

## Daily Economic News Summary: 3 November 2015

### 1. Core sector growth at 3.2%, fastest in 4 months

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

The infrastructure sector output growth rose to a four-month high in September but two key sectors - steel and cement - contracted, posing some concerns over the overall strength of the key segment.

Data released by the commerce and industry ministry on Monday showed the core sector spanning coal, crude oil, natural gas, refinery products, fertilizers, steel, cement and electricity rose 3.2% in September compared to 2.6% in the same period last year and previous month's 2.6%. The core sector accounts for 38% of the index of industrial production. Industrial output growth rose to a three-year high of 6.4% in August, triggering hopes of a rebound in the key sector. Experts said the numbers were still weak and overall industrial growth would be in the 3%-4% range.

### 2. Moody's upgrades India's banking sector outlook to "Stable"

Source: **NDTV** ([Link](#))

Moody's Investors Service today upgraded its outlook for India's banking system to 'stable' from 'negative' on expectation that a gradual improvement in the operating environment for lenders will lead to lesser growth in bad loans in future. Moody's had assigned a negative outlook to the Indian banking system in November 2011 as it was of the view that the asset quality of the lenders was deteriorating. *"The stable outlook on India's banking system over the next 12-18 months reflects our expectation that the banks' gradually improving operating environment will result in a slower pace of additions to loans problem, leading to more stable impaired loan ratios,"* Moody's VP & Senior Credit Officer Srikanth Vadlamani said.

In the report titled 'Banking System Outlook - India: Gradual Improvement in Operating Environment Drives Stable Outlook', Moody's said the stable outlook is based on Moody's assessment of five drivers -- improving operating environment, stable asset risk and capital, stable funding and liquidity. Also stable profitability and efficiency and the government support has supported a stable outlook for the sector, it said adding the recovery in the asset quality would be U-shaped rather than V-shaped, because corporate balance sheets remain highly leveraged.

### 3. India in talks with Japanese lenders to raise more funds for highway projects

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

India has initiated talks with Japanese lending agencies for funding of its ambitious highways programme which entails addition of over 50,000 km over the next five years. Road Transport and Highways Minister Nitin Gadkari held a discussion with representatives of Japan Bank for International Cooperation (JBIC) last week for increasing its lending to India, a senior ministry official said. *"We want funding on soft terms for highways and expressways projects,"* said the official, who did not wish to be identified.

India needs Rs 5 lakh crore over the next five years to expand its highways to 1.5 lakh km from the existing 96,000 km. In addition, the country has an ambitious plan to construct 10 greenfield expressways spanning over 16,000 km. *"The key issue with infrastructure in country right now is unavailability of funds. PPPs (public-private partnerships) are yet to pick up and expressways anyway are much more capital intensive than highways,"* said Jaijit Bhattacharya, partner-infrastructure at KPMG in India.

JBIC is a major player for providing funding for large infrastructure projects. It will certainly provide a big push to India's roads sector, said Bhattacharya. The bank has already made significant commitment to several power projects in India, and recently to build Andhra Pradesh's new capital in Amravati.

### 4. Microsoft CEO Nadella to visit Mumbai on Nov 5

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

Close on the heels of Facebook founder Mark Zuckerberg's blitzkrieg visit to India, Satya Nadella, the Indian-born chief executive of technology giant Microsoft, will be visiting Mumbai on November 5 to promote the firm's technology initiatives. He will be in Mumbai for a day to deliver a keynote address at Future Unleashed — a technology conference being organised by Microsoft. *"He will meet key industry leaders, government stakeholders, customers and partners. Satya will also be part of interactive sessions with leaders from a cross session of industries including BFSI (banking, financial services and insurance), e-commerce and media and entertainment,"* said a person involved with the event.

*"During Future Unleashed, he will meet Anand Mahindra, chairman and managing director of Mahindra Group; Shikha Sharma, managing director and chief executive officer (CEO) of Axis Bank; Mukund Rajan, brand custodian and spokesperson of Tata Group; Avani Davda, CEO of Starbucks and Dr Devi Shetty, chairman and founder of Narayana Hrudayalaya. He will also be meeting key customers and partners during his visit,"* an official said. Around 3,000 CXOs, developers, IT professionals and partners are expected to attend the two-day event.

Scott Guthrie, executive vice-president (cloud and enterprise group), Microsoft, will speak on November 6.

After Prime Minister Narendra Modi's US visit, where he had extensive meetings with Silicon Valley honchos, including Google CEO Sundar Pichai, Zuckerberg and Nadella, industry experts believe the visits of top CEOs from international tech companies are set to increase. At the 'Digital India' dinner in September with Modi, Nadella had shared what he called a "haunting image" from his childhood in Andhra Pradesh to illustrate how digital India can change lives.

## 5. RCom acquires Sistema India unit in \$690M deal

Source: **Pioneer** ([Link](#))

Reliance Communications (RCom) on Monday said it will buy Russian conglomerate Sistema's Indian mobile telephony business in an all-stock deal, valued at around \$690 million (Rs4,500 crore). The deal, which is expected to close in the second quarter of 2016, will lead to a creation of an operator with 118 million subscribers.

Sistema Shyam Teleservices Ltd (SSTL) will hold about 10 per cent stake in RCom and pay off its existing debt before closing the deal. While the two companies did not disclose financial details of the deal, industry sources said SSTL's equity stake has been valued at \$290-300 million at current prices. RCom's 10 per cent stake comes at around \$300 million.

This is the first consolidation in a highly competitive telecom sector. While RCom is the country's fourth largest operator with 110 million subscribers, SSTL is positioned at number nine with close to nine million users. SSTL offers mobile telephony services under MTS brand across nine telecom circles in the country. *"RCom will acquire approximately 9 million customers and approximately Rs1,500 crore of annual revenues by virtue of the transaction,"* the company said in a statement. The deal will give RCom access to spectrum or airwaves in the 850 Mhz band, which can be used for 4G services that it plans to start by the year-end.

\*\*\*\*\*

By Harsha Hazarika