Daily Economic News Summary: 4 July 2016

1. Sukhoi-Brahmos combo draws global interest

Source: **Asian Age** (Link)

Still in the development stage, the kind of unprecedented business interest the Sukhoi 30-BrahMos missile combo is generating among different countries has sparked off the possibility that it might turn into a huge money-spinner for both India and Russia from exports. Business enquiries have started, particularly after June 25, when Indian scientists created history by flying the heavyweight missile BrahMos for 58 minutes (45 minutes in flight) with a state-of-the art Sukhoi-30 executing a perfect takeoff and smooth landing at HAL Nashik, that sparked imagination about the lethality of the integration and the huge force-multiplier implications. *"Irkut Corporation of Russia, that manufactures Sukhoi-30 fighters, has received immense business enquiries on the Sukhoi 30-BrahMos combo. A lot of countries have already expressed deep interest on purchase,"* an official source told this newspaper on condition of anonymity.

Asked about the business agreement with Russia for the BrahMos missile, Sudhir Kumar Mishra, CEO & MD of BrahMos Aerospace, told this newspaper: *"As it is a joint venture entity with a 50.5 per cent Indian share and 49.5 per cent Russian share, the proceeds will be divided accordingly between the two partners."* On the next step, Mr Mishra said: *"Now we plan to carry out a few more flights and drop tests with a dummy missile before firing an actual BrahMos air-to-ground missile from the Sukhoi. As of now, the actual test-firing of BrahMos is expected by October-November this year."* Explaining the process, he said: *"The missile, fitted in the Sukhoi-30 fuselage, will be released from the aircraft first. Once it drops clear of the aircraft, the missile's booster engine will ignite, propelling the weapon to its target."*

2. Government eases funding rules for startups

Source: **Voxbal** (Link)

A recent notification issued by the ministry of corporate affairs (MCA) makes it easier for startups to access funds via the convertible note route. This notification is part of the all-round initiatives planned by the government to strengthen the startup ecosystem in India. Funds received by a startup amounting to Rs 25 lakh or more by way of a convertible note, in a single tranche from a person, will not be treated as a `deposit'. The convertible note is to be either converted into equity or repaid within a period of five years.The Companies (Acceptance of Deposits) Rules have been accordingly amended via a notification dated June 29.

Owing to this relaxation, the stringent rules relating to informing the registrar of companies (RoC) or creating a deposit repayment reserve in the books of accounts will not apply to the startup receiving funding via convertible notes. However, it should be noted that the relaxation is available only to startups that meet the government prescribed norms (as defined by the department of industrial policy and promotion, or DIPP). This notification is the second such initiative to ease funding challenges for startups. TOI had in its edition the Ted June 20 reported that eligible startups will be exempt from angel tax. They will not have to pay any tax on the differential between funding received from non-registered funds or high net worth individuals and the fair market value of their entity.

3. Government panel to prepare blueprint for raising refining capacity

Source: **Economic Times** (Link)

The government has formed an expert group to prepare a blueprint for raising refining capacity by 2040. India has a refining capacity of 232.066 million tonne, which exceeded the demand of 183.5 million tonne in FY 2015-16. Expansions underway will raise the refining capacity to about 260 million tonne by 2018.

The Working Group will be required to assess primary energy requirement for 2040 and also assess likely technological developments in different energy fields. It will then develop primary energy mix with breakup in terms of gas, oil, coal, nuclear, solar, hydro and biofuel. It will also assess the demand for major petroleum products linking with advancements in use, substitution by other forms of energy, drive on enhancing energy efficiency, and government policies.

4. India positive on achieving $50 Bn mark in textiles, apparel exports in FY17

Source: **Business Standard** (Link)

With the government announcing a special Rs.6,000 crore package and taking elaborate marketing plans to boost exports. Textile Secretary Rashmi Verma speaking on the sidelines of a meeting of industry body Texprocil held in Mumbai said that they are hopeful of achieving $50 billion mark in exports in the current fiscal as compared to $38 billion exports last year. The Union Cabinet last week approved special package for the sector with an aim to create one crore new jobs in three years and attract investments of $11 billion while eyeing additional $30 billion in exports.

They are hopeful that their key markets like Europe and US will continue to grow. They are also looking at exploring new markets such as Iran, Russia and South America to expand reach and diversify products. With the opening of new markets, they are hopeful to achieve their export targets. Rashmi Verma further said that the country is ready to capitalize on falling share of China in textile exports in the international market. The nation's market share has slipped to 38 percent from 40 percent due to high wage rate and its entry into high-end tech products.

5. Lulu Group plans to invest Rs 7000 crore in India

Source: **Business Standard** (Link)

Buoyed by relaxation of FDI norms, NRI tycoon Yusuffali M A, who heads the Dubai-based retail conglomerate Lulu Group, has announced investment of over Rs 7,000 crore in India for setting up shopping malls and hotels. Ali said his group will invest Rs 4,650 crore in Kerala, Rs 1,000 crore in Uttar Pradesh and Rs 1,410 crore inTelangana in the hospitality and retail sector. Complimenting the NDA government for raising FDI cap for various key sectors, Ali estimated that investment to the tune of $150 billion will flow into India's retail, aviation, tourism and manufacturing sectors from the Gulf countries in the next few years. He said Prime Minister Narendra Modi's outreach to a number of Gulf nations coupled with new initiatives to attract foreign investment have made India the most talked about FDI destination in the region which is eying to broaden its non-oil investment. *"There will be a tremendous push from Gulf investors into India as the they are looking to broaden their non-oil investment,"* he said.

Ali's Lulu Group, having an annual turnover of $6.3 billion, has already made major investments in retail, hospitality and food processing sectors in India. The Forbes magazine had last year listed Ali, a first generation migrant to the Middle East, as the 30th wealthiest Indian and the 737th richest in the world. Ali said the company will initially invest Rs 1,000 crore for setting up a shopping mall and a five star hotel and convention centre in Lucknow. The site for the project has already been identified and construction work will start by December. n Telangana, Ali said his group is investing Rs 500 crore for establishing a food processing plant, while a shopping mall will be set up with an investment of Rs 900 crore in Hyderabad. In Kerala, Ali said his group is making an investment of Rs 4,650 crore in a number of projects. A shopping mall and a five star hotel with investment of Rs 1,250 crore is being set up in Thiruvananthapuram, he said, adding another five star hotel will come up in Kochi at an investment of Rs 1,600 crore.