Daily Economic News Summary: 21 December 2015

1. FDI focus to improve external finances, bolster Re: Moody's

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

Describing India's focus on FDI as "credit positive", Moody's Investors Service said improvement in the external situation will also provide support to the rupee. "If recent changes in the policy successfully shift the composition of foreign capital inflows towards foreign direct investment, it would lower capital account volatility, a credit positive," Moody's Investors Service VP (senior research analyst) Rahul Ghosh said. The government had last month significantly liberalized the foreign direct investment (FDI) regime, putting most of the sectors on the automatic route. According to officials, as much as 90% of in-bound FDI comes through the automatic route. Ghosh said the improvement in India's external accounts in recent quarters, coupled with the growth outperformance against major emerging markets, should provide a measure of support to capital inflows and, by extension, the rupee.

2. Sweden's Saab offers to make Gripen jets in India

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

Swedish defence major Saab has offered to manufacture its fifth generation Gripen fighter aircraft in India coupled with technology transfer in a renewed bid for a pie in the multi-billion dollar IAF modernisation plan. Saab, which had lost out in the medium multi-role combat aircraft tender in 2011 to French firm Dassault Aviation, anticipates the IAF will need more than the 36 Rafale fighters India is buying from France to beef up its depleting fleet.

Saab is not only offering to set up a base in India but also help in the development of aerospace capability for 100 years and partner in developing the next version of indigenous LCA Tejas. Ulf Nilsson, head of Saab's aeronautics division, said the offer of technology transfer would be real as they are offering India 'full system control' and 'full software control'.

3. Cochin Shipyard to build LNG-carrying ships

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

Cochin Shipyard will be the first one in India to build sophisticated ships to carry liquefied natural gas (LNG) under the 'Make in India' initiative. Each such ship costs over $200 million and those built here would be marketed across the world as well. The PSU under the shipping ministry aims to build at least three such ships in the next few years. Shipping ministry sources said Cochin Shipyard Ltd (CSL) has selected French technology company Gaztransport & Technigaz (GTT) to build the LNG carrier containment system. About 90% of LNG ships being built around world are based on the GTT system. *"Cochin Shipyard will be official licence holder of GTT technology from Monday,"* a shipping ministry official said.

With this, CSL will be able to participate in the bidding process to supply such carriers. Gas Authority of India Ltd (GAIL) has already contracted substantial LNG from the US to be shipped over the next 20 years. *"They are in the process of finalizing transportation contracts with reputed LNG shipping companies who can build ships meeting their specifications. Since the government is keen that three of the nine ships required for GAIL should be made in India, CSL will have the advantage in this bidding process,"* said an official.

4. Sugar output up 13.2% than last year so far: ISMA

Source: **The Hindu Business Line** (Link)

A total of 440 sugar mills have produced 47.86 lakh tonnes (lt) of the sweetener till December 15 for the sugar season 2015-16, against 42.29 lt produced by 453 mills in the same period last year, registering an increase of 13.2 per cent.

Also, about 2.5 lt of sugar has been physically exported by mills, and contracts have been entered into for about 5 lt till December 15, the Indian Sugar Mills Association (ISMA) said in a release. However, ISMA said mills across the country were still losing ₹2-3/kg over their cost of production despite a slight increase in domestic ex-mill prices of the sweetener. Overall, till December 15, sugar production has been higher in most producing States, except in Andhra Pradesh and Telangana.

5. Govt issues quality control guidelines for steel products

Source: **Business Standard** (Link)

The government has issued quality control guidelines for various steel products used in the construction industry and kitchen appliances to check imports of sub-standard items. The Steel Ministry in consultation with the Bureau of Indian Standards (BIS) has issued the Stainless Steel Products (Quality Control) Order, 2015 and the Steel and Steel Products (Quality Control) Order, 2015. The orders are aimed at checking sale as well as import of defective or sub-standard stainless steel products.

The stainless steel products (Quality Control) order lists three grades of sheet, strip and plate that are used in manufacturing utensils and kitchen appliances. While, the steel and steel products (Quality Control) Order lists 15 grades of steel products including hot rolled flat products, cold reduced carbon steel sheets, carbon steel billets, slabs among others. The products listed are used in various industries including construction, heavy engineering, among other uses. These orders specify that no person or entity shall manufacture or store for sale, sell or distribute any product which do not conform to the specified standards and do not bear standard mark of BIS.

6. Government sells PSU shares worth $5 billion in 2015, readies 2016 pipeline

Source: **Economic Times** (Link)

Government's disinvestment kitty has almost doubled this year with over Rs 35,000 crore garnered through PSU share sales, but not without the help of its all-time saviour LIC, while a strong pipeline is ready for 2016 with bluechips like NTPC, Coal India and ONGC. At a record high of Rs 35,236 crore (USD 5.3 billion), the total funds collected by the government through part-sale of its stake in the 'family silver' PSUs during 2015 marks a huge jump from about Rs 18,000 raised in the previous year.

The disinvestment proceeds stood at about Rs 22,000 crore in the year 2013. Targetting at least Rs 50,000 crore of funds from sale of the 'family silver' PSU shares in 2016, the government will look for right market conditions and positive global cues to resume its disinvestment drive in the new year as it looks to garner the much-needed resources to meet the deficit targets. The trends in the crude and metal prices would however hold the key as the planned portfolio for the new year largely comprises of commodity stocks.

****