

WEEKLY ECONOMIC BULLETIN



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Modi bats for raising farm income through diversification

Prime Minister Narendra Modi called for raising farm income through diversification in farming activities, urged all stakeholders including states to take a resolve to double the income of farmers by 2022, and said the next revolution in agriculture will be based on technology.



Four Indians, three PIOs on WEF's young leaders list

Four Indians and four persons of Indian origin aged under-40 have made it to World Economic Forum's 2016 list of 121 young global leaders who excel in public service.

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Reliance Defence, Thales sign deal for sonars, counter-mining

Anil Ambani-led Reliance Defence has signed an exclusive accord with the global aerospace, defence and transportation major Thales for making in India sonars for surface ships and submarines, as also mine warfare and mine counter-measure equipment, sources said.



Airbus plans global hub in India for Panther copters

Europe's Airbus Group which is competing for aircraft orders from India's navy and air force Monday said it will build local assembly lines if these projects come through.

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Foreign direct investment up 29% under Make in India: Nirmala Sitharaman

Foreign direct investment (FDI) in the country increased by 29% for the 15-month period ended December last year after the launch of the Make in India initiative, Parliament was informed.

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BHEL Commissions Second 270 Megawatt Thermal Unit in Punjab

State-run BHEL has commissioned another 270 MW unit at Goindwal Sahib coal-fired power project in Punjab.

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NEWS ROUND-UP



India poised to become technology leader, say industry experts

India has all the ingredients to become a global technology leader, according to technology industry veterans.

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Modi bats for raising farm income through diversification

Prime Minister Narendra Modi called for raising farm income through diversification in farming activities, urged all stakeholders including states to take a resolve to double the income of farmers by 2022, and said the next revolution in agriculture will be based on technology.

Addressing farmers at the Krishi Unnati Mela here, Modi said: "The next revolution in Indian agriculture has to be built on technology and modernization, and the eastern part of India had maximum potential to achieve it. The government is working towards this goal."

Modi said the task of doubling farm income may be challenging but was a worthy objective.

"The Soil Health Card scheme, and the Pradhan Mantri Krishi Sinchai Yojana are important steps towards reducing input costs," he said.

Calling to "raise farm incomes through diversification in farming activities", he said farmers could also opt for timber plantation along the edges of their fields and begin animal husbandry.

Diversification in farming activity will reduce the risks associated with agriculture, he added.

Modi said India's future had to be built on the growth of agriculture and prosperity of its farmers and its villages and the union budget presented last month would have a far-reaching impact on these sectors.

He said the next revolution in Indian agriculture had to be built on technology and modernisation and the eastern part of India had the maximum potential to achieve it.

"The government is working towards this goal," he said.

Modi said reduction of input costs was the first element towards raising farm incomes and said the Soil Health Card scheme, and the Pradhan Mantri Krishi Sinchai Yojana were steps in this direction.

Modi also explained the benefits of the Pradhan Mantri Fasal Bima Yojana, and said it had been evolved after wide ranging consultations.

He said the scheme was characterized by minimum premium and maximum security.

On the occasion, the prime minister gave away the Krishi Karman Awards for 2014-15 to states and farmers.

He also launched a mobile app "Kisan Suvidha" for farmers.

The mobile app will provide information to farmers on subjects such as weather, market prices, seeds, fertilisers, pesticides and agriculture machinery.



Source: Business Standard

Four Indians, three PIOs on WEF's young leaders list

Four Indians and four persons of Indian origin aged under-40 have made it to World Economic Forum's 2016 list of 121 young global leaders who excel in public service.

Most people in the Young Global Leaders Class of 2016 come from emerging economies - with over 50 per cent being women.

Among the four Indians selected is Sheetal Amte-Karajgi, grand-daughter of renowned social reformer Baba Amte. Amte-Karajgi, a social entrepreneur, has been "building on her family's legacy on championing for the rights of lepers", WEF said.

The other two Indian women on the list - Dhivya Suryadevara and Kanika Dewan - hold senior leadership positions in corporate India. Suryadevara, vice-president of finance and treasurer at General Motors, has been described by WEF as "one of the rising leaders of General Motors with the responsibility of managing \$80 billion in assets". Dewan is president of a mining conglomerate, Bramco group, and a recognised designer. The fourth winner from India, Shaurya Veer Himatsingka, deputy managing director of India Carbon, has been actively espousing the cause of training visually impaired person, and launched a nationwide campaign to stop child sexual abuse, WEF said.

Among the persons of Indian origin who made it to the list is US-based Nina Tandon, the founder of world's first company growing living human bones for skeletal reconstruction, EpiBone Inc.

US-based Shivan Siroya's InVenture, a data-led microfinance company, helps people access credit through phone apps. Also to make it to the list is US-based Rohit Chopra, managing director of Lazard, a financial advisory and asset management firm.

Another name of South Asia origin to feature on the 2016 list is Monica Yunus, daughter of Nobel Peace Prize laureate Muhammad Yunus. Monica Yunus co-founded Sing for Hope, a not-for-profit organisation that works to give access to arts to communities in need.

The 2016 class of Young Global Leaders includes celebrities like Amal Clooney, a barrister who specialises in international criminal law and human rights, and Hollywood actor Ashton Kutcher, described by WEF as an "emerging technology investor who launched an innovation lab to fight child sexual exploitation".

Others who have been named in the past in the Young Global Leader list included British Prime Minister David Cameron, Alibaba Group chief Jack Ma, Yahoo CEO Marissa Mayer and Google chief Larry Page.

Source: Business Standard

Reliance Defence, Thales sign deal for sonars, counter-mining

Anil Ambani-led Reliance Defence has signed an exclusive accord with the global aerospace, defence and transportation major Thales for making in India sonars for surface ships and submarines, as also mine warfare and mine counter-measure equipment, sources said.

In all, the agreement is eyeing immediate deals worth around Rs.10,000 crore.

The sources said this 51:49 equity pact between Reliance Defence and Thales will create critical capabilities in the country and provide modern systems for the Indian Navy. Thales is said to have discussed a possible tie-up with the Tatas, Mahindras and Larsen and Toubro as well.

Sources said the Indian Navy's immediate requirements include towed array sonars and torpedo decoy systems, which are used for detecting torpedoes and submarines. In mine warfare, the focus is expected to be on high frequency sonars and various methods to destroy mines.

The Indian Navy also needs similar equipment for its choppers.

Reliance Defence, a subsidiary of Reliance Infra, had earlier acquired Pipavav Offshore and Engineering and renamed it Reliance Defence and Engineering to execute all the naval warship and systems programme.

Source: Indo-Asian News Service

Airbus plans global hub in India for Panther copters

Europe's Airbus Group which is competing for aircraft orders from India's navy and air force Monday said it will build local assembly lines if these projects come through.

The final assembly lines to make Panther helicopters for the Navy and C295 transport aircraft for the Indian Air Force will be built at a cost of over Rs.5,000 crore and will create over 10,000 high skilled jobs, the aerospace and defence firm said in New Delhi.

"We are proposing to establish a final assembly line in India for the AS565 MBe Panther helicopters, if we get the Naval Utility Helicopters contract," said Pierre de Bausset, president and managing director, Airbus Group India. "We will have India as the global hub for Panthers," he added.

He said along with the final assembly line, Airbus will set up tier I, II and III supply chain infrastructure in India for these helicopters.

Airbus Helicopters is in the process to form a joint venture company with Mahindra Defence Systems Ltd. This company hopes to become the private strategic partner on helicopter platforms.



On 24 January, the defence production arm of the Mahindra Group, Mahindra Defence and Airbus Helicopters had signed a so-called statement of intent to produce military helicopters in India.

The companies plan to set up a final assembly line in India, develop tier-1 and tier-2 suppliers and make extensive transfer of technology, to achieve 50% indigenous content.

In July, Mahindra Defence and Airbus Helicopters had signed an in-principle agreement to set up a joint venture to manufacture helicopters in India, seeking to tap a military hardware market estimated to grow to \$41 billion in seven years.

Apart from the Naval Utility Helicopters, the joint company will also target the Reconnaissance & Surveillance Helicopters (RSH) requirement of over 200 units with the H125M Fennec and the Naval Multi-Role Helicopters (NMRH) requirement of more than 120 units with the H225M (previously marketed as EC725).

The company also plans to establish a final assembly line in India for the C295 military transport aircraft in partnership with Tata Group companies.

The C295 is being proposed as a replacement for the Indian Air Force's ageing Avro fleet.

The company said the selection process is on track and field evaluation trials are expected in the near future.

The Make In India initiative launched by Prime Minister Narendra Modi on 25 September 2014 aims to boost domestic manufacturing and create jobs. Twenty-five sectors were identified for Make In India, from automobiles to aviation to pharmaceuticals to tourism and wellness.

Stressing that the Group is already making in India through its over 45 suppliers, de Bausset said, "What we buy in India, we make in India."

Referring to the Indian government rules restricting foreign ownership in the Indian defence sector to 49%, de Bausset said: "The issue is not the limit per se. The business case for high-tech transfer to India becomes more compelling if foreign OEMs (original equipment manufacturers) are allowed to have adequate equity and management control in the joint venture in line with the risks they are taking and the contributions they are providing."

In a first for any foreign aerospace and defence OEM in India, Airbus Group exceeded the \$500 million annual procurement mark from India in 2015, Mint reported on 12 March.

Airbus Group has now set its sight on exceeding \$2 billion in cumulative procurement, covering both civil and defence, in the five years up to 2020, Mint reported citing de Bausset.

Source: Livemint

OnePlus partners Foxconn to start manufacturing in India

As it is looking at rapidly expanding into the Indian market, smartphone manufacturer OnePlus has partnered with contract manufacturer Foxconn to build its devices locally.

The Chinese company is experimenting with its new OnePlus X smartphones before manufacturing its entire product range out of India.

"We have a partnership with Foxconn for local manufacturing. We are going to have a deeper integration with them," Pete Lau, founder and chief executive of the Shenzhen-headquartered company told this newspaper. "Our goal is to have 90 per cent of the (OnePlus) devices sold in India be manufactured out of India by the end of 2017."

Unlike most other Chinese brands, OnePlus was incorporated in December 2014 with prime focus on global markets such as the US, Europe and India. The phones made a debut in India about 14 months earlier, through e-commerce major Amazon, its exclusive partner for the region.

The company does not give sales data but the phones, mostly around Rs 20,000, have seen good acceptance among Indians who look at premium products at a mid-range price.

"We are taking a step-by-step approach. Right now, we are taking our OnePlus X phones and doing testing for local manufacturing at the Foxconn facility. We have to ensure the quality of the product manufactured here remains intact," said Lau.

OnePlus has entered into a partnership with Foxconn wherein the latter would manufacture the former's phones at its facility in Sri City Integrated Business City, in Andhra. The facility would have a cumulative peak production capacity of 500,000 units a month, which could mean direct employment for at least 1,000 full-time workers, the company had earlier said.

Lau said the company was also looking at introducing features unique to Indian users, whether content or integrated apps for online payment and e-commerce, to provide better user experience. OnePlus is looking at hiring a team of product managers in India who understand users' habits.

"We need to localise the products with the growing user base," he said.

India, said Lau, had far exceeded the company's expectations, despite the OnePlus phones addressing a premium segment. "When we first entered this market, people used to tell us 'you can perhaps sell a couple of thousand devices, as the size of the market for Rs 20,000-plus products is very small. We far exceeded those numbers and expectations,'" he said. "We are looking at long-term growth. We are looking at 10-plus years down the line, when the market for such phones would be much bigger than today."

According to various estimates, the mobile phone market in India is estimated to be around 100 million units a year. The segment OnePlus addresses is said to be around six per cent of the overall market or six mn units.

Among its three major focused markets, India is the only region where the company sells its products in partnership with an e-commerce company. In America and Europe, it sells through its own e-commerce portal.

"As a company, we have always strived to improve our operations by making us more efficient, so that we can pass on the savings to the consumers. For example, we save our margins because we don't sell offline. We also save on marketing because we don't do traditional way of marketing," Lau said.



Foreign direct investment up 29% under Make in India: Nirmala Sitharaman

Foreign direct investment (FDI) in the country increased by 29% for the 15-month period ended December last year after the launch of the Make in India initiative, Parliament was informed.

Launched on 25 September 2014, the initiative aims at promoting India as an important investment destination and a global hub for manufacturing, design and innovation.

"FDI inflow has increased 29% during October 2014 to December 2015 (15 months after Make in India was launched) compared to the 15-month period prior to the launch of this initiative," commerce and industry minister Nirmala Sitharaman said in a written reply to the Rajya Sabha.

In a separate reply, she said during April-January 2016, the government received 424 FDI proposals. Out these, 285 proposals have been disposed of.

In a separate reply about FDI in e-commerce, the minister said foreign investment in business to customer e-commerce activities has been "opened in a calibrated manner" and an entity is permitted to undertake retail trading through e-commerce under certain circumstances.

She said that a manufacturer is permitted to sell its products manufactured in India through e-commerce retail and a single brand retail trading entity operating through brick and mortar stores, is permitted to undertake retail trading through e-commerce.

An Indian manufacturer is also allowed to sell its own single brand products through e-commerce retail. In a separate reply, she said the department of industrial policy and promotion is implementing the eBiz project which is envisaged to work as a single portal for providing all central and state services.

"Twenty central and 30 state government services have already been integrated on the portal," she said.

Source: Press Trust of India



Income-tax department eases norms governing foreign fund managers

The income-tax department on Wednesday notified rules relaxing certain earlier conditions governing foreign fund managers in a bid to encourage them to move to India.

Presently, most of them manage foreign capital to India out of Singapore, Dubai and London.

Finance minister Arun Jaitley in his budget speech last year had proposed steps to encourage the relocation.

"The present taxation structure has an inbuilt incentive for fund managers to operate from offshore locations. To encourage such offshore fund managers to relocate to India, I propose to modify the Permanent Establishment (PE) norms to the effect that mere presence of a fund manager in India would not constitute PE of the offshore funds resulting in adverse tax consequences," he had said in the budget speech.

However, in the fine print, there were certain clauses that dissuaded such fund managers from moving to India. On Wednesday, the government set it right.

The new rules provide for a pre-approval mechanism under which a fund can seek prior approval from the tax department and avail exemption under Section 9A of the Income Tax Act.

This will provide the much-needed certainty to the offshore funds. The section deals with treatment of income deemed to accrue or arise in India, and is taxable in India.

The latest circular also clarified that in case the investment in the fund is made directly by an institutional entity, the investor interest in the fund will be determined by looking through the entity.

This see-through approach in determining the number of investors in the fund will help in meeting the criteria that a fund should have a minimum of 25 members.

Sameer Gupta, leader-financial services tax and regulatory services at consulting firm EY, said the new guidelines is an important step forward for enabling onshore management of foreign capital.

"In addition to providing some important clarifications in relation to the qualifying conditions for the fund, the guidelines provide an option to the fund to seek a prior confirmation of its eligibility by making an application to the CBDT (Central Board of Direct Taxes), something which should give certainty of tax outcome for the fund. We expect global as well as domestic asset management firms to make an assessment of the potential opportunity and take advantage of this regime," he said.

Further relaxing the conditions, the rules say that the eligibility of the fund will be impacted only if the remuneration paid or payable by the fund to the fund manager has been determined to be not at arm's length price or a price that would have been used for transaction with an unrelated party for a period of three previous years in succession or for any three out of the preceding four previous years.

A chance transfer pricing adjustment made by the tax department will not impact the eligibility, it said. It also clarified that a fund will not be able to own more than 26% in an Indian entity to avail exemption.

Girish Vanvari, national head of tax at KPMG India, said a couple of more clarifications are required to attract more funds to set up base in India. "It does not address two important issues i.e. a single investor cannot own more than 10% in the fund and 10 or less investors should own 50% or less. In addition one can argue whether the requirement of owning 26% or less in a company is adequate," he said in a note.

Source: Livemint

BHEL Commissions Second 270 Megawatt Thermal Unit in Punjab

State-run BHEL has commissioned another 270 MW unit at Goindwal Sahib coal-fired power project in Punjab.

"Within one month of the successful commissioning of a 270 MW thermal generating unit in Punjab, Bharat Heavy Electricals Limited (BHEL) has commissioned another 270 MW coal-based unit at the same site in the state," the company said in a statement.

The unit has been commissioned at the 2x270 MW Goindwal Sahib coal-fired thermal power project of GVK Power and Infra Limited (GVKPIL), located at Goindwal Sahib city in Tarn Taran district, near Amritsar in Punjab, it added.

BHEL's scope of work in the Goindwal Sahib project envisages design, engineering, manufacture, supply, erection and commissioning of steam turbines, generators, boilers, associated auxiliaries and electricals, besides Controls and Instrumentation (C&I) and Electrostatic Precipitators (ESPs).

The equipment for the project were supplied by various manufacturing units of BHEL located at Trichy, Ranipet, Hyderabad, Bengaluru and Haridwar, while the construction work was carried out by the company's power sector-Northern Region, the statement added.



Source: Press Trust of India

India poised to become technology leader, say industry experts

India has all the ingredients to become a global technology leader, according to technology industry veterans.

At the EmTech India event organized by MIT Technology Review and Mint, the buzz was all about India's potential in digitalization on the back of massive mobile penetration, ongoing programmes to improve broadband connectivity and Aadhaar. Industry leaders remained bullish about Prime Minister Narendra Modi's flagship programmes—Digital India, Start-up India and Make in India.

India is moving towards its goal of becoming a digitally connected country, said R.S. Sharma, chairman of Telecom Regulatory Authority of India.

"It is evident from the fact that the country now has more than a billion mobiles and data (consumption) is growing at 65% annually. This shows there is a massive interest in accessing services such as e-commerce and e-learning," he said.

The government's ongoing initiative Bharat Net's aim is to connect India's 250,000 panchayats at an estimated cost of \$18 billion. Meanwhile, the government is looking at alternative approaches to connect India, including cable TV

pipes and White Spaces (refers to the unused TV channels between the active ones). Another powerful soft digital infrastructure is Aadhaar, Sharma said, adding the government has started creating products based on Aadhaar like e-sign, which lets users digitally sign documents and digital lockers, which lets users store and save documents on cloud.

"With RBI issuing licences for payments banks, people can go to neighbourhood stores to take out money," said Sharma, adding mobile payment is gaining traction in India rapidly.

"India has all the basic building blocks of Digital India ready," he said. "What is required, however, is for all the ecosystem partners to work together to ensure this vision is realized. All the technology pieces which are available, there is innovation waiting to happen on the top of this stack."

"Somehow, we have a mindset that we always have to follow the West. We should rely on technology we have built on. While we did not have a head-start, we do have an advantage going forward and, thus, we can leapfrog. For instance, we have gone from no connectivity to full connectivity. We had around 2 crore wireline connections in the past and now we have 100 crore mobile phones; so, it is possible to leapfrog and we must leapfrog."

The government launched Digital India after coming to power in 2014 to ensure government services are made available to citizens electronically by improving online infrastructure and by increasing Internet connectivity. The initiative includes plans to connect rural India with high-speed Internet networks.

The Startup India campaign was launched in August to promote bank financing and create a favourable business environment for start-up ventures. Make in India is the flagship programme of the Modi government. It was launched on 25 September 2014. It aims to encourage Indian and multinational companies to manufacture their products in India.



"If you want to do a start-up, this is the right time; the infection point has just happened," said John Chambers, executive chairman of Cisco Systems Inc. Even as India still has a long way to go when compared with the US in the 1990s, Chambers said India is going to see a generation of start-ups coming up who will set examples for the world.

Kumud M. Srinivasan, president of Intel India, echoed the sentiments. India's dream of becoming a start-up nation is facing challenges such as illiteracy, malnutrition, poor infrastructure and low-yielding crops, he said. "Our government is trying to get over this through efforts like Digital India, Start Up India and Make in India. In Make in India, we talk about competing with China with low-value, high-volume manufacturing. But we have to look at high-value manufacturing to improve the situation. Once we get there, the rest of the development will follow," she added.

According to Kunal Shah, founder and CEO of Freecharge, the biggest challenge for start-ups is investment support. "I don't know whether the government should be participating in it. But that is the need of the hour," he added.

Responding to this, Raghav Narsalay, managing director, Accenture Institute for High Performance, said, "In initial stages, incentives do make a difference. But it is only for a certain point of time. Finally, it is the entrepreneurial zeal that matters."

Source: Mint

India signs \$35 million loan agreement with the World Bank for Madhya Pradesh Citizen Access

An agreement for IDA Credit of USD 35 Million from World bank for "Madhya Pradesh Citizen Access to Responsive Services Project" was signed by Ministry of Finance and Mr. Onno Ruhl, Country Director, World Bank (India) on behalf of the World Bank.

The Implementing Entity Agreement was signed by Mr. M. Selvendran, ED (State Agency for Public Services), Department of Public Services management, MP on behalf of the Government of Madhya Pradesh, and Mr. Onno Ruhl, Country Director (India) on behalf of the World Bank.

The project size is USD 50 million, of which USD 35 million will be financed by the Bank, and the remaining amount will be funded out of State Budget. The project duration is 5 years.

The objective of the project is to improve access and quality of public services in Madhya Pradesh through implementation of the 2010 Public Service Delivery Guarantee Act.

The project is expected to deliver key results in terms of improving access to services and citizen outreach, simplification of Government services, performance management and strengthening the capacity of implementing agencies. The project has been designed as a result based financing programme, under which funds will be released on achievement of agreed results.

Source: Press Information Bureau

WEEKLY ECONOMIC BULLETIN



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