

Daily Economic News Summary: 4 January 2019

1. Ecommerce Fdi Rules: Companies Seek Extension Of Deadline

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

Amazon, Walmart owned Flipkart and other online marketplaces are likely to seek an extension of the February 1 deadline to comply with recent changes in the foreign direct investment (FDI) rules for ecommerce as it entails overhauling their business model, said two people aware of the matter. “Companies will need to study the latest provisions in detail and may need to bring about huge operational changes,” said one of them, adding a month wouldn’t be enough for this. Amazon and Flipkart did not respond to queries. The changes were announced on December 26. Two clauses in particular necessitate sweeping changes, said the people cited above. First, no vendor can have equity participation by the marketplace or its group companies. Second, the inventory of a vendor will be deemed to be controlled by the marketplace if more than 25% of the vendor’s purchases are from the marketplace entity, including its wholesale unit. The marketplace entity or its group companies cannot have control over inventory under the FDI rules.

2. E-Commerce Rules Do Not Allow Foreign Investment In Multi-Brand Retail: Dipp

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

The FDI rules for e-commerce have not allowed foreign investment in the inventory-based model or multi-brand retailing, the Department of Industrial Policy and Promotion (DIPP) clarified on 3 January. It also stressed that the provisions are also not against the interest of consumers, noting that only fair, competitive and transparent business practices would be beneficial for buyers. These clarifications have come against the backdrop of new provisions announced by the DIPP related to FDI in e-commerce sector last month.

3. Misuse Of Gift Route To Import Goods On Customs Dept Radar

Source: Livemint ([Link](#))

Customs authorities have clamped down on the import of Chinese goods entering India in the guise of ‘gifts’ by misusing the existing e-commerce rules. The Mumbai Customs office told its

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officers at the Airport Special Cargo Commissionerate to check such “misdeclaration and smuggling of goods imported through couriers”. Indian customs regulations currently allows tax exemptions on gifts sent to relatives from Indians living abroad for up to ₹5,000. However, China-based online e-commerce platforms, such as Club Factory, Shein and AliExpress, have been misusing the rules and shipping cheaper products to Indian customers as gifts, thus avoiding customs duty and goods and services tax.

4. Fssai Notifies New Packaging Norms, To Come Into Effect From July 1

Source: The Hindu, Business Line ([Link](#))

The Food Safety and Standards Authority of India (FSSAI) on 3 January notified new packaging regulations which prohibit use of newspaper or recycled plastics for packing, wrapping, storing, transporting or dispensing articles of food products. The new regulations will come into force from July 1. The new regulation defines standards for different materials used for packaging of food products. It has also prescribed overall migration and specific migration limits of contaminants for plastic packaging materials. “As per these regulations, the packaging materials used for packing or storing the food products shall conform to the Indian Standards provided in the schedules,” an official statement added.

5. Slowdown In US Economy Threatens Tcs, Infosys, Wipro

Source: Livemint ([Link](#))

Concerns about a slowdown in US economy poses the biggest risk to India’s \$167 billion information technology (IT) outsourcing industry as experts fear Fortune 1000 companies may cut spending on technology, hurting Tata Consultancy Services Ltd (TCS), Infosys Ltd and Wipro Ltd. Demand for digital services, which includes data crunching and artificial intelligence (AI) powered platforms, is still linked to the overall health of an economy, they say. For this reason, analysts will be closely monitoring management commentary from homegrown IT firms on the growth outlook for the companies when they report earnings starting next week. Mumbai-based TCS kicks off the earnings season, when it reports its results on 10 January, followed by Infosys a day later and Wipro on 18 January.

6. PM Set To Host Uzbek Prez In Gujarat Business Summit

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

India is pushing its ‘Connect Central Asia’ policy amid Chinese inroads in the resource-rich region, with Prime Minister Narendra Modi set to host Uzbek President Shavkat Mirziyoyev for the second time in four months. Mirziyoyev is the key guest at the January 18-20 Vibrant Gujarat business summit, as Uzbekistan seeks wider footprints in India and invites Indian investors to SEZs reserved for India in that country. Gujarat-based companies are exploring investment opportunities in the pharmaceutical and textile sectors in Uzbekistan, as the Central Asian country offers them huge potential.

7. RBI To Meet Foreign Investors Over Waning Interest In Corporate Bonds

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

Alarmed by the decline in overseas investors’ activity in corporate bonds, the Reserve Bank of India (RBI) has called for a rare meeting with foreign institutions to sort out the issues. The drop in their participation in this market follows a central bank circular in April that brought in restrictions to their corporate bond exposure. RBI is likely to meet representatives of foreign institutions in January, when these investors usually revise their allocations to different countries. The central bank has not met foreign market participants officially in recent years, said bankers. Foreign portfolio investors are finding it difficult to abide by the central bank’s April circular, forcing many of them to stay away from the debt market, said senior officials with foreign banks.

8. Spicejet To Launch 12 New Non-Stop Flights, Additional Frequencies To Connect Metros

Source: Firstpost ([Link](#))

Budget carrier SpiceJet on 4 January announced the launch of 12 new non-stop flights and additional frequencies connecting metros and non-metros from 20 January. Some of the new flights and routes are aimed at further augmenting regional connectivity, the airline said in a statement. As part of the network expansion plan, the airline will introduce daily direct flights to Jammu, Jaipur and Amritsar from Dehradun. The airline has also announced one more frequencies on the Jaipur-Varanasi (second daily flight), Chennai-Madurai (fourth frequency) and a third flight on the Hyderabad-Vijayawada sector.

9. SEBI Comes Out With Rules For Single Regime For Foreign Portfolio Investment, NRI Fund Flows

Source: Firstpost ([Link](#))

Markets regulator Sebi has come out with rules for merger of foreign portfolio investment (FPI) and non-resident Indian/overseas citizens of India routes to bring in a single regime for foreign investors and regulate NRI and person of Indian origin fund inflows. The regulator has also exempted housing finance companies and systemically important NBFCs (non-banking financial companies) from disclosure of increase or decrease in shareholding due to encumbrance or release of encumbered shares, Sebi said in a notification. A similar exemption is already available to scheduled commercial banks and public financial institutions. In another notification dated 31 December, Sebi said if single and aggregate NRI/OCI/RI holdings in assets under management of FPI are below 25 percent and 50 percent, respectively, then such persons will be allowed to be constituents of the FPI.