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# ASSOCHAM NEWS & VIEWS

*W E E K L Y*

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⇒ 9TH SESSION OF INDIA-OMAN JOINT COMMISSION VIRTUAL MEETING HELD

⇒ SURVEY OF FOREIGN LIABILITIES AND ASSETS OF MUTUAL FUND COMPANIES – 2019-20

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**THE ASSOCIATED CHAMBERS OF COMMERCE AND INDUSTRY OF INDIA**

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# MINISTRY OF COMMERCE & INDUSTRY

## 9th Session of India-Oman Joint Commission Virtual Meeting held

The 9th Session of the India-Oman Joint Commission Meeting (JCM) was held on 19 October, 2020 through the virtual platform. It was co-chaired by Shri Hardeep Singh Puri, Minister of State for Commerce and Industry and H.E. Mr. Qais bin Mohammed al Yousef, Minister of Commerce, Industry and Investment Promotion of the Sultanate of Oman. The meeting was attended by representatives of various government departments/ministries from both sides.

During the meeting, both sides reviewed the recent developments in trade and investment ties and reaffirmed their commitment to expand the bilateral trade and encourage businesses to invest in each other's country in order to realize the untapped potential in the commercial and economic relationship.

Both sides, among other things, agreed to cooperate in areas of Agriculture & Food Security, Standards & Metrology, Tourism, Information Technology, Health & Pharmaceuticals, MSMEs, Space, Civil Aviation, Energy including renewable energy, Culture, Mining, and Higher Education.

Both sides also reviewed the progress of prospective Memorandum of Understanding (MoUs) in the field of mining, standards and metrology, financial intelligence, cultural exchange, and information technology, and agreed to conclude them expeditiously. Both sides also agreed to expedite their internal procedures for signing and ratification of the Protocol amending India-Oman Double Taxation Agreement and conclusion of the India-Oman Bilateral Investment Treaty.

The two sides also exchanged views on the unprecedented global health and economic situation arising due the outbreak of COVID-19 pandemic.

Indian side appreciated Oman for signing and ratification of the International Solar Alliance (ISA) Framework Agreement.

Shri Puri highlighted the recent initiatives taken by the Government for improving the ease of doing business and to boost domestic manufacturing in India, including the production-linked incentive (PLI) schemes for various sectors, and invited Omani Sovereign Wealth Funds and private businesses to invest in India.

India and Oman have always enjoyed close and friendly relations which go back to several millennia. The close bilateral ties, including vibrant trade and cultural exchanges, have now expanded into a strategic partnership based on trust and mutual respect. Increasing bilateral trade and investment between the two countries is a key element of the strategic partnership.

The economic and commercial relations between India and Oman are robust and buoyant. India is among Oman's top trading partners. For Oman, India was the 3rd largest source for its imports and 3rd largest market for its non-oil exports. Bilateral trade between India and Oman grew at 8.5% in 2019-20 over the previous year to reach USD 5.93 billion. While India's exports to Oman were valued at USD 2.26 billion, India's imports from Oman amounted USD 3.67 billion in 2019-2020.

Bilateral investment flows have been robust. Indian firms have invested heavily in Oman in various sectors like iron and steel, cement, fertilizers, textile, cables, chemicals, automotive, etc. There are over 4100 Indian enterprises and establishments in Oman with an estimated investment of US$ 7.5 billion. Cumulative FDI equity inflows from Oman to India during the period April 2000-June 2020 amounted to USD 535.07 million.

Both sides agreed to nominate a focal point from their respective Ministries of Commerce and Industry to carry forward the follow up on the discussions held and the decisions taken during the JCM.

Agreed Minutes of the Meeting were adopted by both Ministers.

## MINISTRY OF COMMERCE & INDUSTRY

### Foreign Direct Investment Inflow

Foreign Direct Investment (FDI) is a major driver of economic growth and an important source of non-debt finance for the economic development of India. It has been the endeavor of the Government to put in place an enabling and investor friendly FDI policy. The intent all this while has been to make the FDI policy more investor friendly and remove the policy bottlenecks that have been hindering the investment inflows into the country. The steps taken in this direction during the last six years have borne fruit as is evident from the ever increasing volumes of FDI inflows being received into the country. Continuing on the path of FDI liberalization and simplification, Government has carried out FDI reforms across various sectors.

Measures taken by the Government on the fronts of FDI policy reforms, investment facilitation and ease of doing business have resulted in increased FDI inflows into the country. The following trends in India's Foreign Direct Investment are an endorsement of its status as a preferred investment destination amongst global investors.

**A. for the period of last 6 years (2014-15 to 2019-20)**

- Total FDI inflow grew by 55%, i.e. from US$ 231.37 billion in 2008-14 to US$ 358.29 billion in 2014-20.
- FDI equity inflow also increased by 57% from US$ 160.46 billion during 2008-14 to US$ 252.42 billion (2014-20).

**B. - Financial Year 2020-21 (April to August, 2020)**

- During April to August, 2020, total FDI inflow of US$ 35.73 billion is received. It is the highest ever for first 5 months of a financial year and 13% higher as compared to first five months of 2019-20 (US$ 31.60 billion).
- FDI equity inflow received during F.Y. 2020-21 (April to August, 2020) is US$ 27.10 billion. It is also the highest ever for first 5 months of a financial year and 16% more compared to first five months of 2019-20 (US$ 23.35 billion).

## MINISTRY OF FINANCE

**Tariff Notification No. 100/2020-Customs (N.T.) in respect of Fixation of Tariff Value of Edible Oils, Brass Scrap, Poppy Seeds, Areca Nut, Gold and Silver**

In exercise of the powers conferred by sub-section (2) of section 14 of the Customs Act, 1962 (52 of 1962), the Central Board of Indirect Taxes & Customs, being satisfied that it is necessary and expedient to do so, hereby makes the following amendments in the notification of the Government of India in the Ministry of Finance (Department of Revenue), No. 36/2001-Customs (N.T.), dated the 3rd August, 2001, published in the Gazette of India, Extraordinary, Part-II, Section-3, Sub-section (ii), vide number S. O. 748 (E), dated the 3rd August, 2001, namely:-

In the said notification, for TABLE-1, TABLE-2, and TABLE-3 the following Tables shall be substituted, namely: -

**"TABLE-1**

| Sl. No. | Chapter/ heading/ sub-heading/tariff item | Description of goods | Tariff value (US $Per Metric Tonne) |
|---|---|---|---|
| (1) | (2) | (3) | (4) |
| 1 | 1511 10 00 | Crude Palm Oil | 755 |
| 2 | 1511 90 10 | RBD Palm Oil | 787 |
| 3 | 1511 90 90 | Others – Palm Oil | 771 |
| 4 | 1511 10 00 | Crude Palmolein | 793 |
| 5 | 1511 90 20 | RBD Palmolein | 796 |
| 6 | 1511 90 90 | Others – Palmolein | 795 |
| 7 | 1507 10 00 | Crude Soya bean Oil | 898 |
| 8 | 7404 00 22 | Brass Scrap (all grades) | 3846 |
| 9 | 1207 91 00 | Poppy seeds | 3623 |

**TABLE-2**

| Sl. No. | Chapter/ heading/ sub-heading/tariff item | Description of goods | Tariff value (US $) |
|---|---|---|---|
| (1) | (2) | (3) | (4) |
| 1. | 71 or 98 | Gold, in any form, in respect of which the benefit of entries at serial number 356 of the Notification No. 50/2017-Customs dated 30.06.2017 is availed | 615 per 10 grams |
| 2. | 71 or 98 | Silver, in any form, in respect of which the benefit of entries at serial number 357 of the Notification No. 50/2017-Customs dated 30.06.2017 is availed | 780 per kilogram |
| 3. | 71 | (i) Silver, in any form, other than medallions and silver coins having silver content not below 99.9% or semi-manufactured forms of silver falling under sub-heading 7106 92;<br><br>(ii) Medallions and silver coins having silver content not below 99.9% or semi-manufactured forms of silver falling under sub-heading 7106 92, other than imports of such goods through post, courier or baggage.<br><br>Explanation. - For the purposes of this entry, silver in any form shall not include foreign currency coins, jewellery made of silver or articles made of silver. | 780 per kilogram |
| 4. | 71 | (i) Gold bars, other than tola bars, bearing manufacturer's or refiner's engraved serial number and weight expressed in metric units;<br>(ii) Gold coins having gold content not below | 615 per 10 grams |

| | | | |
|---|---|---|---|
| | | 99.5% and gold findings, other than imports of such goods through post, courier or baggage.<br><br>Explanation. - For the purposes of this entry, “gold findings” means a small component such as hook, clasp, clamp, pin, catch, screw back used to hold the whole or a part of a piece of Jewellery in place. | |

**TABLE-3**

| Sl. No. | Chapter/ heading/ sub-heading/tariff item | Description of goods | Tariff value (US $ Per Metric Tonne) |
|---|---|---|---|
| (1) | (2) | (3) | (4) |
| 1 | 080280 | Areca nuts | 3709” |

Note: - The principal notification was published in the Gazette of India, Extraordinary, Part-II, Section-3, Sub-section (ii), vide Notification No. 36/2001–Customs (N.T.), dated the 3rd August, 2001, vide number S. O. 748 (E), dated the 3rd August, 2001 and was last amended vide Notification No. 93/2020-Customs (N.T.), dated the 30th September, 2020, e-published in the Gazette of India, Extraordinary, Part-II, Section-3, Sub-section (ii), vide number S.O. 3424 (E), dated 30th September, 2020.

## MINISTRY OF FINANCE

### IFSCA introduced Framework for Regulatory Sandbox to tap into innovative FinTech solutions

The International Financial Services Centres Authority (IFSCA), with an objective to develop a world class FinTech hub at the IFSC located at GIFT City in Gandhinagar (Gujarat, India), endeavours to encourage the promotion of financial technologies ('FinTech') initiatives in financial products and financial services across the spectrum of banking, insurance, securities and fund management.

As a step towards attaining this vision, IFSCA has introduced a framework for "Regulatory Sandbox". Under this Sandbox framework, entities operating in the capital market, banking, insurance and financial services space shall be granted certain facilities and flexibilities to experiment with innovative FinTech solutions in a live environment with a limited set of real customers for a limited time frame. These features shall be fortified with necessary safeguards for investor protection and risk mitigation. The Regulatory Sandbox shall operate within the IFSC located at GIFT City.

All entities (regulated as well as unregulated) operating in the capital market, banking, insurance and pension sectors as well as individuals and startups from India and FATF compliant jurisdictions, shall be eligible for participation in the Regulatory Sandbox. Entities desirous of participating in the sandbox to showcase their innovative FinTech solutions, concepts and business models shall apply to IFSCA.

IFSCA shall assess the applications and extend suitable regulatory relaxations to commence limited purpose testing in the Sandbox. The details on the eligibility criteria, the application and approval process and other operational aspects of the Sandbox have been provided in the circular.

As an additional steps towards creating an innovation-centric ecosystem in the IFSC, IFSCA has proposed the creation of an "Innovation Sandbox", which will be a testing environment where FinTech firms can test their solutions in isolation from the live market, based on market related data made available by the Market Infrastructure Institutions (MIIs) operating in the IFSC. The Innovation Sandbox will be managed and facilitated by the MIIs operating within the IFSC.

Further details on the framework for Regulatory Sandbox are available on the IFSCA website at the URL: https://ifsca.gov.in/Circular

# MINISTRY OF FINANCE

## Finance Minister Smt. Nirmala Sitharaman holds 4th review meeting on CAPEX of CPSEs

Union Minister for Finance & Corporate Affairs Smt. Nirmala Sitharaman held Video Conference with Secretaries of the Ministries of Petroleum & Natural Gas and M/o Coal, along with the CMDs of 14 CPSEs belonging to these Ministries, to review the capital expenditure (CAPEX) in this financial year. This was 4th in the ongoing series of meetings that the Finance Minister is having with various stakeholders to accelerate the economic growth in the background of COVID–19 pandemic.

In FY 2019-20, against the CAPEX target of Rs. 1,11,672 crore for these 14 CPSEs, the achievement was Rs. 1,16,323 crore i.e. 104%. FY 2019-20, H1 achievement was Rs. 43,097 crore (39%) and achievement of FY 2020-21, H1 is Rs. 37,423 crore (32%). CAPEX target for 2020-21 is Rs. 1,15,934 crore.

While reviewing the performance of CPSEs, Smt. Sitharaman said that CAPEX by CPSEs is a critical driver of economic growth and need to be scaled up for the FYs 2020-21 & 2021-22. The Finance Minister asked the concerned Secretaries to closely monitor the performance of CPSEs in order to ensure the capital expenditure to the tune of 75% of the capital outlay by the end of Q3 of FY 2020-21 and make appropriate plan for it. Smt. Sitharaman expounded that more co-ordinated efforts are required at the levels of Secretary of concerned Ministries and CMDs of CPSEs to achieve CAPEX targets.

While mentioning the significant role of CPSEs in giving a push to the growth of the Indian economy, the Finance Minister encouraged the CPSEs to perform better to achieve their targets and to ensure that the capital outlay for FY 2020-21 is spent properly and within time. Smt. Sitharaman said that better performance of CPSEs can help the economy in a big way to recover from the impact of COVID-19.

The CPSEs CAPEX review is carried out jointly by Department of Economic Affairs and Department of Public Enterprises.

## RESERVE BANK OF INDIA

### Survey of Foreign Liabilities and Assets of Mutual Fund Companies – 2019-20

The Reserve Bank released the results of the 2019-20 round of the Survey of Foreign Liabilities and Assets of the Mutual Fund (MF) Companies[1].

The survey covered 44 Indian MF companies and their Asset Management Companies (AMCs), which held/acquired foreign assets/ liabilities during 2019-20 and/or in the preceding year (list given in the Annex). The stock of external assets and liabilities of their AMCs is taken from the annual census on foreign liabilities and assets (FLA) and the information on face value and market value of units held by non-resident, unit premium reserve and other foreign liabilities were collected under Schedule 4.

**Highlights:**

**I. Mutual Fund Companies:**

- Foreign liabilities of MF companies declined by 15.7 per cent during 2019-20 and stood at US $9.6 billion in March 2020, mainly consisting of units issued to non-residents; their overseas assets were much lower at US $0.8 billion.
- The UAE, the UK and the USA accounted for 38 per cent of the total MF units held by non-residents.
- Overseas equity investments of MF companies were largely concentrated in the Luxembourg and the USA.

**II. Asset Management Companies (AMCs):**

- Foreign liabilities of AMCs stood at US $ 4.4 billion in March 2020 as compared to their foreign assets of US $ 0.1 billion.
- Non-residents in the UK and Japan together held nearly 89 per cent FDI in the AMCs.
- The relatively small overseas direct investment by AMCs were largely held in Guernsey, Singapore and Mauritius.

**(Yogesh Dayal)**
Chief General Manager

## RESERVE BANK OF INDIA

### Performance of the private corporate business sector during the first quarter of 2020-21

The Reserve Bank released data on the performance of the private corporate sector during the first quarter of 2020-21 drawn from abridged quarterly financial results of 2,536[1] listed non-government non-financial (NGNF) companies. Data pertaining to Q1:2019-20 and Q4:2019-20 are also presented in the tables to enable comparison. The data can be accessed at the web-link https://dbie.rbi.org.in/DBIE/dbie.rbi?site=statistics#!2_42.

**Highlights**

**Sales**

- Aggregate sales of 1,619 manufacturing companies recorded a sharp contraction of 41.1 per cent (Y-o-Y) in Q1:2020-21 following 15.6 per cent decline in Q4:2019-20 reflecting the impact of the pandemic induced lockdown; the contraction was broad based and varied across industries - only pharmaceutical companies recorded higher sales on both annual (Y-o-Y) and sequential (Q-o-Q) basis (Table 2A and Table 5A).
- Non-IT services companies also registered sharp contraction of 41.0 per cent (Y-o-Y) in their nominal sales; the contraction was across services except telecommunication companies (Table 2A and Table 5A).
- Sales growth of IT sector companies remained in positive terrain but moderated to 3.2 per cent (Y-o-Y) in Q1:2020-21 (Table 2A).

**Expenditure**

- Subdued scale of operations resulted in lower raw materials expenditure for the manufacturing sector in Q1:2020-21 (Table 2A).
- Staff cost contracted for manufacturing and non-IT services sectors while its growth decelerated for IT companies in Q1:2020-21 (Table 2A).

**Operating profit**

- Lower business operations led to decline in the operating profits of manufacturing and non-IT services companies; while operating profits of IT companies, on the other hand, increased by 9.4 per cent (Y-o-Y) in Q1:2020-21 (Table 2A).

**Interest**

- With moderation in earnings, interest coverage ratio (ICR)[2] of the manufacturing companies moderated further to 2.4 in Q1:2020-21 from 3.5 in the previous quarter (Table 2B).

**Pricing power**

- Operating profit margins remained steady for manufacturing companies and improved for services companies in Q1:2020-21 (Table 2B).

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**Notes:**

- The coverage of companies in different quarters varies, depending on the date of declaration of results; this is, however, not expected to significantly alter the aggregate position.
- Explanatory notes detailing the compilation methodology, and the glossary (including revised definitions and calculations that differ from previous releases) are appended.

**(Yogesh Dayal)**
Chief General Manager