim recommendation of this panel, the health ministry has delayed its decision to implement a rule that sought to increase the pictorial warnings on tobacco product packs to 85% from April 1, without announcing any new deadline. At present, cigarette makers have to print statutory warnings on 40% of the front side of the pack.

Experts say India has signed and ratified the WHO Framework Convention on Tobacco Control (FCTC), which has a binding clause that bars the government from letting the tobacco industry interfere in its deliberations of public policy on tobacco control. In this particular case, Shyama Charan Gupta, being a parliamentarian, may have some privileges and as part of that committee he may be deliberating on multiple issues but when it comes to tobacco control legislation, he should have disclosed conflict of interest and recused himself, said Monika Arora, director of health promotion and tobacco control division at the Public Health Foundation of India. According to news reports, Prime Minister Narendra Modi asked Parliamentary Affairs Minister Venkaiah Naidu on Saturday during the ruling BJP's National Executive Meeting to identify and remove MPs with conflict of interest from the panel. Finance Minister Arun Jaitley said the decision of the government on the rule would be "measured and responsible". On the question of removal of some MPs from the panel, he said: "There is a system in the Parliament and it has also been written in the rules of procedures."

A PTI report citing Gupta said he has not been asked to step down from the parliamentary panel, but would obey any instructions from his party high command. He didn't immediately respond on Sunday to an email sent by ET seeking comment. Prevention of tobacco industry interference is a critical part of the public policy development under FCTC, said an expert on the treaty.

"Under FCTC, tobacco companies shouldn't have a seat at the table while tobacco control legislation is being negotiated and when the action plan is being developed. The tobacco industry should be isolated at that stage. At the same time, the tobacco industry should be informed once the legislation is adopted, for them to comply with," said Tibor Szilagyi, technical officer from WHO FCTC, explaining the provisions of the treaty. He however admitted that parties – countries which have ratified to the convention – do report tobacco industry interference as the main barrier in implementing policies.

IMPLEMENTATION SOUGHT

While health ministers of the neighbouring countries have urged India to resist tobacco-industry pressure and go ahead with its decision to implement 85% warnings, members of Parliament across party lines have criticised the government's decision to delay the move. "It is disappointing. The health hazards of tobacco are well established worldwide over decades. Tobacco consumption is extracting a severe toll on India, imposing health-care costs of more than ₹1 lakh crore every year, and a million deaths," said Baijayant Panda, an MP representing the Biju Janata Dal party.

"In the interest of our own country, we must not waver from the deadline for increasing pictorial warnings to 85% of packaged tobacco products, as well as consider making plain packaging mandatory." Nationalist Congress Party MP Supriya Sule called the decision to delay bigger warnings disheartening and appealed to the Prime Minister to for its implementation. Earlier, Pakistan's health minister, Saira Afzal Tarar, had urged India to stay resolute in its commitment to cover tobacco packs with larger health warnings. Tarar and Nepal's health minister, Khagaraj Adhikari, had told ET it was a "momentous opportunity" for South Asia to become leaders in tobacco control.

Short Takes

States Get ₹37,420 crore as First Instalment of Devolution

NEW DELHI The government on Sunday said it has released over ₹37,420 crore to states for 2015-16 as the first installment of devolution as per the 14th Finance Commission recommendations, with Uttar Pradesh getting the highest share. "The government of India has released more than ₹37,420 crore to all the states for financial year 2015-16 as the first instalment of devolution as per the 14th Finance Commission (FFC)," a finance ministry statement said.

CBEC to Set up Wing to Connect with Taxpayers

NEW DELHI Seeking to improve its image as a customer friendly organisation, the Central Board of Excise and Customs (CBEC) has decided to set up a dedicated wing to have a better connect with taxpayers.The CBEC is celebrating 2015 as the Year of Taxpayer Services in "recognition of the need to have 'customer focus' in our day-to-day functioning".To meet the objective, the Board has decided to set up a "Directorate of Taxpayer Services" in pursuance of the recommendations of the Tax Administration Reforms Commission (TARC), headed by Parthasarathi Shome, said CBE

It has already set up a committee to work out the modalities, including mandate, organisational structure and responsibilities of the new directorate.

Govt Plans to Scale up Use of Jan Dhan Accounts

NEW DELHI Having opened over 12 crore Jan Dhan bank accounts under its flagship financial inclusion programme, the government is now mulling over ways to step up the utilisation of these accounts, including through POS transactions and the Business Correspondents. A meeting has been called by the finance ministry on Tuesday of representatives from public sector banks and the business correspondents (BCs) of the banks, who can help in last-mile implementation of inclusion efforts.

Trade Gap with China May Double to $60B in 2 Years

Meanwhile, India is pushing for tariff concessions from China in oil seeds, textile items and marine products under Asia-Pacific Trade Agreement

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New Delhi: India's trade deficit with China could nearly double to $60 billion in the next two years if the two partners do not address market access constraints and non-tariff barriers faced by Indian goods in the neighbouring country, the department of commerce cautioned in the foreign trade policy statement released last week.

The statement came ahead of Prime Minister Narendra Modi's expected visit to Beijing in the second week of May.

India is pushing for tariff concessions from China in oil seeds, textile items and marine products in the fourth round of tariff concessions under Asia-Pacific Trade Agreement (APTA) in a bid to correct the imbalance in bilateral trade.

The trade deficit widened to $36 billion in 2013-14, accounting for a quarter of India's overall export and import gap. While India's exports to the bigger Asian rival fell 18.6% in April 2014-January 2015, imports grew 17.16%.

India's imports include manufactured items in both "non-essential" categories and power and telecom equipment, as per the statement.

"If the current situation persists, by 2016-17, merchandise imports from China will exceed $80 billion while India's exports will be around $20 billion, leaving an unsustainable trade deficit of $60 billion," the commerce department said.

The matter was also taken up during the recent visit of an Indian delegation to China in March, but Beijing refused to give an assurance.

"We did not get any commitment from their end on any of the issues, be it agriculture, pharmaceuticals or IT. It has so far maintained that the wide trade gap can be explained by the divergent nature of the two economies, with India being a services-led one while China is a manufacturing economy," said a government official. "There is definitely a level of frustration as there have been a lot of MoUs on bovine meat to IT and pharma, but no action on the ground," he added.

India is seeking reduction in tariffs on close to 200 product lines from China under APTA including textiles, oil cakes and marine products. APTA is a preferential trade agreement between the six countries of Asia- India, China, Bangladesh, Sri Lanka, Laos and South Korea. "PM is also likely to take this up during his visit,' said the official.

According to the government, a series of non-tariff barriers block India's exports of pharmaceuticals, IT/ITES and agri commodities including bovine meat, oil meals and cake, tobacco, rice, fruits and vegetables to China.

India has also been pushing China to allow Indian companies to bid for tenders in its state-owned enterprises. In pharmaceuticals sector, India has been seeking removal of entry barriers as registration of existing drugs in China takes three-five years, compared to just three-six months in India. India also questioned China's decision to continue curbs on Indian buffalo meat imports at an agriculture committee meeting of the World Trade Organisation (WTO) recently. Non-essential imports is another issue.

Of the $12.5 billion (about ₹78,000 crore) worth of consumer imports in each of the past two years, mobiles phones alone accounted for $5 billion (about ₹31,000 crore) worth of imports and this segment has seen a surge in imports in the past three-four years.

The statement pointed out that the approach for electronics exports promotion must include discouraging non-essential imports and improving product standards, among other things. The commerce department also recommended that states play a role in rationalising non-essential imports. "Foriegn direct investment flow from China is one way of addressing the problem of widening trade deficit. If China sets up manufacturing facilities in India, those items will not get imported from Beijing," said Ram Upendra Das, professor, RIS for developing countries. The department of industrial policy and promotion secretary Amitabh Kant conducted a 'Make in India' workshop in Beijing last week to drive Chinese investment into Indian manufacturing. During Chinese president Xi Jinping's visit to India in September last year, China had committed investment of $20 billion in India over the next five years. The commerce department recommended that the country must remain vigilant and "take action to safeguard against unfair trade practices to protect the legitimate trade interests of Indian industry".

Deficit Widens

- **TRADE DEFICIT WIDENED** to $36 billion in 2013-14, accounting for a quarter of India's overall export and import gap
- **A SERIES OF** non-tariff barriers block India's exports of pharmaceuticals, IT/ITES and agri commodities, including tobacco
- **INDIA HAS** also been pushing China to allow Indian companies to bid for tenders in its state-owned enterprises