

Daily Economic News Summary: 10 June 2016

1. Government rules out capping of airfares

Source: **The Hindu** ([Link](#))

Capping of airfares in the backdrop of passenger complaints of arbitrary tariff hikes was on Thursday ruled out by the government which said that competition among the airlines will take care of the problem. Civil Aviation Minister Ashok Gajapathi Raju said restricting the airfares will not make good business sense as it could also jeopardise the government's regional connectivity plan as such a move may discourage airlines to fly on non-profitable routes. He, however, said a slew of passenger-centric measures including "time-bound" grievance redressal mechanism would be unveiled very soon, emphasising that India's civil aviation market was the fastest growing in domestic passenger travel demand. It is expected that the government was going to announce steps to rationalise the ticket cancellation charges and they are likely to be capped around the base fare, as against current exorbitant fees, as part of passenger-friendly initiatives.

The Minister said at least 32 airports built by Airport Authority of India at a cost of at least Rs 3,000 crore over the years were lying "unconnected" and putting any restriction on market-driven fares may jeopardize government's plan to start flight services to those airports. Holding that putting a cap on airfares may have an adverse impact on growth of aviation sector, Mr. Raju said his Ministry keeps a "continuous tab" on price movements to ensure that the rates are under check. His comments come at a time when the government is discussing ways to address issues related to steep fluctuations in airfares, especially during peak seasons and natural calamities. Minister of State for Civil Aviation Mahesh Sharma last month had announced that capping of fares will be announced soon.

2. E-commerce, a Rs 2.1 trillion business by December 2016

Source: **Live Mint** ([Link](#))

The e-commerce market that was valued at Rs.1.2 trillion at the end of December 2015 will touch Rs.2.1 trillion by December 2016, according to the Digital Commerce Report 2015, by the Internet and Mobile Association of India (IAMAI) and IMRB International. Between December 2011 and December 2015, the market has grown at a compound annual growth rate (CAGR) of 30%. The main contributor is travel which accounts for 61% of this. It will grow by around 40% to touch Rs.1.2 trillion by the end of 2016, the report said. This includes air-, train-,

and bus-tickets booked online, as well as hotel rooms booked online. E-tailing will grow 57% over 2015 to become a Rs.72,639 crore business this year, the report said. Financial services (Rs.5231 crore, a CAGR of 17% since 2012) and other online services such as booking movie tickets, food-tech, and cab aggregators (Rs.5,207 crore, a CAGR of 36%) account for the rest.

3. Capacity for renewable energy in India hits 42,840 mw; surpasses capacity of hydel projects

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

India's quest for green energy has crossed a major milestone, with renewable plants, mainly wind and solar, surpassing the capacity of large hydroelectricity projects, which were once the country's biggest source of electricity and regarded as "temples of modern India". The total capacity of renewable energy projects expanded to 42,850 megawatts, overtaking hydropower that stood at 42,783 mw, out of the country's total capacity of about 3 lakh mw on April 30, as per the latest assessment of the Central Electricity Authority. However, the country still depends primarily on thermal power, which has a much higher installed capacity.

Supply from renewable plants depends on sunshine or wind, which are not consistently available. Nevertheless, officials said the surge in renewable capacity marks a significant structural change in the energy landscape of India, which has emerged as the world's fastest-growing renewable energy market that has companies from Finland and South Africa participating in auctions for solar-powered projects. Power, Coal and Renewable Energy Minister Piyush Goyal has set a Rs 6-lakh-crore target of building renewable energy plants. This includes 1lakh mw of solar power capacity by 2022, five times the earlier target of adding 20,000 mw. *"Initially, the target looked very ambitious, but it now looks achievable,"* a government official said.

4. Yamaha bets on scooters to increase market share in India

Source: **Live Mint** ([Link](#))

India Yamaha Motor Pvt. Ltd (IYM) launched Cygnus Ray-ZR, its fourth scooter in the country, with a simple motive: to broaden its customer base and grab a bigger slice of the growing scooter pie. The launch makes sense. Over the past five years, companies which introduced scooters to their product portfolio have gained market share while those who didn't lost out, clearly indicating that scooters are key to success in the two-wheeler market, according to Binaifer F. Jehani, director at CRISIL Research. *"In India, scooters are the fastest growing segment and are conducive to Yamaha's overall plans. Yamaha has been able to capture a*

decent market share (7%) in a very short span of time and hopes to continue the same in the future," said Roy Kurian, vice-president-sales and marketing at Yamaha Motor India Sales Pvt. Ltd. Yamaha Motor India Sales (YMIS) is a wholly-owned subsidiary of Yamaha Motor Co. (YMC) of Japan and supports the sales and marketing of India Yamaha Motor (IYM). IYM, which is targeting a 10% market share by year end, has a scooter for almost every segment of its target audience.

5. IKEA to increase cotton sourcing from India, gears up to start retail operations

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

Swedish furniture major IKEA is increasing sourcing of cotton from India for its textile requirements as it gears up to start retail operations there by next year. The company, which is working with around four lakh farmers in India through local partners under its better cotton initiative (BCI) programme, is sourcing almost one-third of its global requirements from India. *"Till now, IKEA retail was not present in India. Given the retail plan which we have till 2025, obviously sourcing of sustainable textiles from India would increase dramatically even for the local market,"* IKEA Cotton Leader Pramod Singh said. While he did not share details of cotton sourcing, in 2015, the company had sourced around 35 per cent of its cotton from India followed by Pakistan at 21 per cent. Asked by how much cotton sourcing from India can increase going forward, Singh said, *"if you add the retail expansion in India, the percentage is going to increase and will not remain the same. Indian cotton is used by not only Indian suppliers, but IKEA's suppliers in Bangladesh"*, he said, adding that *"India is the source of one-third cotton of IKEA."*

6. Dual-branding strategy rings success for Lenovo

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

When handset maker Lenovo acquired Motorola two years ago, the \$2.9 billion transaction was a leg-up for the Chinese player, desperate to make in-roads in the US. Motorola, with an 85-year history in the US, was just the right fit for the company, which had no presence in that market. It was also coming to Lenovo at a fraction of the \$12.5-billion that Google paid to acquire Motorola in 2011. But the question foremost in most minds was whether Lenovo could manage two competing brands in its portfolio. That appears to have been resolved by the Chinese maker, which has neatly segmented its portfolio on the basis of price.

While Motorola is popular in the Rs 5,000-15,000 smartphone segment, Lenovo gains ground in the Rs 25,000-35,000 segment, conversations with multiple retailers and trade sources

reveal. In the Rs 35,000 and above price point, it is Motorola that steps in again, with models such as the Moto X Force and the Motorola Nexus 6. Jaipal Singh, market analyst, client devices, IDC India, says, "A dual brand strategy is not uncommon among mobile phone vendors. It provides room to target different sets of consumers under the same umbrella brand and a tested strategy to manage its product lines across channels."

BY Harsha Hazarika