Daily Economic News Summary: 6 January 2016

1. Increase in infrastructure deals seen for 2016

Source: **Live Mint** (Link)

After a strong year in 2015, deals in the infrastructure sector are expected to rise further this year, promising increased investments from a new set of infrastructure-focused buyers, said sector analysts and investment bankers. A number of such deals are in the due diligence stages and could close during the course of the year, they said. The last year saw several Indian infrastructure developers, weighed down by debt, announce exits from individual highway and power projects to monetize assets and repay creditors. Dozens of assets across roads, power and renewable energy, and several others across ports and airports, are on the block now in the hope of securing attractive valuations.

At the same time, the infrastructure sector as a whole raised about $3.7 billion from 36 transactions in 2015—through mergers and acquisitions (M&As), initial public offerings (IPOs), qualified institutional placements (QIPs) and private equity investments, according to data from Equirus Capital, an investment bank. This is 27% higher than the $2.9 billion raised across 23 transactions in 2014. Of the total deals in 2015, M&As were the largest contributor, and the roads and renewable energy sectors drove half of the overall transactions. About $1.8 billion worth of equity was unlocked through the sale of road, renewables and port assets in 2015, the Equirus data shows.

The firm expects several of the transactions at the due diligence stage to close over the next six months, it said in a presentation on the sector. Others in the field agree with that view. *"I see a lot more deal activity in the infrastructure sector in the next one to two years across ports, roads. Some of the investments from strategic investors or private equity firms could also happen in airports,"* said Vikas Khemani, president and chief executive officer at Edelweiss Securities Ltd. Funds such as US-based I Squared Capital, Indian asset manager IDFC Alternatives' infrastructure fund, Canada's Brookfield Asset Management and Macquarie Group are among active infrastructure-focused financial investors who have invested in the sector and are looking to buy assets across roads, thermal power and renewable energy to build their own portfolio in India. Others such as Morgan Stanley, JPMorgan Chase and Co. and Canadian pension funds are also evaluating investments, *Mint* reported quoting investment bankers in September.

2. Delhi-Mumbai freight corridor work begins

Source: **Live Mint** (Link)

Tata Projects Ltd, an engineering, procurement and construction company, on Monday said it has started work on a 320-km section of the Dedicated Freight Corridor (DFC) project between Delhi and Mumbai. This stretch is a Rs.4,328 crore project and will be jointly developed by Tata Projects and Ircon

International Ltd. The companies have already received advance payments from the government to carry out the construction work.

The DFC will help the Indian railways transport freight at a much faster pace by separating the freight and passenger traffic. The Western corridor project of the DFC from Dadri in Uttar Pradesh to Jawaharlal Nehru Port in Mumbai is being funded by Japan International Cooperation Agency and the Eastern corridor from Ludhiana to Dankuni by the World Bank. Tata Projects and Ircon International are part of the Express Freight Consortium, led by Japan's Mitsui & Co. Ltd. The work for this project is scheduled to be completed in 48 months. The consortium will use automated track layer machines to speed up the work. *"The axle load of the track would be 32.5 tons, at par with tracks in Japan, compared to the current Indian rail tracks of 25 ton axle load. The project, is for civil and track works and will be executed in 2 contract packages –between Vaitarana and Sachin (186 km) and between Sachin and Vadodara (134 km),"* Tata Projects said in a statement. To execute part of the Western DFC, Tata Projects will look into civil engineering work and lay track jointly with Ircon, while Mitsui will provide technical expertise.

3. Mega plan for start ups on Jan 16, 40 Biz giants, VCS, 2k entrepreneurs to participate

Source: **The Pioneer** (Link)

After Digital India, Swachh Bharat Abhiyan and other initiatives alike, the Modi-led Government is holding a day-long session on start-ups in a bid to attract both foreign and domestic investors in the country. About 40 leading business leaders, venture capitalists and around 2,000 start-ups would offer key inputs to the action plan to be launched by Prime Minister Narendra Modi in the middle of the month for encouraging budding entrepreneurs. *"The Government on January 16 is holding a day-long session on start-ups in which around 2,000 new-age ventures, 40 CEOs, and venture capitalists would participate,"* DIPP Secretary Amitabh Kant told reporters here on Tuesday. The Prime Minister will unveil the action plan of the Startup India. About 40 leading CEOs, venture capitalist, angel investors from Silicon Valley will come down, he said adding that by nature, start-up action plan cannot be a one policy. Finance Minister Arun Jaitley would inaugurate the event at Vigyan Bhawan here.

A question and answer session titled 'Face-to-face with Policy makers' is also being organised wherein Secretaries of key departments will answer questions on how the Government will be creating an enabling ecosystem for start-ups. *"The objective is to reinforce commitment of the Government towards creating an ecosystem that is conducive for growth of start-ups,"* he said. The plan would highlight initiatives and schemes being undertaken by the Government to address various aspects relating to developing a conducive start-up ecosystem in the country. *"Start-ups cut across the entire ecosystem. Everybody needs to create an ecosystem for start-ups. We are working together to create a unique ecosystem for them," Kant said. "We want the start-ups to grow and flourish. There are too many issues on compliance. The intention is that Government will keep itself away,"* he added. The action plan, he added, would help the sector in penetrating tier-2 and tier-3 cities in sectors such as manufacturing and healthcare. Speaking about the programme, he said the event will feature interactive talks with global leaders such as Founder and CEO of SoftBank Masayoshi Son; Founder of WeWork Adam Nuemann, Uber Founder Travis Kalanick.

4. PM meets oil, gas sector experts

Source: **The Hindu** (Link)

Prime Minister Narendra Modi held a two-hour meeting with oil and gas experts to discuss ways to infuse funds into exploration. The meet also explored acquisition of global assets, amid falling oil prices and spending cuts being undertaken by domestic firms. *"The discussions focused on subjects such as increasing the share of gas in India's energy mix, fresh investment in oil and gas exploration in India, regulatory frameworks, international acquisition of oil and gas assets, emerging areas such as shale gas and coal-bed methane, and the oil and gas sector related possibilities of 'Make in India',"* according to a statement from the Prime Minister's Office.

The share of natural gas in the energy mix of India, which was at 11 per cent in 2010, is expected to grow to more than 20 per cent by 2025, according to a report prepared by industry bodies for the Petroleum and Natural Gas Regulatory Board. However, most of the country's natural gas demand is projected to be met by imports, with domestic production falling well short of demand. A report by the Ministry projected that domestic natural gas production will grow to 146.87 million metric standard cubic metres per day (mmscmd) in 2018-19, from 90.99 mmscmd in 2014-15. Demand, on the other hand is expected to balloon to 523 mmscmd by 2018-19. It was at 405 mmscmd in 2014-15.

5. Modernisation of rly stations likely, bidding process to begin soon

Source: **The Pioneer** (Link)

In a move to up more investment, the Government is considering allowing more private players in infrastructure space for managing smaller airports while railways will soon invite bids for modernisation of 400 stations, Finance Minister Arun Jaitley said on Tuesday. *"The proposal for allowing management participation of the private sector in some mid-sized and smaller airports is aimed at improving their managerial efficiency,"* he said. Addressing the foundation day of India Infrastructure Finance Company (IIFCL), Jaitley said the Government has set up the National Investment and Infrastructure Fund (NIIF) and is in touch with global sovereign and pension funds to become partners. *"The Railways has now come on to directionally the right track. We are inviting the private sector including foreign investment into infrastructure. Very shortly, the Railways is going to come up with its proposed bids for development of 400 railway stations in the country,"* he said.

As regards airports, Jaitley said the Ministry of Civil Aviation has worked on improving the mid and smaller level. *"They probably need managerial efficiency and therefore management participation of the private sector in some of these airports is a proposal, which they have been considering. I think the Government is very clear with regard to the direction in which it wants to move,"* he said. Reiterating that the Government will continue with its thrust on public spending, he said, *"The public investment has been stepped up in the last year and it will continue to remain stepped up, and therefore when you fight a global slowdown, public investment has to lead the way."*

6. Govt scraps 5% export duty on iron ore pellets

Source: **Economic Times** (Link)

The government has scrapped a 5% export duty imposed on iron ore pellets, as it meets yet another demand of the domestic steel and mining sector reeling under low demand and weak prices. The announcement of the Central Board for Excise and Customs follows a series of measures — such as a safeguard duty, increase in customs duty and imposition of stringent quality guidelines for imported steel — the government has announced since September 2015 to protect the iron and steel industry from rising imports.

The latest step is expected to benefit pellet makers, which include top miners, as well as leading steel players. The 5% export duty was imposed in 2014. More than half of India's installed pellet making capacity of 90 million tonnes is unutilised due to poor demand. Reeling under low demand and low capacity utilisation, pellet manufacturers, in particular, had been insisting on removal of the export duty and a revision in distance-based charges to help them ship the product overseas.

The Pellet Manufacturers Association of India has been arguing for the need to distinguish between a mined product like calibrated lump ore or lumps and pellets, which is a manufactured product that attracts excise duty. The association's secretary general, Deepak Bhatnagar, said the levy had "irreparably hurt" the pellet industry, with capacity utilisation dropping to "an abysmal level" of 35%. *"Pellet prices have dropped from $130 per tonne when the export duty was levied (January 2014) to $59 per tonne CFR now, making even exports nonviable. While the industry lost a golden opportunity to export, the country lost an opportunity to earn foreign exchange,"* he said.

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