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WEEKLY ECONOMIC BULLETIN

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Narendra Modi targets 100 smart villages by end of 2016

After the smart cities mission, Prime Minister Narendra Modi on Sunday launched the Shyama Prasad Mukherji Rurban Mission (SPMRM) aimed at making villages smart and growth centres of the nation.

"Today, the rurban mission is being initiated. Some people say if there can be a smart city, then why not a smart village? This mission is towards making villages smart. Rurban is when the city meets the village. Development should be such which has the soul of the village, but the facilities of an urban city," Modi said while launching the scheme in Rajnandgaon, Chhattisgarh.

From now, can we start to identify gram panchayats that are growing at a fast pace and develop them through a cluster approach? We hope to build 100 of these this year itself," he said.

He said four such clusters will be developed in Chhattisgarh.

The SPMRM is an ambitious attempt to transform rural areas into "economically, socially and physically sustainable spaces", or smart villages "which would trigger overall development in the region", according to the rural development ministry.

The cabinet had in September approved the project with an outlay of Rs.5,142.08 crore. The scheme was announced by finance minister Arun Jaitley while presenting the government's first budget in 2014.

The mission aims to create 300 such rurban growth clusters over the next three years.

The funding for rurban clusters will be through various schemes. The SPMRM will provide additional funding of up to 30% of the project cost per cluster as critical gap funding (CGF) as part of the central share.

According to Census 2011 data, 69% of India's population, or around 833 million people, lived in rural areas, against 31%, or 377.1 million people, in urban areas. It is projected that the latter figure will jump to 50% by 2050.

"It is true that people are moving from our villages with great speed. They want a certain quality of life—good education, healthcare, electricity, Internet and entertainment options. The governments of the time didn't think about how these people will settle in the city and how basic necessities will be provided. With this mission, this government has thought of a way to tackle that," Modi said.

Through the development of rurban growth clusters, the scheme aims to catalyse the overall regional growth, which would benefit both rural and urban areas of the country, by strengthening rural areas and "de-burdening" urban areas hence leading to balanced regional development and national growth, the rural development ministry says on its website.

Census 2011 data shows the inequalities in basic amenities between rural and urban India. While 93% of urban households have electricity, only 55% of rural households have it. While 71% of urban households have access to piped water connections, the figure is only 35% for rural households. Only 31% of rural households have access to toilets, while 81% of urban households have latrines.

The smart villages would be well-delineated areas with a layout prepared following the planning norms that would be duly notified by the states and Union territories. The villages "will be geographically contiguous gram panchayats with a population of about 25,000-50,000 in plain and coastal areas and 5,000-15,000 in desert, hilly or tribal areas. There would be a separate approach for selection of clusters in tribal and non-tribal districts," the rural development ministry said in a note on its website.

For the selection of clusters, the ministry is looking at factors like demography, economy, tourism, pilgrimage significance and transportation corridor impact.

To ensure a standard of development, 14 components have been included in a list of parameters: skill development training linked to economic activities, agro-processing, storage and warehousing, digital literacy, sanitation, provision of piped water supply, solid and liquid waste management, village streets and drains, streetlights, fully equipped mobile health units, upgrading school infrastructure, village road connectivity, electronic delivery of citizen centric services, public transport and LPG gas connections.

"India cannot be run on 50 big cities. If we have to provide employment and economic growth, we need to take this to our villages. Not just the gram panchayat, but the villages close by will also develop," Modi said.

However, experts say the mission is an old promise and funding will be key. "This is old wine in a new bottle. As a concept, this has been there for 70 years at least. Development of infrastructure, employment have been made earlier also. It depends on how much money they are willing to put in its implementation and monitoring. Funding will be a constraint," said N.C. Saxena, former secretary in the rural development ministry.

Modi said that the government is taking a new direction of development outside of Delhi and bringing it to the doorstep of villages and tribal communities.

"This government is for the poor, Dalits, adivasis, oppressed and deprived sections of society. It is for the person standing in the last row," Modi said.

Source: Livemint

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India eases customs rules for local arms of multinationals

India has simplified rules governing pricing of imports by related parties including Indian arms of import-dependent multinationals such as Swarovski, Apple, BMW, Audi, and Bausch & Lomb, a move that is expected to significantly improve ease of doing business for such entities.

The government has revamped decade and-half-old customs rules and done away with a requirement that made deposit of extra duty on imported goods by such entities mandatory.

The new simplified mechanism has been prescribed to clear up past pendency at special valuation branches (SVBs) of customs. "In order to facilitate quick disposal of cases currently pending with SVBs for renewal, a system of one-time declaration is being provided," said a directive to field formations issued by the Central Board of Excise and Customs.

Typically, transactions between related parties such as subsidiaries of foreign firms do not follow usual business dynamics in terms of pricing.

Tax laws mandate that transactions between related parties should be carried out on arms-length basis akin to its dealing with any other entity. Under income tax law, these transactions are governed by transfer pricing rules. The customs has a special arm to deal with such issues, and special valuation branches located at customs house in four metros carry out valuation of imported goods.

Relationship between the importer and the exporter and its influence on the invoice value of an imported good, terms and conditions of joint venture agreements, and technical arrangements are examined closely at SVB to ensure that the country gets due revenue. The instruction issued in 2001served as the manual for special valuation branch. As per that instruction, an order issued by SVB is valid for three years after which a reassessment is carried out. This has led to long delays of as much as three years in some instances. Importers are allowed to carry out imports pending SVB decision while making a payment of extra duty deposit. Though this duty, which can in cases go up to as much as 5%, is refundable but manual processes and long pendency have made it very difficult for importers.

Now, requirement of this deposit has been done away with except in cases where the importer fails to furnish requisite information or documents within 60 days of requisition, in which case 5% security deposit shall be imposed strictly only for a period not exceeding three months.

The importer can choose to provide the security deposit either in cash or through a bank guarantee. But, imports of prototypes, exempt goods, or goods valuing less than .`1 lakh, cumulatively not exceeding .`25 lakh in any financial year cannot be taken up for investigation. The government has also discontinued renewal of SVB orders. In case of change in circumstances or terms and conditions of the agreement, the importer shall declare the same at the place of import, the CBEC directive said.

Legal advisory firm Dhruva Advisors said the removal of extra duty deposit would help reduce working capital requirement for importers. "The new procedure for SVB valuation shows the government's commitment in fulfilling its promise of 'ease of doing business' in India," it said in a note.

Source: The Economic Times

World Bank arm IFC eyes Rs 170-crore investment in Lenskart

World Bank arm International Finance Corporation (IFC) is looking to invest up to $25 million or Rs 170 crore in online eyewear retailer Lenskart Solutions according to a disclosure on the firm's website, as it aims to broaden its etailing portfolio.

The potential transaction is part of the new capital raise by the Delhi-based company, which is pegged at $50 million or Rs 340 crore.

IFC, which plans to pick up a minority stake in Lenskart, has also recently invested a similar amount in online grocery retailer BigBasket.

Lenskart is currently in talks with other new investors for the round, valuation for which could not be immediately ascertained.

The company raised Rs 60 crore from existing investor, private equity firm TPG Growth, in November 2015 in a deal which valued the Delhi-based company at Rs 1,000 crore, according to filings with Registrar of Companies (RoC).

Calls made and messages sent to Lenskart cofounder and CEO Peyush Bansal remained unanswered at the time of filing this article. Lenksart's other founders include Amit Chaudhary, Neha Bansal and Sumeet Kapahi. In December 2014, Lenskart was valued at about Rs 634 crore when it raised Rs 135 crore from TPG Growth and TR Capital.

Lenskart, which is also backed by IDG Ventures India, is betting big on its franchisee stores strategy. It plans to open 1,000 brick-and-mortar shops through the franchise model, Bansal told ET last week. It currently has 90 franchisees in over 50 cities.

Source: The Economic Times

Swedish fashion retailer H&M set to open 3rd store in Gurgaon

Swedish international retailer H&M (Hennes & Mauritz AB) will open doors to its third store in Delhi-NCR at Ambience Mall, Gurgaon on March 19, the company said in a statement.

Spread over 31,000 sq.ft, the new store will continue to feature H&M's Garment Collecting initiative, where customers can donate their used clothes and get a discount voucher to use for their next purchase at H&M.

According to the company those shopping on the opening day can expect exciting H&M offers.

The retailer which opened its first store in New Delhi's Select CityWalk Mall last year, had previously said it plans to open 50 single-brand retail stores in India through a foreign direct investment route with a total investment of $115-million. H&M currently operates around 3,900 stores across 59 countries.

This year, H&M plans to open stores in Bengaluru, Mohali, Noida and Mumbai.

Source: The Economic Times

Rajesh Exports bags Rs 840 crore export order from UAE Jewellers

Rajesh Exports said it has won Rs 840-crore export order from the UAE. In a BSE filing, Rajesh Exports said it "has bagged an export order worth Rs 840 crore of designer range of gold and diamond-studded jewellery and medallions from the UAE".

The company said this order will be executed from its manufacturing facility in Bangalore and is to be completed by April 30.

The stock of Rajesh Exports was trading at Rs 724.20, down 0.30 per cent, from its previous close on BSE.

Source: PTI

Rs.1.2 lakh crore electronics manufacturing proposals got: Prasad

The government has received proposals worth Rs.120,294 crore for electronics manufacturing in India till date, Communications Minister Ravi Shankar Prasad said here on Tuesday.

"When this government came to power in June 2014, the proposals in electronics manufacturing were worth only Rs.11,800 crore. But it has now risen substantially. Till yesterday (Monday) we have received proposals worth Rs.120,294 crore. Out of which we have given in-principal approval to projects worth Rs.18,000 crore," the minister told reporters.

Prasad also said 5.4 crore mobile phone units were manufactured in 2014-15, which figure has more than doubled in 2015-16 to 11 crore.

Talking about the budget, the minister said domestic manufacturers of routers, broadband modems, set-top boxes, digital video recorders, network video recorders, CCTV camera, lithium-ion battery would enjoy duty advantage of 8.5 percent compared to imported goods.

"Domestic value addition in mobile phones, battery, wired headsets would enjoy a duty advantage of 10.5 percent compared to imported goods," Prasad added.

He said IT and IT-enabled services (ITeS) exports from the country has crossed $100 billion.

"India's share in the global IT services outsourcing presently is 56 percent, which is growing every year," Prasad added.

Talking about Postal Department, the minister said India Post has installed more than 576 ATMs and has become the largest core banking network having 18,231 branches overtaking the State Bank of India.

"By March 2016, the number of ATMs will touch 1,000," the minister added.

Source: IANS

Indonesia working on rice import deal with India

In a move that could boost sagging rice exports from the country, Indonesia is working on an agreement with India to buy rice to get over its temporary deficit of the cereal.

"The details of price and quantity are yet to be arrived at. We are currently negotiating it," a Commerce Ministry official told BusinessLine.

Both sides are working out details of a memorandum of understanding which is expected to be signed when Indonesian Trade Minister Thomas Lembong visits New Delhi later this month.

Non-binding deal"Although the MoU will be a non-binding one, it would at least give us an indication of the business that we might do with Indonesia," the official said.

Lembong had indicated last month that his country may consider buying rice from India to get over the temporary shortage it would face in early 2016. Although it had traditionally purchased rice from ASEAN countries, Indonesia is now looking beyond to widen its options.

The Minister had said that Indonesia may include India in a list of countries from which rice imports could be authorised.

Gain for IndiaThe development comes at an opportune time for India as export of the cereal in the current financial year has been declining, compared to previous year, mostly due to a fall in imports by large buyers, such as Iran and Nigeria.

New Delhi is hopeful that the MoU would be for a longer period, on the lines of the one it recently signed with Islamabad.

Indonesia has reportedly agreed to import one million tonnes of rice from Pakistan valuing around $400 million over the next four years.

Indian exports"Indonesia is a net importer of rice, while India is one of the top exporters. We are happy that it has finally shown interest in buying from us," the official said.

India had exported a total of 11.92 mt rice in 2014-15.

The Hindu

Digital India will be a $1-trillion business opportunity: Ravi Shankar Prasad

Communications and IT minister Ravi Shankar Prasad has said that Digital India will be a $1 trillion business opportunity, combining the requirements of the telecoms, IT/ITeS and electronics manufacturing sectors.

India's demographic dividend, he said, is accelerating the 'Digital India' drive since a whopping 65% of the country's 1.25 billion-strong population is in the age group of 35 years and below. Prasad was speaking at the annual India 2016 conference organised by Harvard Business School and Harvard Kennedy School in the city recently.

The Modi government, he said, is building a robust broadband infrastructure for digital delivery of services, including e-education and ehealth, with the rapid rollout of a countrywide optical fibre cable network that will "connect all gram panchayats" or village blocks.

According to him, the recent finalisation of long pending telecom policy issues such as spectrum trading/sharing, harmonisation coupled with the preference to open source IT applications would also work towards the creation of such digital services delivery infrastructure. The ambitious 'Digital India' initiative, he said, "is designed to bridge the digital divide and empower citizens, more particularly the poor and deprived, to seek new opportunities in their life".

Prasad said the ecommerce space is also growing at 67% in India and its biggest catchment area is rural and semi-urban. "The vast network of our postal services are being used for delivery of ecommerce goods, which has led to an enormous increase in our parcel revenue," said Prasad.

The telecom minister said the ongoing digitisation of the postal department, the increasing role of common service centres and the upcoming scheme of stepping up BPO or 'business process outsourcing' activity in the rural areas are "all designed to create the digital platform, which will propel Digital India". According to Prasad, since "subsidies are being directly delivered into the bank accounts of the poor using their digital identity, the number of spurious claimants had sharply come down".

Source: The Economic Times

Online industry welcomes lifting of charges on digital payments

Online payment service providers have welcomed the recent decision of Union Cabinet to waive off surcharge, service charge and convenience fee for payments made through the digital mode.

The government's decision was taken to promote payments through cards and digital means to change the cash dominated payment ecosystem to a cashless one.

The biggest roadblock for merchants is the service charge structure imposed by the government and organisations that deter acceptance of digital payments from customers. Removal of service charge and rationalisation of merchant discount rate charged by banks is expected to lead to greater adoption of digital payments among merchants transacting online and offline.

The measures are expected to push acceptance of digital payments due to cheaper transactions cost and shorter settlement time. Once acceptance booms, usage and scale will lead payment companies to swarm the country, according to Kiran Murthi, CEO of AskMeBazaar.com.

"Going digital will not only save the country crores of rupees, it will also provide consumers and merchants a more secure and friction-less way of transacting," said Govind Rajan, chief operating officer of FreeCharge.

In August 2015, the Reserve Bank of India had given an in-principle approval to 11 companies to set up payment banks for financial inclusion. Payment banks will allow consumers to transact via digital banking products and leverage the benefits of a formal banking system.

"Measures such as allowing only electronic payment for transactions above a certain value, payment for all government services online would enable multiple cash-based transactions to move online. This is an important intervention for India to move towards a less-cash and eventually to a cash-less society. The government seems to be receptive of the suggestions made by the industry. We will wait to get more details on this," said Shailaz Nag, co-founder of PayU India.

Vivek Chandok, head of consumer business at Tech Mahindra which recently launched its digital payment services MoboMoney, said, "The move by the government has created a positive momentum as some portion of burden on merchants will be seen going away. However, two main deterrents — MDR charge and infrastructural challenges — will continue to hamper the acceptance of digital payments in India."

Source: Financial Express

Budget will accomplish 'housing for all' dream: PM Modi

Prime Minister Narendra Modi on Monday hailed his Finance Minister Arun Jaitley for the poor-friendly general budget that will also fulfil their dream of owning a house.

"Ask a common man, ask a poor man. They have a dream to own a house... and the government can help them fulfil that dream," Modi said in his post-budget comments which were televised on national TV.

Modi said the government in its budget has laid emphasis on "strengthening the houses sector and give a house to poor" in India.

"Through this budget, the housing sector will be strengthened and this will boost our dream of 'Housing for All'."

In his budget speech in the Lok Sabha, Jaitley said the government will provide assistance to those looking to purchase their first homes.

The finance minister announced deduction for additional interest of Rs.50,000 per annum for loans up to Rs.35 lakh sanctioned in 2016-17 for first time home buyers, where house cost does not exceed Rs.50 lakh.

The government also proposed to provide relief to millions of families living in rented houses in the country. "Deduction for rent paid will be raised from Rs 20,000 to Rs 60,000 to benefit those living in rented houses," Jaitley said.

Modi also said that the general budget was focused on the development of agriculture, farmers, women and rural areas.

"The budget clearly calls for electrifying all villages thus giving an impetus to rural infrastructure," he said in his comments.

Source: IANS

100 per cent FDI in food marketing to boost small players

The domestic food processing industry may get a boost with the Budget providing for 100% FDI via the Foreign Investment Promotion Board (FIPB) route in marketing of food products manufactured in the country.

Industry analysts say the measure paves the way for foreign investment in the largely fragmented domestic food processing industry dominated by small players who often don't have the financial muscle to reach newer markets.

Under current regulations, while 100% FDI is allowed in processed food manufacturing, foreign investment is not allowed in trade of food products. Post this decision, foreign companies can set up stores to market food products procured from domestic manufacturers.

The move is also aimed at curbing the huge wastage of food on account of lack of storage and food processing infrastructure, industry experts say. "Allowing 100% FDI for marketing of food products manufactured in India will help domestic producers increase their sales," said Anil Talreja, partner, Deloitte Haskins & Sells India.

"We need to see the fine-print to understand how exactly this is going to pan out but overall it's a positive move for the industry," Talreja added. The move is also expected to spur foreign players who are planning to produce in India but want to test the market first.

A section of the industry is also looking at the move as a precursor to further opening-up of the multi-brand retail sector for which there is a current FDI cap of 51%.

"With regard to this move, it is still not clear whether this will be permitted for retail marketing or only wholesale marketing. In the event of this applying to retail marketing, it could be a prelude to further opening-up of multi-brand retail marketing, beginning with the food sector," said Dhanraj Bhagat, partner, Grant Thornton India.

Source: Financial Express

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