A STUDY ON THE IMPACT OF THE NEW ECONOMIC REFORMS BY THE MODI GOVERNMENT

CREDIT ANALYSIS AND RESEARCH LTD (CARE)

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1.0 SUMMARY

The overall achievement of the Modi Government is positive with tangible evidence on every level supporting the success of the policy reforms introduced and implemented during the course of time.

This study focuses on a select critical reforms implemented by the Modi Government covering various spaces within the economy. With the underlying theme of understanding the impact of the new economic reforms, the study details each of the policies considered from an overall perspective. The primary intent here is to highlight the impact the said policy has had over the term period or might have in the future on the state of the economy. In a broad way, these reforms covered include,

- Make in India
- Increasing FDI cap in Insurance Sector
- Insolvency and Bankruptcy Code 2016
- PAHAL
- Diesel Price Deregulation

Make in India is an initiative of the Government of India to encourage multinational, as well as domestic, companies to manufacture their products in India. Prime Minister Narendra Modi launched it on 25 September 2014. The success of this initiative can be measured from the fact that after initiation of the program in 2015, India emerged as the top destination globally for foreign direct investment, surpassing China as well as the United States. It is one of the most important initiatives under taken since the liberalization of the economy in 1991. With the intent of growing our manufacturing capabilities, this initiative has several components in at various levels within the implementation chain that are aimed at attaining overall development of the economy.

Increasing FDI cap in Insurance Sector was a strategic move to improve the overall economics of the companies in this sector and the market. The flow of money through FDI will enable the companies to provide better products and improved services and have primary and secondary effects on various parts of the economy both financially and overall development. With 52 companies currently operating within this sector and an expected increase by new entrants, the policy is intended to support both short-term and long-term objectives of the Government

and the market. The recent IPO of Rs.6000 Cr (approx. $923 Mn USD market offering) Prudential ICICI Life Insurance Company is a testament to the impact of this policy.

Insolvency and Bankruptcy Code 2016 was a reform long overdue. The existing framework has considerably affected the overall mentality of the businesses and markets causing serious lags and hindrances for economic growth. The new code is intended to solve the bottlenecks within the system with a clear format for companies to follow insolvency and bankruptcy scenario. Given that it is an upgrade that has been introduced recently, the true nature of its impact is yet to be evaluated.

PAHAL is a direct benefit transfer scheme for LPG provided by the Government. PAHAL was launched in November 15th, 2014 to enable consumers the opportunity to procure Liquid Petroleum Gas (LPG) at market prices and directly receive subsidies into their bank account. The policy has had a positive impact on the rural population helping them directly receive the funds and manage their basic food expenses.

Deregulation of Diesel Price - this was a key economic reform in the purest sense wherein the government intervention in the form of regulating the prices were strategically and systematically withdrawn to reduce the fiscal burden and to improve the overall market position with regards to demand, supply, and pricing of the commodity. The effects of the deregulation can be witnessed in the profitability of both public sector and private sector companies operating within this space.

In conclusion, the overall performance of the economy has drastically improved during the term of the current government. The developmental reforms implemented and envisioned have both had considerable positive effects. There are constraints, challenges, political issues, regional economic matters, and global economic impact amongst other things that have limited the extent of success each of these reforms have had. However, the direction of the policies, the implementation process, and the overall outcome has been in positive in general.

2.0 MODI GOVERNMENT: MAKE IN INDIA CAMPAIGN

2.1 WHAT IS THE MAKE IN INDIA CAMPAIGN?

The “Make In India” campaign was started by Narendra Modi on September 14, 2014 to encourage the manufacturing of products in India. This campaign began with the backdrop of a stuttering secondary sector of the Indian economy which was contributing a merger 15.1% to India’s GDP, with the largest contribution being that of the service sector (53 %).

2.2 COMPONENTS OF THE MAKE IN INDIA CAMPAIGN

- Ease of doing Business In India
- Encouraging FDI (Foreign Direct Investment)
- Improving IP (Intellectual Property) processing and practices.
- Increase National Manufacturing and Secondary Sector output vis-a-vis India’s GDP.

2.3 AIMS OF THE MAKE IN INDIA CAMPAIGN

In the words of the government of India, this campaign seeks:

- To increase manufacturing sector growth to 12-14% per annum over the medium term.
- To increase the share of manufacturing in the country’s GDP from 16% to 25% by 2022.
- Creation of appropriate skill sets among rural migrants and the urban poor for inclusive growth.
- To increase domestic value addition and technological depth in manufacturing.
- Enhancing the global competitiveness of the Indian manufacturing sector.
- Ensuring sustainability of growth, particularly with regard to environment.
- Identified 25 key sectors of the economy to create 100 million jobs by 2022.

Some of the highlights of the initiative, In January 2015, a memorandum of understanding (MoU) was signed between the Spice Group and the government of Uttar Pradesh stating that Spice would start a mobile phone manufacturing unit there, with an investment of INR 500 crore.

In January 2015, Hyun Chil Hong, President and CEO, Samsung South Asia, met Union MSME Kalraj Mishra to discuss a joint initiative under which 10 “MSME-Samsung technical schools” will be established in India. In February, Samsung said it will manufacture the Samsung Z1 in its plant in Noida.

In February 2015, Hitachi committed to the initiative. It said it would increase its employees in India from 10,000 to 13,000 and would try to increase its revenues from India from ¥100 billion in 2013 to ¥210 billion. It added that an auto-component plant will be set up in Chennai in 2016.

In February 2015, Huawei opened a new R&D campus in Bengaluru. It had invested $170 million to establish the centre. It is also in the process of setting up a telecom hardware manufacturing plant in Chennai. Also, in February, Marine Products Export Development Authority said it was interested in supplying shrimp eggs to shrimp farmers in India under the initiative.

In February 2015, Xiaomi began initial talks with the Andhra Pradesh government to begin manufacturing smartphones at a Foxconn-run facility in Sri City. On 11 August 2015, the company announced the first manufacturing unit was operational and introduced the Xiaomi Redmi 2 Prime, a smartphone assembled at the facility.

In June 2015, France-based LH Aviation signed an MoU with OIS Advanced Technologies to set up a manufacturing plant in India to manufacture drones.

On 8 August 2015, Foxconn announced it would invest $5 billion over five years to set up R&D and hi-tech semiconductor manufacturing facility to be set up in Maharashtra. Later, General Motors announced that it would invest $1 billion to begin manufacturing automobiles in the state.

On 18 August 2015, Lenovo announced that it had begun manufacturing Motorola smartphones at a plant in Sriperumbudur near Chennai, run by Singapore-based contract manufacturer Flextronics International. The plant has separate manufacturing lines for Lenovo and Motorola, as well as quality assurance, and product testing.

On 16 October 2015, Boeing Chairman James McNerney said the company could assemble fighter planes and either the Apache or Chinook helicopter in India. The company is also willing to manufacture the F/A-18 Super Hornet in India if the Indian Air Force (IAF) were to purchase it.

In November 2015, Taiwan's Wistron Corp, which makes devices for companies such as Blackberry, HTC and Motorola, announced that it would begin manufacturing the devices at a new factory in Noida, Uttar Pradesh.

On 30 November 2015, the ministry of railways signed formal agreements with Alstom and GE Transport worth Rs 40,000 crore ($5.9 billion) to set up locomotive manufacturing factories in Madhepura and Marhaura in Bihar.

In December 2015, Qualcomm announced that it was starting a Design in India programme to help mentor up to 10 Indian hardware companies with the potential to come up with innovative solutions and help them reach scale. As part of the programme, the company will set up an innovation lab in Bengaluru to provide technical and engineering support to the selected companies.

In December 2015, Micromax announced that it would put up three new manufacturing units in Rajasthan, Telangana, and Andhra Pradesh, at a cost of Rs 300 crore ($44 million). The plants will begin functioning in 2016, and will employ 3,000-3,500 people each.

In December 2015, Following Japanese Prime Minister Shinzo Abe’s visit to India, it was announced that Japan would set up a $12-billion fund for Make in India-related projects, called the “Japan-India Make-in-India Special Finance Facility”.

In late December, Vivo Mobile India began manufacturing smartphones at a plant in Greater Noida. The plant employs 2,200 people.

2.4 Conclusion

Since the launch of this programme in 2014, companies like General Electric, Toshiba, PepsiCo, Mercedes-Benz, and Isuzu Motors have already made investments in the “Make in India” scheme between 2014 and 2016.

Government ministers have stated that FDI inflows to India increased by a whopping 46% during October 2014 to May 2016 in response to the Make in India campaign launched in September 2014. FDI inflows were reported to have increased to $61.6 billion over the period in comparison to the $42.3 billion reported as inflows between February 2013 and September 2014. This shows that the Make in India campaign is off to a great start, though there is much more work to be done to fulfill its objective.

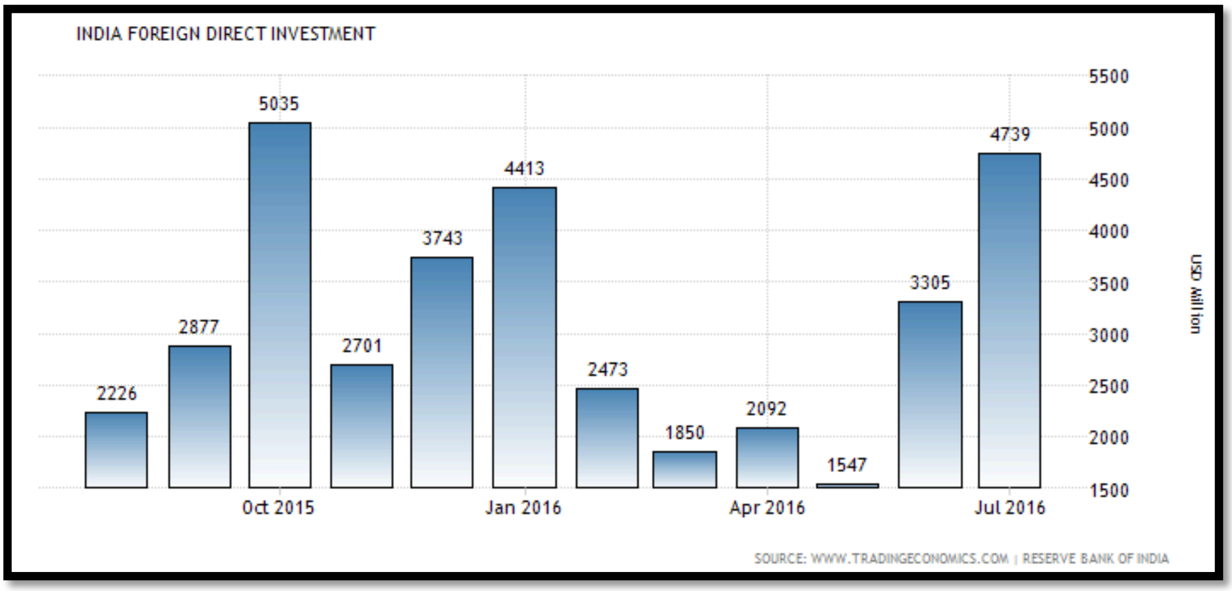


Figure 1: Foreign Direct Investment in India 2014 - Present. Source: tradingeconomics.com

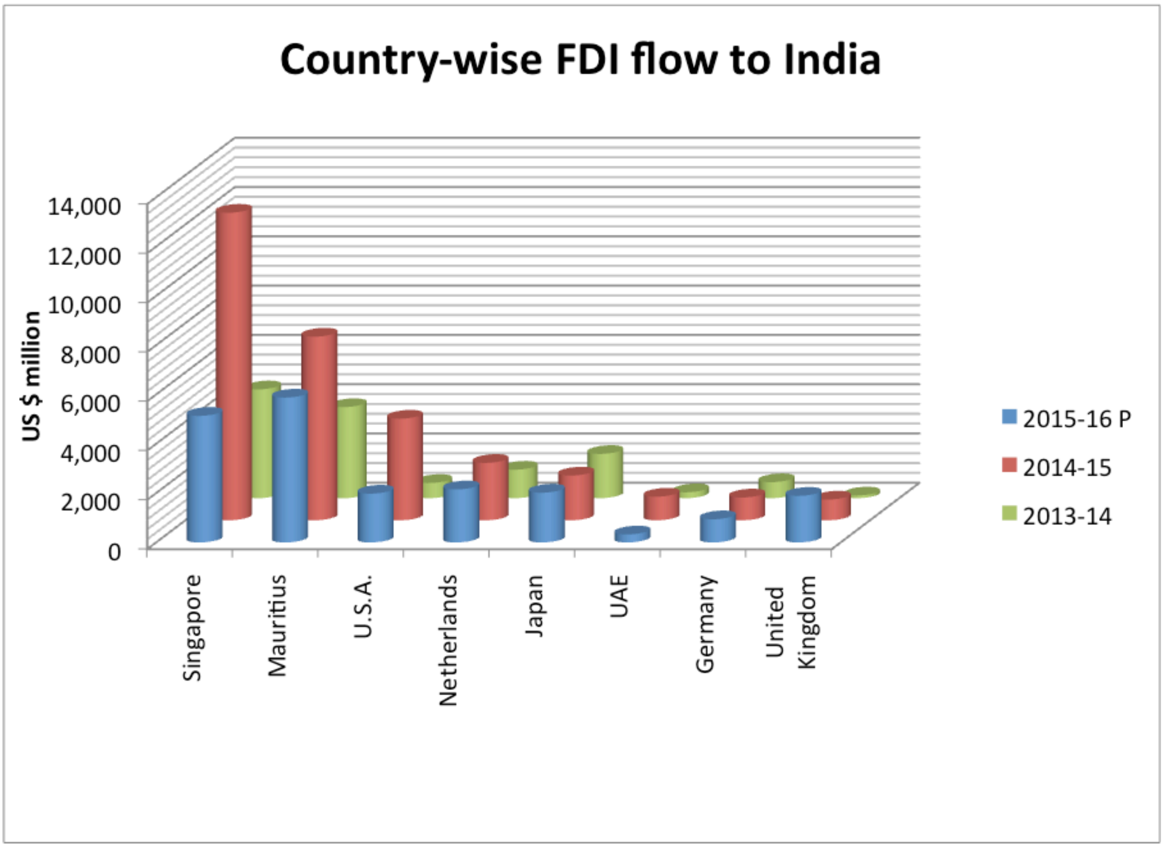


Chart 1: Country-wise inflow of Foreign Investment. Source: Reserve Bank of India

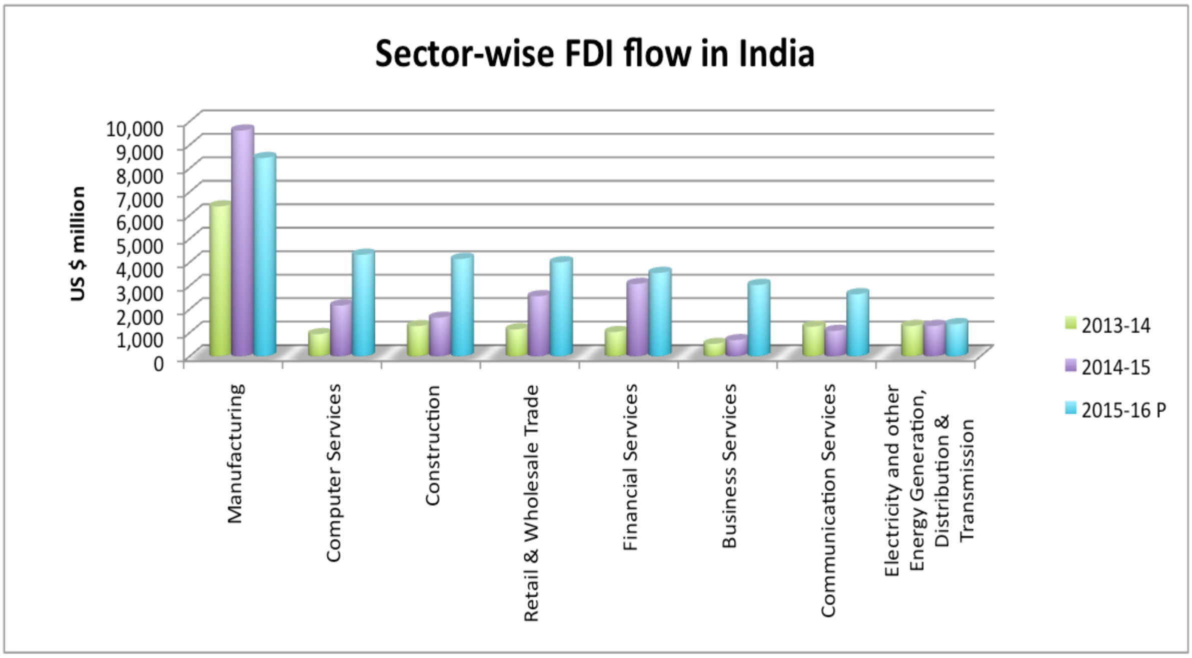


Chart 2: Sector-wise inflow of Foreign Investment. Source: Reserve Bank of India

3.0 INCREASING FDI CAP IN THE INSURANCE SECTOR

3.1 BACKGROUND

In his February 29 Budget Speech, Finance Minister Mr Arun Jaitley announced that FDI in insurance will be allowed up to the sectorial cap of 49% under automatic route. This was a considerable jump from the previous level of 26%. This move brings an expected foreign investment of over INR 12,000 crore as more than dozen foreign companies are planning to raise their stake in private sector insurance joint venture this year.

The Bill was passed by Parliament in March 2015 clearing decks for foreign entities to increase their stake in private sector insurance companies. Soon after the law took effect, foreign investors started ploughing capital into their Indian joint ventures, raising their equity holdings. Companies including AXA of France, Bupa of the UK, Nippon Life Insurance of Japan announced raising stake in their respective joint venture.

3.2 EXPECTED EFFECT

3.2.1 Capital inflow: Immediate capital inflows of $2 billion and long-term inflows of about $10 billion can be expected.

3.2.2 Insurance products: Private as well as government insurers will benefit from the proposed hike of FDI; these companies will offer better and wide range of insurance products to customers at larger competitive prices.

3.2.3 Smaller Companies: FDI will help smaller insurance companies to break-even faster and help monetize (convert into currency) the holdings of the promoters of the older life insurance companies.

3.2.4 Aggression: The industry has been cautious in selling products, which are capital intensive. It will be able to become more aggressive.

3.2.5 Technology: Insurers will not just get capital but also technology and product expertise of the foreign partner who is the domain expert.

3.2.6 New Players: Increasing FDI could see new insurers entering the market.

3.2.7 Penetration: The measure of insurance penetration and density reflects the level of development of insurance sector in a country. Insurance penetration is measured as the percentage of insurance premium to GDP. Although India has a population of over 1.2 billion, it only has an insurance penetration of 3.9% of its GDP. This is far less than the global average of 6.3%. Increased FDI limit will strengthen the existing companies and will also allow the new players to come in, thereby enabling more people to buy life cover.

3.2.8 Employment: With more money coming in, the insurance companies will be able to create more jobs to meet their targets of venturing into under insured markets through improved infrastructure, better operations and more manpower.

3.2.9 Level Playing Field: With the increase in foreign direct investment to 49 percent, the insurance companies will get the level playing field. So far, the state owned Life Corporation of India controls around 70 percent of the life insurance market.

3.2.10 Favorable to the Pension Sector: If the pension bill is passed in the parliament then the foreign direct investment in the pension funds will also be raised to 49 percent considering that the Pension Fund Regulatory Development Bill links the FDI limit in the pension sector to the insurance sector.

3.2.11 Consumer Friendly: The end beneficiary of this amendment will be common people. With more players in this sector, there is bound to be stringent competition leading to competitive quotes, improved services and better claim settlement ratio.

3.2.12 Relief for Companies: Several insurance companies made losses prior to the introduction of the new market cap, with a loss of INR 10,127 crore underwritten in 2014-15. This number decreased significantly as there was a large influx of money into the market.

Public insurers like LIC boasted INR 11,000 crores profit in FY16.

UNDERWRITING EXPERIENCE NON-LIFE INSURERS (Rs Crores)

	2013-2014	2014-2015
Public Sector Insurer	-5378.66	-6592.47
	(-16.09)	(-17.14)
Private Sector Insurer	-1810.19	-2495.42
	(-8.06)	(-10.23)
Standalone Health Insurer	-546.96	-611.00
	(-35.56)	(-28.43)
Specialised Insurer	95.01	-428.44
	(3.63)	(-16.77)
Total	-7640.81	-10127.32
	(-12.72)	(-14.99)
	Figures in Brackets indicate ratio of underwriting profit/loss to net earned premium.	

Table 1: Under-writing experience of Non-Life Insurers in India

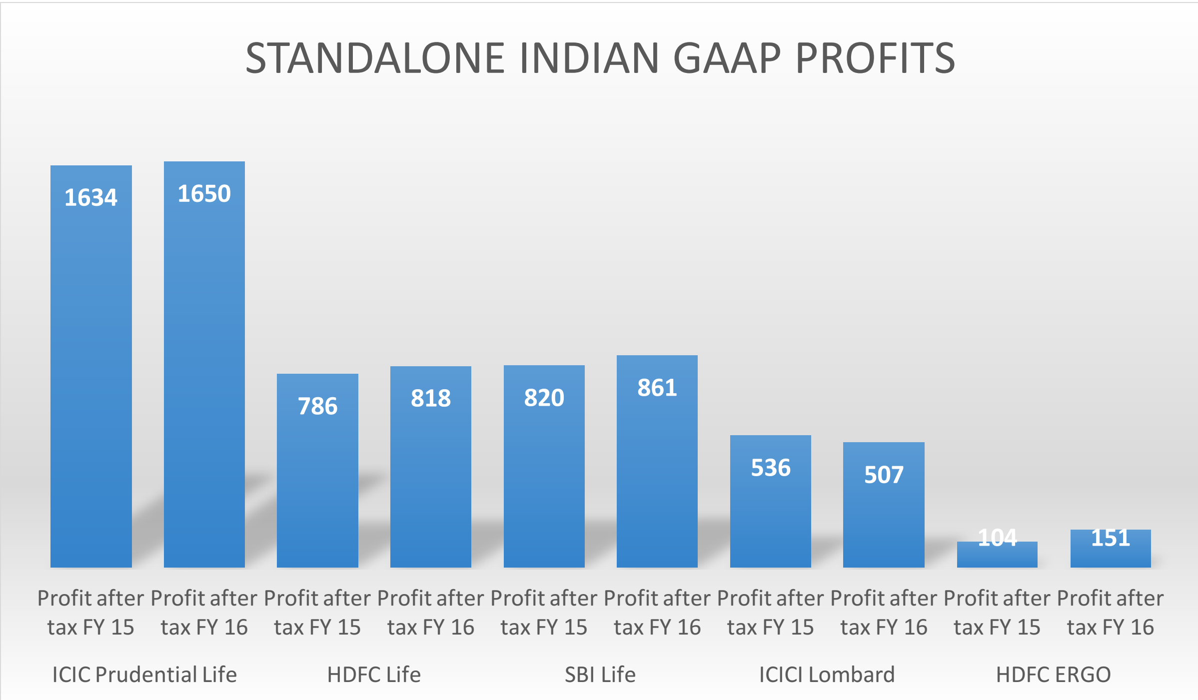


Figure 2: Profitability of private insurers in the past two years

3.3 OVERALL IMPACT

As shown above, this policy has had a significant impact on the Indian insurance market. Moreover, analysts speculate that at the current rate of growth, the insurance market could double in size over the course of the next 4 to 5 years. But like many other policies, the true impact of the increase in the FDI cap to 49% will become more apparent over the course of next few years.

4.0 INDIAN BANKRUPTCY LAW

MAKING IT EASIER TO GO BANKRUPT AND FILE FOR BANKRUPTCY

4.1 AIM:

“To promote entrepreneurship, availability of credit, and balance the interests of all the stakeholders by consolidating and amending the laws relating to reorganization and insolvency resolution of corporate persons, partnership firms and individuals in a time bound manner and for maximization of value of the assets of such persons and matters connected therewith or incidental thereto.”

4.2 CHALLENGES IN EXISTING FRAMEWORK

- The Current framework of bankruptcy is highly fragmented, with multiple judicial forums with overlapping jurisdiction.
- Decisions are often appealed, stayed, or overturned by judicial forums having a concurrent or overlapping jurisdiction.
- The fundamental approach of the system to revive the business leads to delay in closure of unviable businesses and often misused by corporate debtors.
- There are competing rights amongst different creditors involved leading to issues with regards to claims.
- Lack of adequate and credible data regarding the assets, indebtedness and security situation of companies further accentuates the problems.
- Average time to resolve insolvency in India is 4.5 years, as compared to 0.8 years for Singapore and one year in London.
- India has the lowest recovery rate in the world at about 20 per cent of debt value as per World Bank report (2014).
- Large amounts of stressed assets at 12 per cent of the total advances at 31 December 2015 as per RBI report are either restructured or NPAs with low recovery rates due to a lack of enabling environment for enforcement of creditors rights.

4.3 THE NEW CODE

- Insolvency and Bankruptcy Code, 2016 (Code) provides for a specialised forum to oversee all insolvency and liquidation proceedings for individuals, SMEs and corporates.
- It empowers all classes of creditors to trigger a resolution process in case of non-payment of a valid claim.
- Provides for immediate suspension of the Board of Directors and promoters' powers.
- Provides an insolvency professional to take control of the corporate debtor.
- Enables a 'stand-still period', which provides stakeholders time to facilitate discussions and arrive at a common resolution rather than running independent processes.
- Offers a finite time limit within which the debtor's viability can be assessed and a resolution process agreed. The power of commercial decision to revive or liquidate the Company is on the creditors rather than the courts.
- Provides for a balanced approach between rehabilitation and recovery and provides for compulsory liquidation of corporate debtors in the event the resolution has not been agreed within 180 days of the resolution process.
- Aims to develop a detailed and accessible information system to reduce information asymmetry between the various participants of the insolvency process.
- Provides for a clearly defined waterfall mechanism for payment of debt in the event of liquidation.

4.4 PROPOSED ECOSYSTEM

- Adjudicating Authority with exclusive jurisdiction to deal with insolvency related matters.
- Insolvency and Bankruptcy Board of India with members of MoF, MCA, and RBI.
- Licensed Information Utilities to collect and disseminate information.
- Insolvency Professional Agency - Code of Conduct, Transparency, Governance.
- Insolvency Professionals - Resolution Professional or Liquidator or Trustee.

4.5 SALIENT FEATURES

- Clear separation of Adjudication Authority: National Company Law Tribunal and Debt Recovery Tribunal
- Distinction between Financial Creditors and Operational Creditors
- Definition of Default and Proof of Default
- Creditors and Debtors who can file for Corporate Insolvency Resolution
- Creditors receive interim possession
- Creditors appoint Resolution Professional who has Powers and Duties
- Automatic moratorium of 180 days against any debt recovery actions by the creditors
- Exceptional case - further extension period of 90 days
- Resolution Professional will prepare the Resolution plan and approval process
- Simplified Liquidation process
- Distribution of Assets

4.6 EFFECT

Given the limitations within the existing framework, the new code is intended towards presenting a clear and robust framework that supports a systematic process of insolvency. Given the recent passage of the Code in the parliament, the actual impact of the changes will be visible over the course of time. Businesses would take time to assess and understand to put this code in practice.

In the meantime, the Central government will need to focus on building an insolvency ecosystem including:

- Appointing of members of the Board
- Appointing judges for the Adjudication Authority
- Setting up of benches for the Adjudication Authority
- Identifying and licensing insolvency agencies
- Licensing information utilities
- Grandfathering of insolvency professionals to create capacities in the interim period

- Constituting an examination board to conduct exams for the licensing of insolvency professionals.

5.0 PAHAL—PRATYAKSHA HASTAANTARIT LAABH

5.1 DIRECT BENEFIT TRANSFER SCHEME FOR LPG

PAHAL was launched in November 15th, 2014 to enable consumers the opportunity to consume Liquid Petroleum Gas (LPG) at market prices and directly receive subsidies into their bank account. It is now acknowledged in the Guinness Book of World Records for being the largest cash transfer program.

5.2 THE RATIONALE

PAHAL is the final form of the Direct Benefit Transfer Scheme (DBT), which was first introduced by the term of the previous government. However, it was shut down soon due to complications with the Aadhaar system. Following the change in government under the new leadership of Mr Narendra Modi and the BJP party, the scheme was introduced as the PAHAL with slight modifications to its predecessor DBT.
Via PAHAL, consumers gain gas cylinders at affordable, market prices, with subsidies being directly transacted to the person’s bank account. The LPG number can be linked directly to an individuals Aadhaar number or to their bank account.

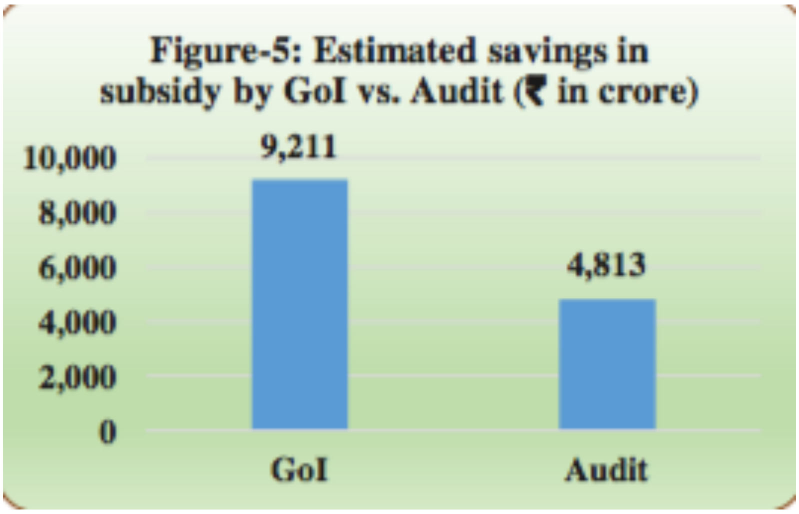
Following a small pilot of 54 districts from November 15,2014, the new government launched PAHAL nationwide on January 1st, 2015. Consumers were given a four months period to join the scheme, and those who registered after the 1st July 2015 would only be able to receive gas cylinders at the market price without the subsidy being deposited in their account.

5.3 EFFECT

As of 19th August, 2016 there are over 15.97 crore beneficiaries of PAHAL provided by 16,781 distributors of the 3 Oil Marketing Companies(OMCs).

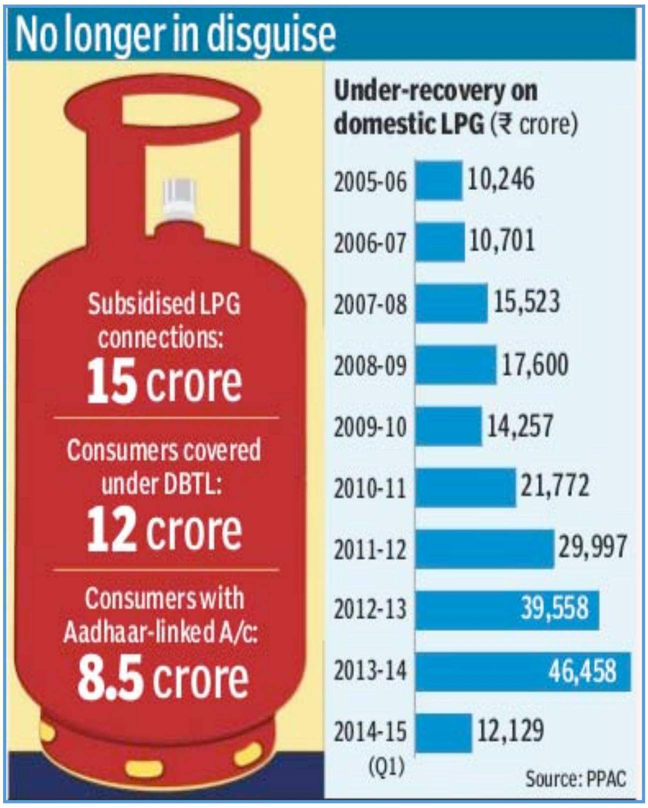
According to the Union Commercial Report, the subsidy burden over the period from April 2015 to December 2015 was lower than that for the comparable period in 2014 by `23,316.21 crore. However, this was a combined effect of decrease in off-take of subsidized cylinders by consumers (`1,763.93 crore) and lower subsidy rates arising from the sharp fall in crude prices (`21,552.28 crore) in 2015-16.

The estimated total savings as a result of this type of benefit transfer differ according to audits and governments due to a difference in the method used to come with up with these values and the assumption of key values such as the annual LPG cylinder consumption.



However, as evident by the diagram, these savings are substantial and in excess of INR 4800 crore.

This audit did uncover several problems with this scheme as it has over 3.34 crore inactive, duplicate or fake connections. The government is in the process of shutting down these connections.



5.3.1 EFFECT TO THE GOVERNMENT AND OMCS

The government has reduced its subsidy burden substantially by cutting out fake or inactive accounts and ghost subsidies.

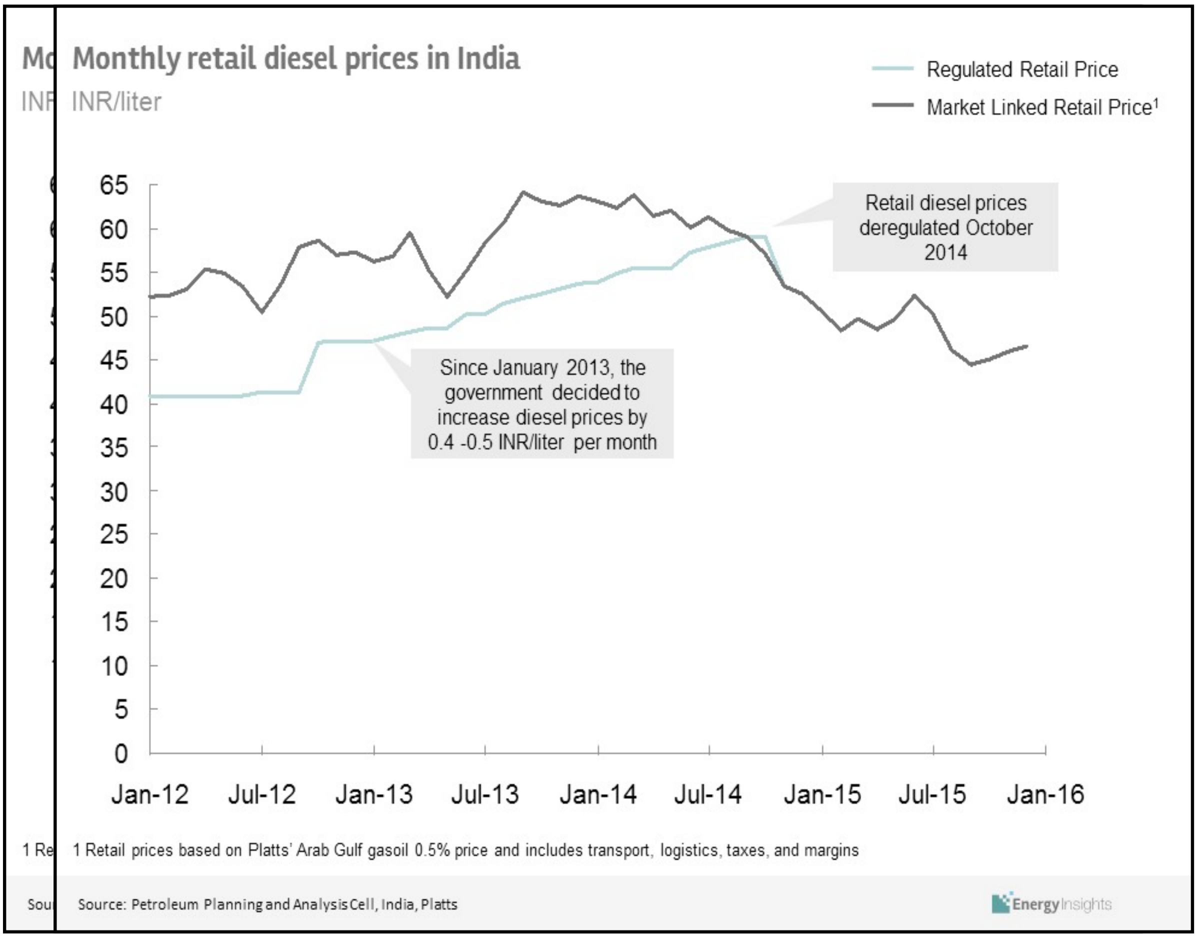
"If we take into account the quota of 12 cylinders per consumer and the average LPG subsidy of Rs 336 per cylinder for the year 2014-15, estimated savings in LPG subsidy due to the blocking of 33.4 million accounts work out to INR 14,672 crore during that year," the oil ministry said in a statement.

OMCs (Oil Marketing Companies) have also been hugely benefitted by PAHAL. It is reported that their losses on LPG sales came down 22 per cent from INR 46,458 crore to INR 36,000 crore in 2014-2015. In the same year, OMCs saved INR 12,700 crore. However, savings dropped to around INR 8500 crore in 2015-2016.

The Chairman and MD of Bharat Petroleum Corporation Limited (BPCL) Mr Varadarajan stated that increased expansion of this scheme to rural india will not only help those in need but will also help OMCs reach a growth rate of approximately 9%.

The market penetration of PAHAL is varied across different states with Gujarat being at the zenith with over 80%, however to increase the market penetration of PAHAL, the government must increase the penetration of Aadhar which is currently at 75%.

But overall, the creation of the PAHAL policy has had a positive impact on the lives of the common man it helps people save on food bills and cylinder prices with a subsidy transacted to their account at the same time.



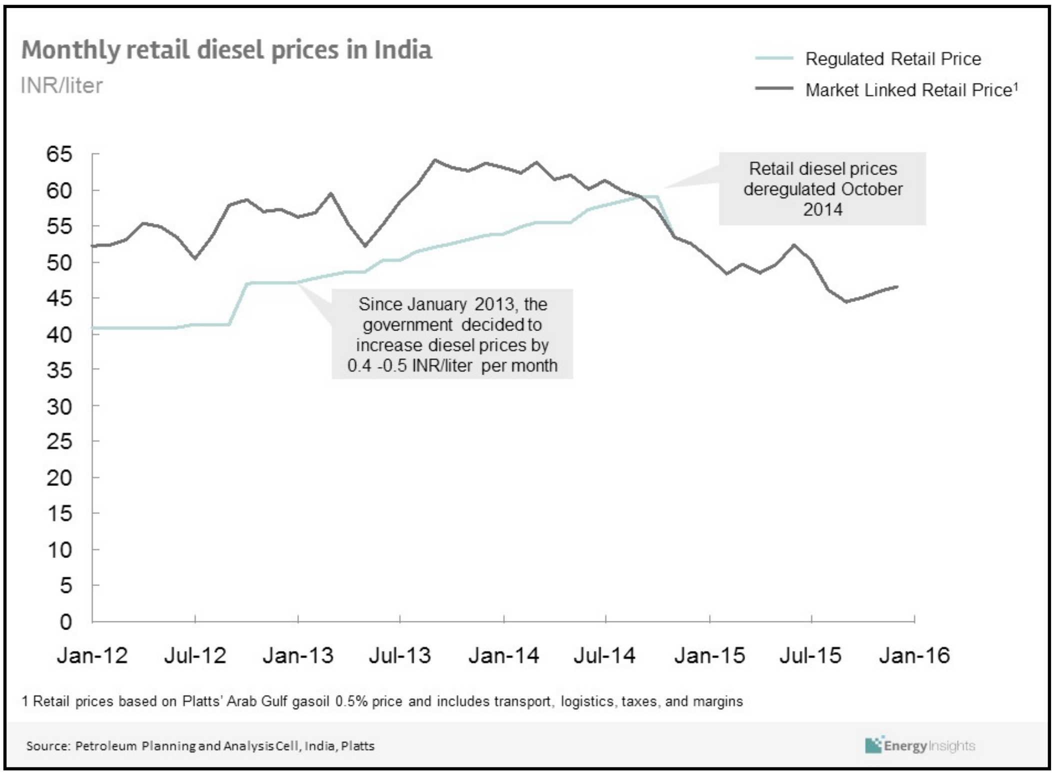
6.0 DIESEL PRICE DEREGULATION

On November 13, 2014 the Indian government announced complete deregulation of the diesel market. This completed a period of reduced government involvement in this market and meant that the prices of diesel were no longer controlled by the government and were dependent on the market forces.

6.1 BACKGROUND

The falling crude oil prices in 2014 allowed the Indian government to become the first Asian country to cut subsidies to the diesel industry by completely deregulating it. However, this deregulation has not lead to a fall in demand and in fact may have benefitted the economy as a whole.

The government of India had slowly being increasing the retail price of diesel for the better part of 2 years. This was a strategy implemented towards freeing up their fiscal budget by deregulation. The way that these increments took place is best shown below.



Graph 1: Monthly Retail Diesel Prices in India: source Energy Insights

6.2 IMPACTS OF THE REFORM

This reform has benefitted not only the Oil Marketing Companies and private refiners, but also the economy as a whole.

6.2.1 PUBLIC SECTOR COMPANIES

Indian Oil Corporation, Bharat Petroleum Corporation Ltd, and Hindustan Petroleum Corporation Ltd, the OMCs (Oil marketing companies) were making huge losses due to the regulated prices. In the past they were required to sell diesel at below market price leading to large under-recoveries (losses). With the deregulation of prices, these subsidy losses have reduced considerably.

TABLE 1: UNDER-RECOVERIES OF OMCs (₹ Billion)				
YEAR	DIESEL	DOMESTIC LPG	PDS KEROSENE	TOTAL
2011-12	811.9	300.0	273.5	1385.4
2012-13	920.6	395.6	294.1	1610.3
2013-14	628.4	464.6	305.7	1398.7

Source: Petroleum Planning and Analysis Cell (PPAC), Ministry of Petroleum & Natural Gas, Government of India

Table 2: Under recoveries of Oil Marketing Companies

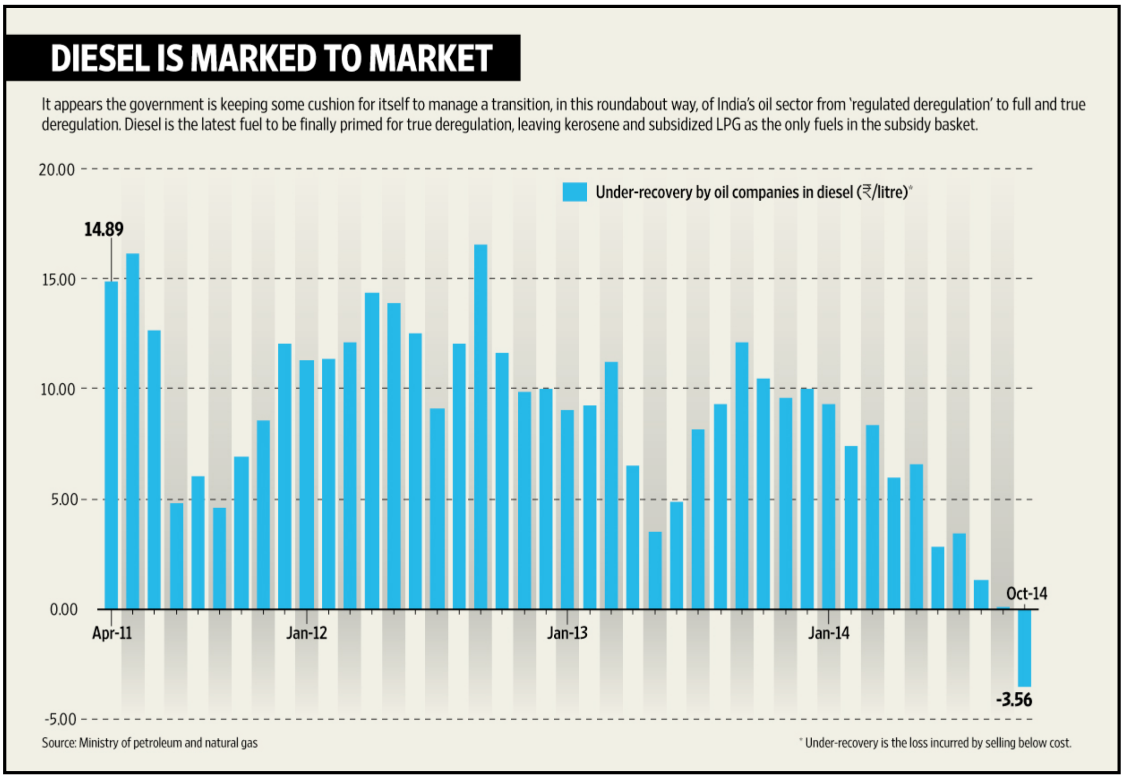


Table 3: Fall in under-recoveries of oil companies - historic numbers

As shown below, ever since the change in the laws of this market, the OMCs have also improved their stock values with all of them performing well above the BSE Sensex of 132.

BETTER TIMES AHEAD

	PAT (₹ crore)			Return on equity (%)			Price (₹)		FY16E
	FY15E	FY16E	FY17E	FY15E	FY16E	FY17E	Current	Target	PE (x)
BPCL	2,340	3,870	4,970	11.6	17.4	19.8	803	833	15.0
HPCL	1,780	2,350	3,120	11.4	13.9	16.7	655	680	9.4
IOC	4,140	7,030	9,810	6.1	9.9	12.8	371	396	12.8

All numbers are standalone E: Estimates Source: Company, HDFC Securities, Bloomberg

Table 4: Improvements in performance of pulic sector OMC's: Source Economic Times

The improved finances can help the OMCs to not only capitalize on marketing economies but also reduce their refining costs. During the 2013-2014, the GRM (Gross Refining Margin) of the OMCs were about $4 less than that of their private sector competitors like Essar Power and Reliance.

With under-recoveries falling from INR 140,000 crore in FY14 to about INR 70,000 crore for FY15, and further to INR 30,000-35,000 crore in FY16, OMCs' working capital and interest costs have also considerably reduced. Overall, this reform has benefitted the public sector oil marketing companies. This also includes oil and gas companies like ONGC, OIL and GAIL who shared the burden of under-recoveries with the government by providing discounts. As a result, they were also not very profitable with the Oil and Natural Gas Corporation Limited (ONGC) parting with 60%+ of its revenue.

6.2.2 PRIVATE SECTOR

The private sector oil companies have also been benefited heavily. Prior to the deregulation, corporations like RIL and EOL were forced to export or sell into the Indian market via OMCs, as the regulated prices did not enable them to make profits. However, due to deregulation, there is now a level playing field and these companies now have access to the market.

Consequently, RIL has planned to open 1400 petrol pumps this year with over 360 already opened in various regions within the country and approximately 90 soon to be opened in Uttar Pradesh. Essar Oil has also opened up 2,100 petrol pumps throughout the country including rural locations with vast majority of these pumps being located in Central and Western India.

As a result of deregulation, these private sector companies are now competing well against the OMCs, with RIL recently posting a GRM of $10.80 dollars and a net profit of INR 7320 crore in the first quarter of 2016.

6.2.3 GOVERNMENT

The government will also be benefited from this change as the deregulation will result in a larger positive fiscal budget as money will be freed up from subsidies. There has been a “reduction in petroleum subsidy” by INR 34,510 crore,” from the previous year, freeing up much needed funds for development in the economy.

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