



August 22, 2022 – Monday

Key Developments

Govt amends rules for physical verification of companies' registered office addresses

The Indian government has amended rules to ensure a transparent process for physical verification of addresses of the registered offices of companies, including by way of having independent witnesses at the time of the verification. The steps listed out in the new rules will help do away with discretion of authorities as well as put in place a transparent system with respect to the physical verification process. Under the Companies Act, 2013, a Registrar of Companies (RoC) can do a physical verification of a company's registered office if he or she has a reasonable cause to believe that the company concerned is not carrying out business in a proper manner. Now, the process for such physical verifications has been put in place under the Act. The physical verification will be done in the presence of two independent witnesses of the locality in which the company's registered office is situated. If required, the assistance of the local police will be also sought, according to the corporate affairs ministry.

<https://economictimes.indiatimes.com/news/economy/policy/govt-amends-rules-for-physical-verification-of-companies-registered-office-addresses/articleshow/93691445.cms>

Economy

Freebies are never 'free'; political parties must be required to inform voters about financial implications: RBI MPC Member Ashima Goyal

Freebies are never 'free' and when political parties offer such schemes, they must be required to make the financing and trade-offs clear to voters, RBI Monetary Policy Committee (MPC) Member Ashima Goyal said on Sunday, adding this would reduce the temptation towards "competitive populism". Goyal further said a cost is imposed somewhere when governments provide freebies, but this is worth incurring for public goods and services that build capacity. "Freebies are never free... specially harmful are subsidies that distort prices," she told PTI in an interview. Noting that this hurts production and resource allocation and imposes large indirect costs, such as the water table falling in Punjab due to free electricity, Goyal said such freebies come at the cost of low quality health, education, air and water that hurt poor the most. "When parties offer schemes they must be required to make the financing and such trade-offs clear to voters. This would reduce the temptation towards competitive populism," the eminent economist argued.

<https://www.financialexpress.com/economy/freebies-are-never-free-political-parties-must-be-required-to-inform-voters-about-financial-implications-rbi-mpc-member-ashima-goyal/2638191/>

Banking and Finance

RBI may allow SFBs to co-lend with NBFCs as part of its liberalisation measures

After making Small Finance Banks (SFBs) eligible for Authorised Dealer (AD) Category-I license, the Reserve Bank of India (RBI) may take the next step in liberalising their scope of activities. It could allow these banks to co-lend with non-banking finance companies (NBFCs). Currently, SFBs are not permitted to co-lend with another lender. Only scheduled commercial banks and NBFCs are allowed to co-lend to the priority sectors like agriculture; micro, small and medium enterprises (MSMEs), education, housing, among others.

<https://www.thehindubusinessline.com/money-and-banking/rbi-may-allow-sfbs-to-co-lend-with-nbfcs-as-part-of-its-liberalisation-measures/article65793682.ece>

Russian banks line up for customised trade a/cs with Indian lenders

More than 15 Russian banks are in advanced talks with Indian lenders to facilitate bilateral business in their respective local currencies, bypassing the established trade mechanism tied to the US dollar, and are working on building a bespoke reference exchange-rate framework between the rupee and the rouble, people familiar with the matter told ET. Petersburg Social Commercial Bank, Zenit Bank and Tatsotsbank are among the Russian lenders likely to open these customised trade accounts. Bank of India, Canara Bank and Uco Bank are likely to be the local partners of the lenders from Moscow. Indian Banks' Association (IBA) is reportedly engaged in facilitating the talks. The Indian Economic Trade Organization (IETO) is coordinating with local companies that are keen on trade with Russia. Banks and the respective regulators are considering setting up a customized common reference exchange rate that will be announced daily by both the Reserve Bank of India (RBI) and the Central Bank of Russia.

<https://economictimes.indiatimes.com/news/economy/foreign-trade/russian-banks-line-up-for-customised-trade-a/cs-with-indian-lenders/articleshow/93697518.cms>

Industry

Drones procurement framework in works

The government is preparing a procurement framework for usage of unmanned aerial vehicles or drones for various commercial purposes. The idea is to enable public sector enterprises to decide whether to buy drones as equipment or use them as a service, as the lack of clarity on procurement could impact overall output including data collection, said people aware of the matter. "Discussions are on with relevant stakeholders and a procurement framework will be in place soon," a senior official told ET on condition of anonymity. The official said ministries, including road, transport and highways, railways, agriculture and panchayati raj, as well as Niti Aayog have held discussions with the Drones Federation of India on the quality parameters needed for using drones on a large scale. "Drones are an emerging industry and the country needs a procurement framework to ensure quality output," said the official.

<https://economictimes.indiatimes.com/industry/transportation/airlines/-aviation/drones-procurement-framework-in-works/articleshow/93695919.cms>

Consumer goods makers reduce prices of staples, electronics

Consumer goods makers have started to reduce prices of products such as televisions, laptops, smartphones, apparel and some daily necessities — such as biscuits and staples — to pass on the benefits of a drop in input costs in the past few weeks. The industry expects this to revive demand in the approach to the festive season after continued price hikes since the pandemic. Brands such as LG, Samsung and Sony have dropped prices of televisions by 5-8% in the last few weeks, while mid-to-premium laptops are Rs 1,500-2,000 cheaper, industry executives said. In the case of smartphones, brands are offering 4-5% discounts. Edible oil prices have dropped by 15-20%, while manufacturers have reduced prices of large packs of biscuits by 10-15% discounts.

<https://economictimes.indiatimes.com/industry/cons-products/durables/festive-runup-consumer-goods-makers-reduce-prices-of-staples-electronics/articleshow/93697888.cms>

Automakers seek government help as high CNG rates bite

India's automotive industry has urged the Ministry of Petroleum and Natural Gas to lean on gas companies to reduce prices after the Centre had stepped in to boost domestic supplies of the fuel. In the wake of the 50-60% increase in gas prices over the past 12 months, CNG car sales bookings were declining 10-15%. Hence, the Society of Indian Automobile Manufacturers' Association wrote to the ministry earlier in the month, seeking its intervention. ETIG analysis showed that from peak monthly sales of 29,535 units in March 2022, volumes dropped to 25,480 units in July. CNG-powered vehicle sales have been consistently dropping since April, Vahan data showed. In June, the Centre increased domestic gas allocation to city gas distribution companies that may help curb rising CNG prices in the past few months.

<https://economictimes.indiatimes.com/industry/auto/auto-news/automakers-seek-government-help-as-high-cng-rates-bite/articleshow/93696445.cms>

Defence Ministry seeks industry response to review 'No Cost, No Commitment' trial

The Defence Ministry is mulling a review of the 'No Cost, No Commitment' trial, through which the government dissociates from footing the bill for the expenses incurred on the military equipment acquisition process as well as the obligation of purchasing post-trial. The Ministry had sought industry response given that many in the defence sector had held a view that the cost of trials is high and a drag on medium and small-scale medium enterprises and start-ups. Colonel Sumit Kapur, Director B in ADG Acquisition Tech (Army), wrote to the industry stating "a study is being undertaken by this office to analyse the suitability of 'No Cost, No Commitment (NCNC)' trials in the present Defence Capital Acquisition process". The stakeholders were supposed to give comments and recommendations for improvement of the existing system and, if possible, an alternative methodology by August 7. The Defence Acquisition Procedure 2020, the latest revised manual, continues to pitch for the NCNC trial for buying equipment.

<https://www.thehindubusinessline.com/economy/defence-ministry-seeks-industry-response-to-review-no-cost-no-commitment-trial/article65794160.ece>

Over 1.5 lakh small shops shut due to unruly business behaviour of multinationals, large enterprises: CAIT

Over 1.5 lakh small shops, mostly engaged in the mobile phone business, have been shut so far due to unruly business behaviour of multinationals and large enterprises and the absence of an effective mechanism to check their business conduct in India, said traders' body Confederation of All India Traders (CAIT), representing 8 crore traders in the country. "If we have to keep small traders alive and the retail trade working democratically, there is an urgent need for a comprehensive policy for all verticals (of retail trade) and a regulatory authority to monitor trade activities," the association said. CAIT has been alleging illegal business practices such as deep discounting, predatory pricing, etc., largely by e-commerce companies in the country leading to an uneven playing field for small retailers. Considering the cross-cutting nature of e-commerce, different laws and regulations govern e-commerce activities in India. These include Consumer Protection Act, 2019, Finance Act 2020, Information Technology Act, 2000, Foreign Exchange Management Act, 2000 and Competition Act, 2002, according to the commerce ministry.

<https://www.financialexpress.com/industry/sme/msme-eodb-over-1-5-lakh-small-shops-shut-due-to-unruly-business-behaviour-of-multinationals-large-enterprises-cait/2638597/>

Agriculture

Paddy sowing continues to lag, acreage down by 8.25 per cent till August 18

Paddy sowing continues to lag as area under the key kharif crop was lower by 8.25 per cent at 343.70 lakh hectare till last week of the ongoing kharif season, according to the agriculture ministry. Area sown to pulses and oilseeds also remained slightly lower, while the overall area covered under all kharif crops showed a lag of 25.52 lakh hectare at 1012.99 lakh hectare till August 18 of the 2022-23 kharif season, it said. According to the ministry's latest data, paddy was sown in 343.70 lakh hectare till August 18 of the ongoing kharif season as against 374.63 lakh hectare in the year-ago period.

<https://economictimes.indiatimes.com/news/economy/agriculture/paddy-sowing-continues-to-lag-acreage-down-by-8-25-per-cent-till-august-18/articleshow/93695051.cms>

Cotton yarn mills planning to stop production amid poor demand, Ukraine war

The rise in cotton prices, poor demand of yarn due to the apparel industry scaling down production and a growing stockpile have forced cotton yarn mills across the country to look at ceasing production from Monday, say industry sources.

https://www.business-standard.com/article/economy-policy/high-cotton-prices-war-hit-yarn-mills-plan-production-stoppage-122082100409_1.html

Punjab expects low cotton production at 800,000 bales this season

Punjab is expecting a cotton output of around 8 lakh bales in the current Kharif season due to lower acreage and damage to the crop due to rains. The cotton output had dropped sharply to 6.45 lakh bales in the last 2021-22 season due to the pink bollworm insect attack against more than 10 lakh bales in the previous year. The current season production would be nearly 35 per cent lower than that in 2018-19. Lesser area under cotton along with damage to the crop by rains and whitefly pest attack are being seen as the main reasons behind the expected decline in the

overall yield. Punjab could bring only 2.48 lakh hectares under cotton crop as against the target of 4 lakh hectares in cotton-growing areas of Bathinda, Muktsar, Mansa, Fazilka, Sangrur, Moga and Faridkot in the Kharif sowing season. During the time of sowing which is mid of April till May, farmers in several cotton-growing areas could not get sufficient canal water for sowing of the crop as there was a breach in the Sirhind feeder canal, said a senior official of the state agriculture department.

https://www.business-standard.com/article/economy-policy/punjab-expects-low-cotton-production-at-800-000-bales-this-season-122082100185_1.html

Infrastructure

Road transport and highways sector has maximum number of delayed projects: Govt report

The road transport and highways sector has the maximum number of delayed projects at 300, followed by railways at 119 and petroleum sector at 90, showed a government report. In the road transport and highways sector, 300 out of 825 projects are delayed. In railways, out of 173 projects, 119 are delayed, while for petroleum, 90 out of 142 projects are delayed, as per the latest flash report on infrastructure projects for June 2022. The report showed that a 500 MW Prototype Fast Breeder Reactor being constructed by Bharatiya Nabhikiya Vidyut Nigam Ltd (BHAVINI) is the most delayed project. It is delayed by 168 months. The second most delayed project is PARBATI-II hydro electric project (4X200 MW) of the NHPC, which is delayed by 162 months.

<https://www.financialexpress.com/infrastructure/roadways/road-transport-and-highways-sector-has-maximum-number-of-delayed-projects-govt-report/2638271/>

2022 Housing sales to breach pre-Covid levels despite rate hikes: Industry

India's residential market is expected to sustain demand momentum despite rise in mortgage and property rates as sales this year across the top 7 cities are likely to breach pre-pandemic level of 2.62 lakh units, industry players said. After braving four back-to-back disruptions in form of demonetisation, RERA, GST and COVID-19 in the last 6 years, industry experts feel the housing market is going through a lot of structural changes and is now at the start of a long-term upcycle. Homebuyers body FPCE gives credit to the Real Estate Regulatory Authority (RERA) under the Real Estate (Regulation & Development) Act, 2016 for this improved buying sentiment. All major listed real estate developers posted record sales bookings in the last fiscal and have given guidance that their sales numbers in FY'23 will be even better.

https://www.business-standard.com/article/economy-policy/2022-housing-sales-to-breach-pre-covid-levels-despite-rate-hikes-industry-122082100355_1.html

States

Over 3,600 enterprises set up in Kerala's Alappuzha under state gov't's MSME project in current FY: Report

The Kerala government's MSME project Samrambhaka Varsham (entrepreneurship year) project has helped set up 3,620 enterprises in the state's Alappuzha district in four months (of FY23), The Hindu reported quoting district collector V.R. Krishna Teja as saying. The project created 7,418 jobs and attracted investments worth Rs 184.46 crores in the district during the period, Teja said. The state government is looking to set up 9,666 MSMEs in Alappuzha as part of its overall target of establishing 1 lakh MSMEs in the state in the current fiscal under the project. According to officials, new units have been set up in the production, trade and service sectors in the Alappuzha district, the report said.

<https://www.financialexpress.com/industry/sme/msme-eodb-over-3600-enterprises-set-up-in-keralas-alappuzha-under-state-govts-msme-project-in-current-fy-report/2638259/>

External

India, UAE join hands to launch projects in Africa

India and the United Arab Emirates, have joined hands to launch third country projects in Africa, where India has a decades-old presence and the UAE is expanding its footprint rapidly. Last week, a joint India-UAE healthcare delegation visited Tanzania, recipient of India's biggest line of credit in Africa, to explore investment opportunities

and meet senior government officials. The objective of the visit was to identify specific projects for collaboration with government and private healthcare providers in Tanzania.

<https://economictimes.indiatimes.com/news/india/india-uae-join-hands-to-launch-projects-in-africa/articleshow/93696268.cms>

India to develop two hydropower plants in Nepal as China abandons projects

India will now develop two hydropower projects in Nepal, namely West Seti Hydropower Project and the Seti River Hydropower Project, nearly 4 years after China withdrew from these. The formal agreement was signed in Kathmandu this week, according to a report by *Economic Times (ET)*. The total cost of these projects is expected to be around \$2.4 billion. Nepal was left in a fix after two Chinese companies withdrew from the projects, after signing the MoUs with the government. Investment Board Nepal and National Hydro Power Corporation Ltd signed MoU on August 11, to develop the two projects on the Seti River. The projects will develop a total of 1,200 MW. The projects will be spread over four districts of Bajhang, Doti, Dadeldhura, and Achham, according to *ET*.

https://www.business-standard.com/article/current-affairs/indian-to-develop-two-hydropower-plants-in-nepal-earlier-quit-by-china-122082100114_1.html

No plans to import wheat into India, say govt sources

The government has no plans to import wheat as it has sufficient stocks to meet the country's requirements, official sources said. The Food Corporation of India (FCI) has enough stock for public distribution, they added. The comments come against the backdrop of some reports which said India may import the foodgrain. India's wheat production is projected to have declined nearly 3 per cent to 106.84 million tonnes while the overall foodgrain production is estimated to have touched record 315.72 million tonnes in the 2021-22 crop year.

<https://www.financialexpress.com/economy/no-plans-to-import-wheat-into-india-say-govt-sources/2638336/>

Centre to assess possible impact of EU's decision to withdraw GSP benefit for certain exports

The Centre may engage with the industry to assess the impact of the European Union's decision to withdraw preferential tariff benefits for certain products from India, including electrical machinery, plastics, articles of stones and articles of leather, from January 2023. "A number of items are graduating out of the Generalised System of Preferences (GSP) scheme from next year and there is little that anyone can do about it. The main issue now is to look into whether exporters will lose their market share and if there is a case for extending some support to such sectors," a person tracking the matter told BusinessLine.

<https://www.thehindubusinessline.com/economy/centre-to-assess-possible-impact-of-eus-decision-to-withdraw-gsp-benefit-for-certain-exports/article65794333.ece>

Rising prices, rupee gain hurt tea exports to Europe, Japan

India's tea exports to the traditional markets of Europe and Japan have declined following an increase in tea prices and appreciation of the Indian currency. The impending fear of recession amid increasing inflationary pressure is also making buyers in Europe cautious about buying tea at higher prices. But even as good quality Indian tea prices have soared 40-50% over the past year, exporters are witnessing more enquiries from newer markets such as Turkey, Saudi Arabia and Iraq. "Buyers from the EU and Japan are not keen to pay higher prices. So, the offtake is less. Moreover, the British pound and Japanese yen have weakened against the rupee, which too is impacting Indian tea exports to the UK and Japan," Anshuman Kanoria, chairman of the Indian Tea Exporters Association, told ET.

<https://economictimes.indiatimes.com/news/economy/foreign-trade/rising-prices-rupee-gain-hurt-tea-exports-to-europe-japan/articleshow/93696313.cms>

New foreign trade policy may help reduce compliance burden on small exporters: Report

The commerce department is expected to come out with the new foreign trade policy next month that may explain means to curtail the compliance burden on small exporters and provide monetary support to MSMEs to boost exports, said a report by The Economic Times. The policy may also look at the right categorisation of products grouped as "others" currently, as this causes misclassification and tax evasion that contributes to the growing trade deficit. "We are working on ways to facilitate e-commerce exports through the policy," the report quoted an official as saying, who added that the new policy could be released by the end of the next month.

<https://www.financialexpress.com/industry/sme/msme-exim-new-foreign-trade-policy-may-help-reduce-compliance-burden-on-small-exporters-report/2638465/>