

Daily Economic News Summary: 14 October 2015

1. Narendra Modi's infrastructure splurge revives investment in India

Source: **Economic Times** ([Link](#))

Prime Minister Narendra Modi's bet on higher public spending to spur economic activity in India has started paying off, as capital investment shows signs of sustained revival after years of uneven growth. But corporate spending is still tepid and federal revenues remain stressed, raising the risk of another false dawn. Annual growth in capital goods production, a proxy for capital investments, hit a 14-month high of 22 per cent in August, government data showed on Monday. That helped overall industrial output expand at its fastest pace in almost three years.

While the figures, notoriously volatile and lumpy, were inflated by a favourable statistical base, the annual pace of expansion in the sector, measured on a three-month moving average, was 10.1 per cent in August versus 3.8 per cent a month ago. Encouragingly, the recovery also appears to be becoming broad-based. *"It's a very positive sign,"* said a senior official at the finance ministry, who asked not to be identified because he was not authorised to speak to the media. *"It shows the strategy is showing results."*

2. India Inc will get tax refunds to ensure fair start to GST

Source: **Economic Times** ([Link](#))

For many years, muted revenue collections meant delayed or no tax refunds for India Inc., especially exporters. Facing a revenue shortfall in the first half of every financial year, North Block would issue an unwritten instruction to field officials to hold back refunds. This year, there will be a break from the past, with a directive going out to the field to release all refunds amid preparations to start on a clean slate for the goods and services tax, which the government hopes to implement from April 1, 2016. The Central Board of Excise and Customs, the apex indirect taxes body, is also working on a comprehensive overhaul of the refund mechanism for the BPO, IT and ITES sectors. *"We want to ensure there are no pending refunds in the system,"* a senior finance ministry official said, adding that the idea is to clean up before the GST is implemented, taking advantage of healthy indirect taxes revenue.

3. Indian start-ups to see funding worth \$5 Billion by year end

Source: **Live Mint** ([Link](#))

The Indian start-up ecosystem will see funding worth \$5 billion by the year end, according to a latest report by software lobby group Nasscom released on Tuesday. This marks a 125% rise in funding from \$2.2 billion last year. In 2015, 1,200 new tech start-up were born in the country taking the total to 4,200, making India the third largest tech start-up ecosystem behind the US and the UK but ahead of Israel and China. The number of active investors grew from 220 in 2014 to 490 in 2015, while number of incubators or accelerators grew to 110, 40% higher over last year.

“With 100% growth in number of private equity, venture capitalists, angel investors along with a 125% growth in funding over last year, the Indian start-up ecosystem has risen to the next level,” said the report, titled *Start-up India – Momentous Rise of the Indian Start-up Ecosystem*. A majority of the 1,200 start-ups are business to consumer and are present in segments including e-commerce, consumer services and aggregators.

4. IBM wakes up to startup rush in India to set up first cloud centre in Chennai

Source: **Economic Times** ([Link](#))

International Business Machines, the world's largest technology services company, is looking to engage more actively with Indian startups for new, disruptive technologies and is open to buying out companies in the country to acquire solutions that it may not own already, its head of cloud computing said in an interview. "Absolutely," said Robert Le-Blanc, senior vice-president of IBM Cloud, when asked about the possibility of acquisitions in India. "We tend not to invest in (startups) because we don't want to be like a VC, but we identify gaps.

“We'll do a worldwide scan and we'll look at where we can get the best technology. So, if you look at our acquisitions today, I'd probably say 75% of them are US-based companies, but more and more they are non US-based companies,” he said.

LeBlanc spoke on the sidelines of IBM's launch of its first public cloud data centre in India, on Tuesday, as part of the Armonk, New York-based company's broader global strategy of pumping in \$1.2-billion to expand its global cloud footprint in all its major markets. The new centre will be located in Chennai. IBM is looking to deepen its engagement with early-stage companies in India, given the country's fertile and rapidly-developing technology ecosystem and also because of the abundance of quality technology talent.

5. Govt frames rules for cab aggregators like Ola, Uber

Source: **Live Mint** ([Link](#))

India's ministry of road transport has issued guidelines for ride hailing services such as Uber (Uber Technologies Inc.) and Ola (ANI Technologies Pvt. Ltd), identifying them as on-demand information technology-based transportation aggregators and not taxi companies, although it is up to the states to accept or reject this.

The guidelines, issued last week, come as a shot in the arm for Ola and Uber that have all along claimed that they connect passengers with drivers by leveraging technology, and are therefore not taxi companies. *Mint* has reviewed the guidelines.

According to them, the aggregators must not own or lease any vehicle, employ any drivers or represent themselves as a taxi service, unless also registered as a taxi operator. Taxi operators are to maintain a minimum fleet size, office space and parking space for all taxis, among other requirements. The ministry's guidelines should clear the air surrounding ride-hailing services after a driver hailed through the Uber app raped a woman passenger in December 2014. Several states tried to ban ride-hailing services or have them register as taxi operators after this.

By Harsha Hazarika