

# Modi Government Reforms: Report Card

*Economics Knowledge Banking*  
*January 2016*



## Doing Business in India

**FDI Reforms**

**Ease of Doing Business at the Centre**

**Ease of Doing Business at the State level**

**Ease of Doing Business - Impact Assessment**

**Manufacturing**

**Food Inflation**

**Trade: Exports and Imports**

**Fiscal Reforms**

**Infrastructure**

**Sectoral**

# FDI Reforms: Big Bang

Background: Government has ushered in FDI related reforms in 15 major sectors along with introducing a composite cap for foreign investment with an aim to further ease, rationalize and simplify the process of foreign investments in the country, in line with its mantra of *Minimum Government, Maximum Governance*



**Composite Cap for foreign investment: Distinction between FDI, FPI etc abolished**  
**Sectoral ceilings to continue but upped for several sectors**

## RAILWAYS

More than 50% foreign investment allowed

## CONSTRUCTION

Relaxed rules for foreign investment including minimum built up space and lock-in periods

## COAL MINING

Fully opened coal mining sector to private/foreign investment

## DEFENCE

FDI upped to 49% under automatic route

## MEDIA

FDI in DTH, media networks upped from 74% to 100%

## AGRICULTURE

Allowed 100% FDI in coffee, rubber, cardamom, palm oil

## BANKING

Allowed composite foreign investment up to 74% in private banks

## ENCOURAGING FLOWS VIA AUTOMATIC ROUTE

- ✓ **Single window clearance for projects up to 5000 cr**
- ✓ **FIPB allowed to clear projects up to Rs 5000 cr**

Long Term  
Spin-offs

Attract global  
investments

Increase Job  
Creation

Add to tax  
revenue kitty

Technology  
inflows

# Ease of Doing Business - Measures

YES BANK

Background: Modi Government has taken a series of measures to improve Ease of Doing Business with an aim to up India's ranking in the World Bank Survey to 50



## Short Term Measures

- ✓ Initial **validity period of Industrial License (IL) revised** from 2 to 3 years, extendable up to 5 years
- ✓ Application for IL and Industrial Entrepreneur Memorandum (IEM) **made online; available on 24x7 basis**
- ✓ *E-Biz portal* for providing single online platform to help companies get over five dozen approvals to start project. **20 Central Government services integrated so far**

## FDI

- ✓ **FIPB's powers** to recommend foreign investment proposals **enhanced to Rs 5000 cr** from 1200 cr in two steps

## Trade

- ✓ Upgraded and secure portal for **E-Filing of Applications for FDI** launched with features such as Global Reach, E-communication, Less Paperwork, SMS/email alert, Transparency and security

## Roads

- ✓ **Mandatory Documents Required For Export And Import Reduced to 3** each from 10 earlier
- ✓ Road Transport & Highways and Shipping ministry launched a **web portal for online approval** of movement of Over Dimensional (OD) and Over Weight Cargo (OWC)

## Long Term Measures

- ✓ An *Investor Facilitation Cell* to guide, assist and handhold investors during entire lifecycle of business
- ✓ All Secretaries of Government of India and Chief Secretaries of States/UTs requested to **adopt measures to simplify and rationalize the regulatory environment**

# Ease of Doing business - State level

Background: Government has collaborated with the World Bank to rank States on Ease of Doing Business parameters



## Key Features

- Ranked on a 98-point Action Plan
- Competitive Federalism Approach to Business Reforms
- Competition among States to undertake reforms
- Surprise high rankers: Jharkhand, Chhattisgarh, Uttar Pradesh

### Best Practices: State Level

#### Maharashtra

- Investor friendly access to 'infrastructure related utilities'
- Online system to apply for the utilities

#### MP and Gujarat

- Exemplary Land Records and land allotment procedures
- Published land bank records & detailed allotment procedure

#### Jharkhand

- Online compliance with labour regulations
- Speedy approvals and clearances for entrepreneurs, online registration, licensing, renewal under various Labour Acts

#### Karnataka

- Online tax system
- Help line to assist

## Top 15 States

State	Score
Gujarat	71.14
Andhra Pradesh	70.12
Jharkhand	63.09
Chhattisgarh	62.45
Madhya Pradesh	62.00
Rajasthan	61.04
Odisha	52.12
Maharashtra	49.43
Karnataka	48.50
Uttar Pradesh	47.37
West Bengal	46.90
Tamil Nadu	44.58
Telangana	42.45
Haryana	40.66
Delhi	37.35

## ASSESSMENT

- ✓ No State's ranking is above the desired score of 75 ; need to make further progress
- ✓ Govts must allow further streamlining of State-level regulatory business
- ✓ Collaboration to learn from the experience of other States' should emerge as the spirit of this exercise

# Ease of Doing Business – Impact Assessment

Background: India has improved its ranking by 16 notches as per the 2016 World Bank's 'Ease of Doing Business' survey as compared to 2014



- ✓ 4 positions up in World Bank 'Ease of Doing business' Ranking in 2016 standing at 134 out of 189 countries, as compared to 2015 level
- ✓ India 16 places up in WEF Global Competitiveness Ranking in 2015 from 2014

## ASSESSMENT

### World Bank Ease of Doing Business Ranking

Indicators	2015	2016	Change
Overall Rank	134	130	↑ 4
Starting a Business	164	155	↑ 9
Dealing with construction permits	184	183	↓ 1
Getting electricity	99	70	↑ 29
Registering property	138	138	0
Getting credit	36	42	↓ -6
Protecting minority investors	8	8	0
Paying taxes	156	157	-1
Trading across borders	133	133	0
Enforcing contracts	178	178	0
Resolving insolvency	136	136	0

- Year 1: Emphasis on utilizing '*Digital Infrastructure*' to improve Ease of Doing Business
- Year 2: Focus to shift to simplifying laws and imparting clarity on existing policies and processes
- Improvement in areas such as '**Enforcing contracts**' and '**Dealing with construction permits**' critical as rankings very poor

## ON THE ANVIL

- **Goods and Services Tax** to become the next 'Big' facilitator
- Amending Arbitration and Conciliation Act
- Bankruptcy Law

Doing Business in India

**Manufacturing**

**Reforms: Hits and Misses**

**Make in India: Success Stories**

Food Inflation

Trade: Exports and Imports

Fiscal Reforms

Sectoral

Sectoral

# Manufacturing: Hits and Misses






Background: After recording nearly flat growth over FY13-14, manufacturing has seen a marginal recovery since FY15, clocking a growth of 3.2% on average. With an aim to increase the sector's share to 25% of GDP as envisioned by the 'Make in India' program, the Government has undertaken several steps to boost the sector. Below we take stock of measures announced and status of those under active consideration. *Overall, the progress on some of the key reforms is less than satisfactory*






## HITS

- Mandatory procurement policy from MSME at 20%
- Single window clearance system for capital intensive sectors such as Steel, Coal & Power
- Process for Industrial License & Industrial Entrepreneurship Memorandum made online
- Coal Mine Auctions
- FDI in defence and rail-infra hiked to 49% and 100% respectively
- Approval to 16 NIMZ (National Investment & Mfg Zones)
- Addressed Inverted Duty Structure - Chemicals, Textiles etc

## MISSES

- Land Acquisition Bill 
- GST 
- Labour laws reforms 
- Approvals under PMG 
- Bankruptcy Law 

-  Highly Difficult
-  Slow traction
-  Possible

# Make in India: Some Success Stories

## Electronics

✓ **Foxconn** the manufacturer of Apple's i-Phones has announced plans for creating 10-12 facilities in India, which will include factories and data centers.

### OTHER LIKELY ENTRANTS

- Oppo Mobiles
- Phicomm (Chinese)
- ZTE Corporation (Chinese)

## Auto

**Mercedes** has decided to-

- ✓ Increase the localization of its new model C220 CDI to 60%
- ✓ Export luxury buses manufactured in India to Africa and S-E Asia

### OTHER INVESTORS

- BMW
- Volvo
- Renault

## Defence

- ✓ **Hyundai Heavy Industry** to build warships with Hindustan Shipyard Ltd
- ✓ **Samsung** to build LNG tankers with Kochi Shipyard

### OTHER PLAYERS

- Sun Group
- Reliance Infra

## Aviation

- ✓ Deal with France on Rafale jets

### OTHER LIKELY ENTRANTS

- Airbus
- Pratt and Whitney

## Railways

- ✓ Alstom, GE have been awarded contracts to produce locomotives

Doing Business in India

Manufacturing

**Food Inflation**

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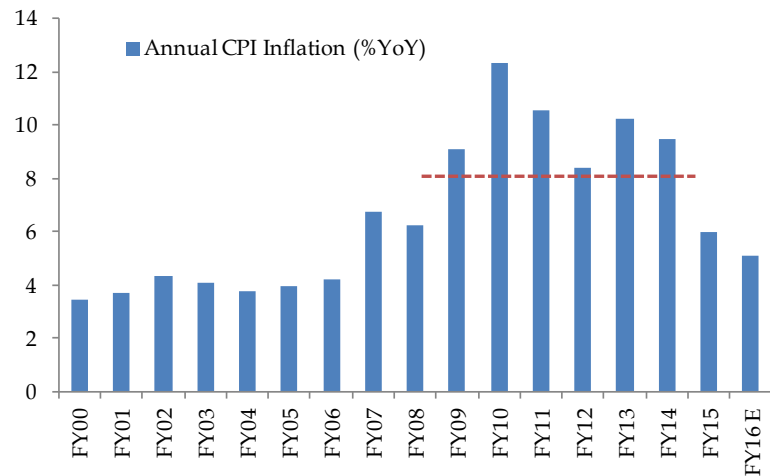
Infrastructure

Sectoral

# Food Inflation: In check



Background: After recording 10% average inflation over FY09-14, moderation in food inflation despite 2 years of deficient rains has brought down CPI inflation to 5.0-5.5%



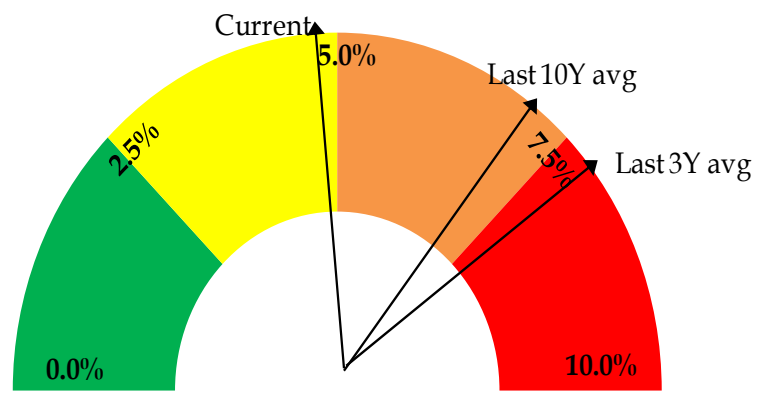
## Short term Measures

**2014 : 12% deficit monsoon**

**2015 : 14% deficit monsoon**

- ❑ Minimum Export Price (MEP) for onions and potatoes
- ❑ Muted increase in MSP for Kharif and Rabi crops
- ❑ Stock limits imposed on onions, potatoes under Essential Commodities Act
- ❑ Advisory to State Govts -
  - To take action against hoarding/black marketing
  - Delist fruits/vegies from APMC
- ❑ Sale of wheat in open market
- ❑ Ban on export of pulses

- ❑ Sale of wheat via weekly e-auctions to bulk consumers
- ❑ Increase in import duty on sugar from 25% to 40%
- ❑ Basic customs duty of 10% imposed on wheat
- ❑ Raised MEP of Onions
- ❑ Large-scale import of pulses
- ❑ Allowed States to use 10% of funds under Centrally Sponsored Schemes as flexi-funds
- ❑ Additional 50 days of work under MGNREGA



## Pending Reforms

- National Agriculture Market
- Unbundling of FCI
- Special Courts to try hoarders

## Long Term Measures

- Price Stabilization Fund
- Online system across FCI Depots
- Online system across FCI Depots
- RBI adopts Inflation target

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Food Inflation

**Trade**

**Exports**

**Imports**

Fiscal Reforms

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Background: While lower imports have been a function of subdued global commodity prices, the momentum in exports remains tepid despite Government's support measures



## Measures to Boost Exports

### Foreign Trade Policy

- ✓ Simplification and merger of export schemes under Foreign Trade Policy (FTP) 2015-2020
- ✓ Expansion of Merchandise Exports from India Scheme (MEIS) to 110 new tariff lines

3% Interest Subvention Scheme for Exporters (Cost: Rs 2700 cr)

Duty on iron ore exports to Japan, South Korea cut to 10%

### Special Economic Zones

- ✓ Dual use of infrastructure in NPA (non-processing areas) by SEZs and Non SEZs
- ✓ Setting up of IFSCs in SEZs

## Measures to Curb Imports

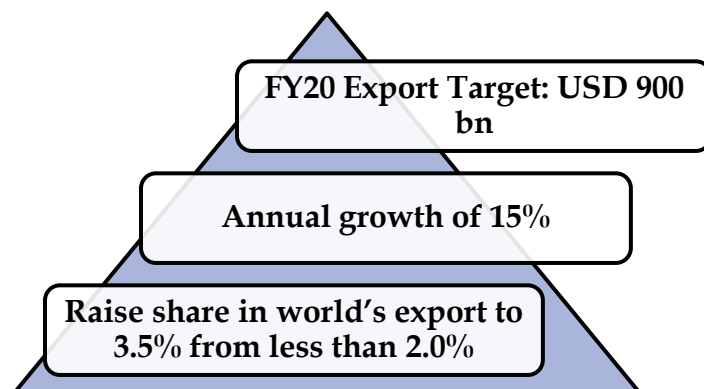
Provisional 20% safeguard duty imposed on steel imports

Duty on edible oil hiked by 5%

Import duty on butter and butter oil raised by 10% to 40%

Duty on wheat hiked by 15% to 25%

## EXPORT TARGET



## TAILWINDS

Softening global commodity prices especially crude

Subdued domestic demand has kept imports (i.e Non-oil Non-gold) in check

Overvalued Rupee

**Background:** With global growth remaining tepid, exports are unlikely to see a strong recovery in 2016. Against this backdrop, Government's focus should be on easing administrative hurdles & implementing reforms that will structurally reduce the CAD



## Administrative Measures

Single window customs clearance

Adoption of digital signature

24X7 customs clearance at the 18 sea ports and at 17 airports

Setting up of Customs Clearance Facilitation Committee (CCFC)

Reduction in mandatory documents for exports and imports reduced to 3 each from 10

## Long Term Measures

Trade Council & National Committee on Trade Facilitation

Setting up of a new Defence Export Steering Committee

Gold monetization and Gold Bond Schemes

New Urea Policy 2015 notified

States' Export Strategy

15 States have prepared export strategy

28 States have intimated appointment of Export Commissioners

6 States have intimated institution of export awards

**Dovetailing FTP  
with Make in India**

- ✓ Specific export obligation reduced from 90% to 75% under the EPCG Scheme to boost domestic procurement of capital goods
- ✓ Export scheme benefits extended to SEZs
- ✓ Incentives to e-commerce firms that export labour intensive goods

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**Subsidy Disbursement**

**Disinvestment**

**GST**

Infrastructure

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# Fiscal Reforms: Subsidy Disbursement

**Background:** While softness in crude prices have imparted a downside to the subsidy bill in FY16, the biggest structural reform has come from diesel price deregulation and DBT Scheme



## Deregulation of diesel prices

- Big ticket reform

## Direct Benefit Transfer Scheme (DBT) Scheme

- Total no of beneficiaries: 22.74 cr
- No of schemes: 36 including PAHAL

## PAHAL Scheme for LPG Consumers

- Implemented on Jan 1, 2015 on pan India basis
- World largest DBT Scheme: 14.55 cr beneficiaries

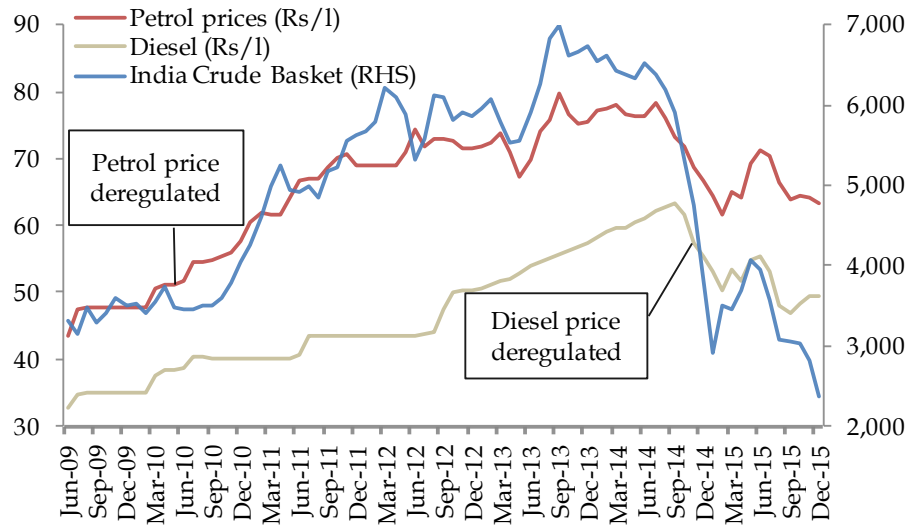
Expected Subsidy Savings in FY16 = Rs 7500 cr

## IN THE OFFING: LONG TERM Measures

- DBT for Kerosene to begin on pilot basis by States
- Digitization of States' beneficiary database (started in Chhattisgarh, Delhi, Guj, Karnataka, AP and MH)
- Implement recos of the Expenditure Management Committee

## BENEFITS

Rationalization of expenditure  
Ensure fiscal discipline  
Improve quality of spending



# of consumers given up LPG subsidy

12,471

As of Dec-14

4,99,55,805

As of Dec-15

FY16 to see a decline in subsidy outgo

Rs 2.49 tn

FY15

Rs 2.05 tn

FY16

# Disinvestment: Well begun but not half done YES BANK

Background: Despite having adopted a proactive approach towards disinvestment, traction in stake sale has remained disappointing for yet another year



Achieved

**TARGET**

Rs 69,500 cr		Rs 41,000 cr via PSU Stake sale	Rs 12,700 cr
		Rs 28,500 cr via 'strategic' stake sale	None

## Early line up of PSUs for stake sale in FY16 :

EIL, NALCO, NMDC, IOC, NFL, HCL, ITDC, STC, MMTC, BHEL, NTPC, RCF, DCIL

## Cabinet Approvals secured in quick succession

BHEL, NMDC, NALCO, ONGC, NTPC, IOC

## Disinvestments undertaken FYTD -

REC (Rs 1608 cr), PFC (Rs 1671 cr), IOC (Rs 9369 cr), DCIL (Rs 53.3 cr)

## Reasons for poor traction

- ✓ Global slump in commodity prices
- ✓ Volatility in equity markets (Greece and China concerns, domestic taxation issues)

**WHAT  
COULD  
HAVE  
BEEN  
DONE**

Strategy to offload  
SUUTI Shares  
Valuation: ~Rs  
50,000 cr

Stake sale in HZL  
and Balco early in  
the year

Disinvestment of  
State-level PSUs

CPSE ETF

# GST: Still waiting in the wings

Background: While the Modi Government has made tremendous efforts to usher in the GST, the Apr-16 target looks difficult for lack of impending political consensus



**GST: An indirect tax that aims to encompass all indirect taxes on goods and services under a single establishment by dismantling barriers between States and the Centre**

## CONTOURS

- ✓ GST to include petroleum products within its purview. However, to ensure a smooth transition, petroleum products will be taxed at 0% rate for the initial 2-3 yrs
- ✓ Alcohol to be kept outside but tobacco has been included
- ✓ Compensation for initial years 5 yrs on account of revenue loss with the onset of GST
- ✓ GST Council to be responsible for making recommendation on issues such as tax rates, exemption, threshold limits, dispute resolution etc.

## CEA REPORT on GST

**Recommends a Revenue Neutral Rate of 15.0-15.5%**

**Lower rate to be ~12% with standard rate between 17-18%**

**Sin demerit rate (alcohol, tobacco, luxury cars) at ~40%**

**Rationalization of exemptions, removal of 1% inter-state tax**

## IMPACT

### Taxation

To widen the narrow tax base with taxation burden divided between goods and services; should add to tax buoyancy over time

### Inflation

Services to be taxed at a higher rate of ~17-18% vs 14.5% currently while goods rate of tax could see a decline. Overall impact should be neutral

### GDP

Expected to add 1.5-2.0% to GDP\* over medium to long run

### Costs

It is estimated that manufacturing cost will reduce by 15-20%

## TIMELINE OF IMPLEMENTATION

- ✓ Once constitutional amendments are passed by both Houses of parliament by 2/3<sup>rd</sup> Majority, half the State legislatures will have to ratify them
- ✓ RNR will have to be finalised by GST Council
- ✓ Needed IT infra will have to be readied

Doing Business in India

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**Infrastructure**

**Roads**

**Renewable Energy**

**Ports and Shipping**

**Smart Cities**

**Coal**

**Power**

**Railways**

Sectoral

# Roads: On a fast track

**Background:** After a flurry of awards in FY11-12, road projects took a back seat in FY12-13 owing to a variety of reasons (both in terms of awarding and construction). Since coming to power in May-14, the Modi Government has strived to revive the sector via a focused approach which has begun to bear fruits this year

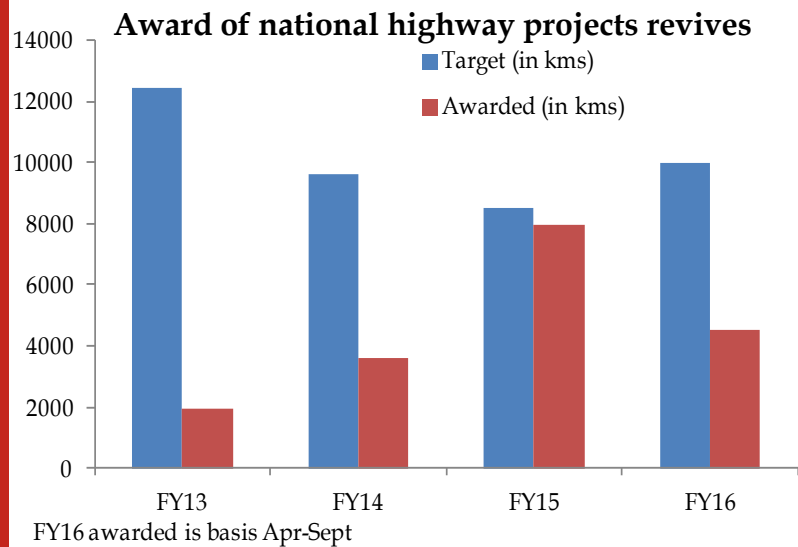


## ROAD BLOCKS

- Land Acquisition
- Environment/forest clearances
- Public Opposition
- Lower than estimated traffic flow
- Financial constraints

## POLICY MEASURES ANNOUNCED

- Hybrid Annuity Model**
  - ✓ Offset risks and attract private sector
  - ✓ Govt. to make upfront payment of 40%, remaining amount by private concessionaire. NHAI to collect toll & repay over next 15-20 years
- Fund Infusion**
  - ✓ One time fund infusion for languishing BOT road projects
- Stake sale**
  - ✓ Road developers allowed to divest 100% equity in BOT projects after 2 years of completion
  - ✓ Can unlock Rs 4500 cr
- Compensation for delays**
  - ✓ NHAI to compensate developers for delays not attributable to them
  - ✓ Can unlock Rs 35000 cr in 24 stalled projects
- Approval process simplified**
  - ✓ Separation of construction and land cost of road projects
  - ✓ Ministry to approve projects with civil construction cost of up to Rs 1000cr



# Renewable Energy: Energized

Background: By announcing the largest renewable capacity expansion program in the world, the Government has given a boost to this sunrise sector



## Measures

National offshore wind energy policy

25 solar parks with capacity of ~1000MW each planned

Accelerated depreciation restored for wind power from Jul-14 to help increase wind capacity

Considering India's notable policy reforms in the renewable energy sector, **Bloomberg New Energy Finance** has ranked the country at **fifth place on a list of 30 countries** on ease of doing business in the renewable energy space.

## Impact

42% increase in solar capacity in FY15

Reached grid parity with a record low tariff of Rs 4.63/unit

Odisha to invest Rs 887 crore for renovating 3 hydel projects

PTC India has inked pact with the Solar Energy Corporation of India for sale and purchase of power generated from 3,000-mw solar projects

Suzlon Group has completed commissioning of 50.40 mega watt (MW) wind power turnkey project for Ostro Energy which is owned by Actis.

Welspun Renewables' 32 MW solar power project in Bathinda has been commissioned, making it Punjab's largest solar photo-voltaic power plant

## 2022 Targets

Solar  
100  
GW

Wind  
60  
GW

Hydro  
10  
GW

Biomass  
5  
GW

# Ports and Shipping: Needs greater push

**Background:** While the sector has been on the radar of the Government, the pace of reforms has been slow. Some improvement noted on 'Ease of Doing Business' related measures



## Short-term Measures

### EASE OF DOING BUSINESS

- 13 obsolete rules weeded out under the Merchant Shipping Act
- Ports Trusts allowed to set their own tariffs

### MODERNISING PORTS

- Capital dredging to 18 mts in Mormugoa port
- Scheme to set up coastal berths and passenger jetties

### PROMOTE INVESTMENTS

- 100% FDI under automatic route
- Granted infrastructure status

### SHIP REPAIRING INDUSTRY

- Service tax exemption for foreign bound vessels
- Addressed inverted duty structure in ship manufacturing
- Dispensed with requirement of registration of ship repair units with Director General

## IMPACT

- ✓ After bottoming at 23% in FY13, operating profit margin of ports have increased by 10% over FY14 and FY15
- ✓ Revenues have increased by 8.7% in FY15
- ✓ Cargo volumes have increased by 5% in FY15
  - ❑ 10 out of 12 major ports record growth in cargo volumes so far in FY16

## Long-term Measures

Sagarmala Project to promote port led development

Establishment of new company - Indian Port Rail Corporation to focus on last mile connectivity

India Ports Global to take up projects abroad

To identify Coastal Economic Zones (CEZs)

	FY15	FY18
Operating Profit	33%	38-40%
Average TRT	4 days	<2 days
Ports with cape handling capability	1 port	5 ports
% of mech coal handling	~60%	>80%

# Urban Infrastructure

## Smart Cities: Slow albeit on track



**Background:** A flagship program that envisages to create world-class cities by enabling local development and harnessing smart technology/solutions. While 2015 as year 1 saw foundation being laid down for the program, we hope 2016 sees faster progress



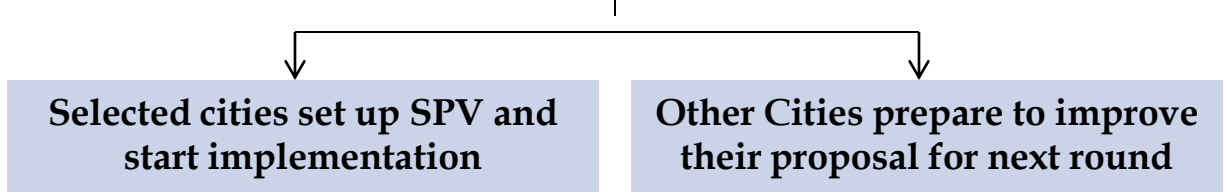
### SMART CITIES

The Mission will cover 100 cities over the duration of 5 years FY16-20

A list of potential Smart Cities has been announced (Jun-15)

Potential cities have submitted proposals to the Govt (Dec-15)

After evaluation, selected Cities to be declared by PM on 26<sup>th</sup> Jan-16



### FINANCIAL SUPPORT

Rs 48,000 cr over 5 years i.e on average Rs 100 cr per city per year

An equal amount to be contributed by the State/ULB

Other funds: States' own resources, NIIF, Municipal bonds, resources transferred via 14<sup>th</sup> Finance Commission

### GLOBAL INVESTORS

- ✓ City of Tel Aviv has announced a collaboration to develop cities of Pune, Nagpur and Nashik
- ✓ Shenzhen City to develop smart city projects in Gujarat (USD 200 mn)
- ✓ UK to partner with India in developing cities of Indore, Amravati and Pune

### ASSESSMENT

Progress on track, but slow

Most cities lack master plans or devt plans

Raising requisite financial resources. Most ULB not financially self-sustainable

# Coal Sector: Limping back to normalcy

Background: As a sector, coal has seen significant reforms but it continues to be mired in controversy, over the auction of coal mines. Nevertheless, the traction is more than anticipated



## HURDLES

### Dwindling Coal India output

Coal Output has grown by ~1.5% over 2010-14  
Coal India has not met its target for last 6 years

### Rising Imports

India became the third largest coal importer

### Cancellation of Coal block allocations

In Sep-14, Supreme Court cancelled the allocation of 204 blocks on basis of arbitrary allotment

## POLICY MEASURES ANNOUNCED

### Coal Mines Special Provisions Bill

- ✓ Ends State monopoly by allowing Indian & foreign private companies to mine coal & sell it in open market
- ✓ Yet to see traction in investments

### Transparent e-auction process

India became the third largest coal importer

### Reforms to improve efficiency

GPS tagging of coal in transport, coal linkage rationalization, compulsory crushing and washing

## Impact of Reforms

Coal India output increased by 8% in FY15, missing the target by a marginal 3%

India's coal import bill has reduced by 22% during Apr-Nov 2015 in value terms

Coal availability at power plants has quadrupled (23.8 MT) on a FYTD basis = ~19 days of power generation compared to 5 days over same period last year

## Long Term Goals

Double Coal India production to 100 cr tonnes/year by 2020

Over 60 new mines to be opened

Better Evacuation - new railway rakes, modern equipment and mechanization

Partnership between Coal bearing states, Coal India and Railways

# Power Sector: Implementation remains key



Background: The Power sector over the last few years has suffered across the value chain right from lack of fuel supply to excessive losses of Discoms. While some structural reforms have been announced, implementation of the same remains critical



Reforms across Power Sector Value Chain

- FUEL SUPPLY**
- GENERATION**
- TRANSMISSION**
- DISTRIBUTION**
- CONSUMPTION**

**Improving coal supply linkages**

- ✓ Highest ever capacity addition at 8.43% in FY15
- ✓ 5 New UMPPs of 20k MW envisaged

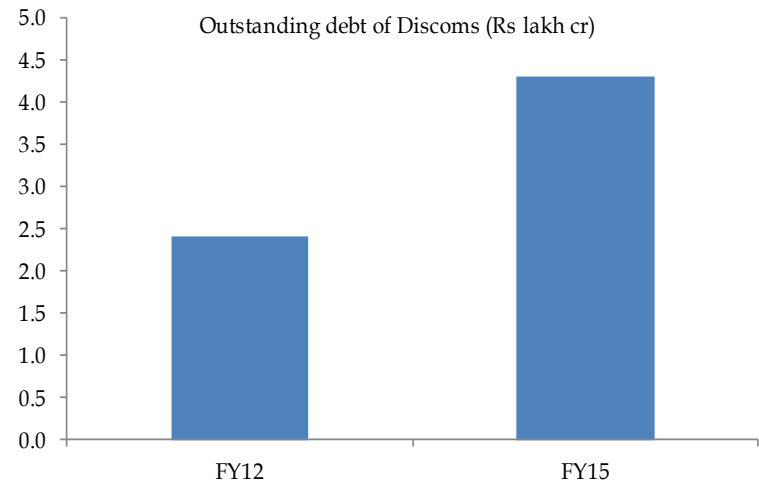
**Highest ever increase in transmission lines and substation capacity**

**UDAY - for financial turnaround and revival of Power DISCOMs**

**2.3 cr LED bulbs distributed**

- Improve operational efficiency
- Reduction in cost of power
- Reduction in interest cost of Discoms
- Enforcing financial discipline on Discoms

Objectives



Financial Implications

- States to take over 75% of Discom debt as on 30<sup>th</sup> Sept-14 over 2 years
- Debt not to be included in fiscal deficit
- Debt not taken over to be converted by Banks into loans or bonds
- States to take over future losses in a graded manner

# Railways: Starting to chug

**Background:** Against a gamut of reforms promised and many other being “work in progress”, so far traction in railways has been tardy. A quicker pace of implementation is needed to truly transform the sector



## FDI inflows in Railways

Agreements signed for setting up of 2 locomotive factories at Madhepura (Electric) and Marhowra (Diesel) costing ~Rs 2600 cr

## Collaboration with Japan

MoU between India and Japan on cooperation and assistance in the Mumbai - Ahmedabad High Speed Rail Project

## Reduction in Operating Cost

Procurement of cheaper power from Ratnagiri Gas Plant to help Central and Western Railways Zones to save Rs 600 cr

## New Train with strategic objective

Buddhist Tourism Circuit Special train commences operation

## Passenger Amenities

Wi-fi facility	RailTel Corporation of India Ltd (RCIL) has entered into an agreement with MIPL (group company of Google Inc) for providing high speed Wi-Fi facility at Railway stations
E-catering	E-catering introduced in 45 designated stations
Ticketing	<ul style="list-style-type: none"> <li>•Paperless unreserved ticketing through mobile phones on select basis</li> <li>•Train enquiry mobile app</li> <li>•Modification of <i>Tatkal</i> ticket rules</li> </ul>
Transport	Online booking of cabs started as a pilot project for 26 stations
Helpline	All India helpline No launched

Long Term Goals\*

Allow entry of private players for competition

Explore alternate sources of financing

An independent regulator

Phasing out Railways from Budgetary Support

\*As per recommendations of the Bibek Debroy Committee

Doing Business in India

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**Sectoral**

**Construction Sector**

**Financial Sector**

**Food Processing Sector**

# Construction: To get a fillip

Background: The recent reforms are likely to act as a booster shot for the ailing sector, bringing in the much needed foreign investment



B

## FDI Reforms

100% FDI allowed in the Construction Sector

### Simplification and easing of FDI Rules

#### 6 months clause removed

Conditions of area restriction of floor area of 20000 sq. m in construction development projects & minimum capitalization of USD 5 mn to be brought in within a period of 6 months of the commencement of business have been removed.

#### Exit clause simplified

Foreign investor permitted to exit and repatriate foreign investment before completion of project under automatic route, provided that lock-in-period of 3 yrs, calculated with reference to each tranche of foreign investment has been completed

## Amendments to the Real Estate Bill, 2015

70% deposit provision for builders into an escrow a/c

Punishment for violation of proposed law

## GDP Construction Sector

FY14  
2.5%

FY15  
4.9%

**POLICY LEVERS: 'Housing for All' by 2022**

### AMRUT

*Atal Mission for Rejuvenation and Urban Transformation*  
500 cities to be developed

### SMART CITIES

100 smart cities to be developed

### PMAY

*Pradhan Mantri Awas Yojana*  
Most States have signed MoU to implement 6 mandatory reforms

Benefit Spillover to  
Steel and Cement sectors

# Financial Sector Reforms: Mixed Outcome

YES BANK

**Background:** While the Government and RBI have ached the Financial Inclusion, resolution of stressed balance sheets of banks remains poor. Focus on the latter remains critical for a sustained revival of the economy



## GOVERNMENT

### **PMJDY Scheme** (*Pradhan Mantri Jan Dhan Yojana*) – **World's Biggest Financial Inclusion Initiative**

- 19.21 cr a/c with deposit of Rs 26800 cr, Zero balance a/c decline from 76% in Sep-14 to 36.5% in Nov-15

### **PMMY Scheme** (*Pradhan Mantri Mudra Yojana*)

- Rs 45000 cr disbursed to non-corporate small business sector facilitating nearly 66 lakh borrowers

### **APY Scheme** (*Atal Pension Yojana*)

- Total of 10.35 lakh subscribers enrolled

### **PMSBY** (*Pradhan Mantri Suraksha Bima Yojana*) **and PMJJY** (*Pradhan Mantri Jeevan Jyoti Bima Yojana*)

- Total of 9.16 cr and 2.86 cr enrolled by banks respectively

### **Indradhanush Scheme for PSU Banks** – 7 pt agenda including recapitalization and Board appointments

## CENTRAL BANK

**New Banks licenses** – Payments (#11) and Finance Banks (#10)

**5:25 Rule:** Allowed banks to stretch repayment profiles for performing loans to infrastructure sector

**FII-FDI Fungibility for Banks**

## ON THE ANVIL

**Bankruptcy Law**

**Financial Redress Agency**

**Resolution of Discom losses (UDAY)**

# Food Processing Industry: In Focus

Background: Food Processing Industry has emerged as an important segment of the Indian economy as it rests at the cusp of agriculture and industrial sectors. With rising incomes and changing consumption patterns, the sector has massive potential



## MEGA FOOD PARKS

### Status

- ✓ 16 in-principle approvals
- ✓ 9 accorded final approval
- ✓ 1 Project in Assam operational
- ✓ 3 more (WB, MP, Jharkhand) to be operationalized by Mar-16

### Finance

- ✓ Special fund for Rs 2000 cr in NABARD i.e Food Processing Fund
- ✓ A loan of Rs 519.2 cr disbursed to 12 Mega Food Projects, so far

## 2015 Achievements

5 food testing Labs

19 cold chain projects

5 abattoirs

## OTHER MEASURES

### Priority Sector Lending

- ✓ Food and agro processing units to form part of Agriculture for Priority Sector Lending (PSL) subject to aggregate sanction limit of Rs. 100 crore per borrower

### Service Tax Exemption

- ✓ Services of pre-conditioning, pre-cooling, ripening, waxing, retail packing and labeling of fruits and vegetables has been exempted from Service Tax

### Investors Portal

- ✓ Developed by Ministry to disseminate information on the state-specific resource potential policy support and fiscal incentives offered in food processing sector

### Food Map

- ✓ Food Map indicating surplus and deficient areas of various agricultural and horticultural produce, to enable better planning of clusters

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Note: Data in this report has been sourced from CEIC, Bloomberg, GoI Budget Documents & Economic Survey, CGA, Ministry of Petroleum & Natural Gas, IMD, RBI, IMF, Vox, CPB, and YES BANK Limited

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