MARKET WATCH

FPIs PULL OUT ₹7.7 CR FROM STOCKS

New Delhi: Foreign portfolio investors (FPIs) withdrew around Rs 7,712 crore from Indian equities in this month so far, following the 'super-rich' tax announced in the Budget for 2019-20, according to analysts. **PTI**

GOVT PLANS TO RAISE AROUND $10 BN FROM GLOBAL MARKETS IN H2 FY20

Overseas bonds: Major advantages in raising long term funds, says NITI VC

Kumar says government fully aware of the risks, and that there could be exchange rate volatility

SUNNY VERMA
NEW DELHI, JULY 21

LONG TERM global retirement and pension funds will be interested in subscribing to sovereign bonds issued by the government in foreign currency in overseas markets, NITI Aayog Vice Chairman Rajiv Kumar said. The government is working on this proposal fully aware of the risks associated with such a move and how to manage these.

"FDI, FPI investment in equity is always better than the debt. But if there is a space provided by low external debt to GDP ratio and the cost of capital is so low abroad and the domestic investment has been declining — so where is the harm (in raising funds abroad)," Kumar said in a recent interview with *The Indian Express*.

"Fully aware of the risks, fully aware that there could be exchange rate volatility ... the government is taking a conscious decision that given our current situation, in the light of a very weak investment scenario, and low cost capital being available abroad, where is the harm in raising these bonds," he said.

Many economists, including former Reserve Bank of India Governor Raghuram Rajan, have highlighted the risks associated with issuance of such bonds. Rajan has argued that the Budget decision to issue foreign currency debt has no real benefit for India and poses enormous risks.

For nearly three decades, successive governments in India have baulked when it came to raising funds abroad through bond offerings by the sovereign even during periods of crisis. However, in the Union Budget 2019-20, the government announced raising a portion of its borrowings in the overseas markets.

The Centre plans to raise around $10 billion from global markets in the second half of FY20. When foreign portfolio investors (FPIs) buy government bonds in Indian debt markets, they bear the risk of any untoward movement in the Indian rupee.

However, when the government raises funds in foreign currency, it has to the bear the risk of currency movements.

Kumar said the government has taken the decision being cognisant of all the associated risks. Finance Ministry officials have argued that the government will be prudent in raising funds abroad and provision will be made in accounts to account for currency volatility.

"There can be major advantages in raising long term funds because many interested players in these will be long term pension funds, retirement funds. So government can, say, launch 20-year papers and that helps in building the yield curve.

"There are so many advantages at this point of time, this proposal was discussed for a long time in the government. But at this time, given the current situation, this decision has been taken after being cognisant of all the risks," Kumar said.

This proposal, along with the government's asset monetisation plan and the move to give up majority equity shareholding in state-owned companies, are aimed at freeing up resources for private investments, the NITI Aayog Vice Chairman said.

"Asset monetisation requires lot of preparation, doing it in a right manner. The government is working on it, the assets are being identified, the modalities are being worked out. Monetisation doesn't mean outright sale.

"It could be like a TOT (toll-operate-transfer) for the highways, similarly you have given out the airports now. It could be handover of 100 railways stations and ask the private sector beautify them, modernise them, make money on them and also share some of that with the government," he added.

If private sector companies can monetise their assets such as telecom towers and lease them out, the government can also do the same and this can raise a large amount of resources for the infrastructure, Kumar said.

'IN LIGHT OF WEAK INVESTMENT SCENARIO'

■ Rajiv Kumar said that the government is taking a conscious decision, "given our current situation, in the light of a very weak investment scenario, and low cost capital being available abroad"

■ However, many economists have highlighted the risks associated with issuance of such bonds

Express File Photo

BRIEFLY

Amid stake sale, AI freezes promotions

New Delhi: Air India (AI) has stopped giving promotions for its employees and recruiting new personnel as the government prepares for the disinvestment of the debt-laden airline, an official said Sunday. The government is expected to soon start the disinvestment process for Air India, which has a debt burden of more than Rs 50,000 crore.

IFCI aims to mobilise up to ₹2,000 crore

New Delhi: India's oldest public sector financial institution IFCI expects to mobilise Rs 1,500-2,000 crore from sale of non-core assets, including its stake in the NSE, during the current fiscal to fund business growth, the company's MD and CEO E S Rao said.

India's inflation in FY20 to be 4.1%: ADB

New Delhi: In a supplement to the Asian Development Outlook (ADO) 2019, the Asian Development Bank (ADB) has lowered the inflation forecast for India during the current financial year to 4.1 per cent, on the back of gain in rupee and cut in the country's gross domestic product (GDP) projection. **PTI**

Cost overruns of ₹3.28 lakh cr in 345 infra projects

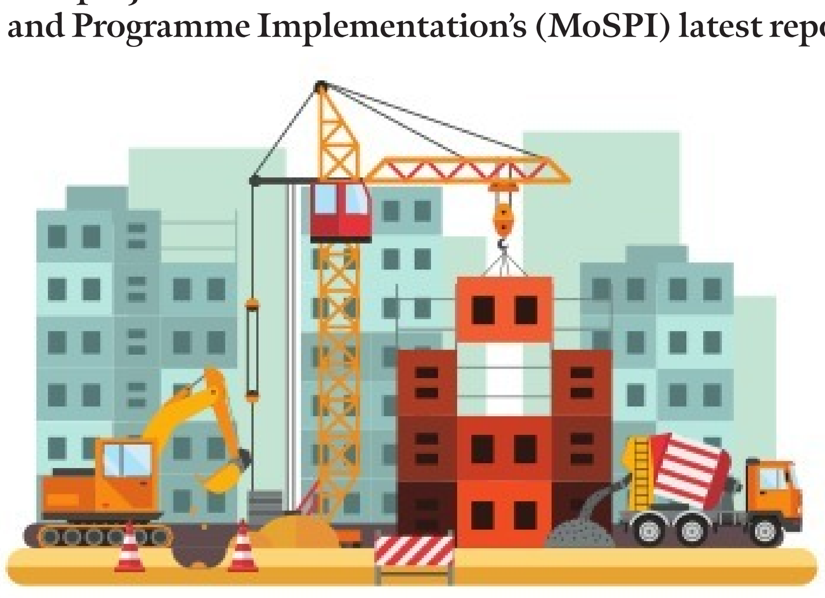
As many as 345 infrastructure projects have shown cost overruns to the tune of over Rs 3.28 lakh crore, the Ministry of Statistics and Programme Implementation's (MoSPI) latest report for April 2019 said

₹18,32,579.17 cr
Total original cost of implementation of the 1453 projects

₹21,61,313.18 cr
Anticipated cost of implementation of these projects

₹3,28,734.01 cr
Overall cost overruns, i.e. 17.94 per cent of original cost

₹8,84,906.88 cr
Expenditure incurred on these projects till April, i.e. 40.94 per cent of anticipated cost



1453
Projects monitored by MoSPI, each worth Rs 150 crore and above

345: Projects that reported cost overruns

388: Projects that reported time escalation

■ **121:** Projects delayed by one to 12 months

■ **78:** by 13 to 24 months

■ **98:** by 25 to 60 months

■ **91:** Projects delayed 61 months or more

REASONS FOR REPORTING TIME OVERRUNS
- Delays in land acquisition
- Forest clearance
- Supply of equipment
- Fund constraints
- Geological surprises
- Geo-mining conditions
- Slow progress in civil works
- Shortage of labour
- Inadequate mobilisation by contractor

Tax cuts for electric vehicles, wind turbines to be on agenda at 36th GST Council meet

ENS ECONOMIC BUREAU
NEW DELHI, JULY 21

PROPOSALS FOR reduction of tax rates for electric vehicles (EVs), solar power generating systems and wind turbines will be discussed at the 36th meeting of the Goods and Services Tax (GST) Council, to be held on July 25.

The meeting will happen through video conferencing on Thursday, the Finance Ministry said Sunday.

In its previous meeting held last month, the Council had referred the issue relating to GST rate cut on EVs, chargers and hiring of EVs to the rate fitment committee, which is an officers level committee.

The recommendations of the officers committee are likely to be placed before the Council on July 25, officials said.

To push domestic manufacturing of EVs, the Centre has proposed to the Council to slash GST rates to 5 per cent from 12 per cent, which even found mention in Finance Minister Nirmala Sitharaman's Budget 2019-20 speech. "The government has already moved GST Council to lower the GST rate on electric vehicles from 12 per cent to 5 per cent," Sitharaman had said in her July 5 speech. She had also announced additional income tax deduction of 1.5 lakh on the interest paid on loans taken to purchase EVs.

GST rate for petrol and diesel cars and hybrid vehicles is in the highest slab of 28 per cent with cess levied over and above it.

The Council will also consider tax structure for solar power projects. The Delhi High Court had in May asked the GST Council to take a relook at the taxation structure following industry petition. The government had earlier said that for the purpose of taxing solar power projects, 70 per cent of contract value would be treated as goods, taxable at 5 per cent, and balance 30 per cent as services, taxable at 18 per cent. The solar industry has been pitching for a different ratio for splitting goods and services for levying GST.

The Council may also look at consolidation of tax rate of lotteries. In the previous meeting, after deliberations on various issues on rate of lottery, the Council had recommended that certain issues relating to taxation (rates and destination principle) would require legal opinion of Attorney General. Currently, a state-run lottery attracts 12 per cent GST, while a state-authorised lottery attracts 28 per cent tax rate under the indirect tax regime.

Regulating medical devices sector a 'priority' in Health Ministry's five-year plan

PRABHA RAGHAVAN
NEW DELHI, JULY 21

WHILE THE Health Ministry charts out its five-year vision for the Narendra Modi-led government's second term, finally bringing a vast majority of the medical devices sector under regulation is expected to be a "priority", *The Indian Express* has learnt. The Ministry is now planning stakeholder consultations to understand how to implement an expert advisory body's recommendations to make sure medical device companies are accountable for the safety and quality of their products here.

At the same time, some industry bodies feel the plan would be ineffective in the long run in the absence of a separate medical device law, which has been in the works for over a decade.

In May, Prime Minister Narendra Modi tasked all ministers with drawing up five-year vision plans for their ministries after taking office for a second term.

"Smoothing (issues with) medical devices is high on our agenda," said a senior Health Ministry official close to the development on condition of anonymity.

The official told *The Indian Express* there is a sense of "urgency" to address concerns related to this industry, under scrutiny over the last year after major health concerns and adverse reactions were highlighted with some high-risk devices.

"Because medical devices are largely unregulated today, we believe we need to set something like a goal for ourselves early on," the official said.

However, with the Ministry still discussing its five-year vision, a timeline has not been worked out for this, according to the official cited above. The Ministry plans inter-ministerial consultations to implement a "detailed roadmap" for devices outlined by the country's top drug advisory body, the Drugs Technical Advisory Board (DTAB), earlier this year, the official said.

This includes working out how to notify all medical devices under India's Drugs and Cosmetics Act in a phased manner, which DTAB had recommended in April. While the government currently regulates only 24 notified medical devices under its existing regulations, notifying all medical devices in a phased manner as recommended by DTAB would be India's first significant step towards holistic regulation.

"There is more or less a consensus (on the recommendations), but some minute procedures may have to be ironed out," said another senior Health Ministry official, requesting anonymity.

DTAB's recommendations came almost five months after *The Indian Express* published the 'Implant Files', a series of investigative reports highlighting lapses in regulation on India's medical devices industry and the impact it has had on patients. This includes multinational firm Johnson & Johnson's use of loopholes in US laws to obtain approval for and market hip implants in India, that later had to be globally recalled in 2010.

However, with the government currently using its 1940 drug laws to regulate the devices notified so far, it may not be able to effectively address issues unique to the industry, according to Association of Indian Medical Device Industry (AiMeD) forum coordinator Rajiv Nath.

"This roadmap would be incomplete if it doesn't address patient safety under a separate medical devices law and revamp CDSCO (India's top drug regulatory body) to include a separate division for medical devices," he said.

According to Nath, current regulations are a "misfit" for medical devices, which have different risk profiles that require different types of regulatory action.

"The Act needs to recognise that penalties for high risk device need to be higher than penalties for low-risk devices," he said. "The idea has to be to discipline companies instead of allowing loopholes for negligent firms to skirt penalties or scaring off investment by treating every case as a criminal offence."

Over 90 per cent of the country's estimated $15 billion medical devices industry is unregulated, according to AiMeD. This includes over 6,000 devices like pacemakers, MRI machines and even tubes that collect blood samples.

While the UPA government had drafted a separate Medical Device Regulation Bill in 2006, it was never notified into an act. The NDA government had also postponed the legislation, instead notifying rules to regulate medical devices under existing regulations. While the Health Ministry had been reworking the bill around 2016, the work has since passed on to government think tank NITI Aayog.

EXPLAINED

Old law may not address patient safety

SETTING A timeline for notifying medical devices for regulation would end years of uncertainty over if and how companies can be made accountable for safety and quality issues with their products, as the sector is currently largely unregulated. However, regulating medical devices under current drug laws may not effectively ensure patient safety because devices have issues different from medicines that need to be accounted for in legislation.

Govt bans use of antibiotic Colistin in animal feed, poultry, aqua farms

ENS ECONOMIC BUREAU
NEW DELHI, JULY 21

THE HEALTH Ministry has ordered a ban on using antibiotic Colistin in food-producing animals, poultry and aqua farms, in a move to curb the growing problem of antimicrobial resistance (AMR) in humans through animals here.

The Ministry, in its notification, has prohibited "with immediate effect" the manufacture, sale and distribution of Colistin and its formulations for this purpose. The Ministry has also directed manufacturers of Colistin to specify "in conspicuous manner" on the labels, package inserts and promotional literature that these products are "not to be used in food producing animals, poultry, aqua farming and animal feed supplements".

According to the World Health Organisation (WHO), Colistin is a "reserve" antibiotic, which means it is supposed to be considered a "last-resort" option in treatment and used only in the most severe circumstances, when all other alternatives have failed.

However, this strong antibiotic has been "highly misused" in India's livestock industry to prevent diseases and as promote growth of such animals, said a senior Health Ministry official on condition of anonymity.

"One of the reasons for anti microbial resistance in India is due to unwanted use of Colistin in the poultry industry," the official said, adding that the notification will help prevent this.

The development comes months after the Drugs Technical Advisory Board (DTAB), India's apex drug advisory body, recommended that the drug's use be banned in animal farming industries.

A 2017 global study on antibiotic use in farm animals projected the consumption of antibiotics through animal sources to nearly double during 2013-2030.

This means India's AMR problem is expected to worsen due to the consumption of antibiotics through animal sources.

The study ranked India the fourth largest consumer of antibiotics in food animals globally after China, the United States and Brazil.

AMR is "jeopardising" global health security and is of particular concern in countries like India, which has a high burden of infectious disease and requires antibiotics to limit morbidity and mortality, according to WHO.

'High export potential' in 31 products, says CII

ENS ECONOMIC BUREAU
NEW DELHI, JULY 21

IN THE wake of moderated growth in India's exports this year, the government needs to push "high potential" products like women's apparel, drugs and furniture, says a new study by industry lobby group Confederation of Indian Industry (CII).

CII, which represents companies from several industries in India, has identified 31 such items and submitted recommendations to boost exports in these sectors to the Commerce Ministry.

The body has suggested expanding domestic production in these areas and undertaking "targeted promotion" in top importing nations to build exports in these items. This includes suggestions to negotiate on non-tariff barriers with countries importing these products, strengthening industrial clusters to improve production and the development of an export strategy at the state level, based on the comparative advantages of states.

According to the paper 'Indian Exports: The Next Trajectory – Mapping Products and Destinations', India has scope to improve exports in products where it is already performing well, such as jewellery, women's clothing, refined copper and medicines.

India also has potential to increase its capacity to produce several products to have a competitive edge over other countries in exports, it adds. This includes products like furniture, tractor accessories and motor vehicles, cyclic hydrocarbons, flat-rolled products of iron or non-alloy steel, men's and boy's suits, jerseys and pullovers and sulphonamide.

AFFECTING SEVERAL INDUSTRIES INCLUDING SILICON VALLEY START-UPS, MANHATTAN REAL ESTATE MARKET

Chinese money in the US dries up as trade war drags on

ALAN RAPPEPORT
WASHINGTON, JULY 21

GROWING DISTRUST between the United States and China has slowed the once steady flow of Chinese cash into America, with Chinese investment plummeting by nearly 90 per cent since President Trump took office.

The falloff, which is being felt broadly across the economy, stems from tougher regulatory scrutiny in the United States and a less hospitable climate toward Chinese investment, as well Beijing's tightened limits on foreign spending. It is affecting a range of industries including Silicon Valley start-ups, the Manhattan real estate market and state governments that spent years wooing Chinese investment, underscoring how the world's two largest economies are beginning to decouple after years of increasing integration.

"The fact that the foreign direct investment has fallen so sharply is symbolic of how badly the economic relationship between the United States and China has deteriorated," said Eswar Prasad, former head of the International Monetary Fund's China division. "The US doesn't trust the Chinese, and China doesn't trust the US."

For years, Chinese investment into the United States had been accelerating, with money pouring into autos, tech, energy and agriculture and fueling new jobs in Michigan, South Carolina, Missouri, Texas and other states. As China's economy boomed, state and local governments along with American companies looked to snap up some of those Chinese funds.

But Trump's economic Cold War has helped reverse that trend.

Chinese foreign direct investment in the United States fell to $5.4 billion in 2018 from a peak of $46.5 billion in 2016, a drop of 88 per cent, according to data from Rhodium Group, an economic research firm.

Preliminary figures through April of this year, which account for investments by mainland Chinese companies, suggested only a modest uptick from last year, with transactions valued at $2.8 billion.

"I certainly hear in conversations with investors a lot of concern about whether the US market is still open," said Rod Hunter, a lawyer at Baker McKenzie who specializes in foreign investment reviews. "You have a potentially chilling effect for Chinese investors."

A confluence of forces appear to be at play. A slowing economy and stricter capital controls in China have made it more difficult for Chinese investors to buy American, according to trade and mergers and acquisitions advisers.

Trump's penchant for imposing punishing tariffs on Chinese goods and an increasingly powerful regulatory group that is heavily scrutinizing foreign investment, particularly involving Chinese investors, have also spooked businesses in both countries.

China, which has retaliated against American goods with its own tariffs, may also be turning off the investment spigot as punishment for Trump's economic crackdown.

Concerns about America's receptiveness to Chinese investment have been aggravated by a flurry of transactions that collapsed under heavy scrutiny from the Committee on Foreign Investment in the United States.

The group, which is headed by the Treasury Department, gained expanded powers in 2018 that allow it to block a broader array of transactions, including minority stakes and investments in sensitive technologies like telecommunications and computing. **NYT**

NEARLY 90% FALL IN CHINESE INVESTMENT

■ Growing distrust between the US and China has slowed the once steady flow of Chinese cash into America, with Chinese investment plummeting by nearly 90 per cent since President Donald Trump took office

■ Other factors, such as a slowing economy and stricter capital controls in China, have made it more difficult for Chinese investors to buy American, according to trade and mergers and acquisitions advisers