

Daily Economic News Summary: 12 January 2018

1. India a Top Borrower from China-Sponsored AIIB in 2017

Source: The Economic Times ([Link](#))

India has emerged as a top borrower from the China-sponsored Asian Infrastructure Investment Bank (AIIB) with USD 1.5 billion worth of loans in 2017 and USD three billion more in the pipeline. India's Ambassador Gautam Bambawale met AIIB President Jin Liqun in Beijing and held in-depth talks on deepening India's engagements with the bank on Jan 12. They also exchanged views on the preparations for the next annual meet of AIIB which will be held in Mumbai in June 2018, the Indian Embassy said in the statement. Next to India, Indonesia has emerged as the second largest borrower with about USD 600 million loans. Significantly in the pipeline for lending for India by the 84-member bank this year included USD 3.5 billion worth of projects including Mumbai Metro, Andhra Pradesh new capital Amaravati's development and irrigation network in West Bengal.

2. Netanyahu in India: Trade, Defence Ties to Top Israel PM's Agenda

Source: Livemint ([Link](#))

Deepening of trade and defence ties is likely to be the focus of Israeli Prime Minister Benjamin Netanyahu's five-day visit to India starting Jan 14. India is also pushing for 'Make in India' in defence and that is also likely to be discussed when the two sides meet. Despite the public display of warmth between India and countries like the US, Israel and France, foreign direct investment in defence has been abysmal, data shows. Israel is among the top four arms suppliers to India, selling almost \$1 billion worth of hardware every year, including the Heron unmanned aerial vehicles. India-Israel trade is valued at about \$4 billion annually and the two countries hope to take this to \$10 billion. Israel Aerospace Industries Ltd, Rafael Advanced Defense Systems Ltd and Elbit Systems Ltd will be among the key defence firms participating in various engagements.

3. Future Focus: Make In India 2.0 to Stress on Robotics, Genomics

Source: The Economic Times ([Link](#))

The government is set to launch round two of its flagship Make in India programme in February, with the focus this time on futuristic segments such as robotics, genomics, chemical feedstock and electrical storage. The government's industry department is in the process of formulating a five-year roadmap for each of the priority sectors to be covered under Make in India 2.0, a senior government official told Economic Times. Round two is being launched at a time when the manufacturing industry seem to have lost some steam, in part due to a tepid global economy that has affected export demand. The Department of Industrial Policy & Promotion (DIPP) now wants to sharpen Make in India's focus to a few areas with long term potential to move India upwards in the global supply chain. The government will identify the need for policies and regulations at the central state and local level, such as fiscal concessions and incentives and single window approval mechanisms for each sector.

4. SEBI Ban to Spell Trouble for Price Waterhouse Business in India

Source: Livemint ([Link](#))

Price Waterhouse, the auditing arm of consultancy firm PwC India, is the auditor for 77 companies listed on the National Stock Exchange of India (NSE). The Securities and Exchange Board of India's (SEBI) two-year ban on Price Waterhouse spells trouble for its business in the country, and is also a signal for the auditing profession to pull its socks up, experts said on Jan 11. Late on Jan 10, the capital markets regulator banned 11 firms in Price Waterhouse's Indian network from auditing the books of listed companies for two years for alleged complicity in the manipulation of accounts at the erstwhile Satyam Computer Services Ltd. The firm showed disregard for stipulated auditing practices, such as independently verifying the company's bank statements, SEBI said. Some listed companies will have to look for replacement auditors. Fifty-four firms hired Price Waterhouse as their auditor in 2017-18 because of mandatory auditor rotation required under the Companies Act. Another 15 had appointed it in 2016-17. According to the Act, an auditor has to be hired for a fixed term of five years and can be reappointed for another five years.

5. No Need to Share Aadhaar Number with any Government Agencies: Officials

Source: The Economic Times ([Link](#))

“Even to the income tax department or other agencies required by law to map Aadhaar, people don't have to give their Aadhaar number and can authenticate using the Virtual ID,” Ajay Bhushan Pandey, CEO of the Unique Identification Authority of India (UIDAI) told Economic Times in an exclusive interview. In one of the most significant security upgrades by the eight-year old agency, the UIDAI announced the creation of a “virtual ID” which can be used in lieu of the 12-digit Aadhaar number at the time of authentication for any service. It also limited the information visible to authentication agencies. The measures are expected to strengthen privacy and prevent profiling of people by combining dozens of databases linked to Aadhaar in the country. The citizens will also have the choice for the reverse which is to not generate their virtual IDs and continue using their Aadhaar numbers each time.

6. Budget Bonanza: Govt Likely to Do Away With Dividend Distribution Tax

Source: Business Standard ([Link](#))

The finance ministry is likely to do away with the dividend distribution tax (DDT) in the upcoming Union Budget. DDT was introduced in the Finance Act 1997. Sources in the know have said there have been considerable discussions on the topic among various stakeholders. According to Iyer, the case of removal of DDT is the need to make effective corporate tax rate in India compare favorably with competing economies. It also enables foreign investors to get credit of tax in their countries, thereby improving return of investment and ease of doing business in India. “It also substantially reduces litigation under Section 14A, which disallows expenditure in relation to exempt income,” Iyer said. There has been discontent about this tax, because any corporate which pays dividend has to pay two taxes the income tax on its profits and the DDT. However, things worsened in the 2014-15 Budget when the government made changes in the way in which this tax was levied. Earlier, this tax was computed based on the net amount paid as dividend instead of the gross amount. As a result, the effective rate of tax was 16.9 per cent. After the amendment of the Section 115-O, the dividends have to be grossed up, effectively increasing the rate.

7. Reliance Jio Planning its own Cryptocurrency Called Jiocoin

Source: Livemint ([Link](#))

With Mukesh Ambani's elder son Akash Ambani leading the JioCoin project, Reliance Jio plans to build a 50-member team of young professionals to work on blockchain technology, which can also be used to develop applications such as smart contracts and supply chain management logistics. The most popular application of the technology has undoubtedly been cryptocurrency, and Reliance Jio also plans to create its own version called JioCoin. Significantly, the Indian government has cautioned against cryptocurrencies, stating that virtual currencies were not backed by assets and posed risks such as money laundering. On Jan 2, Finance Minister Arun Jaitley told the Rajya Sabha that the government was still studying the issue.

8. Britain Doubles Export Backing for India

Source: The Economic Times ([Link](#))

The UK government announced on Jan 11 the doubling of its national credit support for UK businesses exporting to India, during the visit of Commerce and Industry Minister Suresh Prabhu. Prabhu held talks with Britain's international trade minister, Liam Fox, in London as part of the 12th meeting of the UK-India Joint Economic and Trade Committee (JETCO) to discuss greater cooperation between the two countries and identify barriers to trade and investment. The minister said the UK government would work closely with India to break down barriers to boosting trade, which includes the latest doubling of trade finance support for UK exporters and Indian buyers of British goods and services.

9. India Turns Tesla Model on Its Head to Target Mass Market

Source: Livemint ([Link](#))

India's relatively low rate of car ownership means consumers have an opportunity to make the electrification leap without some of the challenges and costs other nations will face. Tesla Inc. helped electric vehicles (EV) gain a mainstream foothold in the US by starting with luxury cars and then moving down-market. India's nascent transition to EVs is heading in the opposite direction. Many consumers will get their first taste of electric vehicles from public-transit systems and corporate fleets in India, where car ownership per 1,000 citizens is just 20, compared with 800

in the US. Companies such as Bangalore-based Lithium Urban Technologies Pvt., which provides EV fleets to corporations, are expanding as India aspires to end sales of internal-combustion engines by 2030. India's relatively low rate of car ownership means consumers have an opportunity to make the electrification leap without some of the challenges and costs other nations will face, and makes possible a path focused at first on mass transit and fleets.

10. GST Council May Lower Rates for Farm Gear, Electric Vehicles Next Week

Source: Business Standard ([Link](#))

The GST Council meeting will be its last one before the presentation of the Union Budget on February 1. The GST Council may take up rationalisation of the goods and services tax (GST) rates for a handful of items at its meeting next week. These items include bio-diesel buses, electric vehicles and irrigation equipment. "The items qualifying for rate reduction in the upcoming meeting have been picked with an objective of giving a push to agriculture and clean energy. Other items in the 28 per cent tax slab will not be taken up this time with revenues yet to stabilise," said an official. The GST Council may also take up a proposal to reduce the rate on digital cameras to 18 per cent from 28 per cent. Companies like Nikon, Canon and Sony had in their representations pitched for a reduction in rates to safeguard the interests of an industry facing stiff competition from smartphones. Besides, in most Asian countries digital cameras are taxed 7-17 per cent, they have pointed out.

11. SAT Sets Aside IRDA Order to Transfer Sahara's Life Insurance Business to ICICI Prudential

Source: Livemint ([Link](#))

Insurance Regulatory and Development Authority (IRDA) should have applied the principles of proportionality before resorting to such extreme measures of transfer, merger or winding up of an insurance business altogether. The Securities Appellate Tribunal (SAT) on Jan 11 set aside an order by the IRDA asking Sahara Life Insurance to transfer its life insurance business to ICICI Prudential Life Insurance Co. Ltd. The appellate court has asked the insurance regulator to hear the matter afresh and pass orders within three months. However, it upheld the appointment of an external administrator for Sahara Life. As per the IRDA Act, the regulator can appoint an

administrator if it feels policyholders' interests may be compromised. The administrator looks at the day-to-day affairs of the insurer and suggests a revival plan. SAT also directed that the regulator place the administrator's recommendations before Sahara and IRDA give the firm an opportunity to examine and respond to the proposals. In the order, SAT held that the appointment of an administrator is more in the nature of an administrative order.

12. Poultry Firms See Promising Future Ahead over Subdued Feed Prices

Source: Business Standard ([Link](#))

Subdued feed prices to keep margins elevated in next few quarters, despite stable chicken and egg prices. After nearly four years of downturn, the outlook seems promising for India's poultry companies, on expectations of supply deficit and rising consumer demand for chicken and eggs. Profit margins of poultry firms (primarily producers of fresh chicken meat and eggs) were under pressure for four years due to a sharp increase in feed prices. Worried at a consumer shift to alternative sources of protein intake, they did not pass on the feed price hike. Even during supply deficit days, poultry firms raised their product prices only marginally.