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Economy

Entities can make overseas investment beyond prescribed limit in strategic sectors: Finance Ministry

The government on Tuesday said that an Indian corporate entity can make overseas investments beyond the prescribed limit in strategic sectors like energy and natural resources after obtaining necessary permissions. Releasing an explanatory note on Overseas Direct Investment Rules and Regulations 2022, the finance ministry said a non-financial sector entity can make a direct investment under an automatic route into a foreign entity engaged in financial services activity (except banking and insurance). The earlier regime did not permit Overseas Direct Investment by a non-financial sector Indian entity into a foreign firm engaged in financial services activity. “An Indian entity not engaged in the insurance sector may make Overseas Direct Investment in general and health insurance where such insurance business is supporting the core activity undertaken overseas by such an Indian entity,” it said. <https://www.financialexpress.com/economy/entities-can-make-overseas-investment-beyond-prescribed-limit-in-strategic-sectors-finance-ministry/2641361/>

Inflation to ease to 4% in two years after peaking, says RBI Governor

Reserve Bank of India Governor Shaktikanta Das seeks to slow India’s inflation to 4 per cent within two years after hitting its peak in the last few months. “Inflation has peaked and price gains are getting anchored,” Das said in an interview with television channel ET Now on Tuesday, adding that the central bank is watching every incoming data and there’s “no room for complacency.” The RBI has raised policy repurchase rate by a total of 140 basis points since May, including back-to-back half point increases in June and August, to cool down inflation within its mandate of 2 per cent-6 per cent. Consumer prices have fallen for three straight months in July but continue to remain above 6 per cent mark. “We will approach the 4 per cent inflation target in a steady manner, without much of a growth sacrifice,” Das said. He also indicated that stable bond yields reflect that the central bank actions may have worked to tame prices.

https://www.business-standard.com/article/finance/inflation-to-ease-to-4-in-two-years-after-peaking-says-rbi-governor-122082300602_1.html

States to be roped in to widen e-Shram cover

The government plans to rope in states to widen the social security coverage for the unorganised workers on the e-Shram portal while discussing the modalities for implementation of the four labour codes. India has nearly 28 crore unorganised workers, out of the estimated 38 crore, registered on the e-Shram portal. Sources in the labour ministry said deliberations will also be held on the Vision 2047 for India’s estimated workforce of 450 million at the upcoming National Labour Conference to be held in Tirupati on August 25-26. The National Labour Conference, which was last held in 2014, is chaired by the labour minister and consists of labour ministers of all states along with their labour secretaries. It gains significance as the Centre is waiting for all states to firm up their draft Rules acr ..

<https://economictimes.indiatimes.com/news/economy/policy/states-may-be-roped-in-to-widen-social-security-coverage-for-unorganised-workers-on-e-shram/articleshow/93735677.cms>

Demand for MGNREGA work drops in monsoon deficit states by 35% in July

The demand for Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA) work has dropped by almost 35 per cent in July 2022 compared with the same period last year due to heavy monsoon rains over several parts of the country and a pick-up in the kharif sowing activities.

https://www.business-standard.com/article/economy-policy/demand-for-mgnrega-work-drops-in-monsoon-deficit-states-by-35-in-july-122082300392_1.html

Q1 GDP growth seen at 15.7% with possibility of upward bias: SBI Ecowrap

India's GDP is expected to be much higher in Q1FY23 and growth is expected around 15.7 per cent with a large possibility of an upward bias because several indicators have shown good progress in the Indian economy, SBI Ecowrap report said. "As per our (SBI) 'Nowcasting Model', the forecasted GDP growth for Q1 FY23 would be 15.7 per cent, with an upward bias," the report added. The progress in the economy is seen despite global spillovers, elevated inflation and some slackening of external demand as geopolitical developments take their toll on world trade. Domestically, an intense heatwave in major regions limited economic activity in the earlier months. Despite this, most of the high frequency indicators showed improvement, especially in the services sector activity. There were also significant improvements in the domestic supply delivery time, backlogs and decline in truck freights, which was reflected in the fall of index of supply chain pressures for India.

https://www.business-standard.com/article/economy-policy/q1-gdp-growth-seen-at-15-7-with-possibility-of-upward-bias-sbi-ecowrap-122082300598_1.html

Banking and Finance

Banks must ensure credit schemes reach eligible citizens: FM Sitharaman

Finance Minister Nirmala Sitharaman on Tuesday asked banks to serve eligible beneficiaries of government credit-related schemes. Sitharaman, who was at a credit outreach programme in Nagaland, said the trouble phone banking had caused lenders now appeared over. "Indian banks have come out of a very troubled five to eight years, purely because there has not been an undue interference in their function. And today, I'm happy to say many of them have come out of the difficult situation in which they were, as a result of a certain kind of phone banking, which happened at one point in time in India, that cronies got the loans and the eligible citizens were left out. Now I'm encouraging the eligible citizens to get (loans) and not cronies," Sitharaman said. She urged banks to start a district-wise campaign for the Prime Minister's schemes for citizens. There are about 2.3 lakh PM KISAN beneficiaries in the state, but only about 70,927 have been sanctioned Kisan Credit Cards. She appealed banks to cover all eligible beneficiaries by district by November 30.

https://www.business-standard.com/article/finance/banks-must-ensure-credit-schemes-reach-eligible-citizens-fm-sitharaman-122082300868_1.html

Banks' low-cost CASA deposits up in sync with rise in UPI transactions

The spectacular jump in UPI (unified payments interface) transactions over the last few years may be one of the reasons for the growth in banking system's low-cost current account, savings account (CASA) deposits, going by Reserve Bank of India (RBI) data. CASA deposits of scheduled commercial banks increased from 41.99 per cent of total deposits as at March-end 2019 to 45.15 per cent as at March-end 2022 even as the value of UPI transactions surged almost 10 times from ₹8,76,703 crore in FY19 to ₹84,15,900 crore in FY22.

<https://www.thehindubusinessline.com/money-and-banking/banks-low-cost-casa-deposits-up-in-sync-with-rise-in-upi-transactions/article65801474.ece>

NBFCs warn of overcrowding in retail lending amid entry of new banks, fintech players

The entry of new players in the retail lending space is proving to be a challenge for non-banking lenders as they face competition from banks and fintech companies alike. Retail loans have been a high growth segment for lenders across the board, amid muted demand from corporates and MSMEs, which are still emerging from pandemic-related challenges. This has led to more players looking to enter the space, both for growth and to diversify their portfolios away from wholesale loans. "We've seen that [retail] space getting quite busy. When you have a particular segment that is attracting players from across the board, there is bound to be some degree of overcrowding," said Saswata Guha, Senior Director, Financial Institutions at Fitch Ratings.

<https://www.thehindubusinessline.com/money-and-banking/nbfc-warn-of-overcrowding-in-retail-lending-amid-entry-of-new-banks-fintech-players/article65801808.ece>

Overseas investment revamp to benefit IFSC at GIFT CITY

GIFT IFSC is set to benefit from the government's latest revamp of the overseas investment framework as the framework eases the remittances for investment into an entity in the IFSC registering as foreign entity. "This move will particularly help both financial and non financial services Indian players to make overseas investment in Indian IFSC and develop new line of business" said Dipesh Shah, Executive Director at International Financial Services Centre Authority.

<https://economictimes.indiatimes.com/industry/banking/finance/overseas-investment-revamp-to-benefit-ifsc-at-gift-city/articleshow/93737091.cms>

Microfinance disbursements jump over 100% in Q1 from year-ago period: Report

The microfinance sector has recorded a growth of 111 per cent in disbursements to Rs 57,842 crore in the first quarter of the current financial year from Rs 27,328 crore during the same quarter last year, said self-regulatory body for the microfinance sector Sa-Dhan. However, Q1 disbursements dipped around 35 per cent from Rs 89,603 crore during Q4 FY22 as lenders were fine-tuning their disbursement policy as per the new regulations, the association said in its quarterly report. Banks led the disbursement tally with Rs 15,111 crore loans disbursed during the quarter followed by NBFC microfinance institutions (Rs 6,678 crore), small finance banks (Rs 3,564 crore), NBFCs (Rs 1,518 crore), and not-for-profit MFIs (Rs 457 crore).

<https://www.financialexpress.com/industry/sme/msme-fin-microfinance-disbursements-jump-over-100-in-q1-from-year-ago-period-report/2641013/>

Industry

FMCG companies line up new packs, prices to energise the market

Brand launches across categories such as packaged foods, personal care, and household products are making a comeback, as companies such as HUL Marico, Britannia, Dabur, Coca-Cola, Nestle, Zydus Wellness, ITC and Emami hope to leverage positive festive sentiment and fight off 'inflation fatigue' with newer packs at affordable prices amid the receding pandemic, executives said. They said almost all new launches in the fast-moving consumer goods (FMCG) sector were focused on the sanitising and hygiene space in the past two years, but with most of those products either being phased out or no longer in demand, companies are focusing on newer categories now. "We are launching a range of new products to increase our addressable market...we have not only increased our R&D spends but are also ensuring that innovations are targeted and quick-to-market," said Mohit Malhotra, chief executive at packaged goods maker Dabur. The categories where the company intends to launch new products include home and personal care, packaged foods and healthcare.

<https://economictimes.indiatimes.com/industry/cons-products/fmcf/fmcf-companies-line-up-new-packs-prices-to-energise-the-market/articleshow/93739618.cms>

India's e-commerce firms hire more delivery workers for shopping season

India's e-commerce companies are adding delivery personnel at a rapid pace, fearing a labour shortage might cause them to lose out in one of the biggest annual shopping seasons that begins in earnest next month. The moves come amid a tightening job market - India's unemployment rate fell below 7% in July for the first time since January - and persistently high inflation, complicating the outlook for the industry which has long battled chronically high employee turnover. "Overall demand for the gig workforce has seen a sharp increase and that is not completely supported by the increase in pool size of delivery people... It is not a free flowing pool," TK Balakumar, chief operating officer at online grocery seller BigBasket, told Reuters.

https://www.business-standard.com/article/companies/india-s-e-commerce-firms-hire-more-delivery-workers-for-shopping-season-122082300292_1.html

AI to eliminate hiring bias, find skilled workers for Indian firms

A whopping 96.5 per cent of recruiters at Indian startups and small and medium enterprises (SMEs) in India believe that the use of AI is one of the best ways to improve the recruitment process and eliminate bias from the hiring

process, a report showed on Tuesday. About 50 per cent of recruiters believe that AI will become a regular part of their hiring process in the coming years, said the report by chat-based direct hiring platform Hirect. While 52 per cent of the recruiters said building a diverse workforce is necessary to address the huge disparity in the representation of women in leadership roles, 97.4 per cent of them believe that skill-based hiring is the future. About 87 per cent of recruiters are "in favour of retaining old employees instead of hiring new ones". "In the employee-driven market, the employers must quickly adapt to the current reality of talent acquisition to remain competitive in today's labour market," said Raj Das, Global Co-founder and CEO of Hirect India.

https://www.business-standard.com/article/technology/ai-to-eliminate-hiring-bias-find-skilled-workers-for-indian-firms-122082300536_1.html

Offline experience stores, leisure, entertainment will pull in-store shoppers in new normal, says CBRE

As the pandemic ebbs, online retail may not suffice to satiate customers' needs, and other factors would continue to draw in-store shoppers, said a report. Outing, experience and leisure are becoming critical factors needed to balance the retail equation, consultancy firm CBRE said in its report 'The Retail Perspective on Experience and its Impact on Real Estate'. The retail industry, in the new normal, is witnessing growing footfalls across retail and recreational spaces, and physical retail formats with experience, leisure and entertainment are pulling in-store shoppers, it said. The growth in offline retail is courtesy the pent-up demand, even as online shopping continued to perform strongly. Brands are resizing and calibrating physical store strategies to diversify portfolio and expand footprint. H1 2022 saw more than 500 per cent increase in project completions compared to a year ago, the report said, with experience being a critical factor driving how retail spaces were designed. This change and growing focus on 'experience' is counterbalancing the prevalence of online retail and is ensuring profitability.

<https://www.financialexpress.com/industry/offline-experience-stores-leisure-entertainment-will-pull-in-store-shoppers-in-new-normal-says-cbre/2641370/>

Rated Indian firms better placed to withstand rising rates, inflation: S&P

Companies and banks in India could feel the bite of rising rates and inflation, but rated firms are better cushioned to withstand the pressure, S&P Global Ratings said on Tuesday. It said further hike in interest rates is on the cards as the inflation remains above the RBI's upper tolerance limit of 6 per cent despite a 140 basis points increase in policy rate in the current fiscal year. "In a stress scenario we conducted, credit profiles will deteriorate for companies that account for 20 per cent of the outstanding debt analyzed. This is according to a stress test of more than 800 largely unrated companies in India, representing USD 570 billion in debt. Rated issuers are generally better cushioned to withstand rising rates and higher input costs," S&P said in a report. The US-based rating agency said it expects India's continued strong economic growth to positively affect companies' revenues.

https://www.business-standard.com/article/economy-policy/rated-indian-cos-better-placed-to-withstand-rising-interest-rates-inflation-s-p-122082300456_1.html

Agriculture

After wheat, retail price of rice rises 6.31pc on supply concerns

After wheat, rice prices are firming up on reports of supply concerns with the all India average retail price of the grain ruling higher by 6.31 per cent at Rs 37.7 per kg compared to the year-ago period, according to an official data. The All India average retail price of wheat has risen by over 22 per cent to Rs 31.04 per kg as of August 22 compared to Rs 25.41 per kg in the year-ago period, according to the data maintained by the Consumer Affairs Ministry. The average retail price of wheat flour (atta) has increased by over 17 per cent to Rs 35.17 per kg as against Rs 30.04 per kg in the year-ago period, the data showed. The rising trend in the retail price of rice is due to reports of likely drop in the country's production in view of 8.25 per cent lag in paddy sowing till last week in the ongoing kharif (summer) season. Considering the current lag in the paddy coverage, experts said the country's total rice production is likely to be lower than the set target of 112 million tonne for 2022-23 kharif season (July-June). Still, the increase in the retail prices of rice is not higher than in the case of wheat yet as the Centre has a huge stock of 396 lakh tonne and can use that to intervene, in case of a sharp rise, they said.

<https://www.financialexpress.com/economy/after-wheat-retail-price-of-rice-rises-6-31pc-on-supply-concerns/2641581/>

Recent milk price hike to limit drop in profitability for organised dairies: Crisil

The recent round of milk price hike will restrict the slide in profitability of the organised dairy players, who were facing margin pressure due to higher costs and increased procurement prices. A latest CRISIL Ratings report showed that the recent hike in retail milk price by ₹2 per litre will limit the slide in profitability of the organised dairy sector to 50 basis points (bps) on-year this fiscal. This is "despite a higher than anticipated rise in procurement prices, and transport and packaging costs." "Despite lower profitability, comfortable balance sheets and better working capital management will keep the credit profiles of players stable," the CRISIL analysis said.

<https://www.thehindubusinessline.com/economy/agri-business/recent-milk-price-hike-to-limit-drop-in-profitability-for-organised-dairies-crisil/article65801720.ece>

Infrastructure

Will seek capital market funds in September to raise money for building roads: Nitin Gadkari

The centre will be approaching capital markets next month to raise money for building road projects according to Transport Minister Nitin Gadkari. "We are going to the capital markets next month with a project. Initially there will be four projects on offer and this money will be raised through Infrastructure Investment Trust (InvITs). There will be an investment limit of Rs 10 lakh per retail investor, with an assured return of 7-8%," he said while addressing the 3rd edition of Roads and Highways Summit organised by Federation of Indian Chambers of Commerce & Industry (FICCI). According to Gadkari, domestic institutional investors and high net worth individuals will be invited if there will be need for raising further investment after the retail portion is subscribed. Foreign investors will be approached afterwards if the fund raising requirement remains unmet.

<https://economictimes.indiatimes.com/news/economy/infrastructure/will-approach-capital-markets-next-month-to-raise-money-for-building-roads-nitin-gadkari/articleshow/93726686.cms>

Rs 14,000-cr Surat-Chennai economic corridor hits environmental hurdle

Months ahead of assembly elections in Gujarat, a key segment of the ambitious Surat-Chennai economic corridor has hit a serious green hurdle. The near Rs 14,000 crore project has run into trouble with the Union Environment ministry's Expert Appraisal Committee (EAC) for Infrastructure projects, over its proposed 290 km long greenfield Surat-Nashik-Ahmednagar section which falls in pristine and untouched areas of the ecologically sensitive Western Ghats. The EAC has, in a July 21-22 meeting, said that the stakeholder ministry/department should upgrade on the existing National Highway alignment instead of running into 'virgin and ecologically sensitive new parts of Western Ghat areas'.

<https://economictimes.indiatimes.com/news/economy/infrastructure/14000-cr-surat-chennai-economic-corridor-hits-environmental-hurdle/articleshow/93716899.cms>

Energy

India's crude oil production falls 3.8% to 2.45 MT in July: Govt data

India's crude oil production fell 3.8 per cent in July on lower output from fields operated by state-owned ONGC and private sector firms, government data released on Tuesday showed. Production of crude oil, which is refined to produce fuels such as petrol and diesel, fell to 2.45 million tonnes in July from 2.54 million tonnes a year back. The output was lower than the monthly target of 2.59 million tonnes, the data released by the Ministry of Petroleum and Natural Gas showed. Oil and Natural Gas Corporation (ONGC) produced 1.7 per cent less oil at 1.63 million tonnes on lower output from western offshore. Fields operated by private firms saw a 12.34 per cent decline in production. But the oil production during the first four months of the current fiscal that began on April 1 was only marginally lower at 9.91 million tonnes as opposed to 9.96 million tonnes during April-July 2021.

https://www.business-standard.com/article/economy-policy/india-s-crude-oil-production-falls-3-8-to-2-45-mt-in-july-govt-data-122082300738_1.html

Telecom

DoT eases security needs for mobile services in border areas

The Department of Telecommunications (DoT) has scrapped a host of security requirements related to offering mobile services near the country's international border areas in a clear bid to ring in ease of doing business for operators ahead of the 5G rollouts. The move is also likely to improve existing mobile coverage in the border areas. The DoT has deleted key network security clauses that till now required telcos to locate their radio base stations, cell sites and radio transmitters at considerable distances to ensure mobile signals faded near India's international borders.

<https://economictimes.indiatimes.com/industry/telecom/telecom-policy/dot-eases-security-needs-for-mobile-services-in-border-areas/articleshow/93737283.cms>

Trai extends submission deadlines for rationalisation of telecom entry fees/BGs paper

The sector regulator has extended the deadlines for stakeholder comments and counter-comments for its discussion paper on rationalisation of entry fees and bank guarantees (BGs) for telecom services. In its late-July discussion paper, the Telecom Regulatory Authority of India (Trai) had sought views on whether entry fees for telecom permits must be cut and whether the performance and financial guarantees should be merged for all telecom permits. The regulator had also sought views on whether a uniform entry fee must be levied for various service authorisations under a unified licence (UL) and a virtual network operator (VNO) licence. It had also sought views on the methodology of computing a merged bank guarantee for various telecom permits and a checklist of associated financial/performance parameters. The regulator also wanted suggestions on whether a merged BG should be applicable to both new entrants and existing licence-holders.

<https://economictimes.indiatimes.com/industry/telecom/telecom-news/trai-extends-submission-deadlines-for-rationalisation-of-telecom-entry-fees/bgs-paper/articleshow/93733463.cms>

States

Tamil Nadu launches footwear, leather products policy

Tamil Nadu, which is a dominant player in the footwear industry at both the national and global levels, on Tuesday launched its Footwear & Leather Products Policy 2022 with a vision to transform the State into a favoured destination for footwear and leather products manufacture in Asia. The policy will offer a special package for footwear and leather products (FLP) manufacture and incentives for FLP Design Studios. Interestingly, even as the event was happening in the morning, social media was abuzz with news that Income Tax Department officials were searching the premises of several leather companies in the state.

<https://www.thehindubusinessline.com/news/tamil-nadu-launches-footwear-leather-products-policy/article65800705.ece>

Rising interest rates, inflation hurting Amritsar MSMEs, says traders' body: Report

Amritsar's MSMEs are going through a rough patch due to the interest rate hike following the repo rate increase by the Reserve Bank of India (RBI) recently, The Tribune reported. The RBI has raised the repo rate by 1.4 per cent since May this year. It had increased the rate by 0.4 per cent in May followed by 0.5 per cent each in June and August respectively, taking the policy repo rate to 5.40 per cent so far. President of the local industry body Punjab Pradesh Beopar Mandal (PPBM), Piara Lal Seth said the hike is upsetting business calculations. The interest rate of advances taken by MSMEs has become expensive and is directly increasing the input cost of products being rolled out of MSME units, he said, according to the report. The MSME sector is still going through an existential crisis due to a hike in raw material, fuel cost, cargo cost, and other disruptions caused by the pandemic, Seth added. Moreover, the surge in food inflation has weakened the paying capacity of consumers.

<https://www.financialexpress.com/industry/sme/msme-fin-rising-interest-rates-inflation-hurting-amritsar-msmes-says-traders-body-report/2641473/>

Healthcare

Pharma industry expects to report 7-9 pc revenue growth in FY23

India's pharma industry is likely to report moderate revenue growth of 7-9 per cent in this fiscal, as per the estimates of rating agency CRISIL. The agency attributed headwinds in export sales in the regulated markets and the high-base effect in the domestic formulations business as the major reason for moderate revenue growth. As per the

estimates, the operating profitability will shrink another 200-250 basis points (bps). Earlier, 130 bps decline was reported in the last fiscal. The shrink is expected due to continued pricing pressure in the US generics market and high input and freight costs which offset moderate revenue growth.

<https://economictimes.indiatimes.com/industry/healthcare/biotech/pharmaceuticals/pharma-industry-expects-to-report-7-9-pc-revenue-growth-in-fy23/articleshow/93731552.cms>

External

Commerce Dept recast programme kicks off to chart export journey to \$2 trillion by 2030

The Commerce Ministry on Tuesday spelt out the contours of the ambitious restructuring programme that would help transform the existing Department of Commerce into a future-ready one geared towards achieving the export target of \$ 2 trillion by 2030. Releasing the various features of this restructuring programme, which was reflected in as many as 14 volumes of a report prepared in association with Boston Consulting Group, the Union Commerce and Industry, Consumer Affairs and Textiles Minister Piyush Goyal said this restructuring plan rests on five pillars. These are engaging India's share in global trade (particularly share of exports); assume leadership role in multilateral organisations like WTO, expand bilateral arrangements through FTAs with developed countries and other countries; democratisation of trade with greater role for our MSME, farmers, weavers, craftsman becoming part of international trade; create 100 Indian brands as global champions; and setting up economic zones across the country to strengthening manufacturing and services base.

<https://www.thehindubusinessline.com/economy/commerce-dept-recast-programme-kicks-off-to-chart-export-journey-to-2-trillion-by-2030/article65802194.ece>

Silver imports may touch pre-covid levels this year

Silver imports are expected to bounce back to pre-Covid levels of 6,500-7,000 tonnes this year as there is a strong demand for the metal, said industry executives. Demand is also coming from the industrial sector as the economy has opened up and manufacturing activity has picked up, they said. The expectation has arisen from the increase in imports to 5,100 tonnes in the first seven months of 2022, 84% higher than 2,773 tonnes than in the entire 2021.

<https://economictimes.indiatimes.com/industry/indl-goods/svs/metals-mining/silver-imports-may-touch-pre-covid-levels-this-year/articleshow/93739482.cms>