

Daily Economic News Summary: 2 July 2015

1. World Bank okays \$650 mn loan to eastern freight corridor

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

The World Bank on Wednesday said it has approved a \$650 million debt funding for a part of the eastern arm of the ambitious Dedicated Freight Corridor (DFC) project. The loan, which comes with a 22-year maturity period, is expected to help in faster and more efficient movement of raw materials and finished goods between the northern and eastern regions.

The Eastern Dedicated Freight Corridor is to be 1,840 km long, from Ludhiana to Kolkata. The World Bank is supporting the EDFC as a series of projects in which three sections with a total route length of 1,146 km will be implemented. The third tranche of the World Bank loan EDFC 3 approved will help build the 401 Km Ludhiana-Khurja section spanning Uttar Pradesh, Haryana and Punjab. The Project will help increase the capacity of these freight lines by raising the axle-load limit from 22.9 to 25 tons and enable speeds of up to 100 km per hour.

2. Govt sets 30 September deadline for tax evaders to declare assets

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

Tax evaders have until 30 September to declare their undisclosed assets and income and a further three months to pay taxes and penalty on these to avoid prosecution under a stringent new law to curb black money. The government on Wednesday opened the so-called black money compliance window for people with unaccounted and untaxed assets and income.

This will be the last opportunity for tax evaders to come clean before the government starts prosecuting them under the Black Money (Undisclosed Foreign Income and Assets) and Imposition of Tax Act, 2015 that prescribes jail terms of up to 10 years and penalties of up to 120% of the value of the undisclosed assets.

If those with undisclosed income and assets stashed overseas declare it within the compliance window, they will have to pay a tax of 30% and penalty of 30% and will be spared prosecution. The black money act was enacted in May as part of the National Democratic Alliance government's twin-pronged strategy to tackle black money stashed away both overseas and within India by Indians.

3. AirAsia takeoff hit by headwinds in India

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

A business model that worked wonders in several countries. A local partner that pioneered aviation in India. Victory over concerted efforts to block its entry. When AirAsia spread wings over India in 2014, the continent's largest low-fare airline seemed to have everything going for it. Local rivals braced for fierce competition and a research report even called its entry a "negative" for Indian airlines. *"The good always win,"* gushed Tony Fernandes, the Malaysian carrier's charismatic founder-CEO. *"We are gentlemen with good intentions."*

A year later, AirAsia India, the local unit of Malaysian fare warrior AirAsia Bhd, is merely a blip on the radar. During this period, SpiceJet Ltd emerged from a near-death experience, Vistara, the joint venture between Tata Sons Ltd and Singapore Airlines Ltd, took to the skies, and IndiGo prepared for a public sale of shares. AirAsia, however, managed to win little over 1% of the country's aviation traffic, and has frozen plans for an ambitious scale-up.

4. Firms list investment plans at Digital India launch

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

Indian businessmen scrambled to showcase many of their existing investment plans and allocations as a response to Prime Minister Narendra Modi's Digital India initiative, which was launched on Wednesday. By the end of the day, they had announced planned investments of Rs.4.5 trillion, and hires of 1.8 million people, over the next 5-10 years.

The numbers sound highly laudable, but are mostly investments in their own businesses, experts said. Still there is no doubt that their enthusiasm—**Microsoft Corp.**'s Satya Nadella sent a video message on the campaign—will translate into achieving many of the objectives of Digital India, albeit in a market-centric way.

"This would have happened any which ways. Over the last 10 years, there has been a significant growth bottleneck and many of the companies have shied away from spending as much as they should have. The industry has now come to a point where they have to put in this much. The telcos will anyway have to spend this much on spectrum and other networks over the next decade," said a partner at a leading consulting firm who spoke on condition of anonymity.

5. More luxe in car market as players expand price band

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

Luxury car sales wobbled a bit in the past two years when the domestic market was hit by a slowdown. Industry and analysts are now hopeful of a cushy ride.

After growing at 17.5% in 2012, sales of luxury cars (mainly Mercedes-Benz, BMW AG, Audi AG and Jaguar Land Rover) slowed to 5% and 4.4%, respectively, in the following two years. The overall passenger vehicle sales, however, tanked from high double-digit growth rates to nearly flat sales in the past three years.

In the near-to-medium term, the Indian luxury car market will outpace the passenger vehicle growth rate. *“The luxury segment will triple in volume by 2020, from the current annual sales of about 33,000 units,”* according to a report by Icara Ltd.

6. US apparel brand Aeropostale teams up with Arvind Lifestyle to enter Indian market next year

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

American clothing brand Aeropostale plans to enter the fastgrowing Indian market through a licensee agreement with Arvind Lifestyle Brands that will open its first outlet in the country in March next year.

The New York headquartered brand, also popularly called Aero, plans to open 30 stores and 25 shop-in-shops over the next three years as well as an e-commerce portal. Aero, Abercrombie & Fitch and American Eagle, also known as the '3As' in the United States, are known in their home market for jeans, hoodies and T-shirts mostly for teenagers. "We are thrilled to bring the Aeropostale brand into India as we continue to expand our international presence aggressively.

“India is a truly exciting retail market, driven by its growing economy and vibrant youth culture,” said Julian R Geiger, CEO of Aeropostale, which has been looking to expand in emerging economies amid stagnating or slowing sales in the US market.

By Harsha Hazarika