

VOICE OF FICCI

SHAPING THE AGENDA



July 2018

From the Secretary General

The 25 BPS (basis point) rise in repo rate by the Reserve Bank of India is based on ground realities and indicates positive movement in the economy; the banks seem to have already factored it in their rates. At the same time, the GDP growth of 7.7 per cent recorded in the fourth quarter of 2017-18 clearly shows that the Indian economy is on an uptrend and the growth scenario is set to improve going further.

However, stressed coal-based power generating assets, especially those of IPPs (independent power producers), will need a different resolution path, primarily, because the crisis is caused more by externalities beyond the control of sponsors.

Partnering with the European Bank for Reconstruction and Development provides a huge opportunity to India to build a sustainable future through investment banks. It is our view point that corporate sustainability has become imperative today due to environmental concerns and threats and the need to meet Sustainable Development Goals. It is essential to embed sustainability in corporate goals and strategies to build business resilience.

For FICCI, it is important to connect to the states as that is where real economic progress, innovation and development are initiated. In this regard, FICCI's Forum of Parliamentarians, in partnership with the Embassy of Japan, has launched the 'Dialogue with States' series focusing on growing convergence in the political, economic and strategic interests of the nation at national and state levels. The first dialogue in the series was held in Bihar.

To expand our outreach, FICCI's Forum of Parliamentarians also organised a delegation of members of Parliament to the United Kingdom. While another FICCI-led delegation saw participation of members of the Indian defence industry looking to enter the Vietnam market. The President of Seychelles, Danny Faure, invited Indian investors to explore investment opportunities available in Seychelles at a FICCI forum.

Whether it's forging connections or shaping public policy, all this and more in this issue of 'Voice of FICCI'.

Dilip Chenoy



INDIAN ECONOMY ON AN UPTREND: FICCI

The GDP growth of 7.7 per cent recorded in the fourth quarter of 2017-18 clearly shows that Indian economy is on an uptrend and the growth scenario is set to improve going further. The GDP growth data released presents an optimistic picture of the economy, reflected in y-o-y (year-over-year) growth for quarter 4, especially for construction and manufacturing sectors, informs FICCI.

It is also heartening to see that the demand and investments have picked up pace, as is reflected in higher growth in both private and government expenditure as well as significant rise in gross fixed capital formation in the fourth quarter. *These corroborate with FICCI's surveys that reveal an improving outlook on investments. We hope that the government will continue investing in the infrastructure to accelerate the pace of growth even further.*

Structural reforms undertaken over the last few years are beginning to show results and the chamber hopes that the government will continue the process of reforms, especially in the areas of factor market to make the industry more competitive and capable of contributing significantly to national output and job creation.

'Voice of FICCI' is a service to all our members and shared with key policy makers and thought leaders. The document is a compilation of FICCI's views on macro-economic issues. These issues come to us directly from members, or through deliberations in conferences and seminars on sectoral issues, as also through Government notifications.

The numbers released also indicate the likely trajectory of the economy in the current year. From where we stand today, FICCI expects the growth to be around 7.5 per cent in the current fiscal year but will have to be watchful about the movement in the oil prices in the global market as well as the pace at which the health of the domestic banking sector improves.

1 June 2018



RBI MONETARY POLICY STANCE POSITIVE FOR GROWTH REVIVAL

Commenting on monetary policy statement announced by the RBI (Reserve Bank of India), FICCI says that 25 BPS (basis points) rise in repo rate by the RBI is based on ground realities and indicates positive sentiments in the economy; the banks seem to have already factored it in their rates. Recovery of the Indian economy that has come on the back of structural reforms like GST, Insolvency and Bankruptcy Code and RERA (Real Estate Regulatory Authority) is firming up, and investments have started to see an uptick; the RBI stance would boost the spirit and confidence of businesses.

The improvement in growth seen lately needs to be supported to ensure a firm turnaround of economy with capability of sustained high growth. The manageable inflation situation and optimism in the economy is set to continue going ahead and the GDP growth rate in the current financial year would be around 7.5 per cent.

6 June 2018



STRONG BUSINESS CASE FOR CORPORATES TO BUILD AN ETHOS TO STRENGTHEN SUSTAINABILITY

Parameswaran Iyer, Secretary, Ministry of Drinking Water and Sanitation, says that there is a strong

business rationale for companies to build an ethos to strengthen corporate sustainability as they recognise the value of investing in sustainable practices in terms of the bottom-line. He highlighted the importance of water and sanitation and that 73 million working days were lost each year due to lack of sanitation and water-borne diseases. He also stated that the goal of 'Swachh Bharat Mission' of achieving Open Defecation Free (ODF) India by October 2019 was on track as 13 States and 3 Union Territories had already achieved ODF status.

FICCI feels that corporate sustainability has become imperative today due to its importance in the context of Sustainable Development Goals, environmental concerns and threats that are increasingly becoming a risk to the business community and the need to embed sustainability in corporate goals and strategies to build business resilience.

3 June 2018



SEYCHELLES ENGAGEMENT WITH INDIA HOLDS TREMENDOUS POTENTIAL

The President of Seychelles, Danny Faure, invited Indian investors to explore investment opportunities available in Seychelles. FICCI says that the scope for furthering Seychelles engagement with India holds tremendous potential and offers a unique opportunity to the industry to surge on the path of co-development with regional counterparts.

25 June 2018



MPS DELEGATION TO ACCENTUATE POSITIVE TRAJECTORY OF INDIA-UK RELATIONSHIP

FICCI's Forum of Parliamentarians organised a delegation of Indian members of Parliament to the United Kingdom.

FICCI says that the visit provided an excellent platform to strengthen India-UK relations and leveraged the multifaceted cooperation between the two countries. The programme of the visit was tailored to focus on the priority areas between India and the UK.

The agenda included meetings with the British policy-makers, leading industrialists and UKIBC (UK-India Business Council), visit to the Nehru Centre to experience the Indo-UK cultural connect and a visit to learn about the transport system of London. The visit aimed to understand the evolving India-UK relations in the post-BREXIT scenario with the focus on three main pillars: economy, culture and technology.

FICCI's India-UK Forum of Parliamentarians was launched in April 2003 by the then External Affairs Minister, Yashwant Sinha, with the objective to strengthen Parliamentary diplomacy that binds India and the UK.

23 June 2018



CENTRAL ASIA AND EASTERN EUROPE ARE NEXT FRONTIERS FOR INVESTMENT

Subhash Chandra Garg, Secretary, Department of Economic Affairs, Ministry of Finance, Government of India, said that the country will benefit from the European Bank for Reconstruction and Development (EBRD) membership in the Central Asian and Eastern European regions. *FICCI emphasizes that partnering with EBRD provides huge opportunity for India to build a sustainable future through investment in some of these regions.*

22 June 2018



INDIA-BANGLADESH WORKING ON DISMANTLING NON-TARIFF AND PARA-TARIFF BARRIERS

Syed Muazzem Ali, High Commissioner of Bangladesh, said that India and Bangladesh are working on dismantling the non-tariff and para-tariff barriers. Bangladesh has recently graduated from 'Least Development Category' of the United Nations Committee for Development Policy.

FICCI says that a thriving well-connected and an integrated neighbourhood is indispensable for economic growth. The classification of Bangladesh as a developing country would certainly leapfrog the existing bilateral engagement between India and Bangladesh.

20 June 2018



FICCI-LED INDUSTRY DELEGATION TO EXPLORE BUSINESS IN THE DEFENCE SECTOR

There is immense potential to be explored by the Indian defence industry in Vietnam in the areas of co-production of platforms, spares, repair and overhaul services says Nirmala Sitharaman, Minister of Defence, Government of India.

The FICCI-led Indian delegation saw participation by leading members, from private and public sectors, of the Indian defence industry looking to enter the Vietnam market. Addressing the delegation, Sitharaman said that the spirit and mood of her discussion with the Defence Minister of Vietnam has been forward-looking and encouraging.

13 June 2018



FICCI PITCHES FOR HOLISTIC SOLUTIONS TO RESOLVE STRESSED ASSETS' CASES

Stressed coal-based power generating assets, especially those of IPPs (independent power producers), will need a differentiated resolution path, primarily because the crisis is caused more by externalities beyond the control of sponsors, says FICCI.

Importantly, the rules of the game had changed post investment, namely, materialisation of coal supply was made subject to PPA (Power Purchase Agreement), which was scarce to come by and FSA (Fuel Supply Agreement) was recalibrated to serve part capacities only.

While the two factors adversely impacted operational projects, they had negatively affected those under construction from the perspective of financial tie-ups or fund raising. Additionally, running power plants suffered further financial strain due to a delay in regulatory decision-making on fuel-related costs and payments by discoms of power purchase bills. An additional concern is that out of 26 GW of coal-based power plants taken up, projects totalling 23 GW are stalled because of funding constraints. The majority also has fuel and PPA-related issues.

Holistic solutions to address the systemic issues will involve creating a new market design that will allow capacities, including the stranded ones, to be matched with demand projections via tradable instruments and risk management tools, opines FICCI. A related approach would be to converge the proposed gas trading hub with power market operations to set up gas short-term trades

and spot purchases and enable gas-based power plants, which are also stranded, to serve peak and balancing loads and provide supply on demand.

13 June 2018



FIRST IN DIALOGUE WITH STATES SERIES – JAPAN MEETS BIHAR

Japanese Ambassador Kenji Hiramatsu identified tourism, urban infrastructure development, disaster risk management and Japanese language education as potential areas of cooperation between Bihar and Japan. He was addressing the first in Dialogue with States series – 'Japan Meets Bihar' jointly organised by FICCI's Forum of Parliamentarians and the Embassy of Japan in Patna.

Dialogue with States series focuses on the growing convergence in political, economic and strategic interests of the nation at national and state levels. *For FICCI, it is very important as India's national industry association, to connect to the states as that is where real economic progress, innovation and development are initiated. It is increasingly important to form the international connect as well, as the chamber sees states reaching out to countries abroad for partnerships for development.*

Dialogue with States series is an attempt to holistically analyse bipartisan views and rational analysis of the evolving Japan-India relations with a focus on specific states or region. In the series, seminars to highlight geo-political and geo-economic aspects of cooperation between Indian states and Japan of interest to Indian members of Parliament, industry and academics will be organised.

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