

Daily Economic News Summary: 24 December 2015

1. Govt comes out with new offset policy in defence deals

Source: **Business Standard** ([Link](#))

Aiming to streamline the offset policy, the government has restored "services" as eligible offsets for military deals and allowed foreign firms to change their Indian partner at any time, subject to approval. The new policy provides greater flexibility to the vendors in offset contracts and aims at ensuring level playing field to Indian vendors in capital acquisitions. One of the key aspects of the new offset policy is restoration of "services" like maintenance and repair, software and technology transfer, that were kept aside after the VVIP helicopter scandal. This provision had been kept under abeyance with effect from May 23, 2013 due to "absence of any regulatory oversight mechanism for services". *"However, there was a persistent demand from the industry (both domestic and foreign) for allowing services as a valid avenue for discharge of offset obligations. Based on several interactions and inputs, received from industries most of the services which were in abeyance, have been reinstated with checks and balances following a Ministry of Defence order,"* a statement released by the Defence Ministry said.

Offsets were introduced in 2005 with an objective of developing a defence industrial base in the country. However, it has failed to deliver to its full potential. The Defence Ministry said that vendors had been expressing difficulty to upfront provide specific description of products and their work share, supporting documents to establish eligibility of Indian Offset Partners (IOPs) and yearly discharge schedule. *"This is primarily due to the time lag between submission of technical offset offers and finalization and subsequent implementation of offset contracts. As a result there were frequent contract amendment requests from vendors,"* it said. Accordingly, a two-pronged approach for mitigating perceived bottlenecks during pre and post-contract stages has been evolved through recent amendments to the offset guidelines.

At pre-contract stage, option has been given to the vendors to submit detailed offset proposals at a later stage. The vendor can finalise his IOPs and offset product details one year prior to the intended offset discharge, or can even undertake the offset activity and submit claims thereafter. This will facilitate vendors to finalise a more realistic offset offer, the MoD said. At the post-contract stage, enabling provisions have been made in the offset guidelines for change in IOP/component and re-phasing of offset schedule, thereby giving complete flexibility to the vendor.

2. Over 48000 including top industrialists sign petition for GST

Source: **The Hindu** ([Link](#))

Over 48,000 people, including prominent industrialists, have supported a signature campaign launched by industry body CII urging Members of Parliament to allow the passage of the GST bill, even as the Winter Session came to an end today. The petition, titled 'Universal Appeal to Support GST' filed on Change.org, terms the ongoing delay in implementation of GST as a matter of "great concern". "*CII appeals to all stakeholders to support the Constitution Amendment Bill, so that it can see an early passage in Parliament,*" the chamber said in the petition. The petition, launched on December 19, has drawn support from HDFC Chairman Deepak Parekh; Godrej Group Chairman Adi Godrej; Dr Reddy's Laboratories Chairman Satish Reddy; Aditya Birla Group Financial Services CEO Ajay Srinivasan; CII President Sumit Mazumder; historian and biographer Ramachandra Guha, among several others. People from countries like the US, the UK, Canada, Australia, Singapore, Malaysia, the UAE, South Africa and New Zealand have signed the petition.

3. Lanka India trade pact won't hamper local professionals: Govt

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

The proposed Indo-Sri Lanka economic trade pact will not affect local professionals as it does not include the movement of natural persons, deputy Foreign Minister Harsha de Silva said today. Allaying fears of local professional groups, particularly doctors, who have expressed concerns over loss of opportunities if the Indo-Sri Lanka Economic and Technology Corporation Framework Agreement (ETCFA) is signed, Silva said false reports regarding the pact were misleading the people. "Please do not mislead with false statements as there is no movement of natural persons under proposed Indo-Lanka economic pact," Silva said.

Speaking at a press briefing, Silva asserted there was no point of holding union actions with regard to these types of false reports. "*An Indian doctor, lawyer, engineer or any other professional can't just come here and open a dispensary, law firm or any other thing to deliver their services here,*" he said. Under the ETCFA, initially only two sectors of Information Technology and Shipbuilding Marine Industry will be opened for trading under this pact. "*Let's say, there may be a necessity for getting professionals to repair ships. So that kind of thing can happen,*" Silva said.

4. Govt opening up e-commerce sector for FDI in a calibrated way

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

Foreign investment in business to customer (B2C) e-commerce activities has been opened in a calibrated manner, Parliament was informed on Wednesday. Commerce and Industry Minister Nirmala Sitharaman in a written reply to Rajya Sabha said that an entity is permitted to undertake retail trading through e-commerce under certain circumstances.

Mentioning the circumstances, she said a manufacturer is permitted to sell its product manufactured domestically through e-commerce retail. Also, a single brand retail trading firm operating through brick and mortar stores, is permitted to undertake e-retailing. *"Foreign investment in business to customer (B2C) e-commerce activities has been opened in a calibrated manner and an entity is permitted to undertake retail trading through e-commerce under the (certain) circumstances,"* she said.

As per the policy, FDI up to 100 per cent is permitted in B2B e-commerce. Replying to a separate question on tobacco she said, the Department of Industrial Policy and Promotion (DIPP) has confirmed that there is no restriction on manufacture of four items namely 'guthka', 'scented khaini', flavoured chewing tobacco and 'pan masala'.

5. OVL to seal \$1.26 billion Vankor deal today

Source: **Business Standard** ([Link](#))

An agreement formalising ONGC Videsh Ltd's \$1.268 billion acquisition of 15 per cent stake in Russia's second biggest oil field of Vankor will be signed in Moscow. The agreement, to be signed after talks between Prime Minister Narendra Modi and Russian President Vladimir Putin, will mark the completion of phase I of the deal, the first overseas acquisition since the NDA government came to power.

Modi arrived in Moscow on Wednesday to a red carpet welcome on his first bilateral visit to Russia during which both countries are set to seal a raft of deals in key sectors like defence, nuclear energy and hydrocarbons to boost their robust and close partnership. OVL, the overseas investment arm of state-owned Oil and Natural Gas Corp (ONGC), had on September 4 signed a Share Purchase Agreement (SPA) and Shareholders Agreement (SHA) with Vankorneft, a unit of Rosneft that is the developer of the Vankor oil and gas condensate field in Turukhansky district of Krasnoyarsk Territory in Russia.

The field, which has recoverable reserves of 2.5 billion barrels, will give OVL 3.3 million tonnes per annum of oil production. As per the agreement, OVL had the right to walk out of the

deal by October 31 but it chose to stay on and two subsequent agreements were signed, a top source said.

6. HAL to seek foreign partners for small passengers plane

Source: **Business Standard** ([Link](#))

State-owned aircraft maker Hindustan Aeronautics Ltd (HAL) will float a tender by March inviting global aircraft makers to partner it in the design and development of a 50-70 seat passenger plane to serve small cities across India. HAL board had approved the decision to invite international bids to co-develop the aircraft, a person familiar with the development said. The project is estimated to cost Rs 7,000 crore for three prototypes and certification. “There will be a requirement for 200 such aircraft in India in the next five years, T Suvarna Raju, chairman and managing director of HAL, had told reporters earlier.

The National Aerospace Laboratories (NAL) and HAL had jointly planned to set up a special purpose vehicle for a regional transport aircraft RTA-70 but this was later scrapped because of funding issues. NAL had in 2007 settled on a design and selected a turboprop engine from Pratt & Whitney for the plane that did not take off from the drawing board. G Madhavan Nair, former chairman of the Indian Space Research Organisation, had headed a committee to identify local partners for the project. India has built trainers, planes and helicopters for the military, but its commercial aircraft programme is yet to find its feet.

Hansa, a two-seat passenger plane, has been a commercial flop, while Saras, a 14-seat passenger plane that was grounded after a crash killed three people on a test flight, were designed and built by NAL. In 2000, HAL had planned a joint venture with Franco-Italian aircraft maker ATR, now owned by Airbus, to make small planes in India but later aborted it.

By Harsha Hazarika