NEXT ROUND OF REFORMS TO PUSH 'MAKE IN INDIA'

DIPP Seeks Cabinet Nod for Four FDI Plans

Dept for treating non-repatriable investments by NRIs on a par with domestic funding, hiking proposal limit requiring Cabinet nod to ₹3,000 crore

Road to Reform

DIPP PROPOSALS AIM TO

1. Boost capital inflows
2. Promote 'Make in India' programme
3. Secure infrastructure funding
4. Simplify FDI policy for investors

THE NOTES RELATE TO

- Treatment of non-repatriable investments by NRIs on par with domestic funding
- Hiking the proposal limit requiring cabinet approval to ₹3,000 crore from ₹1,200 cr currently
- Allowing foreign-funded companies that make 70% of their products in India to sell online
- Setting a Composite Cap for all forms of foreign investment

NUMBER JUMBLE

In the first 10 months of 2014-15, FDI in India grew 36% to $25.5 b, according to DIPP data

IN THE FUTURE

Higher capital inflows could help finance the current account deficit, estimated by the economic survey at 1% of GDP during 2015-16

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New Delhi: The next round of foreign direct investment reforms is aimed at boosting capital inflows, promoting the 'Make in India' programme and securing infrastructure funding.

The Department of Industrial Policy & Promotion, the nodal agency in charge of foreign investment, has sought cabinet approval for four proposals, including treatment of non-repatriable investments by non-resident Indians on a par with domestic funding and hiking the proposal limit requiring cabinet approval to ₹3,000 crore from ₹1,200 crore currently. The other proposals relate to allowing foreign-funded companies that make 70% of their products in India to sell online and setting a composite cap for all forms of foreign investment. "We have finalised and moved four notes to the cabinet that can be seen as the next round of FDI liberalisation in sync with the 'Make in India' objective and making the country an easier place to do business for investors. This will result in large capital inflows in key sectors," a government official said.

In the first 10 months of 2014-15, FDI in India grew 36% to $25.5 billion, according to DIPP data. The proposal on non-repatriable NRI investment will allow Indians living overseas to invest in the country without taking government approval, which is a pre-requisite in many sectors. Non-repatriable investments are those that NRIs cannot take back.

"We want NRI money to flow in directly. They have a lot of money and want to invest here. We will allow people to invest in dollars and let them earn in rupees. We want them to put money in defence, railways, etc.," the official said.

The civil aviation sector already allows NRIs to invest up to 100% against an FDI cap of 74% for scheduled air transport services and up to 49% for non-scheduled air carriers.

Allowing foreign-funded companies to sell online if they make 70% of their product range domestically will boost domestic brands such as Fab India. The move will benefit and encourage Indian companies to produce locally and also freely access foreign funds for expansion.

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To simplify the FDI regime, the government proposes to do away with categories and club them all under a composite cap.

"The aim is to attract foreign investment by clearing ambiguity in the existing FDI policy related to sectoral caps and conditionality," said the official.

The composite cap will include foreign portfolio investment, NRI investment and depository receipts, foreign currency convertible bonds and fully and mandatorily convertible preference shares or debentures.

The DIPP proposes to raise the FDI threshold to ₹3,000 crore for proposals requiring cabinet approval to help attract big-ticket investment in the infrastructure and manufacturing sectors.

In the past few months, the government has liberalised the FDI regime in sectors such as medical devices, construction, railways, defence and insurance. Higher capital inflows could help finance the current account deficit, estimated by the economic survey at 1% of GDP during 2015-16.

The moves may facilitate the government's efforts to make India an easier place to do business.

India is ranked 142 in the World Bank's latest Doing business index, while the government aims to break into the top 50 in the next two years.

Modi to Launch 3 Social Security Schemes on May 9

Our Bureau

New Delhi: Prime Minister Narendra Modi will launch three social security schemes in pension and insurance sector, initiating the government's drive popularly billed as 'from Jandhan to Jansuraksha.'

In a statement, the finance ministry said that the three ambitious social security Schemes – Pradhan Mantri Suraksha Bima Yojana (PMSBY) ,Pradhan Mantri Jeevan Jyoti Bima Yojana (PMJJBY) and Atal Pension Yojana (APY) – will be launched by Modi in Kolkata on May 9. "This would be a path breaking initiative towards providing affordable universal access to essential social security protection in a convenient manner linked to auto-debit facility from the bank account of the subscriber," the ministry noted in its statement.

Convenient delivery mechanism of the schemes is expected to address particular situations

Pradhan Mantri Suraksha Bima Yojana (PMSBY) and Pradhan Mantri Jeevan Jyoti Bima Yojana (PMJJBY) will provide insurance cover in the unfortunate event of death by any cause or disability due to an accident, whereas the pension scheme, Atal Pension Yojana (APY), is to address old age income security needs. The convenient delivery mechanism of the schemes is expected to address the situation of very low coverage of life or accident insurance and old age income security products in the country. PMSBY will offer a renewable one year accidental death cum disability cover of ₹2 lakh for partial permanent disability to all savings bank account holders in the age group of 18-70 years for a premium of ₹12 per annum per subscriber, it said. The scheme would be administered through public sector general insurance companies or other general insurance companies willing to offer the product on similar terms on the choice of the bank concerned. PMJJBY on the other hand will offer a renewable one year life cover of ₹2 lakh to all savings bank account holders in the age group of 18-50 years, covering death due to any reason, for a premium of ₹330 per annum per subscriber.

Short Takes

WB Arm will Join IREDA to Boost Energy Projects

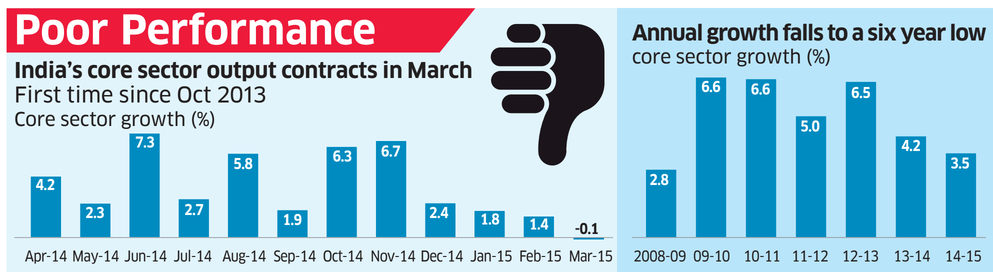
NEW DELHI The International Finance Corporation (IFC), the private financing arm of the World Bank, has said it would partner the Indian Renewable Energy Development Agency (IREDA) to provide infrastructure financing for energy projects in India.

India Will Meet 2020 Export Target:Joint Secy

MUMBAI The government is confident of pulling off the $900 billion export target for 2020 despite missing it last fiscal, said a top official. "We are confident of achieving the $900 billion export target by 2020 as envisaged in the foreign trade policy," joint secretary (commerce) Sudhanshu Pandey told reporters on the sidelines of a CII event here.

Core Sector at 17-month Low, Contracts 0.1% in March

Our Bureau



New Delhi: India's core sector shrank for the first time in 17 months in March, hurt by dismal performance of industries such steel and cement. The poor numbers are indicative of supply-side bottlenecks that affected manufacturing activity, even as the government tries to promote local production through a series of measures under the 'Make in India' campaign.

The eight-sector output fell 0.1% in March compared with a 1.4% expansion in the previous month, data released by the Ministry of Commerce and Industry showed on Thursday. The performance, the weakest since October 2013, is expected to be a drag on overall industrial production.

The core sector index captures output in eight infrastructure industries – coal, electricity, crude oil, natural gas, steel, cement, fertilisers, and refinery products. It has a 38% weight in the index of industrial production, making it a good lead indicator of industrial activity.

"On the whole, we cannot expect growth of more than 3% in industrial production in March," said Madan Sabnavis, chief economist at CARE Ratings. "The stagnation in core sector output and contraction in merchandise trade are expected to outweigh the mild uptick in automobile production in March 2015, leading us to expect a moderation in industrial growth from the three-month high 5% in February 2015," said Aditi Nayar, senior economist at ratings firm ICRA.

India's merchandise exports contracted at the sharpest pace in six years in March at more than 21%, falling for the fourth straight month.

In the fiscal year ended on March 31, core sector growth slowed to a six-year low at 3.5%. The growth was 4.2% in the previous year.

"If we look at the annual growth rate, there has been a significant slowdown. It is a reflection that as far as infrastructure projects are concerned, we need to see certain affirmative action in terms of projects revival, which has to be done by the government," Sabnavis said.

Output in four sectors – steel, cement, natural gas and refinery products – contracted in March. Coal was the top performer posting a 6% expansion in March, but still the pace was about half the previous month's 11.6%.

Despite the Supreme Court cancelling mining licences on more than 200 captive coal blocks in last September, the sector grew 8.2% in the fiscal year, the quickest in at least a decade.

In March, fertiliser output grew by 5.2%, while electricity output expanded 1.7%. Steel and cement output fell by 4.4% and 4.2%, respectively.

"The subdued trend for cement production partly reflects curtailed demand on account of suboptimal weather conditions for construction following bouts of heavy rainfall," said Nayar.