

Issue no. 4
July, 2014

INDIA DIGEST

A Newsletter from
Embassy of India, Paramaribo



Indian Prime Minister Mr. Narendra Modi met Surinamese President Desire Delano Bouterse in Brasilia on July 16, 2014 on the side lines of BRICS leaders interaction with South American leaders. Both the leaders had fruitful discussions on various Bilateral issues such as cooperation in agriculture, science and technology, health, education and trade & economic ties.

Economic survey estimates FY15 GDP growth at 5.4-5.9%

The government in the economic survey estimated the FY15 GDP growth at 5.4-5.9%, adding that it is likely to be on the lower side of the projection.

On inflation, the survey said that while it has eased it is still above the comfort level. Saying that inflation limits the scope for RBI to cut rates, the survey added that a formal monetary policy framework was needed for targeting inflation.

WPI inflation is likely to moderate by 2014-end, it added. Calling for fiscal consolidation to bring down inflation, the survey said India needed a new Fiscal Responsibility and Budget Management (FRBM) Act with 'teeth'. The report added that raising the tax-GDP ratio and subsidy reforms are key to fiscal consolidation, stressing that there was a need to move to market prices with respect to fuel products.

"Economic survey shows the gravity of the current situation", Finance Minister Arun Jaitley said, adding that fiscal deficit needs to move down in two years. FY15 current account deficit may be limited to about \$45 bn or 2.1% of GDP, according to the survey. The survey also called for a tax regime that is simple, predictable and stable consisting of a single-rate goods and services tax (GST), fewer exemptions in direct taxes, and a transformation of tax administration.

Social sector schemes such as MNREGA, NRHM, SSA, among others came up for special mention, with the survey saying that these schemes need a complete revamp. "It is felt that the outlays for the different schemes have not often translated fully into outcomes owing to the poor delivery mechanism. Leveraging modern technology for efficient delivery of programmes, removing the multiple layers of governance, simplifying procedures, and greater participatory role by the beneficiaries can help in creating a better delivery mechanism.", the survey points out.

The survey also said India will require a whopping \$1 trillion investment in infrastructure over the next five years.

Source: Business Standard



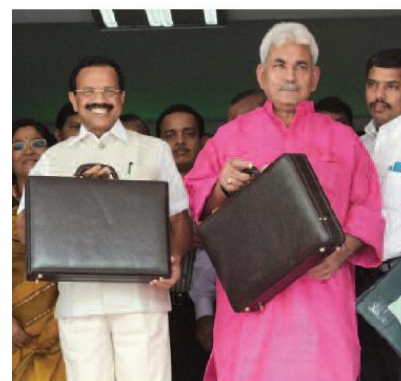
Tech, commerce to power Indian Railways in future

Bullet trains are set to become a reality in India with the first service between Mumbai and Ahmedabad as Prime Minister Narendra Modi's government sought to make Indian Railways - one of the world's largest - run like a "commercial enterprise but serve like a welfare organization".

In the railway budget presented to the Parliament on July 8, Railway Minister D.V. Sadananda Gowda unveiled many new measures to make Indian Railways, which runs about 20,000 trains and ferries 23 million passengers daily, a modern, efficient and commercially viable utility. He presented proposals, subject to parliamentary approval, for introduction of 58 new trains, paperless office in five years, digital reservation charts, wi-fi in select stations and trains, wake-up call for passengers, separate freight terminals, office-on-wheels for business travellers, more money for cleanliness and safety, food courts at stations, expansion of rail tourism and better connectivity in hilly areas and northeastern states.

He also promised a diamond quadrilateral project of high-speed rail connectivity between the four metros. He said some identified stations will be developed like modern airports. Having already hiked passenger fares by 14.2 percent and the freight carriage charges by 6.5 percent, which is expected to fetch additional resources of Rs.8,000 crore, Gowda focused on ways to earn revenues from other sources, such as allowing foreign equity in areas excluding operations, as also public-private partnerships.

Details, he said, would be worked out. He said Rs.500,000 crore (\$83 billion) will be required over the next 10 years to fund the modernisation plans of the network, as against the actual spend of Rs.18,400 crore in the past 10 years, but noted that freight and passenger fare hikes alone could not fetch such large requirements.



But Gowda also made it clear that commercial viability cannot be sidestepped. “An organization of this magnitude vested with varied responsibilities, is expected to earn like a commercial enterprise but serve like a welfare organization. These two objectives are like the two rails of the railway track, which travel together but never meet,” he said in his hour-long speech.

Prime Minister Modi was quick to react. “The railway budget keeps in mind the development of India. We can see the great use of technology also,” he tweeted, adding: “This budget strengthens institutional mechanism. It focuses on transparency and integrity.”

Ranked among the world’s top five, the Indian railroad network ferries 23 million people and 2.65 million tonnes of goods daily, or 1.1 billion tonnes annually, from 7,172 stations on 12,617 passenger and 7,421 freight trains over more than 64,000 route km. With a network stretching from Baramulla in Jammu and Kashmir in the foothills of the Himalayas to the southern tip of Kanyakumari in Tamil Nadu, the Indian Railways is also among the largest employers with an estimated 1.4 million people on its rolls.

Shifting to finances, Gowda pegged the total receipts at Rs.164,374 crore and the total expenditure at Rs.1,49,176 crore while expecting a 4.9 percent growth in freight and a small growth in passenger traffic this fiscal. He projected an operating ratio, or the amount spent to earn one rupee, at 92.5 paise -- one paisa more than in 2013-14.

“The Indian Railways will improve system capabilities in e-ticketing to support 7,200 tickets per minute as against 2,000 tickets and allow 120,000 simultaneous users at any point,” the minister said, adding that coin-operated vending machines will also be launched.

As regards the high-speed projects, the minister said Indian Railways would require more than Rs.900,000 crore crore (\$150 billion) to complete the golden quadrilateral network and about Rs.60,000 crore (\$100 billion) for introducing one bullet train alone.

“It is the wish and dream of every Indian that India runs a bullet train as early as possible. Madam Speaker, Indian Railways is on its way to fulfil that long cherished dream. We propose bullet trains by starting off with an already identified Mumbai-Ahmedabad sector, where a number of studies have been done,” Gowda said.

Modi, in his election speeches, had talked about introducing bullet trains, after seeing them run in Japan and China, if he came to power. Gowda also listed four new ways to mobilise resources -- allowing foreign equity, more public-private partnerships, commercial funds augmentation by state-run railway firms and extending tax holidays for long gestation projects

Source: Indo-Asian News Service

Rail budget focusses on transparency, safety: Modi

Calling the railways an engine of development, Prime Minister Narendra Modi said the railway budget unveiled had its focus on transparency and passenger safety.

The Rs.149,176 crore budget presented in the Lok Sabha focussed on “transparency and integrity” as well as the safety needs of commuters, Modi said in remarks later.

The budget “keeps in mind the development of India. We can see the great use of technology also”, he said.

“This budget shows where we want to take the railways and at the same time where we want to take India through the railways,” the prime minister said.

The budget introduces the country’s first bullet train, to ply between Mumbai and Ahmedabad, and increase the speed of passenger trains up to 200 km an hour on select routes.

The budget “strengthens institutionalized mechanism” in the Indian Railway network, which carries 23 million passengers every day.

Modi said the railways play “a very important role” in the country’s development.

He said the country should have paid more attention to railways after independence in 1947. “Better late than never.”



Source: Indo-Asian News Service

Jaitley's budget gives tax relief, promises higher growth

Proposing to hike the tax exemption limit by Rs.50,000 for all individuals, Finance Minister Arun Jaitley presented the national budget for this fiscal with concerns over economic slowdown while promising bold corrective measures to unburden the poor from rising prices, revive investor confidence and cut excessive expenditure.



“People of India have voted decisively for change,” Jaitley said in what was the maiden budget for himself and Prime Minister Narendra Modi’s government. “Steps I unveil in the budget aim at 7-8 percent growth over the next three-four years, lower inflation, less fiscal deficit and a manageable current account deficit.”

The finance minister said he proposed the tax exemption limit for individuals below 60 years at Rs.250,000, subject to parliament’s approval, and Rs.300,000 for senior citizens. Deductions allowed under various heads such as investments in insurance, pension and house rent are also proposed to be raised by Rs.50,000 to Rs.150,000.

The minister said given the state of the economy today, high inflation, low growth and moderate rise in tax collections, the fiscal deficit target of 4.1 percent of India’s gross domestic product set by his predecessor P. Chidambaram was a “daunting” task.

“But I have decided to accept this target as a challenge,” he said, adding he will seek to further bring down the fiscal deficit to 3.6 percent for the next fiscal and to 3 percent in the year after.

He said the country cannot be made to suffer due to indecisiveness and populism and there was an urgent need to revive growth in manufacturing and infrastructure. “We will also examine proposals for more autonomy to banks.” The finance minister said the possibility of a poor monsoon and the Iraq crisis were key challenges with a bearing on both government finances and inflation. But he said the situation will be monitored closely to initiate immediate corrective steps. “Financial stability is the foundation of our recovery.”

Jaitley also promised early introduction of the pan-India goods and services tax, while assuring the domestic and global investment community of predictability in the tax regime to restore confidence about the country’s prospects.

The budget for current fiscal comes against the backdrop of the Economic Survey 2013-14, the annual report card on the state of the nation, which has termed inflation-control, job creation and pushing growth as the three main challenges, while calling for a fresh dose of reforms.

Among the various measures, Jaitley announced a national multi-scale programme called Skill India for providing training to youth and their employment, a national irrigation scheme and a smart city with an investment of over \$1 billion as part of the larger plan for 100 such projects. He also announced many other schemes, such as one to help farmers realise right prices for their produce, at least four more

institutions modelled on the All India Institute of Medical Sciences (AIIMS), more money for people's welfare, many new airports on public-private partnership mode, a target of total sanitation in five years, greater autonomy for banks and higher investments by state-run enterprises.

Source: Indo-Asian News Service

India's inflation eases to four-month low

India's headline inflation eased to a four-month low of 5.43 percent in June against 6.01 percent in May, due to slow growth in the prices of fuel and food cost, government data showed on July 14. The country's key inflation based on the Wholesale Price Index (WPI) was recorded at 5.16 percent in June 2013.



Source: Indo-Asian news Service

India Inc lauds Budget 2014-15

India's industry commended the first budget of the Narendra Modi government as pragmatic which would lead to a quick turnaround in growth. "Through this budget the Finance Minister has set the ground for repair of the economy. There has been a mix of both short term and long term measures geared towards boosting confidence of all key constituents", the Federation of Indian Chambers of Commerce and Industry (FICCI) president Sidharth Birla said in a statement.



FICCI strongly welcomed what it described as the government's "change in disposition" in favour of ending "tax adventurism". Finance Minister Arun Jaitley said in his maiden budget speech that the government will not change any of the tax provisions retrospectively and create fresh liability. The government has lowered the eligibility limit for investments to get the benefit of investment allowance from Rs.100 crore to Rs.25 crore. "This will give encouragement to the SME sector that is a key contributor to employment generation", FICCI said. The Confederation of Indian Industry (CII) voiced happiness at the budget proposals to encourage manufacturing through various measures such as opening defence, insurance, and e-commerce sectors to FDI, correct inverted duty structures and set up industrial clusters and promote entrepreneurship.

"The new government has activated a number of directional changes that would stabilize the economy, boost investments, and encourage savings with a view to reviving GDP growth to 7-8 percent in the near term", CII said in a statement. Energy players welcomed the budget's strong focus on the critical power sector. "Power reforms, including Rs.200 crore fund allocation, in addition to extension of the 10-year tax holiday and encouragement to banks for giving long-term loans to infrastructure is bound to give a boost to the ailing sector", said Ratul Puri, chairman, Hindustan Powerprojects.

"Overall, enhanced focus on gas sector is key positive of gas transportation players (like GAIL, GSPL etc) and city gas distribution (CGD) entities", said K Ravichandran, co-head corporate sector ratings, ICRA. The government will set up 15,000 km of additional gas transport infrastructure and further exploit coal bed methane gas reserves, the Finance Minister said in his budget speech. Independent analysts found the absence of a clear policy stand on how the government proposes to go about achieving the country's energy security.

Rajrishi Singhal, senior geo-economics fellow at think tank Gateway House, said the 2014-15 budget showed the government's lack of clarity in its foreign direct investment (FDI) policy. "It seems to be a continuation of the previous government's approach and, as such, is unlikely to inspire investor interest in the overseas markets," he said. Singhal said the budget should be viewed more as "a vision document" - one that tries to elucidate a road map for the next five years but leaves out specific measures on how to accomplish them.

Source: Indo-Asian News Service

Plan to hike FDI in insurance with cap on voting rights

The government plans to increase the foreign direct investment in the insurance sector to 49 per cent with a rider that the voting rights of the overseas partner will remain capped at 26 per cent.

The Insurance Laws (Amendment) Bill, 2008, proposes an increase in foreign holding in insurance joint ventures to 49 per cent from the existing 26 per cent with corresponding voting rights.

The Finance Ministry now proposes an amendment to the Bill, pending since 2008, by capping the voting rights of the foreign partner to 26 per cent even as FDI is raised to 49 per cent, according to sources.



Source: The Hindu

Fast-tracking disinvestment: Govt may hold road shows for SAIL this month

To woo foreign investors to participate in the disinvestment of Steel Authority of India Ltd (SAIL), in which the government is set to offload five per cent equity, road shows abroad are likely to begin this month. According to officials in the know, the stake sale is sure to be showcased in Singapore and Hong Kong, while other places are being identified.



Source: Business Standard

Overseas direct investments soar to \$5.03 billion in June: RBI

Overseas direct investments by Indian corporates rose to \$5.03 billion in June from \$1.58 billion in the previous month, according to data released by the Reserve Bank of India on July 9. The investments include equity, loans and bank guarantee issued. Total overseas direct investments from India in June included \$131.4 million in equity financing, \$322.9 million in loans and \$4.58 billion in guarantees, the RBI said.

Source: Reuters



Narendra Modi's power pledge set to lift coal imports to record high

India's thermal coal imports may touch a record this year as a faltering monsoon hampers hydro-power generation and pushes steam-driven power plants to replenish stockpiles.

"Overseas purchases are estimated to increase to about 145 million metric tonnes this year from 135 million tonnes the



previous year as prices hover around a five-year low,” said Andrew Cosgrove, a Princeton-based analyst at Bloomberg Industries. Mjunction Services Ltd, a commodity trader that tracks coal shipments, estimates imports at 152 million tonnes.

Source: Mint

India to create dynamic business model for strategic crude oil reserves

India is planning a major push to fill its strategic crude oil reserves based on a dynamic business model and possible foreign investments, petroleum minister Dharmendra Pradhan said. A business model is being evaluated to meet the fund requirement, given current high crude oil prices. State-owned Indian Strategic Petroleum Reserves Ltd (ISPRL), which is building three strategic storage facilities at Visakhapatnam, Mangalore and Padur to beef up oil reserves, has already conducted road shows.



Source: Mint

India to see \$15-bn investment in cold chain

India's investment in cold chain is forecast to be \$15 billion over the next five years. In order to ensure this investment is sustainable and cost-effective in the long as well as short-term, the country must focus on powering these using renewable energy sources, according to a study titled 'A tank of cold: Cleantech leapfrog to a more food secure world' by the Institution of Mechanical Engineers, UK.



Renewable sources are available in abundance in India and the key to unlocking sustainable cold chains is to develop technology that can either use these directly, such as cooling through solar-driven absorption, or to power existing or new technologies through electricity generation.

Source: Business Standard

IIP growth in May highest in 19 months

Industrial output in May grew by 4.7 per cent, the highest monthly rise since October 2012, giving further momentum to a 3.4 per cent rise in April and raising hope of a recovery. The growth in October 2012 was 8.4 per cent, while industrial production had contracted 2.5 per cent in May last year. The fact that 4.7 per cent growth is the next highest since the Index of Industrial Production (IIP) clocked 8.4 per cent growth itself shows the tepid performance in between. Cumulative growth during April-May, the first two months of this financial year, was four per cent, against a fall in output by 0.5 per cent in the first two months of 2013-14.



Source: Business Standard

Agreement on BRICS development bank significant step: Modi

Terming the agreement towards setting up BRICS New Development Bank a significant step, Prime Minister Narendra Modi on July 15 said an open international trading regime is critical for global economic growth.

“I am happy, the initiative announced at the BRICS Summit in New Delhi in 2012, has become a reality,” said Modi, who is taking part in his first international conference as prime minister, on the agreement for setting up the BRICS bank.



The agreement on the BRICS Contingent Reserve arrangement was another major achievement, he said, noting these initiatives “rooted in our own experience as developing countries” show “our capacity to set up global institutions”. Referring to the summit’s theme, he said it was also the guiding principle of his government “given our vast social, regional and economic diversity”.

Source: Indo-Asian News Service

Come together to generate prosperity, meet challenges: Modi

Prime Minister Narendra Modi on July 16 called upon South American countries to come together “to seek faster growth and newer avenues of generating prosperity, find solutions to the challenge of poverty and preserve our environment, and use our resources well”. He was addressing a group of South American leaders in Brazil’s capital Brasilia to foster cooperation between the two regions.

Assuring that India seeks to “work more closely with South America than ever before. At the bilateral level, as a BRICS member, in the G-77, as well as other international forums”, the prime minister said that distance is not a barrier to opportunities.



“I firmly believe, the possibilities of cooperation are limited not by distance but only by our imagination and efforts. We have much to learn from each other, in our journey towards inclusive and sustainable development. We must share with each other, our experiences, best practices and innovative solutions. India stands committed to the same.” He said that there is a growing presence of Indian investors in South America. But pointed out that it is still well below potential. “From hydrocarbons to pharma, textiles to leather, engineering goods to automobiles; the range of opportunities is enormous,” Modi said.

Source: Indo-Asian News Service

India signs three deals with ‘key global partner’ Brazil

Prime Minister Narendra Modi described Brazil as India’s “key global partner” as the two countries inked three deals on cooperation in environment issues, consular and mobility issues, and for augmentation of a Brazilian earth station for receiving and processing data from Indian remote sensing satellites.

The two democracies and major emerging economies, India and Brazil not only had vast potential for bilateral cooperation, but also to strengthen each other in international forums and advance the interest of the developing world at large,”



The two leaders agreed to take steps to further expand and diversify trade and investment flows and deepen cooperation in agriculture and dairy science, conventional and renewable energy, space research and applications, defence, cyber security and environment conservation.

Through a memorandum of understanding (MoU) on environment issues, the two countries mutually agreed to extend cooperation on climate change, biodiversity, afforestation in arid areas, water conservation and protection of wetlands, waste management among other things.

India and Brazil also signed an agreement on the establishment of a consultation mechanism on consular and mobility issues. They agreed to establish a bilateral mechanism for consultation on bilateral consular and mobility issues and on bilateral legal cooperation, including issues related to the movement of people between the two countries.

The two nations further agreed for cooperation in augmentation of a Brazilian earth station for receiving and processing data from Indian Remote Sensing (IRS) satellites.

Source: Indo-Asian News Service

US seeks strong partnership with Modi government

Highlighting the critical role that a strong India will play in shaping the Asian landscape, the US hopes to have a “strong and collaborative partnership” with the new Modi government. “Successive administrations have made the strategic bet that a rising India is in the US interest,” US point person for South Asia Nisha Desai Biswal told a Senate panel in a hearing on “Indispensable Partners: Reenergizing US-India Ties.” The “unprecedented mandate” received by Prime Minister Narendra Modi and the Bharatiya Janata Party in India’s “historic election”, had “also created a historic opportunity to reenergise our relationship,” she said.



“A strong India will play a critical role in the coming decades in shaping this Asian landscape, and our partnership with India will play an increasingly important role in that context.”

Source: Indo-Asian News Service

India’s forex reserves up \$643 mn

India’s foreign exchange reserves rose by \$643.2 million to \$317.03 billion for the week ended on July 11, Reserve Bank of India (RBI) data showed.



Source: Indo-Asian News Service

Exports continue to grow at double-digit rate in June

Merchandise exports grew 10.22 per cent to \$26.4 billion in June from \$24.02 billion in the same month last year, driven by strong demand for engineering goods, readymade garments and petroleum products. This was even as the export number for June 2013 was revised upwards from \$23.78 billion, thereby increasing the base. This was a second straight month of double-digit growth in exports, with the rate in May higher at 12.40 per cent, official data showed.



Source: Business Standard

Govt to push for FTA with Latin American nations

Even as the government is to review its free-trade agreements with several countries in South and South East Asia, including the Asean region, it is set to push for new such pacts with countries in Africa and South America. This is part of its strategy for engagement with countries with potential to provide Indian entities greater scope for investment.

“Latin America and Africa presents a vast market for Indian companies that has remained largely untapped. Gradually the scenario is changing as resource base and market dynamics are encouraging investments from India. An FTA will be a win-win for India ,” said a senior commerce ministry official.



Source: *The Financial Express*

Railways might allow private sector operations in some areas

To facilitate foreign direct investment (FDI) in highspeed rail projects, the government is likely to allow private sector entry in operations. Private operations might also be allowed in dedicated freight lines and rail connectivity projects under the public- private partnership (PPP) models.



Source: *Business Standard*

Asian Development Bank projects 6.3% growth for India in 2015-16

Manila-based Asian Development Bank (ADB) has upgraded India’s economic growth forecast to 6.3 per cent in 2015-16 on hopes of speedy reform process. The multilateral funding agency, however, has retained forecast 5.5 per cent growth in India this year. “With Parliamentary elections over, India is expected to pursue long-delayed reform. India’s growth forecast is maintained at 5.5 per cent in fiscal year 2014-15 but upgraded to 6.3 per cent in FY 2015-16 as expected reform bears fruit,” it said in a release.



Source: *The Times of India*