Daily Economic News Summary: 12 January 2016

1. Andhra inks deals, unveils new retail policy

Source: **Live Mint** (Link)

Andhra Pradesh chief minister N. Chandrababu Naidu's government had a busy and fruitful day at the Partnership Summit in Visakhapatnam on Monday. It inked deals covering a gamut of sectors—retail, steel and gas, among others, and pledged policy changes that would ensure ease of doing business. The state government signed pacts worth Rs.1,500 crore with Walmart India, Future Group, Arvind Lifestyle Brands Ltd and Spencer's Retail even as Naidu unveiled a policy—touted as the first-ever retail policy by a state in India—that makes it easier for retailers to do business in the state.

The policy proposes single-desk clearance of business plans, lets stores stay open longer, makes it easier for retailers to acquire land to build warehouses, simplifies labour laws and relaxes stocking limits for essential commodities, among others. The policy is aimed at attracting investments worth Rs.5,000 crore and creating 20,000 additional jobs in the sector by 2020. The policy will be valid for five years. *"The future is in retail without any doubt,"* Naidu said on the second day of the three-day Partnership Summit in Visakhapatnam, citing the sector's huge employment potential and the need for more affordable products. "*My government is totally committed (to business),"* he added at the event organised jointly by industry lobby Confederation of Indian Industry and the state government.

2. Indian refinery tycoons tap fuel rush at home as China stokes global gut

Source: **Live Mint** (Link)

In a world awash with diesel supplies, there's no place like home right now for India's refinery tycoons as accelerating economic growth and government policy changes stoke local fuel demand. Essar Oil Ltd, controlled by the billionaire brothers Shashi and Ravi Ruia, predicts a rapid recent domestic expansion in industrial and automotive consumption will continue. Reliance Industries Ltd, run by India's richest man Mukesh Ambani, moderated some exports as the fastest gross domestic product (GDP) growth among major economies spurs purchases in the South Asian nation. *"There's been an upsurge in India*," Lalit Kumar Gupta, chief executive officer at Essar Oil, said in an interview from Mumbai. *"This demand expansion will continue. Private-sector refiners, who were exporting these fuels, are increasingly looking to sell more in the domestic market."*

Indian purchases are emerging as a bright spot and providing the nation's refiners with a buffer against a darkening export outlook. Diesel globally may swing into oversupply this year and prices are set to decline, according to BMI Research. Low crude costs, a flood of Chinese shipments and uneven world economic growth are weighing on that market. Aside from cars and trucks, diesel's uses range from irrigation pumps to factories and railway engines— and growth of more than 7% in Asia's third-largest economy is boosting such demand. *"Refiners are expanding in the bulk market and have plans to grab more share of retail with fuel deregulation,"* said Dhaval Joshi, an oil and gas analyst at Emkay Global Financial Services Ltd. *"They've started getting bulk diesel supply orders from the likes of Indian Railways, which further strengthens their margin outlook."* India's fuel demand surged for the 13th straight month in November—aided by diesel and petrol consumption—and oil-product exports slid, oil ministry data show. The International Energy Agency projects Indian energy consumption will more than double by 2040.

3. Govt to relax mining lease transfer rules

Source: **Live Mint** (Link)

The government plans to enact a law that will allow companies that received mining licences without having gone through the auction process to transfer these leases—a move that will make mergers and acquisitions (M&As) easier in the steel cement, and metals sectors. For instance, this law would help close Birla Corp. Ltd's purchase of two cement units in Chhattisgarh and Jharkhand from LafargeHolcim Ltd and UltraTech Cement Ltd's acquisition of two Jaypee Group cement units in Madhya Pradesh by lifting the bar on the transfer of mine leases.

The mines ministry will table the Mines and Minerals (Development and Regulation) (Amendment) Bill, 2016, meant to enable the transfer of mining leases that were originally granted without an auction in the budget session of Parliament. The changes have been put up on the ministry's website for comment. *"This development...will help in the conclusion of deals that were held up. It gives acquirers raw material security and scope for its optimal use in end-use plants in the cement, steel and aluminium sectors,"* said Kameswara Rao, leader of the energy, utilities and mining practice at PricewaterhouseCoopers India. The new law will also help banks liquidate such licences if they have been mortgaged to it, the mines ministry said in a statement. *"The transfer provisions will also allow mergers and acquisitions of companies and facilitate ease of doing business. It will also improve profitability and decrease costs of the businesses dependent on supply of mineral ore from captive leases,"* said the statement.

4. Car sales rise for the 14th month in a row: Siam

Source: **Live Mint** (Link)

Car sales rose for the 14th straight month in December to 172,671 units, up 12.87% from a year ago, the Society of Indian Automobile Manufacturers (Siam) said on Monday. The pace of growth has also picked up from November when sales of cars had risen 10.39% due to discounts ahead of the festivals like Dussehra, Dhanteras and Diwali, said the industry group. Total sales of passenger vehicles rose to 230,960 units, up 10.46% year-on-year. Indian auto makers report dispatches to dealerships and not sales to end users.

Incidentally, the car sales in December were also the highest ever during the month, which is considered to be slow for the auto makers as people prefer to buy vehicles registered in the new year. *"Passenger vehicles have seen decent growth. Volumes are also increasing. We are concerned about light commercial vehicles, but we think that growth in LCV follows once heavy commercial vehicle sales pick up,"* said Vishnu Mathur, director general of Siam. The sales of medium and heavy commercial vehicles grew 19.34% to 26,017 units while light commercial vehicles grew 5.57% to 30,823 units. *"We are also concerned about the rural demand. In fact, rural markets are still subdued and sales of two-wheelers show that,"* Mathur said. Sales oftwo-wheelers declined 3.10% to 1.16 million while the overall industry sales, including passenger vehicles, buses, trucks three-wheelers and two-wheelers declined 0.17% to 15 million units.

5. SEBI tightens norms for MFs's exposure to riskier bonds

Source: **Economic Times** (Link)

The Securities and Exchange Board of India (Sebi) has tightened rules for mutual funds' investment in debt in the wake of the Amtek Auto fiasco that had impacted investors in two schemes of JP Morgan Asset Management. The capital market regulator, after the board meeting on Monday, said no fund would be allowed to invest more than 20% of net asset value in debt securities issued by companies belonging to a business group. This is the first time Sebi has brought in group level limits for debt schemes. The regulator has also lowered single issuer and sector exposure limits to provide investors with enhanced diversification benefits.

In an attempt to put mutual funds in a better position to handle adverse credit events, single issuer limit has been lowered to 10% from 15%. *"By lowering limits on sectors, the portfolio would get more diversified, which would lead to higher discipline.The fund manager will have to look for other sectors to diversify the portfolio. In the short term it will lead to increased demand for G-sec papers,"* said A Balasubramanian, CEO, Birla Sunlife Mutual Fund. *"Due to the* *lowering of exposure, corporates will have to find different lenders.This will be applicable for incremental money coming into the scheme,"* he said.

6. No adverse impact of joining Trans-Pacific Partnership: Sitharaman

Source: **Business Standard** (Link)

Commerce Minister Nirmala Sitharaman on Monday sought to reassure Indian industry on Monday that there would be no adverse impact of entering into the Trans-Pacific Partnership (TPP) multilateral trade agreement. *"There is nothing to worry about the adverse impact of TPP on India. We have taken necessary steps to boost India's trade and investment in the wake of emerging new trade architecture,"* she said in her address at the Confederation of Indian Industry's annual partnership summit here.

The TPP is a US-led trade agreement involving twelve Pacific Rim countries and concerning a variety of matters of trade and economic policy, on which consensus was reached in October last year after 7 years of negotiations. Sitharaman also said the real implementation of TPP has a long way to go as till date, not a single TPP member has got it passed through their parliament. *"There is nothing regional about TPP as countries are spread across different continents. This is an agreement involving a basket of countries,"* she added. India could increase its exports by $500 billion per year by joining the next stage of the TPP trade agreement according to a study - "India's Rise: A Strategy for Trade-Led Growth" by C. Fred Bergsten of the Peterson Institute for International Economics - released last month in Washington.

7. Centre's "Make in India" push in defence procurement

Source: **Times of India** (Link)

With the eventual aim to get rid of India's embarrassing tag of being the world's largest arms importer, the government on Monday revised the defence procurement procedure (DPP) with a pronounced thrust on the "Make in India" policy. The new DPP, which will be notified in another two months after some corrections and follow-up amendments, also lays down that offsets obligations will be applicable only in deals worth over Rs 2,000 crore, instead of the present benchmark of over Rs 300 crore. In other words, only those arms companies which bag deals over Rs 2,000 crore will have to plough at least 30% of the contract value back into India as offsets. Smaller deals will be exempt from the offsets obligation.

Defence minister Manohar Parrikar, after chairing the defence acquisitions council in the evening, also said the liberalized and nuanced norms for blacklisting as well as hiring of authorized representatives by arms companies will also be finalised in two months. Pointing out that the UPA government's wholesale and indiscriminate blacklisting policy had often proved counterproductive by adversely impacting the modernisation of the armed forces, Parrikar said: *"We have to take into account our strategic interests also. I will go by national interest." Similarly, as was first reported by TOI earlier, the hiring of agents or "authorized Indian representatives"* - which are not to be confused with illegal middlemen - by foreign arms companies will also be liberalised. *"The representative (or agent) should be paid a reasonable fee...he should not be a commission agent or be paid depending on the cost of a deal or the success or failure of the deal,"* said Parrikar.

The minister said the revised DPP gives top priority to the new indigenous design, development and manufacturing (IDDM) category under "Buy Indian" to inject a much-needed booster dose into the country's fledging indigenous defence industrial base (DIB) by encouraging the private sector - including micro, small and medium enterprises -- to enter arms production in a major way.

8. PMO blocks Ministries' steel import price plan

Source: **Asian Age** (Link)

Concerned over cheap imported steel from China flooding Indian markets and adversely affecting the investments of domestic companies, a proposal by the steel and commerce ministries to impose a minimum import price (MIP) on certain categories of the commodity is learnt to have been blocked by the PMO for fear that any such move may violate WTO norms and fuel black-marketing. The red signal to the proposed move of the ministries by the PMO, appears to be an embarrassment to the commerce ministry, which, after receiving several missives from the steel ministry, had made plans to issue a notification for imposing MIP (a floor price) below which no imported steel shipment would be allowed to be sold in the Indian markets. This would have helped domestic steel-makers reclaim their market and recover their investments, sources said.

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