

# WEEKLY ECONOMIC BULLETIN



IITP Division  
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### NEWS ROUND-UP

- Nepal to get Indian help in construction of postal roads**  
Tasked to improve road connectivity in remote parts of India's Northeast, the National Highways and Infrastructure Development Corporation Ltd (NHIDCL) is now venturing into Nepal where it has been assigned to guide the construction of over 600 km of postal roads in the Terai region bordering India.

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## India achieved fastest domestic passenger growth in 2015: IATA

India achieved the fastest domestic passenger growth in 2015, a leading global airlines association has said.

The International Air Transport Association (IATA) said in its "World Air Transport Statistics", released on Tuesday, that India achieved an annual growth of 18.8 per cent in a market of 80 million domestic passengers during 2015.

"India's performance surpassed that of Russia (11.9 per cent growth, in a market of 47 million domestic passengers), China (9.7 per cent growth, in a market of 394 million domestic passengers) and the United States (5.4 per cent growth, in a market of 708 million domestic passengers)," IATA said.

The global airlines association pointed out that India outpaced the rest of the major markets such as Australia, Brazil, China, Japan, the Russian Federation and the US, in terms of passenger load factor (PLF) and revenue passenger kilometres (RPK).

The data showed that in 2015, India's RPK -- a gauge that measures actual passenger traffic -- rose by 17.2 per cent. Similarly, the 2015 PLF increased by 6.4 per cent to 82.8 per cent.

Besides, India was ranked as the third largest passenger market in Asia, after Japan and China.

Earlier, data furnished by the Indian civil aviation ministry revealed that domestic air passenger traffic increased by 20.34 per cent in 2015.

"Passengers carried by domestic airlines during January-December 2015 were 810.91 lakh as against 673.83 lakh during the corresponding period of previous year thereby registering a growth of 20.34 per cent," the aviation regulator Directorate General of Civil Aviation (DGCA) had said.

Tony Tyler, Director General and Chief Executive of IATA, elaborated that in 2015 airlines ferried 3.6 billion passengers and transported 52.2 million tonnes of cargo.

"Last year airlines safely carried 3.6 billion passengers -- the equivalent of 48 per cent of the Earth's population -- and transported 52.2 million tonnes of cargo worth around \$6 trillion. In doing so, we supported some \$2.7 trillion in economic activity and 63 million jobs," Tyler said.



*Source: Indo-Asian News Service*

## India will not lower guard on global financial threats: FSDC

India will not lower its preparedness in dealing with external economic vulnerabilities, including those arising from the recent British vote to exit the European Union, the Financial Stability Development Council (FSDC) chaired by Finance Minister Arun Jaitley said on Tuesday.

The FSDC convened here for its 15th meeting since inception in December 2010 to discuss India's macro-economic situation, as well as financial developments globally.

Its members include heads of financial sector regulators -- the Reserve Bank of India, Securities and Exchange Board of India, Pension Fund Regulatory Development Authority, Insurance Regulatory Development Authority and commodity futures markets regulator Forward Markets Commission.

Among the subjects discussed at the FSDC meeting was the rising bad loans of state-run banks.

In this connection, gross non-performing assets (GNPAs), or bad loans, of commercial banks may rise to 8.5 per cent of total assets by March 2017, from 7.6 percent in March 2016, the RBI said last week based on "stress tests" it has conducted.

"Risks to India's banking sector have increased since the publication of the last Financial Stability Report (FSR) in December 2015, mainly on account of a further deterioration in asset quality and low profitability," RBI said in its latest FSR 2016.

"The gross non-performing advances rose sharply to 7.6 per cent of gross advances in March 2016 from 5.1 per cent in September 2015, largely reflecting re-classification of restructured advances to NPAs following an asset quality review (AQR).

"If the macro situation deteriorates in the future, the GNPA ratio may increase further to 9.3 per cent by March 2017," the report said.

Banks are currently focusing on cleaning their balance sheets following the AQR that showed up around \$35 billion of new bad loans since September, pushing gross bad loans to 7.6 per cent in March from 5.1 per cent in September 2015.

Overall stressed assets - consisting of bad loans as well as restructured assets - rose to 11.5 per cent in March from 11.3 percent six months earlier.

"The stress in the banking sector, which mirrors the stress in the corporate sector, has to be dealt with in order to revive credit growth," RBI Governor Raghuram Rajan, who had ordered the banks' AQR last year, wrote in the report.

*Source: Indo-Asian News Service*



## Nepal-India panel meet finalises five issues for discussion

The first meeting of the Eminent Persons Group (EPG) comprising diplomats from both Nepal and India has finalised for future discussions five issues, including the 1950 Indo-Nepal Treaty of Peace and Friendship signed between the two neighbours -- often termed by Nepal as "mother of all treaties" with India

The five issues finalised for future discussions by the two-day meeting here of the Eminent Persons Group-Nepal-India Relations (EPG-NIR) include bilateral political ties, government-to-government relations, economic exchanges, developmental cooperation and social and cultural aspects of the India-Nepal relations.

On Tuesday, the eight-member EPG-NIR, which comprises four members from each country, agreed to review all aspects of bilateral ties, said Bhekh Bahadur Thapa, EPG co-chair from the Nepal side.

He said the panel will examine bilateral treaties and agreements, and memorandums of understanding signed following the Peace and Friendship Treaty of 1950 -- which Nepal calls "mother of all treaties" with India.

All agreements of political nature, including the 1950 treaty, will be reviewed under the political cluster.

All trade- and transit-related deals, including the recent Bilateral Investment Promotion and Protection Agreement, will be placed under the economic cluster.

Understandings on Nepal-India developmental assistance and other financial support will be observed under the category of developmental cooperation.

"We have not excluded any deal that the two countries signed after 1950," Thapa said after Tuesday's meeting.

While a review of all bilateral treaties was the prime agenda of Nepal, the Indian side was keen to chart out the future course of cooperation in various sectors, including economic, connectivity, infrastructure, trade and commerce, among others.

Nepal's Deputy Prime Minister Kamal Thapa on Monday inaugurated the maiden two-day meeting of the EPG-NIR here and sought suitable changes in key bilateral treaties and agreements in light of the changed global situation.

The setting up of the EPG-NIR was agreed upon during Prime Minister Narendra Modi's visit to Nepal in August 2014. It took over a year to set up the eight-member joint body, which includes four members each from Nepal and India.

The EPG-NIR is mandated to review all bilateral treaties, agreements, and arrangements in totality and propose a new way forward in Nepal-India ties in the changed global context and will forward its recommendations to the two governments.

The comprehensive report will make suggestions on any existing bilateral treaties, agreements and understandings, including the much-hyped Peace and Friendship Treaty, which need to be updated, amended or replaced by new ones.

The meeting was expected to set the agenda, timeline and code for EPG-NIR members and the working modality during its closed-door session.

The EPG-NIR, however, will not review the relevance of a tripartite Nepal-Britain-India security agreement of 1947 that ensured continuation of recruitment of Nepali youth in British and Indian armies.



Bharatiya Janata Party's Lok Sabha member and EPG co-chair from India Bhagat Singh Koshyari said both sides agreed to come up with a comprehensive, acceptable, pragmatic and implementable recommendation on how to improve the Nepal-India ties in the changed context of the 21st century.

He said the recent misunderstanding between Nepal and India was temporary and expressed confidence that all misgivings would be resolved soon.

Another Indian EPG member Mahendra P. Lama said they will come up with a common document that will reflect the aspirations of the people of India and Nepal.

Former Indian Ambassador to Nepal Jayanta Prasad said the EPG should focus on bilateral connectivity, development cooperation, trade and commerce, energy and information and communication.

"We should increase cooperation and friendship based on people-to-people relations," said Prasad.

It was also decided to hold the next meeting in India after three months.

The Nepali EPG members are former Foreign Minister Bhekh Bahadur Thapa, former Chief Commissioner of the Commission for Investigation of Abuse of Authority Surya Nath Upadhyay, former Law Minister Nilambar Acharya and Communist Party of Nepal-United Marxist Leninist lawmaker Rajan Bhattarai.

The Indian EPG members are senior Bharatiya Janata Party leader Bhagat Singh Koshyari, former Sikkim University Vice Chancellor Mahendra Lama, former Indian Ambassador to Nepal Jayant Prasad and VIF senior fellow B.C. Upreti.

*Source: Indo-Asian News Service*

## India, Bhutan to renew bilateral trade, transit pact

India and Bhutan have agreed to renew their bilateral 10-year agreement on trade, commerce and transit, which is expiring this month, following two days of talks here that concluded on Wednesday.

Till the new agreement is signed after obtaining the necessary internal approvals, both sides decided to extend the existing one by a year, India's Commerce Ministry said in a release here.

"Both sides agreed that, in the interim, to prevent disruption of trade, the existing agreement may be extended for a period of one year or till the date of coming into force of the new agreement, whichever is earlier," the statement said.

During the last financial year, India exported goods worth over \$440 million to Bhutan and imports were valued around \$280 million.



*Source: Indo-Asian News Service*



## L&T Infotech to focus on services business

Engineering conglomerate Larsen & Toubro (L&T) will focus on the growth of services business as traditional businesses involve high risk and pay lesser margins compared to services, said a top executive of the company on Wednesday.

"Traditional EPC businesses make a margin of around 6-7 per cent while Services businesses make margins in the range of 15-16 per cent," said L&T Deputy Managing Director S.N. Subrahmanyan at a roadshow in the run up to its IT arm L&T Infotech's forthcoming Initial Public Offer (IPO).

Subrahmanyan exhorted that L&T is uniquely positioned to execute projects in EPC (Engineering, Procurement, Construction) to IT implementation, thereby giving it a wide-ranging expertise.

He said the company is executing security projects wherein it is installing thousands of cameras across a city, possessing the ability to erect poles, cameras, software and analytics, straddling the entire gamut of the projects.

L&T Infotech is selling 10 per cent stake to raise Rs 1,234 crore, opening the IPO from July 11-13. Parent company holds 85 per cent stake in the company.

The main focus of the L&T would be the US and European markets while India outlook would be very selective.

We will be very selective with our Indian operations, targeting projects like smart cities, digital India and government projects, said Subrahmanyan.

The 15-year-old IT company with 20,000 employees derives most of its revenue from the BFSI vertical.

*Source: Indo-Asian News Service*



# L&T Infotech

## Four-laning of Bar-Jodhpur highway stretch approved

The government on Wednesday awarded the four-laning of Bar-Bilara-Jodhpur section of National Highway-112 in Rajasthan at a total cost of Rs 895 crore.

"The National Highways Authority of India (NHA) has issued Letter of Award (LoA) for development of National Highway section in the state of Rajasthan under Phase IV of National Highways Development Projects (NHDP)," the Ministry of Road Transport and Highways said in a statement.

The LoA has been given to Larsen and Toubro (L&T) to develop the 111-km stretch of NH-112.

"The 111-km-long Bar-Jodhpur section connects western Rajasthan and border areas (Jodhpur-Jaisalmer-Barmer) to eastern part of Rajasthan i.e. Ajmer and Jaipur," the statement said.

"This is a major strategic route connecting Jodhpur as an important feeder route during war time. Four laning of the section will permit smooth flow of military traffic as well as heavy commercial and domestic traffic. It will also facilitate transportation of mining and agriculture product."

According to the statement, the project entails construction of two bypasses, four flyovers, three pedestrian underpasses, four major bridges and one railway overbridge.

"The project would be executed on EPC (Engineering, Procurement, Construction) mode and scheduled time of completion is 30 months from the date of commencement."



*Source: Indo-Asian News Service*



## Demand for two-wheelers to grow 4-6% in 2016-17: ICRA

The demand for two-wheelers is expected to grow at a pace of four to six per cent during 2016-17, ratings agency ICRA said in a study on the Indian two-wheeler industry.

"The industry has been off to a strong start in 2106-17 with volumes during the first two months having grown by 15.3 per cent on the back of festive and wedding season demand," the study said.

"The growth during 2016-17 has been broad based with scooters leading the pack at 30.3 per cent year-on-year growth while motorcycles and mopeds reported year-on-year growth of 9.5 per cent and 14.8 per cent respectively."

The study pointed out that the domestic two-wheeler industry had expanded by a modest three percent to touch 16.5 million units hurt by sluggish demand across segments during 2015-16. While motorcycles and moped volumes shrank by 0.2 per cent and 3.3 per cent respectively, scooters segment held the fort - albeit posting a relatively lower growth of 11.8 per cent as against past five fiscals.

According to another study by the ratings agency, the cost structures for manufacturers would be impacted by the migration to BS (Bharat Stage) VI emission norms -- which would mandate the use of electronic fuel injection (EFI) systems in two-wheelers to replace carburettors.

"The cost impact of EFI systems on two-wheelers with existing levels of localisation is expected to be significant, in the region of 10 per cent to 20 per cent, for now. The costs however, are expected to come down subsequently as parts in the EFI system get localized," said Subrata Ray, Senior Group Vice President, ICRA.

The report stated that all automobiles including two wheelers would need to migrate to BS VI emissions norms in 2020, bypassing BS V norms, as per the notification from the Ministry of Road Transport and Highways (MoRTH).

"Currently, India follows BS III emission norms for two-wheelers. From April 2016, all new two-wheeler models have started complying with BS IV emission norms, and the existing models would comply with BS IV emission norms from April 2017, on a pan-India basis," the report said.

Ray further said the major change in a two-wheeler on migration to BS IV norms would be the inclusion of carbon canisters to control evaporative emissions, adding: "Other changes, like tightening on limits of different pollutants, would be met through optimization of the combustion process and increasing the volume and surface area of catalyst used in the catalytic convertor."

"The cost impact is not expected to be significant, in the range of 2-3 per cent of the price of the vehicle," he said.

*Source: Indo-Asian News Service*



## Government approves Rs 643.25 crore FDI investments

The Union government on Wednesday approved four Foreign Direct Investment (FDI) proposals entailing a total investment of Rs 643.25 crore.

"On the recommendations of the Foreign Investment Promotion Board (FIPB), the government has approved three FDI proposals of Rs 223.25 crore, and one proposal involving FDI of Rs 420 crore," a statement said.

One proposal each from Corona Remedies Private Limited and Ordain Health Care Global Pvt. Ltd. in the pharmaceutical sector were approved, proposing investment of Rs 118 crore and Rs 77.05 crore, respectively.

Another proposal from Macmillan Publishers International Ltd, UK, involves investment of Rs 28.20 crore.

The proposal of Advanced Enzyme Technologies Ltd. entails Rs 420 crore overseas investment.

Eight proposals in sectors like non-banking financial company, pharmaceuticals, defence, telecom, wholesale trading and investment company have, meanwhile, been deferred, it said.

The government rejected two proposals, one each from Flag Telecom Singapore Pte Limited, Singapore, and Star Den Media Services Private Limited.



*Source: Indo-Asian News Service*

## Nepal to get Indian help in construction of postal roads

Tasked to improve road connectivity in remote parts of India's Northeast, the National Highways and Infrastructure Development Corporation Ltd (NHIDCL) is now venturing into Nepal where it has been assigned to guide the construction of over 600 km of postal roads in the Terai region bordering India.

A postal road is a road designated for the transportation of postal mail.

According to an MoU inked between India and Nepal, the decision was taken after a similar attempt by the Nepal Government failed to make progress due to negligence of the contractors in 2010.

"The Postal Road in the Terai region of Nepal will boost the country's much awaited road network. Under this current project the NHIDCL will be tasked to guide the construction of 19 postal roads of an outlay of 600 km," one of the top officials at NHIDCL told IANS declining to be identified.

He said the construction of 19 postal roads are under six packages for different parts of the Terai region.

"Basically we will be playing the role of consultants in the entire project. The biddings and all the tendering work of the road construction will be done by Nepal. Our work will basically be to see that the work does not witness failure like earlier," the official said.

According to the official, the decision for handing over the guidance work was decided during the recent visit of Nepal's Prime Minister K.P. Oli to India.

Abhay Thakur, Joint Secretary at the Ministry of External Affairs (MEA), told IANS: "Yes, It has been proposed to the Nepal Government for appointing NHIDCL as the consultant for the postal road projects. Though the precise MoU between the NHIDCL and Nepal Government is likely to be inked next week... all things are decided."

He said contractors from both Nepal and India can do the bidding for the postal roads projects.

The NHIDCL authority, who did not wish to be named, said the postal road has been prioritised for the development of Terai/Madhes region by expanding the road network. The 600 km work is only for the first phase. Both the countries will decide the agenda for the remaining works also."

Stating that the project was being financed by India, he said that the money will be given to Nepal for the execution of different stages of work, which will be overlooked by the NHIDCL.

According to sources, the cost of the first phase of road construction in the Terai is estimated to increase to Rs 9 billion from the earlier Rs 7 billion. The total project cost will also rise from the previous estimate of Rs 29 billion. Around 130 bridges have to be built along the 600 km highway.

Asked if NHIDCL has been given any other foreign projects, the authority said: "The creation of NHIDCL was for creation of difficult roads. The Government has full confidence on us and we are ready to undertake any project in any part of the world under any circumstance. However, there are no immediate foreign projects as of now."

NHIDCL, created in 2014, has recently been given the task of constructing over 4,000 km of roads in the Northeast and Jammu and Kashmir. The organisation was established after Border Roads Organisation (BRO) and Public Works Department of the states failed to carry out road construction in many remote parts in hilly terrain.

*Source: Indo-Asian News Service*

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