

Daily Economic News Summary: 7 June 2016

1. India pips China in smartphone sales pace

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

Global smartphone growth is set to slow, dragged by a slowdown in China, notwithstanding the strong pace of sales in India, which has emerged as the fastest growing market in the world. This highlights the fact that India may have surpassed China's pace of smartphone sales growth, but replacing its Asian rival as the growth driver for the global handset industry seems a long shot, given the vastly smaller market size and majorly rural user base fetching far lower revenue.

2. India ranks second in retail potential

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

India jumped 13 positions and was placed second in retail potential in the 2016 Global Retail Development Index (GRDI), released by AT Kearney, a Chicago-based consultancy. The country was ranked 15 in the previous year. The report profiled 30 developing countries. *"India's high ranking is driven by GDP (gross domestic product) growth, improved ease of doing business, and better clarity regarding FDI (foreign direct investment) regulations. India is now the world's fastest-growing major economy, overtaking China, and retail demand is being fueled by urbanisation, an expanding middle class, and more women entering the workforce,"* said Mike Moriarty, AT Kearney partner and co-author of the study. India's retail sector has expanded at a compound annual growth rate of 8.8 per cent between 2013 and 2015, according to the report.

Analysts, however, did not agree that FDI was a key driver of retail growth in the country. They even questioned if India had made it easy to do business. They argued that while investment was allowed by the government into multi-brand retail stores, the riders put in place made it almost impossible for money to truly flow into the country. *"Most of the growth we see is driven by domestic funding. Look around, there is Aditya Birla Group or Reliance or Future, which are the biggest players in the market,"* said Arvind Singhal, chairman and managing director of Technopak. He said FDI was allowed in single brand retail stores and despite the likes of Zara and H&M, along with some other luxury brands, opening shop in India, their contributions are minimum.

3. Indian stocks top in global valuation

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

India's stock market indices are among the most expensive in the world. The BSE Sensex and NSE Nifty, benchmarks on the two major bourses, are trading at nearly 2.9 times their book value, higher than most other indices in both developed and emerging markets. The S&P 500 in America trades at 2.8x, Indonesia's benchmark index at 2.3x and the Shanghai benchmark at 1.6x the trailing 12-month underlying book value. The Indian indices also offer one of the lowest dividend yields. In the same vein, some of India's high-flying stocks such as Hindustan Unilever, Shree Cement, Asian Paints, Eicher Motors, Gruh Finance and Ashok Leyland are among the most expensive in their sectors across the globe. Eicher trades at nearly 15x its book value, compared with Harley-Davidson's 4.5x. Shree Cement is trading at 7.5 times its book value (or common equity per share), making it the most expensive cement stock in the world. Most of its peer firms in developed and emerging nations are trading at one to two times their book value.

4. Mega refinery: India says ready to offer stake in Saudi Arabia

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

India today said it has offered Saudi Arabia a stake in the mega oil refinery and petrochemicals project proposed in coastal Maharashtra at an estimated cost of Rs 1.5 trillion. *"Recently, I met Saudi officials with an offer of a stake in the proposed mega refinery project in Maharashtra, for which we have already appointed Engineers India as the PMC (project management consultants). We have also finalised the contours of the special purpose vehicle that will carry out this large project,"* Union Petroleum Minister Dharmendra Pradhan told reporters after launching a road-show for auctioning 46 small oil and gas fields to prospective investors.

The minister parried questions about Saudi Arabia's response and also how much equity the government was willing to offer. The statement assumes significance as the minister had last week said that Saudi Aramco, the national oil company of Saudi Arabia, which is also the world's largest oil and gas company in terms of reserves and output, is keen to enter the domestic oil distribution market.

5. Solar power gets a renewed push in Delhi

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

The city is set to become environment friendly in terms of power generation with the state cabinet approving on Monday a solar power policy. The approach outlines regulations and mandates incentives and tax breaks for the generation of rooftop solar power in the capital. The government plans to offer a generation-based incentive of Rs 2 per unit to domestic producers, while building owners will be permitted an additional construction height of two metres if a solar panel is installed on the rooftop. Prepared in consultation with the Delhi Dialogue Commission after extensive consultations with local and international experts, the policy hopes to install 1,000 MW of solar power capacity in Delhi by 2020 and double that in the five years that follow.

Delhi's power minister Satyendar Jain said that solar power was the most viable form of green energy for the capital. *"It has the potential to lower the state's expenditure on energy and reduce its reliance on unsustainable fossil fuels,"* he said. *"It will also reduce the burden on the existing transmission and distribution system, leading to reduced expenditure being incurred on its maintenance."* The policy promotes net metering for all solar plants above 1 kW based according to the regulations already issued by DERC last year. *"These regulations specify the nitty-gritty of how consumers can become renewable energy producers and how the entire process of net metering works,"* explained a government official. *"The regulations specify how people can generate renewable energy on their premises and reduce their electricity bills by the amount of power they supply to the grid."*

6. New players are interested in small oil & gas fields: Dharmendra Pradhan

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

Petroleum minister Dharmendra Pradhan is out for roadshows to woo investors to bid for discovered small oil and gas fields, which could be a litmus test for the government's claim for improving the "ease of doing business". In an interview with ET, Pradhan said new players are showing interest despite muted sentiment in the global energy market. Edited excerpts:

How has been the response to roadshow for small field bids?

We are seeing a lot of interest among new players. The primary response indicates interest from young entrepreneurs too who have tied up with foreign cos for technology. The government's focus is to improve ease of doing business and we hope to facilitate easy entry in the oil and gas industry by simplifying process and giving incentives.

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