

Daily Economic News Summary: 1 December 2015

1. India's GDP grows at 7.4% in Q2 of FY 16; manufacturing grows at robust 9.3%

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

India's economy picked up pace in the second quarter of the current fiscal, comfortably outpacing China in the same quarter, but the stronger growth has dampened hopes of a rate cut when the Reserve Bank of India reviews its monetary policy on tomorrow. India's GDP rose 7.4% in the second quarter of 2015-16, in line with expectations but faster than the 7% growth recorded in the preceding three-months. China's GDP rose 6.9% in the same quarter.

The high growth was driven by a robust 9.3% rise in gross value added (GVA) in the manufacturing sector. Despite a poor monsoon, agricultural sector did better than expected with a 2.2% rise in GVA versus 2.1% YoY. The GDP growth had declined to 7% in April-June quarter from 7.5% in the previous quarter raising concerns that the recovery was not shaping well. RBI is expected to maintain interest rates after consumer inflation rose to 5% in October and the strong manufacturing growth numbers.

2. India receives \$32.87 bn FDI in October-September

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

India received \$32.87 billion foreign direct investment (FDI) during October 2014 to September this year, informed the Parliament. The sectors, which attracted FDI during the period include computer software and hardware, services sector, trading, automobile, construction activities, chemicals, power, pharmaceuticals, industrial machinery and food processing. In the defence and railway related components, the country received only \$0.08 million (Rs 0.48 crore) and \$23.2 million (Rs 146.65 crore) FDI during the October-September period. *"The Make in India initiatives of the government and its outreach to all investors have made a positive investment,"* Commerce and Industry Minister Nirmala Sitharaman said in a written reply to the Lok Sabha.

3. Railways signs Rs 40,000 crore pacts with GE and Alstom

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

Indian Railways on Monday signed two joint venture agreements with global transport majors General Electric and Alstom Transport for setting up two locomotive factories in Bihar with an investment of Rs 40,000 crore. US-based GE will set up a diesel locomotive factory at Marhowra that will supply 1,000 engines of 4,500 and 6,000 horsepower over 11 years. France's Alstom will set up a manufacturing facility at Madhepura to supply 800 electric locomotives of 12,000 horsepower over 10 years. The factories will be set up at a cost of Rs 1,300 crore each.

GE was awarded the Rs 14,656-crore contract for diesel engines last month, while Alstom had bagged the Rs 21,389-crore contract. Finance Minister Arun Jaitley said: *"The projects are part of the government's decision to invite foreign direct investment (FDI) in rail infrastructure. The projects are a win-win for all."* Alstom CEO Lafarge said: *"It is a unique day for Alstom in India. The engines will bring about 15-20 per cent savings in energy usage. Alstom remains extremely committed to the government's MakeinIndia initiative."* The electric locomotive factory would create 3,000 jobs when it would be commissioned in 2018.

4. Make in India in defence: New acquisition rules this month

Source: **Indian Express** ([Link](#))

The Defence Procurement Procedure (DPP), which will be the roadmap for the government's flagship Make in India programme that is being pushed as the future of defence acquisitions, is likely to be rolled out by the middle of December. The Indian Express has learnt that the Ministry of Defence has conveyed to a delegation from US companies — they held a meeting with ministry officials Monday morning — that the DPP rollout date has been scheduled for December 15. Last Saturday, Defence Minister Manohar Parrikar promised a "perfect" document "soon". *"A meeting was held on Monday morning with representatives of US defence companies. The ministry has promised that the new DPP, as well as the defence offset policy, shall be rolled out in December,"* a ministry official said.

An industry representative, who was at the meeting, confirmed the ministry's commitment. The representative said December 15 has been promised as the DPP announcement date. The DPP-2013, which presently serves as the guiding document for India's defence acquisitions, has been under revision. While existing guidelines facilitate defence acquisitions under various categories such as 'Make Indian', 'Buy and make Indian', 'Buy global', the new policy will incorporate suggestions by the Dhirendra Singh committee for better facilitation of Make in India in defence. Going beyond indigenous production, the new procedure is expected

to define blacklisting of firms, role of agents/middlemen in defence procurements, integrity pact, offsets besides other crucial parameters governing defence acquisitions.

5. Make in India drives CXOs' hiring

Source: **Times of India** ([Link](#))

Airbus, ABB, Siemens and several Indian companies in the manufacturing sector are looking to hire top-level experienced executives to leverage the opportunity that the government's 'Make in India' initiative offers, pushing up hiring activity in the sector by about a third, executive search firms said. Anil Ambani owned Reliance has hired 20 chief experience officers (CXOs) to build its defence business, which includes making fighter jets and submarines.

Power equipment supplier ABB India, while hiring for its local operations, will focus on hiring more from India for its global operation centres and global shared services. The company's Global Engineering and Operations Center for Power Systems in Chennai has about 600 engineers working on ABB's global projects. The plan is to double this by 2017. *"The underlying focus is 'Make in India', which is complemented by niche areas like (high-end) design and R&D in India,"* said Raja Radhakrishnan, country head of HR for ABB India Ltd. *"ABB's expansion of the Chennai center demonstrates its commitment to the 'Make in India' policy."*

In fact, India is the first market where Airbus Group has brought local operations under a single company . *"Given India's importance for us, we have implemented a new organizational structure there with Pierre in charge,"* Air bus Group chief executive Tom Enders had said. *"Formation of a single company will also greatly support our 'Make in India' plans."* Bausset recently identified an Indian executive to lead its strategy in the country. *"We have recently hired atop Indian manager to steer our industrialisation strategy in India which is at the core of our 'Make in India' approach,"* Bausset told ET.

6. New ECB norms allow foreign insurers, funds to finance cos

Source: **Times of India** ([Link](#))

In a move that will improve availability of cross-border funds for Indian businesses, the Reserve Bank of India (RBI) has revamped norms for external commercial borrowings (ECBs). The new norms allow long-term offshore lenders such as insurance companies, pension and sovereign wealth funds to lend to Indian companies. Under the new norms, it has also become easier to raise rupee-denominated foreign debt where the currency risk is borne by the investor.

In a circular issued on Monday, the RBI said that the norms have a more liberal approach, with fewer restrictions on end uses, higher cost ceilings and a very small negative list of end-use restrictions. Besides improving liquidity for Indian corporates, a liberal ECB policy is expected to ease pressure on the currency by encouraging flow of foreign funds.

The new framework introduces a three-track system under which external borrowings will be categorized. Track I comprises medium-term foreign currency-denominated ECBs with a minimum average maturity of 3-5 years. Track II comprises of long-term foreign currency-denominated ECB with maturity of 10 years. The third category is for rupee-denominated external debt with a minimum maturity ranging between three to five years.

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