Daily Economic News Summary: 27 June 2016

1. Cabinet clears Rs 6000 crore package for textile sector

Source: **Live Mint** (Link)

The cabinet on Wednesday cleared a Rs.6,000 crore package for the textile sector, aimed at generating 10 million jobs over the next three years and improving the sector's competitiveness globally. The sops, which include incentives related to tax, production and labour to garment makers, are meant to help India overtake Bangladesh and Vietnam in apparel exports over the next three years. With China, the largest garment exporter, ceding ground to other countries on account of increase in wages and a shift to high-technology industries, the Indian government thinks it is the right time to push local manufacturing. *"Over the next three years, the Rs.6,000 crore package will lead to an additional investment of $11 billion, generate one crore jobs and increase textile exports by $30 billion,"* said Rashmi Verma, secretary in the ministry of textiles.

Under the package, the government will bear the entire burden of employers' contribution to the Employees' Provident Fund (EPF) scheme for new employees of the garments industry earning less than Rs.15,000 a month for the first three years. Also, EPF shall be made optional for employees earning less than Rs.15,000 per month. The cabinet also approved overtime of up to eight hours per week, in line with global norms. The package proposes a fixed term of employment for the garment sector. The subsidy to the sector will be raised to 25% from the existing 15%. The package will roll out a scheme wherein manufacturers can claim a refund from the central government on various state levies such as value-added tax and central sales tax that have been paid. It also proposes to relax the criteria for claiming tax benefits under the Income Tax Act.

2. Cabinet withdraws drugs and cosmetics amendment bill

Source: **Live Mint** (Link)

The cabinet on Wednesday withdrew the Drugs and Cosmetics (Amendment) Bill, 2013, which was to amend the Drugs and Cosmetics Act, 1940. The cabinet took the decision as new areas in medical field such as stem cells, regenerative medicines, medical devices and clinical trials cannot be effectively regulated under the law. The health ministry will now frame separate rules for regulating medical devices under the existing Act. The medical devices industry welcomed the cabinet decision, stating that it provides an opportunity to start fresh discussions around regulation of medical devices in the country.

The Bill was introduced in the Rajya Sabha on 29 August, 2013. It was examined by a standing committee of Parliament which made a number of recommendations for changing the provisions of the Bill. India is one of the largest manufacturers of pharmaceutical products in the world, which includes medical devices, apart from medicines. According to the Union health ministry, the annual production of these products is in excess of Rs.2 trillion. Out of this, over 55% is exported.

3. Pharma sector to grow by 20% on relaxed FDI norms: Ananth Kumar

Source: **Economic Times** (Link)

The pharma sector is expected to grow by 20 per cent on account of relaxed foreign direct investment (FDI) norms and a separate ministry to focus on the sunrise sector is on the anvil, Chemical and Fertiliser Minister Ananth Kumar today said. While continuing with 100 per cent FDI under automatic route in greenfield pharmaceuticals, the government had earlier this week allowed 74 per cent foreign investment in brownfield pharma companies through the automatic route. "*The pharma industry is growing by 14 per cent every year. With relaxed FDI norms, I think pharma sector will grow by 20 per cent,"* Kumar said on the sidelines of an event here. There is huge potential in the sunrise sector and more investments would boost prospects of growth, he said. At present, the country exports pharmaceutical goods to 205 countries and every five medicines or tablets consumed in the world are from India, he added. Kumar further said a separate ministry for the sector has been proposed for better coordination of the work.

4. Paytm & Alibaba to help Indian sellers source 5 million products from China at cheaper rates

Source: **Economic Times** (Link)

Ecommerce platform Paytm said it is leveraging its association with Alibaba group to enable Indian sellers to source products from China at cheaper rates as well as help them with logistics and payments. The company said it has identified about 25-30 Indian merchants with a credible track record to incubate under categories including home and kitchen, micro innovation including USB cookers, etc, fashion and mobile accessories and western fashion to begin the pilot. The programme plans to get on board at least 10,000 merchants by the end of this year, giving them access to more than 5-million products from China. *"Inventory is the third pillar of commerce, after logistics and payments, which requires optimisation in India,"* said Bhushan

Patil, who is heading the initiative for Paytm. Paytm clarified that the company's focus remains on scaling its B2C commerce business and this move is more in-line to help sellers source effectively and get better margins.

5. Force Motors inaugurates new engine plant for Mercedes Benz India

Source: **Live Mint** (Link)

Force Motors Ltd Wednesday opened a new plant at Chakan near Pune that will make engines and axles for Mercedes-Benz cars and SUVs in India. The 130,000 sq. ft facility with eight lines can produce up to 14 engine variants, Force Motors said in a statement. It has an annual capacity of 20,000 engines and 20,000 front and rear axles, and can be expanded further. The company has invested Rs.100 crore in setting up the plant as part of a plan to invest Rs.700 crore over the next two years, across its value chain for multiple products and business verticals.

The Pune-based firm has been supplying engines to Mercedes since 1997. Till date, it has supplied over 60,000 engines and over 50,000 axles. This project was conceptualized in June 2015 and the first engines here were made in February 2016. “The inauguration of this plant marks a significant step in our 45-year-long association with Mercedes Benz,” said Force Motors managing director Prasan Firodia.

By Harsha Hazarika