

Daily Economic News Summary: 21 January 2020

1. Budget 2020: Customary 'Halwa Ceremony' kickstarts process of printing documents

Source: Money Control ([Link](#))

Finance Minister Nirmala Sitharaman, Minister of State for Finance Anurag Thakur and senior officials of the finance ministry on 20 January participated in the symbolic 'Halwa Ceremony' that marks the launch of formal printing of Budget 2020-21 documents. The second Budget of the Modi 2.0 government will be presented on February 1. Finance Secretary Rajeev Kumar, Revenue Secretary Ajay Bhushan Pandey, Economic Affairs Secretary Atanu Chakraborty, DIPAM Secretary Tuhin Kanta Pandey, and Expenditure Secretary T V Somanathan too attended the customary pre-Budget event. "To maintain the secrecy of Budget, there is a 'lock-in' of the officials involved in making the Budget. Budget Press, situated inside North Block, houses all officials in the period leading up to the presentation of the Union Budget," the finance ministry said in a statement.

2. New Indian law to protect foreign investors to exclude tax demands: Documents

Source: Money Control ([Link](#))

New legislation will improve protection for foreign investors in India by offering relief from possible policy changes but will uphold the state's right to tax them, according to its draft and government documents seen by Reuters. The bill also attempts to upgrade India's investment climate and boost foreign investment by setting up new adjudicating authorities to swiftly resolve disputes. It is part of India's efforts to become a \$5 trillion economy by 2024, from around \$2.7 trillion currently, the documents said. But the draft text of the new law dated Nov. 15 does not cover demands related to enforcement of tax obligations, a critical area of concern for foreign investors. A separate internal government document which analyses the draft law noted that taxation issues were of "great interest" to investors and excluding it from the law's purview could reduce the proposal's intent to boost their comfort level.

3. India makes payment to WTO for 2020 in advance

Source: Money Control ([Link](#))

India has made an advance payment of Swiss Franc 44,55,445 (about Rs 33 crore) as its contribution to the WTO for 2020, an official said. The payment was made in December last year. The World Trade organisation (WTO) derives most of the income for its annual budget from contributions by its member countries. These contributions are based on a formula that takes into account each member's share of international trade. Miscellaneous income mainly consists of contributions from observer countries, income from sale of publications and rental of meeting rooms. "India has made its advance payment of its WTO contribution. It was CHF 44,55,445 for 2020. It was paid in December 2019 itself for 2020. India is one of the few countries who pay their dues well on time," the official said. The WTO also manages a number of trust funds, which have been contributed by members.

4. India among top 10 FDI recipients, attracts \$49 bn inflows in 2019: UN report

Source: Financial Express ([Link](#))

India was among the top 10 recipients of Foreign Direct Investment in 2019, attracting USD 49 billion in inflows, a 16 per cent increase from the previous year, driving the FDI growth in South Asia, according to a UN report released on 20 January. The Global Investment Trend Monitor report compiled by United Nations Conference on Trade and Development (UNCTAD) states that the global foreign direct investment remained flat in 2019 at USD 1.39 trillion, a 1 per cent decline from a revised USD 1.41 trillion in 2018. This is against the backdrop of weaker macroeconomic performance and policy uncertainty for investors, including trade tensions, it said.

5. Zomato acquires Uber Eats business in India

Source: Financial Express ([Link](#))

Zomato on 21 January said it has acquired the Indian business of Uber Eats in an all-stock deal that will give Uber 9.99 per cent stake in the Indian food delivery and restaurant discovery platform. Uber Eats in India will discontinue operations and direct restaurants, delivery partners, and users of the Uber Eats apps to the Zomato platform, effective 21 January, a statement said. In a regulatory filing to BSE, Info Edge (India) – a shareholder in Zomato – said its shareholding in Zomato will stand reduced to about 22.71 per cent on fully converted and diluted basis upon closing of the transaction. The deal comes days after Zomato had raised USD 150 million in

funding from existing investor Ant Financial, an Alibaba affiliate, at a USD 3 billion valuation. “We are proud to have pioneered restaurant discovery and to have created a leading food delivery business across more than 500 cities in India.

6. India’s SWF gets ready to launch non-bank lender

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

Sensing a huge market opportunity to provide liquidity support to cash-starved Indian infrastructure companies, the National Investment and Infrastructure Fund (NIIF), the country’s sovereign wealth fund, is all set to launch a nonbank lender of its own. Aseem Infrastructure Finance Limited (AIFL), the new NBFCIFC (Infrastructure Finance Company), is expected to get RBI approval before March this year. AIFL would target the broader segment of infrastructure lending market and leverage NIIF reach in the space to build a specialist credit platform knowledge capital, said people in the know. NIIF already counts CPPIB, Abu Dhabi Investment Authority, AustralianSuper, Ontario Teachers’ Pension Plan, Temasek, Axis Bank, HDFC Group, ICICI Bank and Kotak Mahindra Life Insurance as investors in the NIIF Master Fund, along with the government of India.

7. New payments formula for creditors in the works

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

The government is considering a new formula for payments to creditors of distressed companies resolved through the insolvency and bankruptcy law, which would give a better deal to unsecured lenders and operational creditors. There are two options under consideration, a government official told ET. Under one of the plans, the resolution amount would be split into two parts – liquidation amount set by the valuers before the resolution is started, and anything in excess of this amount. Liquidation amount would be distributed to company’s creditors in accordance with the “waterfall” mechanism set out in Section 53 of Insolvency and Bankruptcy Code, as per the plan.

8. India's top 63 billionaires have more wealth than 2018-19 Budget outlay

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

India’s billionaires hold a combined total wealth that is more than the Union Budget outlay. The gap between the top 1 per cent and the bottom 50 per cent of the population just keeps expanding, global non-profit organisation Oxfam said in its latest annual report on income inequality “The combined total wealth of 63 Indian billionaires is higher than the total Union

Budget of India for the fiscal year 2018-19 which was at Rs 24.42 trillion,” Oxfam said in its report released on 20 January. “The wealth of billionaires rose from \$325.5 billion (Rs 22.73 trillion) in 2017 to \$408 billion (Rs 28.97 trillion) in 2019,” the report said. In fact, that amount is even higher than the 2019-20 Budget size of Rs 27.86 trillion, something the report did not mention. The world’s 2,153 billionaires have more wealth than the 4.6 billion people who make up 60 per cent of the planet’s population, the report also showed. “Our broken economies are lining the pockets of billionaires and big business at the expense of ordinary men and women. No wonder people are starting to question whether billionaires should even exist,” said Oxfam India CEO Amitabh Behar.

9. IKEA announces launch of online store in Pune

Source: Livemint ([Link](#))

As part of its expansion plans for India, the world’s largest furniture retailer, IKEA, on 20 January announced the launch of its online store in Pune to reach out to more households, considering that the Indian consumer is now more adept at shopping on the internet. IKEA is not letting the lengthy process of opening physical stores come in its way of growing its footprint across Asia’s third-largest economy. Last August, it had launched its online store in Mumbai ahead of a physical store—a first for the company, globally. IKEA plans to set up a physical store in Navi Mumbai, along with small-format stores in the city of Mumbai later in 2020. The online push in Pune comes before the launch of its signature large-format stores. The move is part of a shift in its retail strategy, wherein IKEA is reaching out to shoppers across e-commerce, small stores, and large retail formats.

10. India may ease rules to help companies boost overseas borrowings

Source: Livemint ([Link](#))

Indian policy makers may make it easier for companies to tap foreign funding, as a prolonged cash squeeze makes it tough for firms to borrow at home. Investors are speculating about potential steps Finance Minister Nirmala Sitharaman could unveil when she presents the nation’s budget on Feb. 1. These measures may include freeing up firms to borrow at higher rates and offering tax breaks to global funds. “The government will need to relax local rules to make it easier for Indian companies to raise debt overseas and tide over the funding crunch in the onshore market,” said Raj Kothari, London-based head of trading at Jay Capital Ltd. “At the same time, they need to ensure that the borrowers tapping offshore markets abide with stricter

corporate governance so as to avoid further defaults." A prolonged crisis in India's shadow bank sector and a pile of bad loans at traditional lenders is making it expensive for Indian companies, other than the best-rated firms, to access funding. The government has tried a series of measures to spur domestic credit, including providing so-called credit enhancement and allowing tiny firms to restructure debt.