Europe India Chamber of Commerce

Newsletter

Issue: 112 Volume: 12 **February 2018**

India's Budget 2018-19 projects high growth with fiscal prudence

India's Finance minister Arun Jaitley on 1 February presented the National Democratic Alliance government's fifth and last budget that aims to address issues related to agriculture, job creation and financial sector reforms while maintaining fiscal discipline amidst financial and economic restructuring. Presenting the General Budget 2018-19 in Parliament minister of finance and corporate affairs Arun Jaitley said Indian society, polity and economy had shown remarkable resilience in adjusting with the structural reforms.

He said the Budget projections are largely in tandem with the International Monetary Fund's latest update of its forecast that India will grow at 7.4 per cent next year in the backdrop of services resuming high growth rates of over 8 per cent, exports expected to grow at 15 per cent in 2017-18 and manufacturing back on good growth path.

Jaitley reiterated the NDA government's pledge to give the nation an honest, clean and transparent administration and to build a strong, confident and a New India and said the Narendra Modi-led government has successfully implemented a series of fundamental structural reforms to propel India among the fastest growing economies of the world

Jaitley says the country is firmly on course to achieve over 8 per cent growth in the 2018-19 fiscal with manufacturing, services and exports back on the growth path and a series of structural reforms will propel India among the fastest growing economies of the world.

The Budget projects a 7.2 to 7.5 per cent growth in the country's gross domestic product (GDP) in the second half of the current fiscal and the finance minister says the economy is ''firmly on path to achieve 8 per cent plus growth soon''

The Budget estimates Rs1,38,000 crore expenditure on health, education and social security for the coming fiscal.

Jaitley has set aside Rs1,49,000 crore as capital expenditure for the Railways for the 2018-19 fiscal.

The finance minister also proposed the setting up of a Rs300,000 crore plan for lending to small enterprises and said he will soon announce measures to address bad loans problem of small and medium enterprises.

Besides, the finance minister proposed an increase in lending to agriculture sector to Rs10,00,000-11,00,000 crore as the government shifts focus to strengthening rural, agriculture economy.

With a view to make agricultural activities remunerative, Jaitley proposed an increase in minimum support price of all crops to at least 1.5 times of production cost. Besides, the government will liberalise export of agricultural commodities.

On the lines of the Dairy Infrastructure Fund, Jaitley also announced the setting up of a Fisheries and Aqua culture Infrastructure Development Fund (FAIDF) for fisheries sector and an Animal Husbandry Infrastructure Development Fund (AHIDF) for financing infrastructure requirement of animal husbandry sector with a total corpus of Rs10,000 crore.

Anew scheme `Operation Green' on the lines of `Operation Flood' with an outlay of Rs500 crore has been proposed to address the challenge of price volatility of perishable commodities like tomato, onion and potato with the satisfaction of both the farmers and consumers. He also announced to develop and upgrade existing 22,000 rural haats into Gramin Agricultural Markets (GrAMs) to take care of the interests of more than 86 per cent of small and marginal farmers. These GrAMs, electronically linked to e-NAM and exempted from regulations of APMCs, will provide farmers facility to make direct sale to consumers and bulk purchasers. Moreover, an Agri-Market Infrastructure Fund with a corpus of Rs2,000 crore will be set up for developing and upgrading agricultural marketing infrastructure in the 22,000 Grameen Agricultural Markets (GrAMs) and 585 APMCs.

The budget proposes increased focus on traditional sectors like textiles and leather, including quality upgradation and productivity improvement, in order to both increase employment and economic growth.

To ensure employability of the youth, the budget proposes to give emphasis to skill development through increased use of information and communication technology.

While the Union Budget for fiscal year April-March 2018-19 is a test for the Narendra Modi-led government to maintain fiscal discipline without stifling economic growth, finance minister Arun Jaitly also managed to withstand pressures arising from the upcoming assembly elections to eight state assemblies and the general elections due next year.

Jaitley said the emphasis will be on fiscal prudence and optimum utilisation of resources. Yet, he said, the Budget 2018-19 will provide for stepped-up funding for both existing programmes like MNREGA, rural housing, irrigation projects and crop insurance and new rural schemes.

With budget allocation of Rs48,000 crore for MNGRA, the government will ensure minimum 100 days wages to one member of all rural families, Jaitley said, adding that provision has also been increased for rural health and sanitation programmes as well as drinking water and irrigation programmes.

Finance minister Arun Jaitley's budget for the 2018-19 fiscal year pegs fiscal deficit target at 3.3 per cent of GDP for 2018-19 fiscal against the current year estimates of 3.5 per cen**t.**

Union Budget 2018-19: Key points:

Here are the key pointsof the Union Budget 2018-19 presented in Parliament by finance minister Arun Jaitley.

Focus on agriculture, rural development, health, education, employment, MSME and infrastructure sectors;

Structural reforms to propel economy as the one of the fastest growing economies with over 8 per cent growth;

Manufacturing, services and exports back on good growth path;

MSP for all outstanding kharif crops to be one and half times of their production cost;

Institutional farm credit raised to Rs11,00,000 crore in 2018-19 from Rs8,500,000 crore in 2014-15;

22,000 rural haats to be developed and upgraded into Gramin Agricultural Markets to protect the interests of 86 per cent small and marginal farmers;

''Operation Greens'' launched to address price fluctuations in potato, tomato and onion;

Two new funds of Rs10,000 crore announced for fisheries and animal husbandry sectors; Re-structured National Bamboo Mission gets Rs1,290 crore;

Loans to Women Self Help Groups to increase to Rs75,000 crore in 2019 from Rs42,500 crore last year;

Higher targets for Ujjwala, Saubhagya and Swachh Mission to cater to lower and middle class in providing free LPG connections, electricity and toilets;

Outlay on health, education and social protection raised to Rs1,38,000 crore. Tribal students to get Ekalavya Residential School in each tribal block by 2022. Welfare fund for SCs gets a boost;

World's largest Health Protection Scheme covering over 100 million poor and vulnerable families launched with a family limit up to Rs5 lakh for secondary and tertiary treatment'

Fiscal deficit for 2017-18 pegged at 3.5 per cent, projected at 3.3 per cent for 2018-19;

Rs5,97,000 crore allocation for infrastructure;

Ten prominent sites to be developed as Iconic tourist destinations;

NITI Aayog to initiate a national programme on Artificial Intelligence(AI);

Centres of excellence to be set up on robotics, AI, Internet of things etc;

Divestment crossed target of Rs72,500 crore to reach Rs1,00,000 crore;

Comprehensive Gold Policy on the anvil to develop yellow metal as an asset class;

Farmer Producer Companies with annual turnover up to Rs100 crore to get 100 per cent deduction on profit derived from such activities for five years from 2018-19;

Deduction of 30 per cent on emoluments paid to new employees Under Section 80-JJAA to be relaxed to 150 days for footwear and leather industry, to create more employment;

No adjustment in respect of transactions in immovable property where Circle Rate value does not exceed 5 per cent of consideration;

Concessional rate of 25 per cent for micro, small and medium enterprises with turnover of less than Rs50 crore (in financial year 2015-16), to be extended to companies with turnover up to Rs250 crore in financial year 2016-17;

Standard deduction of Rs40,000 in place of present exemption for transport allowance and reimbursement of miscellaneous medical expenses. To benefit about 25 million salaried employees and pensioners'

Relief to Senior Citizens:

Exemption of interest income on deposits with banks and post offices to be increased from Rs10,000 to Rs50,000;

TDS not required to be deducted under section 194A. Benefit also available for interest from all fixed deposit schemes and recurring deposit schemes;

Hike in deduction limit for health insurance premium and/ or medical expenditure from Rs30,000 to Rs50,000 under section 80D;

Deduction limit for medical expenditure for certain critical illness raised from Rs60,000 (in case of senior citizens) and from Rs80,000 (in case of very senior citizens) to Rs1 lakh for all senior citizens, under section 80DDB;

Proposed to extend Pradhan Mantri Vaya Vandana Yojana up to March 2020;

Current investment limit proposed to be increased to Rs15 lakh from the existing limit of Rs7.5 lakh per senior citizen;

More concessions for International Financial Services Centre (IFSC), to promote trade in stock exchanges located in IFSC;

To control cash economy, payments exceeding Rs10,000 in cash made by trusts and institutions to be disallowed and be subject to tax;

Tax on long term capital gains exceeding Rs1 lakh at the rate of 10 per cent, without allowing any indexation benefit. However, all gains up to 31 January, 2018 will be grandfathered;

Proposal to introduce tax on distributed income by equity oriented mutual funds at the rate of 10 per cent;

Cess on personal income tax and corporation tax proposed to be increased to 4 per cent from present 3 per cent;

Proposal to roll out e-assessment across the country to almost eliminate person to person contact leading to greater efficiency and transparency in direct tax collection; and

Changes in customs duty proposed to to incentivise domestic value addition and Make in India in sectors such as food processing, electronics, auto components, footwear and furniture.

GDP for next fiscal pegged at 7-7.5%

Economic Survey says India to regain world's fastest GDP growth in 2018-19, crude oil prices may be the dampener.

Analysing all facets of development and reform, India's Economic Survey for 2017-18 has pegged the country's growth at 6.75 per cent for the current fiscal and 7 to 7.5 per cent for 2018-19 while cautioning that increase in crude oil prices in international market may dampen the spirit.

"A series of major reforms undertaken over the past year will allow real GDP growth to reach 6.75 per cent this fiscal and will rise to 7 to 7.5 per cent in 2018-19, thereby re-instating India as the world's fastest growing major economy," the Survey said.

The Survey, tabled in parliament by Finance Minister Arun Jaitley on 29 January, also said the reform measures undertaken in 2017-18 can be strengthened further in 2018-19.

It underlined that the economy began to accelerate in the second half of the year and can clock 6.75 per cent growth this fiscal due to the launch of transformational GST reform on July 1, 2017 and resolution of the long-festering Twin Balance Sheet (TBS) problem by sending the major stressed companies for resolution under the new Indian Bankruptcy Code.

It also said implementing a major recapitalisation package to strengthen the public sector banks, further liberalisation of foreign direct investment (FDI) and the export uplift from the global recovery had played a major role in boosting the growth.

"Looking at the achievements of the past year, the launch of the transformational GST was certainly the major one," Chief Economic Advisor Arvind Subramanian, who prepared the Survey, said. "There were bound to be teething challenges with such a major reform and mid course corrections were taken," he said. "If you look at the last four quarters, you will see that manufacturing export growth is about 11.3 per cent, which is very healthy and broadly in line with where the world economy is going," the CEA added.

The Survey numbers boosted the Indian equity indices — Sensex and Nifty — which touched record highs. It pointed out that as per of the quarterly estimates there was a reversal of the declining trend of GDP growth in the second quarter of 2017- 18, led by the industry sector.

It said that India can be rated as among the best performing economies in the world as the average growth during last three years is around 4 percentage points higher than global growth and nearly 3 percentage points higher than that of emerging market and developing economies.

The Survey cautioned some of the factors could have dampening effect on GDP growth in the coming year like the possibility of an increase in crude oil prices in the international market.

Subramanian added: "If oil prices remain at current levels, I think there will be challenges. So I think we need to watch oil prices very carefully.

That's a risk. Also, sharp corrections to elevated stock prices is another risk we should be watchful of." It highlighted that against the emerging macroeconomic concerns, policy vigilance will be necessary, especially if high international oil prices persist or elevated stock prices correct sharply provoking a"sudden stall" in capital flows.

"The agenda for the next year consequently remains full: stabilising GST, completing TBS actions, privatising Air India, and staving off threats to macro-economic stability."

Key points made in the Survey

■ ***GST has increased indirect taxpayer base by more than 50 per cent with 34 lakh businesses coming into the tax net***

■ ***Growth of household savings in financial products like mutual funds registered an increase of more than 400 per cent in 2016-17***

■ ***Inflation measured by the Consumer Price Index under control for the fourth successive year***

■ ***MSME received only 17.4 per cent of the total credit outstanding.***

■ ***Heavy penalties should be imposed for burning agricultural waste, and more incentive for farmers is needed to prevent alarmingly poor air quality in Delhi-NCR and adjoining areas***

■ ***$4.5 trillion worth of investments will be required till 2040 to develop infrastructure***

■ ***Real estate and construction sector will create over 15 million jobs by 2022***

■ ***Student Classroom Ratio and Pupil Teacher Ratio at govt schools have witnessed significant progress.***

■ ***Gender Parity Index also improved at primary and secondary levels, although in higher education, gender disparities remain***

Here's why the Economic Survey turned pink

The colour of this year's Survey cover was chosen pink as a symbol of support for the movement to end violence against women. The Survey cautioned that on several indicators, notably employment, use of reversible contraception, and son preference, India has some distance to traverse despite the country's economic progress.

The economy seems to be picking up quite nicely and robustly

World Bank says India has huge potential, projects 7.3% growth in 2018

With an "ambitious government undertaking comprehensive reforms", India has "enormous growth potential" compared to other emerging economies, the World Bank said, as it projected country's growth rate to 7.3 per cent in 2018 and 7.5 for the next two years.

India, despite initial setbacks from demonetization and Goods and Services Tax (GST), is estimated to have grown at 6.7 per cent+ in 2017, according to the 2018 Global Economics Prospect released by the World Bank.

"In all likelihood India is going to register higher growth rate than other major emerging market economies in the next decade. So, I wouldn't focus on the short-term numbers. I would look at the big picture for India and big picture is telling us that it has enormous potential," Ayhan Kose, Director, Development Prospects Group, World Bank, told PTI in an interview.

He said in comparison with China, which is slowing, the World Bank is expecting India to gradually accelerate.

"The growth numbers of the past three years were very healthy," Kose, author of the report, said.

In 2017, China grew at 6.8 per cent, 0.1 per cent more than that of India, while in 2018, its growth rate is projected at 6.4 per cent. And in the next two years, the country's growth rate will drop marginally to 6.3 and 6.2 per cent, respectively.

To materialise its potential, India, Kose said, needs to take steps to boost investment prospects.

There are measures under way to do in terms of non-performing loans and productivity, he said.

"On the productivity side, India has enormous potential with respect to secondary education completion rate. All in all, improved labor market reforms, education and health reforms as well as relaxing investment bottleneck will help improve India's prospects," Kose said.

Noting that India has a favourable demographic profile, he said it is rarely seen in other economies.

"In that context, improving female labour force participation rate is going to be important. Female labour force participation still remains low relative to other emerging market economies. Bringing force right now idle outside of the productive activities will make a huge difference," he said.

Reducing youth unemployment is critical, and pushing for private investment, where problems are already well-known like bank assets quality issues...If these are done, India can reach its potential easily and exceed, Kose asserted.

"In fact, we expect India to do better than its potential in 2018 and move forward," he said. India's growth potential, he said, would be around 7 per cent for the next 10 years.

The Indian government is "very serious" with GST being a major turning point and banking recapitalisation programme is really important, Kose said.

"The Indian government has already recognise some of these problems and undertaking measures and willing to see the outcomes of these measures," he said.

"India is a very large economy. It has a huge potential. At the same time, it has its own challenges. This government is very much aware of these challenges and is showing just doing its best in terms of dealing with them," the World Bank official said.

The latest World Bank growth estimate for 2017 is 0.5 per cent, less than the previous projection, and 0.2 per cent less in the next two years.

"It is slightly lower than its previous forecast, primarily because India is undertaking major reforms," Kose said.

These reforms, of course, will bring certain policy uncertainty, he said, "but the big issue about India, when you look at India's growth potential and our numbers down the road 2019 and 2020, is that it is going to be the fastest growing large emerging market."

"India has an ambitious government undertaking comprehensive reforms. GST is a major reform to have harmonised taxes, is one nation one market one tax concept. Then, of course, the late 2016 demonetisation reform was there. The government is well aware of these

The latest World Bank growth estimate for 2017 is 0.5 per cent, less than the previous projection, and 0.2 per cent less in the next two years.

"It is slightly lower than its previous forecast, primarily because India is undertaking major reforms," Kose said.

These reforms, of course, will bring certain policy uncertainty, he said, "but the big issue about India, when you look at India's growth potential and our numbers down the road 2019 and 2020, is that it is going to be the fastest growing large emerging market."

"India has an ambitious government undertaking comprehensive reforms. GST is a major reform to have harmonised taxes, is one nation one market one tax concept. Then, of course, the late 2016 demonetisation reform was there. The government is well aware of these short-term implications," Kose said.

He said there might have been some temporary disruptions but "all in all" the Indian economy has done well.

"The potential growth rate of the Indian economy is very healthy to 7 per cent. I think the growth is going to be at a high rate going forward," the World Bank official said.

The big question is whether Indian policymakers would, under the necessary reforms, push its potential growth up, Kose said.

"So far we have seen ambitious policy initiatives and implementation like GST. And we have all the reasons to expect this government to continue economic policies to create friendly environment for businesses and push its growth potential up," he said.

In a South Asia regional press release, the World Bank said India is estimated to grow 6.7 per cent in fiscal year 2017-18, slightly down from the 7.1 per cent of the previous fiscal year.

This is due in part to the effects of the introduction of the Goods and Services Tax, but also to protracted balance sheet weaknesses, including corporate debt burdens and non-performing loans in the banking sector, weighing down private investment, it said.

India's GDP growth pegged lower at 6.5% in 2017-18

The Indian economy is expected to grow at a slower pace of 6.5 per cent in the 2017-18 financial year compared to the 7.1 per cent growth recorded in the 2016-17 fiscal, the first advance estimates of gross domestic product (GDP) released by the Central Statistics Office (CSO) showed.

Real gross domestic product (GDP) of the country at constant (2011-12) prices is likely to reach Rs1,29,85,000 crore in the fiscal year 2017-18, against the provisional estimate of GDP of Rs1,21,90,000 crore for the year 2016-17, released on 31 May 2017.

The growth in GDP during 2017-18 is estimated to be 6.5 per cent compared to the growth rate of 7.1 per cent in 2016-17.

The estimate comes amidst a slowing of revenue growth after the introduction of the Goods and Services Tax in July last year.

Reversing a five-quarter slide in GDP growth, Indian economy bounced back from a three-year low to expand by 6.3 percent in July-September as manufacturing revved up and businesses adjusted to the new GST tax regime.

Reversing a five-quarter slide in GDP growth, Indian economy bounced back from a three-year low of 5.7 per cent in April-June 2017-18 to expand by 6.3 per cent in July-September as manufacturing revved up and businesses adjusted to the new GST tax regime.

Real gross value added (GVA) at basic constant prices (2011-12) is anticipated to increase from Rs1,11,85,000 crore in 2016-17 to Rs1,18,71,000 crore in 2017-18. Anticipated growth of real GVA at basic prices in 2017-18 is 6.1 percent against 6.6 per cent in 2016-17.

The sectors which registered growth rate of over 7.0 per cent included 'public administration, defence and other services', 'trade, hotels, transport, communication and services related to broadcasting', 'electricity, gas, water supply and other utility services' and 'financial, real estate and professional services'. Growth in the 'agriculture, forestry and fishing', 'mining and quarrying', 'manufacturing', and 'construction' is estimated to be 2.1 per cent, 2.9 per cent, 4.6 per cent and 3.6 per cent, respectively.

The estimate has been prepared by extrapolation of estimates of sector-wise indicators like Index of Industrial Production of first 7 months of the financial year, financial performance of listed companies in the private corporate sector available up to quarter ending September 2017, first advance estimates of crop production, accounts of central and state governments, information on indicators like deposits and credits, passenger and freight earnings of railways, passengers and cargo handled by civil aviation, cargo handled at major sea ports, sales of commercial vehicles etc available for first eight months of the financial year.

With the introduction of Goods and Services Tax (GST) from 1 July 2017 and consequent changes in the tax structure, the total tax revenue used for GDP compilation include non-GST revenue and GST revenue. For the year 2017-18, the Budget estimates of tax revenue as provided by Controller General of Accounts (CGA) has been used for estimating taxes on products at current prices.

For compiling taxes on products at constant prices, volume extrapolation is done using volume growth of taxed goods and services and aggregated to get the total volume of taxes. Annual forecast of indicators which are available for first 7/8 months is based on regression using seasonal dummies to account for seasonal fluctuations. Some indicators like IIP has been compiled by dividing the cumulative value for the first 7 months of the current financial year by average of ratio of cumulative value of 7 months to the annual value of past years, CSO said.

India emerges fifth most attractive market for investments globally

India has emerged as the fifth most attractive market for investments and the optimism over global economic growth is at a record level, according to a survey of CEOs by global consultancy by PwC. The findings come on a day when the rich and powerful are meeting in Davos for the start of the annual summit of the World Economic Forum (WEF).

"The US remains the top spot for global investment, while India moves into the top 5," PwC's 21st CEO Survey said, adding that optimism among chief executives in the economic and business environment worldwide is expected to continue at least over the next 12 months.

According to 46 per cent of global CEOs, the US ranks among the three most important countries for growth, followed by China (33 per cent) and Germany (20 per cent) at second and third places, respectively. The UK (15 per cent) stands at the fourth spot.

"India (9 per cent) bumps Japan (8 per cent) as the fifth most attractive market in 2018," it noted. According to PwC India chairman Shymal Mukherjee, backed by definitive structural reforms, the India story has been looking better in the past one year.
The survey found that 53 per cent of North American CEOs were 'very confident' about their own organisation's revenue growth in 2018, while it remained a mixed bag regionally, with a higher number of CEOs from North America, Latin America, Central and Eastern Europe, and Asia-Pacific saying they were 'very confident', and the rest of the world moving in the opposite direction.
The report points out that while the rest of the world is cautiously optimistic, North American CEOs have never been more sure of their companies' near-term prospects.
The survey also assessed the threats CEOs have in relation to their organisation's growth prospects, with over-regulation topping concern globally at 42 per cent, (41 per cent) and cyber threats (40 per cent) moving up even as uncertain economic growth and exchange rate volatility moved down as against last year.

Cabinet approves 100% FDI in single brand retail via automatic route

The cabinet on 10 January approved 100 percent foreign direct investment (FDI) in single-brand retail through the automatic route, a move seen to trigger foreign inflows into India's retail market.

Previously, the government's approval was needed for more than 49 percent FDI in single-brand retail. Welcoming the move, Ajay Dua, former DIPP secretary said, "I would see more inflow of capital into the country. Indian market continues to be attractive for FMCG companies around the world." However, the retired IAS officer said that it will not make a very significant difference as the norms have already been eased, and approvals have been expedited to 90 days."To that extent contribution to making the business easier already done. But, overall this is better," Ajay Dua told CNBC TV18.
Earlier it was reported that the government was considering allowing 100% foreign direct investment (FDI) through automatic route in single brand retail to attract a larger number of global players in the sector. Earlier, Foreign investment beyond 49% needed government's nod and was allowed subject to certain conditions, which require products to be of a 'single brand' only and to be sold under the same brand globally. Sandeep Jain, Executive Director of Monte Carlo Fashions said it will not make difference for the Indian players, as many international brands are already there in India. "It makes the process easier certainly, but the brands which want to be there in India are already there," he told CNBC TV18.

According to the rules, in respect of proposals involving FDI beyond 51%, it is mandatory to source 30% of the value of goods purchased from India, preferably MSMEs. "The move assumes significance as the government wants to provide easy policy for both domestic and foreign investors. Single brand retail trading sector has huge potential to attract FDI," PTI had reported a source as saying.

For the first time in February 2006, the government allowed 51% FDI in the segment. Foreign investments are considered crucial for India, which needs around $1 trillion for overhauling its infrastructure sector such as ports, airports and highways to boost growth, according to a PTI report.

With ease of doing business in mind, govt approves 100% FDI in single brand retail

The government also allowed investment up to 49 per cent under approval mechanism in Air India to facilitate its divestment process

The Union Cabinet approved 100 per cent foreign direct investment (FDI) in single-brand retail and construction through the automatic route. It also allowed investment up to 49 per cent under approval mechanism in Air India to facilitate its divestment process. Besides, the government allowed FPIs and FIIs to invest in power exchanges through primary market. The measures, the government said, were intended to "liberalise and simplify the FDI policy so as to provide ease of doing business in the country".

In case of single brand retail, the current policy allows 49 per cent FDI under the automatic route and up to 100 per cent through the government approval route. "It has been decided to permit single brand retail trading entity to set off its incremental sourcing of goods from India for global operations during initial 5 years, beginning 1st April of the year of the opening of first store against the mandatory sourcing requirement of 30 per cent of purchases from India," a government statement said.

In case of single brand retail, the current policy allows 49 per cent FDI under the automatic route and up to 100 per cent through the government approval route. "It has been decided to permit single brand retail trading entity to set off its incremental sourcing of goods from India for global operations during initial 5 years, beginning 1st April of the year of the opening of first store against the mandatory sourcing requirement of 30 per cent of purchases from India," a government statement said.

In the civil aviation sector, under the current policy, foreign airlines are allowed to invest under government-approval route in the capital of Indian companies operating scheduled and non-scheduled air transport services up to 49 per cent of their paid-up capital. However, this provision was presently not applicable to Air India. This has now been done away with, subject to the conditions that the foreign investment shall not exceed 49 per cent either directly or indirectly. "Substantial ownership and effective control of Air India shall continue to be vested in Indian National," it said.

The government notification also clarified that real estate broking services did not amount to real estate business and was therefore eligible for 100 per cent FDI under automatic route. In case of power exchanges, the extant policy provides for 49 per cent FDI under automatic route for exchanges registered under the Central Electricity Regulatory Commission (Power Market) Regulations, 2010. However, FII/FPI purchases were restricted to secondary market only. This has now been changed and this provision has been done away with, thereby allowing FIIs/FPIs to invest in power exchanges through primary market as well.

Full list of amendments in the FDI policy

* 100 per cent FDI under automatic route for Single Brand Retail Trading (SBRT): Government approval is no longer required for FDI in SBRT. The policy had previously allowed only 49 per cent FDI under automatic route, while FDI between 49-100 per cent mandated government approval.

* 100 per cent FDI under automatic route in Construction Development: Real-estate broking service does not fall under the ambit of real estate business and is now eligible for 100 per cent FDI under automatic route.

* Foreign airlines allowed to invest up to 49 per cent under approval route in Air India: Foreign airlines were previously allowed to invest capital under Government approval route in Indian airline companies, excluding Air India. Now, foreign companies can invest up to 49 per cent under approval route in Air India as long as it does not exceed 49 per cent directly or indirectly. Also, substantial ownership and effective control of the company will remain vested in India national.

* IIs/FPIs allowed to invest in Power Exchanges through primary market: Previously, the policy allowed 49 per cent FDI under automatic route in Power Exchanges. FIIs/FPIs are now allowed to invest in Power Exchanges through the primary market as well.

* Definition of 'medical devices' amended in the FDI Policy: The definition of 'medical devices' has been amended in the FDI policy on pharmaceuticals.

Ruchir Sharma On India's 3 Big Economic Concerns For 2018

More than one wise man has cautioned that making predictions is difficult, especially about the future. Still, it is that time of the year when I give it a shot, keeping in mind some basic principles of forecasting. For one, whenever we are most certain any trend is going to last, that is exactly when it is most likely to shift. Linear thinking is the bane of forecasting. Similarly, it is always a mistake to imagine that one factor (even one as big as Donald Trump) will shape events, or to let ideological views shape your forecasts.

I can't seem to internalise these lessons deeply enough. When I review the top 10 trends I presented last year, the misses show that I violated some of my own basic forecasting principles. Like many others, I was struck by the mania around Trump and thought the new US President would have an important impact. But Trump was not able to get much done and mattered a lot less than expected, at least on economic issues.

On the flip side, some of my more accurate predictions relied on filtering out political noise and not getting caught up by single-factor thinking. So many commentators missed seeing the turnaround in Europe's economic fortunes because they were too focused on the rise of right-wing nationalists. Such fears turned out to be overblown and other factors, from a healthier banking sector to just pent-up demand after a long downturn, helped Europe stage a sharp economic rebound.

As in life, when it comes to forecasting, there are no certainties, only probabilities. So with that lesson in mind, here are ten of the most important trends that I think have a high probability of playing out in 2018:

1). Global Growth Will Peak

It's been a good run for the world economy. Global economic growth accelerated to 3.3 per cent in 2017, which was the best year for the global economy since the global financial crisis of 2008, with low inflation underpinning rapid growth and few economies suffering a recession. This coming year may be just as good, but it may also represent a peak as global economy hits its natural speed limits.

Between 1950 and 2008, global growth averaged nearly 4 per cent a year, more than twice as fast over the previous 50 years, and many times faster than any extended period going back centuries. This

economic boom was driven, however, largely by a population boom -- a surge in the number of new workers entering the workforce -- which is now over.

Post-war growth in the working age population peaked at 2.3 per cent between the 1970s and 2008, but has plummeted to one per cent now, and it is expected to continue falling as women have fewer and fewer children worldwide. There are now nearly 40 major countries that are suffering negative growth in their working age population, and the effects of this baby bust are inexorable. Fewer workers, less growth.

If there is an upside to this in the short term, it is that fewer workers also means less unemployment. The average unemployment rate for the major developed economies has fallen from around 9 per cent in 2008 to 5.5 per cent, nearing the lowest level since the records begin roughly 40 years ago. Unfortunately, one of the few countries that has not joined the employment boom is India, thanks in part to its labour policies.

2) Boom Shaka Laka in Europe

One of the biggest surprises of 2017 was the recovery in Europe and it is likely to continue this year. Most economists expected Europe to sputter along at a 1 per cent pace, instead it is expected to clock in at 2.3 per cent for the full year. Business confidence is at a high for this decade and economic growth in the current quarter may come in close to 3 per cent.

The right-wing, anti-Europe nationalists who were expected to rise at the polls instead faltered across the continent. Far from turning to nationalism and away from union, polls show that a growing share of the people in every major country -- except Italy -- has a favourable view of the European Union.

Moreover, while most of Europe has seen a fall in unemployment, there is still labour market slack in many major economies -- which means there is room to grow. One of the key drivers now is the banking system -- which even Italy cured of bad loans after the Eurozone crisis. Banks are in good shape, ready to lend. This is the lesson for Indian policy-makers as well: for the economy to grow rapidly, the banking sector needs to be fixed first.

3) Good Economics May Not Be Good Politics.

Many politicians have assumed that "it's the economy, stupid," but this no longer applies in many countries. Around the world, economies are reviving, the stock markets are rising, but approval ratings for politicians are falling. My team tracks approval ratings in some 20 major economies, and the median approval rating across all countries is near an all-time low since our data begins about a decade ago. In addition, political honeymoons have been growing shorter and shorter -- meaning the high approval many leaders enjoy upon winning an election decay into disapproval faster and faster.

While this is a recent phenomenon in many parts of the developed world, in India the norm has long been to just throw-the-bums-out. My study of some 188 elections covering both national and state elections in the 20 largest states going back to 1980 shows that on average, the incumbent party loses 66 per cent of the time. The startling part is that even if the state shows improved economic growth in the full term of the incumbent, the government still loses 61 per cent of the time. If growth tops the miracle rate of 8 per cent, the incumbent also loses 50 per cent of the time. High economic growth is simply not enough to win elections in India.

4) The Everything Bubble

Bubbles are hardly unusual. They have a centuries-long history of hitting markets from tulips to stocks, bonds, housing and many other assets. What is really unusual about the current global bubble is that it is hitting everything at once -- from stocks to art, fine wine and bitcoin. Driven by record low interest rates and a surge of global liquidity, my composite index of stock, bond and housing valuations is at a record high, higher than 2000 or 2007.

The result is that while the total worldwide value of stocks and bonds was about equal to the size of the global economy in 1980, it is now 3.5 times higher. Traditionally, economists have seen markets as a reflection of underlying economic trends, but now they are large enough to dictate those trends. The tail could wag the dog: a disruption in markets could come back to bite the real economy. As the market goes up, people feel richer and save less, which means they are not as well-prepared for a market-induced economic shock if it comes.

Bubbles also seem to be forming quicker than they did in the past. In 2010, a man paid 10,000 bitcoins to buy two pizzas, now those same bitcoins are worth roughly $150 million, an extraordinarily rapid appreciation. And all of this has been driven by central bankers, who by some measures have never before kept interest rates so low for such an extended period. With so much easy money sloshing around, it can drive up prices with unusual speed.

5) Peak Calm in the Stock Markets

In fact, central bank policies have convinced many investors that nothing can go wrong, all but ending the volatility and frequent corrections that normally roil markets. In the US, the average market correction in any given year is just over 10 per cent; in 2017, the biggest correction was a mere 3 per cent. In India, the average correction has been 18 per cent; in 2017, the biggest was 4 per cent. The problem with this record calm is that it goes against the volatile nature of capitalism and markets, and is thus not likely to last. Interest rates are beginning to rise, which could undermine investors' current impulse to buy immediately on every dip, and thus bring back volatility.

6) Tech: As Good As It Gets

Tech now rules the world to an unnatural degree. Seven of the 10 biggest companies in the world by market cap are in technology including all of the top five, led by Apple, now worth nearly a trillion dollars. Together, the five leaders are worth $3.5 trillion, or considerably more than the entire stock market in India. China is similarly top-heavy with tech, as both Tencent and Alibaba hover around half a trillion in value. This degree of concentration is a concern, because markets this skewed toward one sector tend not to stay that way indefinitely. A rebalancing is in order.

7) Big Dominates Like Never Before

It's not only tech, where size now matters like never before. Big firms are more dominant in many sectors. The percentage of market sectors in which the top three firms' expanded market share has risen in Europe and the US from 40 per cent between 2001 and 2007 to 65 per cent between 2007 and 2016. These are part of the superstar economies in which the bigger you are, the better your odds of getting bigger still.

India shows a very similar tendency: the market share of the top three firms runs as high as 84 per cent in toothpaste, 82 per cent in shampoo, 75 per cent in biscuits and 72 per cent in cars. The risk for the giants is that the sheer size and power will provoke a backlash, and more efforts to break up monopolies and oligopolies. Indeed this move is already beginning, particularly against the tech giants.

8) India's Three Concerns

India's economy has been looking more and more stable in recent years, but there are signs now that the improvements are done and the backsliding has begun, particularly on three key fundamentals.

The current account deficit, which includes trade flows, had fallen from 5 per cent of GDP in 2013 to 1 per cent last year, when it started rising again -- owing in part to high oil prices and weak Indian exports.

The government budget deficit fell from 5 per cent in 2013 to 3.5 per cent last year, but it is now set to rise in this election year as politicians succumb to pressure to ramp up farm loan waivers and other giveaways.

Inflation came down from a high of 10 per cent in 2013 to just 2 per cent last year, but it is picking up now as well. Moreover, while the improvement largely reflected the global decline in inflation, of late, inflation is picking up faster in India than in other countries, a worrying sign.

These three concerns do not suggest India is heading in to trouble, but simply that the best is behind us when it comes to some key macroeconomic fundamentals.

9) Indian Companies Best in Class

Looking at companies worth at least a billion dollars, India's collection is unsurpassed for excellence anywhere in the world. India not only has an unusually high number this size -- 289. They are unusually deep in high performers: 21 per cent have recorded average earnings growth over 15 per cent for the last five years and also had a similar return on equity during that period. The comparable share in China is just 11 per cent, in the UK and Brazil it is 9 per cent, and in the United States just 8 per cent. Put another way, 51 per cent of India's billion dollar companies have doubled in value over the last five years, compared to 51 per cent in China, 33 per cent in the UK, 19 per cent in Brazil and 8 per cent in the United States. This is why many experienced investors in India ignore all the noise around the country's tumultuous politics and focus on finding the best of the sterling corporate class

10) Peak Distraction

It's no secret we are all increasingly distracted by that sleek smartphone in our pocket. Between 2012 and 2016, the average number of hours the typical Indian smartphone owner spent on his or her device rose from 2 to 4 -- the second-highest for any major country in the world. Only in Brazil did the number rise even higher, from 2 to 4.5. In the United States, the number rose from 1.5 to 2.4.

While there are many benefits to having a smartphone, this is a classic case of a strength taken too far becoming a weakness. Social research increasingly confirms what we all know intuitively, or by bitter experience at the dinner table: smart phones can harm relationships. A few studies suggest that the presence of a smart phone, even if it is not being used, can undermine the quality of a relationship.

Economists too are studying smart phone distractions, and some now believe that they are a hidden reason for weak productivity growth worldwide. Tech is supposed to make us more productive; instead, smartphones may in many cases be proving counterproductive. One recent report suggests the average person looks at a smartphone 80 times a day.

The good news is that the early signs of a backlash seem to be brewing. Even tech columnists are writing about strategies for attacking smartphone addiction, and books on Buddhism as a non-digital option are making their way to the top of best-seller lists. Digital detox may become the new Yoga, which will make at least a subset of our contact list significantly less annoying, and more engaged.

(Ruchir Sharma is an author and global investor. The opinions expressed within this article are the personal opinions of the author. The facts and opinions appearing in the article do not reflect the views of NDTV and NDTV does not assume any responsibility or liability for the same. Published in ND TV on 7 January)

India Inc made merger and acquisition deals worth over $60 bn in 2017

India Inc is looking at a huge M&A tally of over $60 billion (about Rs 4 lakh crore) for 2017, helped by some marquee domestic deals and rich valuations for various private equity investments.

The need to consolidate in the wake of financial stress, as also for cashing out from valuable businesses to meet debt obligations, will continue to give a further boost to the deal-making activities, experts feel.

Experts believe the new year also looks promising in terms of deals as political stability is in place, economic reforms are on a fast track and broader macro factors are also looking positive, though some pressure may come from stretched valuations and high capital market benchmarks.

According to global consultancy giant Grant Thornton, the overall deal activity -- including both M&As (mergers and acquisitions) and PE (private equity) -- has been about $59 billion in the January-November period of 2017, a 9 per cent rise from the last year.

The final tally for the year may cross $60 billion.

"Valuations expectations, lack of understanding of regulatory process resulted in decline of the deal volumes and values in 2017," according to deal-tracking firm Mergermarket India.

It, however, noted that M&As may see a slower pace in 2018, with 2019 being the election year and the growth still looking tepid on the economic front.

According to Amit Khandelwal, Managing Partner, Transactions Advisory Services at EY, the domestic deal activity is expected to dominate the overall M&A landscape going forward, on account of the ongoing consolidation wave across sectors and the resolution of insolvency cases.

In addition, digital disruption and sector convergence will likely support the deal momentum as businesses look to acquire capabilities to gain a competitive edge, Khandelwal said.

Experts believe, start-ups, banking and insurance, e- commerce, manufacturing, pharma, healthcare and biotech will be the key sectors in terms of deal action.

"We consider that manufacturing, pharmaceuticals, healthcare and life sciences, financial services, insurance, renewables, telecom and fintech will attract significant interest," Aakash Choubey, Partner, Khaitan & Co said, adding several deals will be done out of distressed assets.

EY's Khandelwal also believes that "with the IBC (Insolvency and Bankruptcy Code) taking effect in 2017, 2018 is expected to see domestic deals emerging from restructuring activities and distressed asset sale.

On the cross-border front, outbound activity is expected to remain "sub-par", except in sectors such as pharma and technology where Indian players keep looking for additional resources and leading-edge technologies," he said, while adding that inbound activity can see some traction as global players are trying to expand their presence in India.

Choubey further noted that changes in regulatory landscape (demonetisation in November 2016, followed by implementation of the Goods and Services Tax, coming into effect of the General Anti-Avoidance Rules (GAAR) from 1 April 2016, and rigorous implementation of the Insolvency and Bankruptcy Code 2016) had temporarily halted a lot of M&As that would have been undertaken in the due course in 2017.

Vodafone India and Idea Cellular merger to create the country's largest telecom operator worth of more than $23 billion with a 35 per cent market share, was the top M&A deal of this year.

Other major M&As of the year included IndusInd Bank's acquisition of country's leading microfinance player Bharat Financial Inclusion Ltd (BFIL); ONGC's acquisition of Gujarat State Petroleum Corp's (GSPC) entire 80 per cent stake in a Krishna Godavari (KG) basin gas block in the eastern offshore for Rs 7,738 crore among others.

For private equity investments in India, 2017 has emerged as the best year so far. The momentum could be largely attributed to increased attention from sovereign wealth funds (SWFs), pension funds and family offices which were at the frontline of the PE activity, said Sanjeev Krishan, Leader (Private Equity and Deals) at PwC India.

Sectorwise, the technology sector (including e-commerce) retained its dominant position with $11 billion invested across 346 deals, accounting for 45 per cent of the investment value this year; the sector witnessed three of the largest deals this year with Softbank and Tencent being at the forefront.

Technology was followed by the financial services sector with $5.2 billion invested across 74 deals.

This was partly owed a continued interest in Non-Banking Financial Companies/ Micro Finance Institutions in addition to announcement of Axis Bank's USD 1 billion capital mop-up from Bain, which would be the largest PE deal in banking sector.

"The pipeline for reforms in the run up to elections in the various states and the Government's persistent effort to attract foreign capital in core sectors is expected to keep the deal activity high in the coming months," Prashant Mehra, Partner, Grant Thornton India LLP said.

Proposed US Bill On H-1B Visa Has "Onerous" Conditions: Industry Body

Nasscom said it has flagged its concerns around visa related issues in the US with the senators, Congressmen and the administration, and will engage further in a dialogue over the next few weeks over the proposed legislation.

The proposed US Bill -- Protect and Grow American Jobs -- is riddled with "onerous conditions" and places "unprecedented obligations" on both Indian IT companies and clients using H-1B visas, software body Nasscom has cautioned.

Nasscom said it has flagged its concerns around visa related issues in the US with the senators, Congressmen and the administration, and will engage further in a dialogue over the next few weeks over the proposed legislation.

The bill proposes new restrictions to prevent abuse and misuse of H-1B visas. It tightens the definition of visa dependent companies, and imposes fresh restrictions in terms of minimum salary and movement of talent.

Apart from prescribing higher minimum wages, the bill places the onus on clients that they will certify that the visa holder is not displacing an existing employee for a tenure of 5-6 years.

"That formulation has conditions which are extremely onerous and makes it very difficult for people to not just get the visa but also on how they can be used," R Chandrashekhar, President, National Association for Software and Services Companies (Nasscom) told PTI.

The bill has been passed by the House Judiciary Committee and is now headed for the US senate.

"We do not know the exact timeline but we have been told it will come up early 2018," he said.

Mr Chandrashekhar said another "extreme concern" is that "in the name of protecting American jobs, this has been applied only to the so called visa-dependent companies that translate to Indian companies".

"There is no doubt we have been seeing an increasingly negative environment and this is a part of the protectionist, anti-globalisation trend," he said referring to a slew of measures taken by the US in the recent past, including increased visa scrutiny, premium visa processing being put on hold for a few months etc.

Mr Chandrashekhar also pointed out that the use of visas by Indian IT firms has fallen by 50 per cent in the last two years and that the number now stands below 10,000.

"It is below 10,000, which is a minuscule fraction of 85,000 visas (H-1B visas) issued every year... how such onerous restrictions on 12-15 per cent of the visas that are being issued protect American workers, certainly defies logic," he said.

Mr Chandrashekhar explained that the Bill proposes to raise the minimum wage substantially to about USD 100,000 if the company has to be exempted from the labour certification requirements.

Also, the client deploying the H-1B visa worker will have to certify that no American worker will be displaced for the 5-6 year period.

Further, the software services provider will have to notify the US authorities if the client has displaced a worker, an obligation that is unprecedented, he said.

Mr Chandrashekhar added that many of these changes were "emotive and political" rather than being based on "economic arguments".

He said that Nasscom has shared its concerns with both Indian and the US governments.

"...We will probably be having further interaction in next few months. In next couple of months, we expect to have interactions once again with the US authorities," he added.

(Appeared on NDTV on 2 January 2018)

Move on H-1B harmful for US too: Nasscom

The administration's proposal to not extend H-1B visas+ of those waiting for their (permanent residency), if accepted, will have major ramifications for Indian IT professionals, IT industry body said. US competitiveness will also be seriously affected, Nasscom added.

Any such change in regulations will create a sudden reduction of skilled professionals in the US. For all the rhetoric of hiring locally, is seen to be severely short of STEM (science, technology, engineering and mathematics) skills, making it imperative for MNCs to send thousands of skilled workers on H-1B visas to the US.

"The US has a big skill gap. Out of the 2 million vacant STEM jobs, 1 million are in IT related areas. All these measures, mostly political and emotive, aren't changing the skills gap and will hurt the American economy. All these factors have to be kept in mind by the US administration," said Nasscom president R Chandrasekhar.

Stephen Yale-Loehr, professor of immigration law practice at Cornell Law School, said that if the administration goes forward with the changes, companies and H-1B workers can sue to stop the changes. Among other things, they will argue that only the US Congress can make such a drastic change. They can also say that it is unfair to change the rules mid-stream, while H-1B workers have been waiting patiently in line for years to get a green card, said.

It will be several months before any change actually takes place, if at all.

"If the administration goes forward, they would first need to publish the proposed changes in a publication called the Federal Register. Then they would need to wait a month or longer to accept comments from the public about the proposed change. Then they would need to read and evaluate the comments before they could publish afinal rule," Yale-Loehr said. So the whole process would take several months.

BUSINESS INTEREST

THIS INFORMATION EICC IS PUTTING UP IN ITS NEWSLETTER FOR THOSE READERS WHO WOULD BE INTERESTED IN THE TENDER FLOATED BY INLAND WATERWAYS AUTHORITY OF INDIA ON SUPPLY OF DREDGERS – IWAI TENDER.

EICC PLANS TO REGULARLY PUBLISH SUCH TENDERS IN ITS NEWSLETTER FOR THE BENEFIT OF READERS. EICC CHAIRMAN HAS AGREED TO PROVIDE US THE INFO.

From: Shikha Sharma <shika.sharma@gov.in>
Date: 30 January 2018 at 7:01:28 am GMT
To: <asad.wasi@gov.in>
Subject: Supply of Dredgers - IWAI Tender

India Maritime*plus*

(Investment Facilitation Cell)

Dear Sir/Madam,

We have pleasure in bringing to your notice information about tender floated by **Inland Waterways Authority of India.**

For further details, please visit the website mentioned in the notices below:

	Inland Waterways Authority of India
1	**Inland Waterways Authority of India** invites E-Tender for Design, Construction and Supply of two Self Propelled Cutter Suction Dredgers for NW-2 Other details including Tender documents and corrigenda can be downloaded from website http://iwai.nic.in. Last date for bid submission is 26.02.2018 up to 03.00 pm.

Regards,

India Maritime*plus*

c/o Indian Ports Association

New Delhi

Tel: 011-24365625

Website: www.maritimeinvest.in