Daily Economic News Summary: 15 January 2016

1. Indian retail seen doubling by 2020: CII-BCG study

Source: **Live Mint** (Link)

India's retail sector will double to $1.1-1.2 trillion by 2020 from $630 billion in 2015, riding on income growth, rapid urbanisation and more nuclear families leading to higher per capita consumption, says a new study. The overall growth will be driven by key demographic changes. By 2020, there will be a 70% rise in the income level and 100 million more youths will enter the workforce, says the study titled '*Retail transformation: Changing Your Performance Trajectory*' conducted by industry lobby Confederation of Indian Industry (CII) and consulting firm The Boston Consulting Group.

Nearly 35% of Indians will be living in urban areas and there will be a rapid rise in the number of nuclear families by 2020, says the report which will be officially launched on Friday. While the overall retail market is likely to grow at an annual rate of about 12%, organized retail is projected to grow at 20% and e-commerce at 40-50%, the study said. Organized retail will account for about 12% of the retail market and e-commerce will constitute about 5% by 2020, it said. An earlier BCG report, released in February 2015, said that average household income will increase three times to $18,448 by 2020 from $6393 in 2010. Also, urbanization will increase to 40% in 2020 from 31% in 2015 and more than 200 million households will be nuclear, representing a 25-50% higher consumption per capita spend, the February report said.

By 2020, according to the latest report, about 650 million consumers will be online, of which 350-400 million would be "digitally influenced", helping e-commerce to grow to $45-50 billion from $8-12 billion in 2015. The study says that smaller towns will play a key role in the growth of e-commerce. In tier-II towns, the relevance of variety would increase, driven by lack of options in organized retail, it added.

2. E-Visas a hit, online issuances increase 1040%

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

Over 4.45 lakh tourists arrived in India last year through the online visa scheme registering a growth of 1040.4%. The highest number of tourists came from the UK followed by the United States and Russia. Though the growth figures are high, tourists using online facilities are still a small fraction of the total foreign tourist arrivals. India attracted about 70 lakh tourists in 2015 at a growth of 4.5%. During December, 2015, a total of 1,03,617 tourists arrived on e-tourist visa as compared to 14,083 during December, 2014, registering a growth of 635.8%.

Between January-December, 2015 a total of 4,45,300 tourist arrived as compared to 39,046 during January-December, 2014 registering a growth of 1040.4%, according to tourism ministry data. The facility for applying for visas online was started in November 2014. *"This high growth may be attributed to introduction of e-tourist visa for 113 countries..."* the ministry said in a statement. One of the immediate impact of the decision has been that India has moved 13 positions ahead — from 65th to 52nd rank — in the Tourism and Travel Competitive Index as per the World Economic Forum report.

3. Key defence projects on "Make in India" path

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

The Army is now trying to go "desi" with a vengeance. Long dependent on foreign military hardware for its combat capabilities, the 1.18 million strong force's new mantra is indigenization in tune with the NDA government's "Make in India" policy.

The Army, lagging far behind the much-smaller Navy and IAF in the modernization drive, has now also prioritized 26 procurement schemes that need to be fast-tracked. Seven projects, including acquisition of 155mm howitzers, air defence guns and light utility helicopters, have been placed in the "critical" category, while there are 11 in the "important" and eight in the "essential" ones. Though some of these requirements will have to originate from abroad, the aim is to ensure there is a major Make in India component wherever possible. With "a relatively much larger range and depth of inventory" than the Navy and IAF, the Army is "most suited" to meet its needs of platforms, systems and munitions through indigenous production.

4. Government approves second stage of bidding for Navi Mumbai airport

Source: **Live Mint** (Link)

The Union government has given its approval for second stage of bidding for the proposed Rs.15,000 crore Navi Mumbai International Airport (NMIA). The approval for the financial bid documents or the request for proposal (RFP) paves the way for selecting the final consortium for development of the greenfield airport at Navi Mumbai, City and Industrial Development Corporation (Cidco) said in a statement. On 30 December, the civil aviation ministry reviewed the draft bid stage documents for NMIA and accorded green signal to commence the RFP stage of the international competitive bidding process, it said. *"During the meeting, civil aviation ministry emphasized that the timely implementation of the project... was* *critical in light of the growth in air traffic and the ever increasing congestion at Mumbai airport both on air and land side,"* it said.

Cidco will now finalize the documents after incorporating the observations of the ministry and issue the RFP to pre-qualified applicants to commence the second stage of bidding. *"It is expected that selected concessionaire will be in place by mid 2016 and first flight from Navi Mumbai airport will take off by the last quarter of 2019, thus commencing phase I of airport operations,"* it added.

5. Starbucks' Teavana to debut in India

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

Starbucks, the world's biggest coffee-chain operator, will bring its specialty tea brand Teavana to India this year, said its chairman and CEO Howard Schultz. Starbucks acquired Teavana for $620 million in 2012.

6. Bharti Airtel to sell Burkina Faso, Sierra Leone operations to Orange

Source: **Live Mint** (Link)

Bharti Airtel Ltd on Wednesday said it will sell its operations in Burkina Faso and Sierra Leone to France-based telecom operator Orange. The company did not disclose the size of the transaction, but analysts *Mint* spoke to estimated it at around $900 million. The announcement comes six months after the two companies announced they were in talks on the sale of Bharti's operations in these two countries, besides Chad and Congo Brazzaville. "The agreements regarding potential transactions in the remaining two countries have lapsed," Bharti said in a statement.

According to the agreement, the outlay for Orange for these transactions will be based on the financials of Bharti Airtel's two subsidiaries for the last fiscal year and will represent the equivalent of 7.9 times Airtel's EBITDA (earnings before interest, taxation, depreciation and amortisation) in these two countries at this time. Orange will acquire 100% of the two companies' share capital from Bharti Airtel International (Netherlands) BV, Bharti's holding company for the Africa operations, acquired from Kuwait's Zain in 2010. *"The consolidated revenue of the two companies is around €275 million. These acquisitions will be implemented in partnership with Orange's subsidiaries in the Côte d'Ivoire and Senegal,"* Bharti said, adding completion of the transactions remains subject to approval by the competent authorities. With the deal, Orange gets almost 5.5 million new customers and reaches a total of 20 countries in Africa. *"It's a good deal. The fact they have been able to get this valuation in the current environment is* *a welcome news. They may have bought the operations at nine times, and sold it at a discount (7.9x), and the operations (of the countries Bharti has sold) are among the profitable ones in Africa; you have to remember that for Bharti's Africa operations, it is no more about profit and more about exit,"* said a Mumbai-based telecom analyst with a multinational brokerage firm.

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By Harsha Hazarika