TIMES BUSINESS

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INDIA HAS NO DEDICATED MONITORING SYSTEM FOR HIGH FREQUENCY TRADES: BSE CEO ASHISHKUMAR CHAUHAN

RELAXED FDI NORMS TO BOOST MFG, GENERATE JOBS: ECO AFFAIRS SECY SHAKTIKANTA DAS

Most foreign investment won't need prior approval, says FM

Rajeev Deshpande & Surojit Gupta | TNN

Today's FDI reforms will give a boost to employment, job creation & benefit the economy. India now the most open economy in the world for FDI; most sectors under automatic approval route

PM NARENDRA MODI

The criteria we have followed is that in all such sectors where a ministerial permission or a licence from another governmental authority is required, FDI can be placed on the automatic route

FM ARUN JAITLEY

New Delhi: The liberalisation of the foreign direct investment (FDI) regime signals the NDA government's commitment to economic reforms and will help in boosting growth in the years to come and significantly reduce the role of the foreign investment promotion board, finance minister Arun Jaitley said on Monday.

"The government is committed to carry on the reforms process. Today's FDI reform is one important step in that direction," Jaitley told TOI in an interaction soon after the government unveiled the reform measures. "After this reform, an overwhelming amount of FDI will come into the country through the automatic route. Only in a few cases which are now on the negative (list) will the FIPB be required," said the FM.

The steps were announced two days after Reserve Bank of India (RBI) governor Raghuram Rajan said he would not opt for a second term at the central bank and experts said they helped boost sentiment. The government said Monday's meeting convened by PM Narendra Modi was pre-scheduled.

The NDA government has accelerated the pace of reforms in the past few months and has secured the passage of key reform bills such as the Insolvency and Bankruptcy code. The objective is to make India an attractive destination and significantly improve the ease of doing business in the country. "The criteria we have followed is that in all such sectors where a ministerial permission, or a licence from another governmental authority is required FDI can be placed on the automatic route," the FM said. "The government has clearly demonstrated its intention that the reform process will go on. The Indian economy will continue to be on the upward path over the next few years," Jaitely said.

Prime Minister Narendra Modi said the FDI reforms will help create jobs and benefit the overall economy. "Today's FDI reforms will give a boost to employment, job creation & benefit the economy," Modi said on micro blogging site Twitter.

He said the amendments in FDI policy has been done to promote ease of doing business. "India now the most open economy in the world for FDI; most sectors under automatic approval route," Modi said.

'RRexit' fears neutralised, focus on 'Brexit' fallout

Times News Network

New Delhi: Policy makers in Delhi turned in for the night on Sunday relatively confident that an anticipated slide in the stock market on Monday following RBI governor Raghuram Rajan's decision not to seek a second term may not come to pass.

Though guessing the market, as a seasoned official put it, is hazardous business, the government was buoyed by reports of big Indian brokers preparing to invest and concerns over flight of foreign institutional investors being contained. Stock market data showed FII's were net sellers at Rs 537 crore while domestic institutions were net buyers at Rs 724 crore.

While there was reason to expect nervousness in the markets over Rajan's announcement given his global reputation, sections of business and traders, domestic ones in particular, felt his departure could in the months ahead mean lower rates.

Sources said though any such development is months away and will depend on a host of factors like inflation and the monsoon, markets work on sentiment and Indian brokers seemed ready to see the Rajan episode as passing flux.

Early on Monday signals from the east and south-east Asian markets were positive, with Tokyo and Singapore exchanges recording an upbeat trend. As the morning crept across Asia, the Indian markets also settled into the black.

Rather than developments at RBI such as "Rexit", the bigger concern for Indian economic planners is the fallout of the "Brexit" vote due later this week. Senior officials and ministers are hoping assessments that UK will remain in European Union bear out as any major realignment in Europe could spell instability in the Indian market.

There is a view within a section of the government that a high interest rate regime favours FIIs more than domestic investors and this has been a point of difference with the RBI. The response from Indian banks is also expected to be one of relief as they found it hard to cope with Rajan's aggressive recipe to clean up bad debts although government is expected to persist with the revamp of the sector.

MPC members to be named by July

New Delhi: Formation of the Monetary Policy Committee (MPC) entrusted with the task of deciding interest rates is at an advanced stage and the government will soon appoint members of the high-level panel. "Members can be announced in the next month as candidates have been short-listed," sources said. The six-member MPC will include RBI governor and three nominees of the government, which has a mandate to bring consumer or CPI inflation to the pre-set target. The non-government nominees on MPC include the governor himself, who is the the ex-officio chairman, a deputy governor and an executive director of RBI. Members will be appointed for four years and shall not be eligible for reappointment. The panel will meet at least four times in a year and the government may, if it considers necessary, convey its views in writing to MPC from time to time. AGENCIES

Gulf carriers may take off on 100% FDI in aviation

Times News Network

New Delhi: India will now allow its airlines to be fully owned by foreign entities. While foreign carriers will still be required to have up to 49% stake in airlines here, they can now get a foreign partner — like a sovereign wealth fund or an institutional investor — and not look for an Indian partner to put in the remaining 51%.

The Narendra Modi government on Monday allowed 100% FDI in domestic airlines and opened India — the fastest growing aviation market globally — to cash-rich foreign airlines. It provides private Indian airlines a significant upside in valuation if they wish to raise funds by opting for partial or complete divestment.

Many foreign airlines with deep pockets such as Qatar Airways have for long expressed interest in entering the aviation space here. Their entry — whether through a startup or acquiring existing airlines — could mean Indian carriers expanding fleets at a faster pace and the enhanced supply may see a drop in fares, making it possible for more Indians to take to the skies.

TAKING WING

AIRLINES	% Chg
Stock	% Chg
Global Vectra	9.7
SpiceJet	7.4
Jet Airways	6.6
Indigo	6.0

"It has now been decided to raise this limit (FDI in Indian airlines that used to be 49%) to 100%, with FDI up to 49% permitted under automatic route and FDI beyond 49% through government approval. For NRIs, 100% FDI will continue to be allowed under automatic route," a government statement said.

The move comes within a week of the government allowing startup Indian airlines to fly abroad as soon as they have 20 planes in their fleet without waiting to complete five years of operations first. At present, only three Indian carriers have investment by foreign airlines. Abu Dhabi's Etihad has a 24% stake in Jet Airways. Tata Group holds 51% stake in Vistara and AirAsia India each, with Singapore Airlines and AirAsia Berhad having the remaining 49% in them respectively.

Experts said the move help attract investment. "The opening of FDI will help bring in much needed cash, aircraft fleet and best practices. We may see its positive impact over the next 6-12 months. Though equity holding of foreign airlines is still limited to 49%, a foreign airline can join hands with its sovereign fund or private investors and set up a 100% foreign owned airline in India.... The likely increase in competition will bring down prices and enhance air penetration in India – both international and domestic-." said Amber Dubey, partner and head of aerospace and defence at KPMG (India).

Govt removes stiff conditions

▶ Continued from P 1

Government officials said that too much should not be read into the announcements since Modi had scheduled the meeting earlier. But the market saw the decisions on FDI as a signal from the government that changes in the administrative setup would not impact its reform plans.

The announcement comes at a time when there are fears of dollar shortage due to possible withdrawal of a part of the over $20 billion foreign currency deposits that are due for redemption later this year.

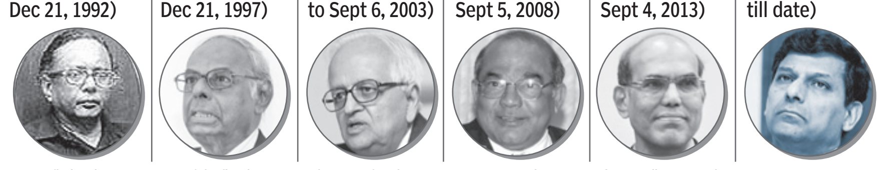
For the government, this is at least the fourth set of major FDI changes since it took office two years ago and the second since last November when the rules for a number of sectors –aviation, construction and retail, among others – were eased. Earlier, the Modi government had increased the FDI caps for insurance and defence while allowing overseas funds into railways, which had remained shut even two decades after the 1991 reforms. The steps helped the FDI inflows jump 54% to a record $55.5 billion during the last financial year.

This time, the focus has been on removing the stiff conditions that often came with opening up and deterred investors. As a result, the government has eased norms for defence manufacturing companies where foreign ownership is in excess of 49%. Earlier FDI was allowed only if foreign funds were accompanied with "state of the art" technology. Consultants too said that the rules are simpler now. Even in case of food retailing, the PM chose to ignore protests from food processing ministry on mandating sourcing norms for food retailers in a segment where 100% FDI has been permitted without riders, including in e-commerce.

RAJAN'S REPORT CARD IN GOVERNORS' CLASS

India has had six RBI governors since liberalisation in 1991. Here's a snapshot of how each of them fared on key economic parameters

Governor	Term	Inflation (%)	Interest Rates (%)	GDP growth (%)
S Venkitaramanan	(Dec 22, 1990 to Dec 21, 1992)	12.7	16.5	3.9
C Rangarajan	(Dec 22, 1992 to Dec 21, 1997)	6.6	15.5	6.3
Bimal Jalan	(Dec 22, 1997 to Sept 6, 2003)	4.7	12.5	5.7
Y V Reddy (HIGHEST GDP GROWTH)	(Sept 6, 2003 to Sept 5, 2008)	5.9	12.4	8.5
D Subbarao	(Sept 5, 2008 to Sept 4, 2013)	7.3	10.2	6.9
Raghuram Rajan (LOWEST INFLATION & INTEREST RATE)	(Sept 4, 2013 till date)	1.9	9.9	7.1



GDP & Inflation data are average of the fiscal years over the term of each governor; Interest rate is average Prime Lending rate or base rate

Rajan's parting shot: Get real on interest rates

Times News Network

Mumbai: A day after media reports presented the Centre's view that the Reserve Bank of India chief Raghuram Rajan may have been "behind the curve" on interest rates, the outgoing central banker launched his strongest attack ever on proponents of softer rates and warned that experimenting with macroeconomic policies would hit the poor hard.

Although the governor has less than two and a half months left in his term, he choose a speech at the Tata Institute of Fundamental Research to launch a feisty defence of the RBI's commitment to lower inflation and to lay out the course for his successor. This was his first public address after announcing his intent to return to academia after September 4. "We had gotten used to decades of moderate to high inflation, with industrialists and governments paying negative real interest rates and the burden of the hidden inflation tax falling on the middle class saver and the poor," said Rajan.

The governor also defended his 'deep surgery' in the banking system saying the problem with public sector banks had come to a head much before his move to clean up balance sheets and he would come up with lending numbers to back this statement. Besides calling out industrialists and the government, Rajan attacked economic advisors who were pushing RBI to cut rates on the grounds that India needs unique monetary policy solutions. "Decades of studying macroeconomic policy tells me to be very wary of economists who say you can have it all if only you try something out of the box. Argentina, Brazil, and Venezuela tried unorthodox policies with depressingly orthodox consequences," he said.

Rajan warned that hyperinflation destroys middle-class savings in bonds and fixed income and causes people to lose faith in money.

CDB to test-market flavoured coconut milk

Times News Network

Kochi: The Coconut Development Board (CDB) is introducing flavoured ready-to-drink coconut milk. The milk, which will be available in four flavours, is ready for pilot testing, and the project approval committee (PAC) on technology mission on coconut (TMOC) has sanctioned Rs 52 lakh for the project.

The PAC meeting, chaired by new CDB chairman A K Singh, also approved projects with a total outlay of Rs 12.76 crore and financial assistance of Rs 2.75 crore. All these projects together have annual processing capacity of 493 lakh coconuts and the production capacity of 3,300 tonnes of shell charcoal. Under processing and product diversification, five projects for desiccated coconut powder that could process 300 lakh nuts per year were cleared. Three virgin coconut oil units that could process 105 lakh nuts per year also got the clearance of the PAC.

Kerala projects cleared by the PAC include virgin coconut oil processing unit with a capacity to process 5,000 nuts per day, coconut-based food production unit for processing 600 coconut per day, two desiccated coconut powder making units with a capacity to process 30,000 nuts per day and two copra dryer units with a capacity to process 20,000 coconuts per day.

Small savings scheme rates unchanged

New Delhi: Government has kept interest rates unchanged for various small savings schemes for the July-October quarter of 2016-17 fiscal. Interest rate on one-year deposits for July-October quarter of this fiscal has been kept unchanged at 7.1%. Similiarly, interest rate on two-year time deposit, three-year time deposit and five-year time deposit were kept at 7.2%, 7.4% and 7.9%, respectively.

Likewise, interest rate on Public Provident Fund (PPF) scheme, Kisan Vikas Patra scheme and SukanyaSamriddhi Account Scheme were kept at 8.1%, 7.8% and 8.6% respectively. AGENCIES

EXECUTIVE DIGEST

BIZ LIFT: Dennis Muilenburg-led Boeing is nearing a $4-billion deal with Russia's largest air-freight company AirBridgeCargo Airlines. The deal with its Moscow-based parent Volga-Dnepr Group would help extend the life of the iconic, hump-nosed 747 jumbo jet amid waning demand for four-engine aircraft

BIZ DIGEST

'India monitoring Brexit development'

India is monitoring the developments of 'Brexit' as it would have a bearing on the country's trade with European Union and the UK, commerce and industry minister Nirmala Sitharaman said on Monday.

FSSAI bans use of potassium bromate in bread: The Food Safety Standards Authority of India (FSSAI) on Monday banned the use of potassium bromate as a food additive following a CSE study that found its presence in bread as causing cancer.

MUrgency wins prize: Kerala entrepreneur Shaffi Mather's MUrgency was named champion of the third annual Challenge Cup 2016 global competition with a first prize of $50,000 (Rs 34.00 lakh) and up to US$ 10,00,000 (Rs 6.75 crore) in investment.

'Presumptive taxation: No audit for up to ₹2cr turnover': Small businesses with a total turnover of up to Rs 2 crore will not be required to get their accounts audited if they opt for presumptive taxation scheme, the finance ministry said on Monday.

Global bigges may enter food retail

100% FDI To Help Online Grocery Startups Raise Funds

Times News Network

New Delhi: In a boost to retailers and grocery startups such as Big Basket and Grofers, the government on Monday allowed 100% FDI in food retail, including through e-commerce, provided such items are produced, processed or manufactured in the country.

This will allow multi-brand retail giants such as Walmart to look at their food business here closely and perhaps even foray into B2C food retail. Currently, the US giant operates a B2B business here since FDI in multi-brand retail is not allowed. The US retailer has built a strong backend infrastructure in food. Similarly, the move will help Indian hyper-local grocery startups raise funds more easily.

"The decision by the government to allow up to 100% foreign direct investment (FDI) through FIPB in marketing of food products produced or manufactured in India, including through e-commerce, is very progressive and will help in reducing wastage, helping farm diversification and encourage industry to produce locally within the country. This far-reaching reform will benefit farmers, give impetus to food processing industry and create vast employment opportunities. We will study the policy document when government finalises and issues it," said a Walmart India spokesperson.

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>
> **Walmart India spokesperson**

The decision comes without any riders, department of industrial policy and promotion secretary Ramesh Abhishek said. The food processing ministry wanted the food retailers to mandatorily invest in back-end infrastructure besides being allowed to sell some non-food goods. "This initiative (FDI in food retail) could bring in investments in food infrastructure by global players and provide a platform to sell those products manufactured in India, thus opening up the domestic food market," said Sreedhar Prasad, partner-e-commerce, KPMG in India.

"Further, this could enable some of the existing e-commerce players to attract FDI in food category where they are selling only products manufactured or produced in India."

The government expects it to curb food wastage as well, said Abneesh Roy, associate director at Edelweiss Securities. Food processing minister Harsimrat Kaur Badal has been seen rooting for FDI in the sector citing heavy food wastage. She said India has been wasting food and agricultural produce worth Rs 92,000 crore and foreign funds can build infrastructure at farm gate level for benefit of farmers.

As for grocery startups, the government's move comes with a catch since it allows FDI in only retailing of food products, while most grocery startups sell household items such soap and incense sticks apart from food. It remains to be seen whether they hive off a separate food business from their existing one, said industry experts.

"It is a possibility, although at present, food accounts for around 70% of our business," said Hari Menon, co-founder and CEO of BigBasket. "If we manage to separate our food business from the rest of our portfolio, it will allow us to raise funds easily from foreign players."

Kinfra project gets govt clearance

Times News Network

Kochi: The Union ministry of communication and information technology has given final approval to a proposal submitted by Kerala Industrial Infrastructure Development Corp (Kinfra) to set up a greenfield electronics manufacturing cluster (EMC) at Kakkanad in Ernakulam district.

Coming up at 67 acres of land in Kochi near an existing Kinfra park, the units at the EMC will be eligible for privileges under M-SIP (Modified Special Incentive Package) Scheme.

Kinfra expects the cluster to support manufacturing units for laptops, desktops and tablets, telecom equipment like mobile handsets, parts and accessories. Consumer electronics manufacturers of TV and set top boxes could also set up production facility at the EMC.

A detailed report, prepared for the Rs 157-crore project, is waiting for a Rs 50-crore grant from the Central government.

Sensex rises 241 pts on FDI reforms wave

Mumbai: Stocks and rupee on Monday opened with an early morning plunge but equities bounced back to score a 241-point rally as Rexit jitters got blunted by a new wave of FDI reforms, hectic buying by institutions, talking-up by influential market men and easing Brexit worries.

Rupee, however, could not be saved of its morning blues entirely and ended 23 paise down at Rs 67.31 against the US dollar, although intervention by RBI in the forex markets helped its partly recoup the losses. The Indian currency had plunged almost one per cent or 61 paise to a low of Rs 67.69.

RBI bought government's securities worth Rs 10,000 crore through OMO purchase auction held on Monday, while the total amount offered by participants stood at Rs 45,922 crore.

There have been concerns about a sharp plunge in stock and rupee valuations after Rajan made a surprise announcement over weekend that he would not take a second term at RBI.

Stock market benchmark sensex plunged to as low as 26,438 points in pre-open trade between 0900-0915 hours, down nearly 200 points from its previous close, but early morning buying orders helped limit the opening loss at 178 points. After touching a low of 26,447.88 in opening trade, the sensex recovered sharply to scale an intra-day high of 26,885.49 points before finishing at 26,866.92, showing a gain of 241.01 points or 0.91%. Nifty closed 68.30 points or 0.84% up at 8,238.50.

Marketmen said some big domestic institutions could have been pressed into buying to check the losses, as turnover was relatively higher in early morning trades for a Monday.

Seeking to allay concerns, government sources said a successor would be announced well in advance, preferably by July-end, to replace Rajan after he demits office on September. AGENCIES