



June 03, 2022 – Friday

Key Developments

Neighbouring countries investments: MCA stipulates security clearance for foreign director appointments

Continuing with its spate of restrictions on investments from neighbouring countries sharing land borders, the Corporate Affairs Ministry (MCA) has now stipulated that the nationals of such countries should obtain Home Ministry's security clearance, if they are appointed Directors of Indian companies. Also, no application number can be generated if a person applying for the Director Identification Number (DIN) is a national of a country that shares land border with India unless the Home Ministry's security clearance is attached with the DIN application, MCA said in its latest rule change. The MCA's move is in sync with the Government's restrictions on investments flowing from countries sharing land border with India, under press Note 3 of 2020. It may be recalled that the government had in 2020, placed all the foreign direct investment from the border countries under approval route to curb opportunistic takeovers during the pandemic. It was primarily aimed at preventing Chinese investors from taking control of Indian companies.

<https://www.thehindubusinessline.com/economy/policy/neighbouring-countries-investments-mca-stipulates-security-clearance-for-foreign-directors-appointment/article65487092.ece>

Economy

Consumer sentiments fall sharply in May-end, more in rural than urban

Consumer sentiments fell sharply in the last week of May, more so in rural India than urban, on the back of export ban on wheat and sugar and higher inflation, the Centre for Monitoring Indian Economy said. According to the CMIE data, the index of consumer sentiments (ICS) tanked by 9.4% in the week ended May 29. While the ICS fell by 5.9% in urban regions, the fall was much steeper by 11.4% in rural regions. "Given that the fall was more striking in rural India, it is quite possible that the controls on wheat and sugar export could be responsible," CMIE said.

https://economictimes.indiatimes.com/news/economy/indicators/consumer-sentiments-fall-sharply-in-may-end-more-in-rural-than-urban/articleshow/91960643.cms?utm_source=ETTopNews&utm_medium=HPTN&utm_campaign=AL1&utm_content=23

SBI ups FY23 GDP forecast to 7.5%; from oil prices to credit growth, here are factors that will shape growth

The State Bank of India (SBI) Research has raised the forecast for India's GDP growth by 20 basis points to 7.5 per cent, it said in a report, on the back of continued credit growth and better statistical base. SBI said even though the growth numbers look better they pose "significant uncertainties" from global factors such as rising crude oil prices. "We are keenly watching the uncertainties regarding the crude oil prices. At \$120/bbl, it still poses significant uncertainties regarding inflation trajectory," SBI Ecowrap said in a report Thursday. Going ahead, inflation is expected to remain elevated in the first of the current year, however, with the fiscal measures announced by the government such as excise rate cuts, it is expected to average 6.5 to 6.7 per cent in FY 2023, it added. In the report, SBI also lists factors such as corporate profitability, bank credit growth and RBI policy, that will shape GDP growth for FY 2023:

<https://www.financialexpress.com/economy/sbi-ups-fy23-gdp-forecast-to-7-5-from-oil-prices-to-credit-growth-here-are-factors-that-will-shape-growth/2546234/>

Banking and Finance

Some transactions could be excluded from crypto tax

The finance ministry is expected to issue a notification in June regarding exclusion of some transactions from the crypto tax. The ministry has been in talks about whether or not to exempt representations received for exemptions. The exemptions might include hospitals using block chain technology, reward points on banks' digital cards and flight miles, reported ET Now. The government has clearly rejected the demands to eliminate 1% TDS on crypto transactions and lessen the 30% tax bracket on crypto income which was announced a few weeks ago.

<https://economictimes.indiatimes.com/news/economy/policy/some-transactions-could-be-excluded-from-crypto-tax/articleshow/91960661.cms>

Cash no longer the king: 65% transactions to be digital by 2026, says BCG-PhonePe report

The habit of carrying your wallet while making purchases may soon be replaced by carrying your phone, as consumers continue to go cashless, findings of a recent study suggest. According to a report jointly released by Boston Consulting Group (BCG) and PhonePe, 65 per cent of all transactions, or two of every three transactions, in terms of value, are expected to be digital by 2026. India's digital payments market is at an "inflection point" and is expected to more than triple to \$10 trillion by 2026 from the current level of \$3 trillion, the report said. This growth would be driven by increase in merchant payments, it added, as more and more merchants shift to QR (quick response) based payments in offline sales. The findings of the report exclude B2B (business-to-business) and G2B (government-to-business) transactions. India's digital payments landscape has transformed dramatically over the past five years on account of rapid expansion in digital infrastructure, UPI-led migration to digital, pandemic-led acceleration of shift in customer preferences, growing merchant acceptance network and disruptive innovations by fintechs, the report said.

<https://www.financialexpress.com/industry/banking-finance/cash-no-longer-the-king-65-transactions-to-be-digital-by-2026-says-bcg-phonepe-report/2546559/>

Bank credit to NBFCs rises 10 per cent to Rs 10.5 lakh cr in FY22: Report

Bank credit to NBFCs grew in double digit in FY22 with outstanding bank credit to them rising by 10.4 per cent to Rs 10.5 lakh crore on the back of improvement in overall economic activities and banks' renewed focus on the NBFC sector following improvement in their balance sheets, says a report. In absolute terms, according to an analysis by Care Ratings, bank credit to non-banking financial companies (NBFCs) expanded by Rs 99,000 crore in FY22, from FY21. The number does not include liquidity given by banks to them through securitization route (direct assignment and pass-through certificates) and also banks' investments in NBFCs' debt instruments. Meanwhile, mutual funds' debt exposure through commercial papers (CPs) and corporate bonds, to NBFCs rose 14.3 per cent to Rs 1.7 lakh crore in FY22 as NBFCs issued more CPs to fund IPOs and as they shifted from long-term to short-term investments on expectation of hike in interest rates.

<https://www.financialexpress.com/industry/banking-finance/bank-credit-to-nbfc-rises-10-per-cent-to-rs-10-5-lakh-cr-in-fy22-report/2546330/>

MFs' debt exposure to NBFCs rises 14.3% to Rs 1.7 trn in March: Report

Mutual fund (MF) debt exposure in the form of commercial paper (CP) and corporate debt (CD) to non-banking finance companies (NBFCs) rose by 14.3 per cent year-on-year to Rs 1.7 trillion in March 2022. The growth was on account of NBFCs issuing CP for funding initial public offerings (IPO) and long-term investment shifting to short-term as the market expects a hike in interest rate, according to a report by CARE Ratings. In absolute terms, MF debt exposure expanded by Rs 21,000 crore from March 2021. Outstanding investments in CPs of NBFCs grew 25 per cent year-on-year (y-o-y) to Rs 73,000 crore in March 2022 due to the issuance of CPs by the NBFCs for IPO funding requirements and the shifting of investments in the short-term instruments as the market expected to rise in interest rates. In absolute terms, it expanded by Rs 15,000 crore from March 2021. The percentage share of funds deployed by MFs in CPs of NBFCs in March 2022 stood at 4.4 per cent of debt AUMs compared with 3.6 per cent in March 2021.

https://www.business-standard.com/article/markets/mutual-fund-debt-exposure-to-nbfc-rises-14-3-y-o-y-to-rs-1-7-trn-122060200876_1.html

Policy tightening to pressure fiscal numbers, deficit seen at 6.7% in FY23: Report

As the country's fiscal policy is moving in sync with the monetary policy amid the runaway inflation, the tightening measures along with rising subsidies imply that the consolidated fiscal deficit may remain elevated at 10.2 per cent of GDP in FY23, down 20 bps from FY22, according to a report. As per the report, the central deficit is expected to be at 6.7 per cent and states' at 3.5 per cent in the current fiscal. The government has pegged the combined fiscal shortfall at 9.8 per cent of which the central deficit is seen at 6.4 per cent (down from 6.7 per cent in FY22) and states' at 3.4 per cent for FY23. While these measures may help soften inflationary pressures by about 50 bps over the coming months, that will not be enough to bring inflation within the RBI comfort zone of 4 (+/-2) per cent unless global commodity prices moderate significantly, UBS Securities warned in a note on Thursday.

<https://www.financialexpress.com/economy/policy-tightening-to-pressure-fiscal-numbers-deficit-seen-at-6-7-in-fy23-report/2546622/>

Industry

Govt approves new guidelines for scheme to promote MSMEs in North East with enhanced financial support

Days after announcing modifications to the Prime Minister's Employment Generation scheme (PMEGP), the government on Thursday said it has approved new guidelines for the scheme Promotion of MSMEs in North Eastern Region (NER) and Sikkim. The revised scheme will be implemented during 15th Finance Commission Cycle (FY22-FY26) to provide financial support for enhancing the productivity, competitiveness and capacity building of MSMEs based in the NER and Sikkim. The existing guidelines of the scheme were approved in 2019. Under the new guidelines, the MSME Ministry has enhanced the upper limit of financial assistance for various components of the scheme. For instance, maximum financial support to state governments for setting up new and modernizing existing Mini Technology Centres has been increased from Rs 10 crore to Rs 13.50 crore as 90 per cent of the project cost. Projects for creation of common facilities to supplement manufacturing, testing, packaging, R&D, product and process innovations and training for natural resources such as fruits, spices, agriculture, forestry, sericulture and bamboo etc. available in NER and Sikkim would be given priority, the ministry said.

<https://www.financialexpress.com/industry/sme/msme-eodb-govt-approves-new-guidelines-for-scheme-to-promote-msmes-in-north-east-with-enhanced-financial-support/2546821/>

Govt proposes to amend social media rules; to set up grievance appellate committee

Govt proposes to amend social media rules; plans to set up grievance appellate committee. The Centre plans to set up a grievance appellate committee to look into appeals filed by individuals against the decisions of grievance officers of social media platforms. Besides, the panel has to dispose of the appeals within 30 days of receiving them and its decision will be binding on the intermediaries or the large social media companies concerned, according to a notification to amend the Information Technology (Intermediary Guidelines and Digital Media Ethics Code) Rules, 2021. The proposed move assumes significance against the backdrop of instances of accounts, including that of celebrities, being blocked by social media platforms such as Twitter for alleged violation of respective community guidelines. "The central government shall constitute one or more Grievance Appellate Committees, which shall consist of a Chairperson and such other Members, as the central government may, by notification in the official gazette," the Ministry of Electronics and Information Technology (Meity) said in the draft notification.

<https://www.financialexpress.com/industry/technology/govt-proposes-to-amend-social-media-rules-to-set-up-grievance-appellate-committee/2546813/>

Mayday for FMCG, electronic companies as demand begins to sputter

India's fast-moving consumer goods (FMCG) market's value growth fell 16.5% sequentially in May compared with the month of April, signalling reduced consumer spends on daily essentials due to rising prices across products. Sales grew 33% as compared to the May of last year, when the country was in lockdown due to the deadly Delta wave, according to the latest report by Bizom, a sales automation firm that tracks 7.5 million retail stores. Even for electronics such as air-conditioners and refrigerators, sales fell up to 15% in May on a sequential month comparison, industry executives said. "Overall, there's been a volume compression in the recent past due to high inflation and

resultant price hikes. This rising inflation continued to exert pressure on the consumer's wallet, which led to softening of demand and downtrading across product categories," said Mohit Malhotra, chief executive officer of Dabur. "While there is immediate pressure, we expect rural consumption to drive back growth by the end of the first quarter."

<https://economictimes.indiatimes.com/industry/cons-products/fmcmg/mayday-for-fmcmg-electronic-companies-as-demand-begins-to-sputter/articleshow/91972675.cms>

Government to come out with legal framework to stop restaurants from levying service charge

The government will soon come out with a legal framework to stop restaurants levying service charge from customers as the practice is "unfair", Consumer Affairs Secretary Rohit Kumar Singh said on Thursday. After a meeting with representatives of associations of restaurants as well as consumers, Singh said that although the associations claim the practice is legal, the Department of Consumer Affairs is of the view that it adversely affects the rights of the consumers and it is an "unfair trade practice". "We will soon work on a legal framework because there were guidelines of 2017 which they have not enforced. The guidelines are not generally legally enforceable," he told PTI. The meeting was attended by representatives of National Restaurant Association of India (NRAI), Federation of Hotel & Restaurant Associations of India (FHRAI) and consumer organisations, including Mumbai Grahak Panchayat and Pushpa Girimaji.

<https://economictimes.indiatimes.com/industry/services/hotels/-restaurants/government-to-come-out-with-legal-framework-to-stop-restaurants-from-levying-service-charge/articleshow/91968542.cms>

Agriculture

Wheat procurement drops by 54% to 18.65 million tonne, likely to hit 13-year low

The government's wheat procurement in the current year fell by more than 54% on year to 18.65 million tonne (mt) till Tuesday. With an arrival of only around 81,000 tonne of wheat on Tuesday in mandies mostly in Uttar Pradesh and Madhya Pradesh, purchase of the grain by the Food Corporation of India (FCI) and other agencies at the Minimum Support Price may not touch 19 mt against 43.34 mt purchased last year during rabi marketing season (April-June). This means the purchases of the cereal by the government at MSP would hit a 13-year low this year. In the last 10 days, only 0.5 mt of wheat was procured by agencies despite the government imposing restriction on wheat exports on May 13. Food ministry last month had revised downward the wheat procurement target from 44 mt to 19.5 mt for the current rabi marketing season (2022-23).

<https://www.financialexpress.com/economy/wheat-procurement-drops-by-54-to-18-65-million-tonne-likely-to-hit-13-year-low/2545706/>

Tomato prices to stabilise in southern states in two weeks: Food Secretary

Union Food Secretary Sudhanshu Pandey on Thursday said retail tomato prices should stabilise in the next two weeks in southern states, where the rates have increased sharply due to crop damage owing to local rains. As per the data maintained by the consumer affairs ministry, retail tomato prices are ruling between Rs 50 and 106 per kg in several locations. The same situation prevails in Maharashtra as well. Barring Delhi, where tomato is being sold at Rs 40 per kg, retail prices in other metro cities were ruling high on June 2. Tomato was sold at Rs 77 per kg in Mumbai and Kolkata, and at Rs 60 per kg in Chennai on Thursday, the data showed. In Delhi, tomato prices are stable. In southern India, prices have risen because of the damage to the crop due to local rains," Pandey told reporters.

<https://economictimes.indiatimes.com/news/economy/agriculture/tomato-prices-to-stabilise-in-southern-states-in-two-weeks-food-secretary/articleshow/91967436.cms>

Energy

Fuel consumption declines in April owing to high prices

India's consumption of diesel, or high speed diesel (HSD), declined by 7 per cent on a month-on-month (m-o-m) basis to 7.2 million tonnes (mt) in April, largely as high prices of the key transport fuel impacted demand. The prices of motor spirit, or petrol, also witnessed a decline of 3 per cent on a monthly basis to 2.8 mt on account of high prices of the key commodity. The consumption of liquefied petroleum gas (LPG), or cooking gas, too declined 12 per cent

during the month to 2.2 mt, which analysts attribute to the price increase. LPG prices were hiked by ₹50 per cylinder in March. Its consumption during the month had been largely driven by the domestic category.

<https://www.thehindubusinessline.com/economy/fuel-consumption-declines-in-april-owing-to-high-prices/article65488263.ece>

Government gives gencos time till Friday to begin process for coal imports

Domestic power producers have time till Friday to place orders for import of coal, failing which they will be allocated only 70 per cent of their requirement by the government, according to an official notification. On May 18, the Ministry of Power had warned that if orders for coal imports are not placed by May 31, 2022 and the imported fuel does not start arriving at power plants by June 15, the defaulter gencos will have to increase their imports to the extent of 15 per cent. Further, if blending with domestic coal is not started by June 15, then the domestic allocation of the concerned defaulter's thermal power plants will be further reduced by 5 per cent, the ministry had said in a letter to state governments and power generation companies (gencos), including independent power producers (IPPs).

<https://economictimes.indiatimes.com/industry/energy/power/government-gives-gencos-time-till-friday-to-begin-process-for-coal-imports/articleshow/91968615.cms>

Telecom

BSNL seeks spectrum worth Rs 61,000 cr in premium 700 Mhz frequency, prime 5G band

State-run BSNL has urged the government to allocate it spectrum worth Rs 61,000 crore in the premium 700 Mhz frequency range as well as the medium frequency band for 4G and 5G services, according to sources. The Department of Telecom (DoT) had proposed to reserve for BSNL 10 megahertz of paired spectrum -- which means the same quantum of radiowaves for uplink and downlink -- in 600 Mhz band; 40 Mhz in 3600-3670 Mhz band; and 400 Mhz in 24 Ghz band. It had sought views of the Telecom Regulatory Authority of India (Trai) on the same. However, BSNL in a letter to the DoT about a week back asked for allocation of 10 Mhz of spectrum in the 700 Mhz band because of lack of device ecosystem in the 600 Mhz frequency range.

<https://economictimes.indiatimes.com/industry/telecom/telecom-news/bsnl-seeks-spectrum-worth-rs-61000-cr-in-premium-700-mhz-frequency-prime-5g-band/articleshow/91968812.cms>

States

Telangana's GSDP more than doubles to Rs 11.55 lakh cr in 8 yrs

Telangana's Gross State Domestic Product (GSDP) more than doubled to Rs 11.55 lakh crore during the last eight years, besides showing similar trend in per capita income, which is pegged at Rs 2.79 lakh in 2021 from 1.24 lakh in 2014, Chief Minister K Chandrashekar Rao said on Thursday. Addressing a meeting on the occasion of the State Formation Day, Rao said Telangana is the only state in the country that is supplying 24-hour uninterrupted quality power to all the sectors and free electricity to farmers. "In the financial year 2013-14, when Telangana State was formed, the State's GSDP was Rs 5,05,849 crore. By the financial year, 2021-2022 it went upto Rs 11,54,860 crore. The state government is ensuring that for the increase in revenue, every penny is spent in a useful manner and incurring capital expenditure in a planned manner," KCR said.

https://economictimes.indiatimes.com/news/india/telanganas-gsdp-more-than-doubles-to-rs-11-55-lakh-cr-in-8-yrs/articleshow/91966364.cms?utm_source=ETTopNews&utm_medium=HPTN&utm_campaign=AL1&utm_content=23

Healthcare

ICMR releases guidance document for use of drones in healthcare

Drones have enormous potential in healthcare because they can provide last-mile logistical solutions for transferring medicinal supplies in challenging terrain. Drones, or unmanned aerial vehicles, are widely employed in agriculture for spraying fertilizer, security surveillance, geo-mapping, and other purposes. The goal is to develop an enabling

environment for the deployment of drones in the healthcare system. The scope of this guidance document covers the following areas:

https://economictimes.indiatimes.com/industry/healthcare/biotech/healthcare/icmr-releases-guidance-document-for-use-of-drones-in-healthcare/articleshow/91960244.cms?utm_source=ETTopNews&utm_medium=HPTN&utm_campaign=AL1&utm_content=23

External

Exports in May up by 15.46% to \$37.29 bn; trade deficit widens to \$23.33 bn

India's merchandise exports rose by 15.46 per cent to \$37.29 billion in May on account of healthy performance by sectors like petroleum products, electronic goods and chemicals, even as the trade deficit widened to \$23.33 billion during the month, the commerce ministry said on Thursday. Imports during the month too grew by 56.14 per cent to \$60.62 billion. The trade deficit in May 2021 stood at \$6.53 billion. "India's merchandise export in April - May 2022-23 was \$77.08 billion with an increase of 22.26 per cent over \$63.05 billion in April -May 2021-22," it said. Petroleum and crude oil imports during May 2022 surged by 91.6 per cent to \$18.14 billion. Coal, coke and briquettes imports jumped to \$5.33 billion, as against \$2 billion in May 2021.

https://www.business-standard.com/article/economy-policy/exports-in-may-up-by-15-46-to-37-29-bn-trade-deficit-widens-to-23-33-bn-122060201175_1.html

Decline in coal imports in FY'22 on account of less buying by power sector: Govt

The government on Thursday said the drop in coal imports in FY'22 was mainly on account of the power sector's inbound shipments declining. Coal imports that had touched 248 million tonnes (MT) in FY'20 dropped continuously during the next two financial years to 215 MT in 2020-21 and 209 MT in 2021-22. "The decline in coal import during 2021-22 is largely due to decrease in import by Power Sector which came down from 45 MT in 2020-21 to 27 MT in 2021-22, decline of almost 40 per cent," the coal ministry said in a statement. "The decline is more steep if we compare coal imports by power sector in 2021-22 to pre-Covid year of 2019-20 when such import was 69 MT," the ministry said. This is despite the fact that total thermal power generation in the country increased to 1,115 billion units (BU) in 2021-22 from 1,032 BU in 2020-21, an increase of almost 8 per cent.

<https://www.financialexpress.com/economy/decline-in-coal-imports-in-fy22-on-account-of-less-buying-by-power-sector-govt/2546838/>

Not India-related issue: MEA on procurement of Russian crude oil

India once again asserted on Thursday that its procurement of crude oil from Russia is guided by its energy security requirements. Ministry of External Affairs (MEA) Spokesperson Arindam Bagchi said many countries have taken policy decisions with a similar perspective and procurement of oil from Russia is not an India-related issue. "We have consistently maintained that our approach is guided by our energy security requirements. You would note that many regions and countries have taken policy decisions recently with a similar perspective," he said. Bagchi was responding to a question on the continuation of India's procurement of crude oil from Russia. "We would like to reiterate that this is not an India-related issue at all," he said.

<https://economictimes.indiatimes.com/news/india/not-india-related-issue-mea-on-procurement-of-russian-crude-oil/articleshow/91968916.cms>

India Inc's ECB drops sharply in April as interest rates go up in global economies

Resources raised by India Inc via external commercial borrowings (ECBs) dwindled sharply to \$361.6 million in April 2022 with interest rates in advanced economies going up. Indian corporates had raised \$2.368 billion in April 2021 and \$5.029 billion in March 2022 via the ECB route due to relatively lower global interest rates. ECBs are commercial loans raised by eligible resident entities from recognised non-resident entities. These loans are required to conform to parameters such as minimum maturity, permitted and non-permitted end-uses, maximum all-in-cost ceiling, etc. The sharp decline in resources raised via the ECB route comes even as banks registered a strong credit growth of 11.3 per cent y-o-y in April 2022 as compared to 4.7 per cent a year ago.

<https://www.thehindubusinessline.com/money-and-banking/ecbs-raised-by-india-inc-in-april-dwindles-sharply-as-credit-offtake-from-banks-are-up/article65488062.ece>

India, Israel adopt vision statement to strengthen defence cooperation

India and Israel on Thursday adopted a 'vision' statement to further strengthen existing framework of the defence cooperation between the two nations. They also exchanged a "letter of intent" on boosting cooperation in the field of futuristic defence technologies as well. The steps were a fallout of the bilateral meeting Defence Minister Rajnath Singh had with his visiting Israeli counterpart Benjamin Gantz in the national capital. There was, however, no announcement on any defence deal post bilateral talks. Describing the meeting with Gantz as "warm and productive", Singh tweeted: "discussed key issues pertaining to defence cooperation and global and regional scenarios during the bilateral meeting. We place great value on our Strategic Partnership with Israel".

<https://www.thehindubusinessline.com/news/national/india-israel-adopt-vision-statement-to-strengthen-defence-cooperation/article65488312.ece>

Bilateral trade between India and Korea grew 40% to \$23.7 billion in 2021

The bilateral trade between India and Korea grew 40 per cent to USD 23.7 billion in 2021, according to Korea Trade-Investment Promotion Agency (KOTRA). In 2020, the value of bilateral trade between the two countries was at USD 16.9 billion. KOTRA is the economic division of the Embassy of the Republic of Korea in India. According to KOTRA, the information on trade was disclosed by the Ambassador of the Republic of Korea to India Chang Jae-bok while inaugurating the 4th edition of Korea Fair in India (KFI) 2022 in New Delhi on Wednesday.

<https://economictimes.indiatimes.com/news/economy/foreign-trade/bilateral-trade-between-india-and-korea-grew-40-to-23-7-billion-in-2021/articleshow/91968386.cms>

Reduce threshold price for duty cuts on wine under India-Australia FTA: ICRIER report

There is a need for reduction in the threshold price for bottled wine eligible for duty cuts and extension of zero duty on bulk imports in the expanded India-Australia free trade agreement to be negotiated as it will boost collaboration, investment inflow and manufacturing, a study by research body ICRIER has highlighted. With Australian partnerships, 'Made in India' wines can gain popularity and consumers will have access to a wide variety of products, the report titled 'Enhancing Trade and Collaborations in Wines under the India-Australia CECA' pointed out.

<https://www.thehindubusinessline.com/economy/reduce-threshold-price-for-duty-cuts-on-wine-under-india-australia-fta-icrier-report/article65487985.ece>