Daily Economic News Summary: 12 September 2016

1. RBI study optimistic on investment demand

Source**: Live Mint (Link)**

The Reserve Bank of India's (RBI) annual study on private corporate investment sounds optimistic about a revival in capital spending. It lists the government's ease of doing business initiatives, progress in unclogging stalled projects, liberalization of foreign direct investment rules, government employees' pay revision and good monsoons that will boost consumption as "factors that may help in turning around the investment outlook in the near future". "Improvement in the performance of the corporate sector including its leverage gives reason to be optimistic for the year ahead," it said, referring to the RBI's June Financial Stability Report.

The key to this reviving capital expenditure, however, will be new investment intentions that companies announce this year. That's because sanctions for institutionally assisted projects carried forward into the current fiscal amount to just Rs.67,400 crore. For comparison's sake, in 2015-16, project sanctions carried forward amounted toRs.81,900 crore. Since total capital spending by this set of companies amounted to Rs.1.5 trillion in 2015-16, Rs.83,800 crore will have to come from new investment intentions this fiscal year to maintain the level of aggregate capital expenditure.

2. India pushes ayurveda in BRICS wellness index

Source: **Business Standard (Link)**

Among the many indices claiming to follow up on the Human Development Index is the BRICS Wellness Index. In the run up to the eighth BRICS Summit in Goa in October, where the heads of member nations will converge, organisations from these countries feel they can begin work on such an index. The index has a commercial aspect to it too. India is pushing for promotion of traditional medicines as the key element for achieving success in climbing the ranks in the index. For Indian companies with a portfolio in ayurvedic products, this push could mean a major opening up of new markets. Speaking at a seminar in Bengaluru to brainstorm on development of such a Wellness Index, Union Minister for Chemicals and Pharmaceuticals Ananth Kumar said one could consider if a global organisation for propagating the value of traditional medicines under the World Health Organization was a feasible one.

3. Three companies get Sebi nod to launch InvITs
Source: **Business Standard** (Link)

More than two years after markets watchdog Sebi had issued guidelines for infrastructure investment trusts (InvITs), the regulator has finally granted three companies-- IRB Infrastructure, GMR and MEP Infrastructure to launch the trusts. Accordingly, these companies will float IRB Invit Fund,GMR Infrastructure Trust and MEP Infrastructure Trust shorly as per Sebi, which is likely to relax norms for the real estate investment trusts (REITs) and InvITs later this month.

With a view to help infra developers mop up funds for long-term projects in a more transparent manner, Sebi had in August 2014 introduced InvITs -- an investment vehicle that would enable promoters to monetise completed assets. But the move failed to get enough attention of businesses owing to taxation issues. Following this, Sebi had recently said its board would look at relaxing the guidelines for both REITs as well as InvITs.

4. Balkrishna Industries hits new high on strong Q1 earnings

Source: **Business Standard (Link)**

Balkrishna Industries hit a record high of Rs 920, up 3% on the BSE in an otherwise weak market after reporting 47% year-on-year (YoY) growth in net profit at Rs 149 crore for the quarter ended June 30, 2016 (Q1FY17), on back of strong volume growth. The company engaged in tyres business had profit of Rs 102 crore in a year ago quarter. The company said it achieved sales of 41,456 MT (+11% YoY) in the reporting quarter. It has given volume guidance at 160,000 MT- 170,000 MT for the financial year 2016-17 (FY17). The EBITDA (earnings before interest, taxes, depreciation and amortization) margin expanded to 28% in Q1FY17 from 12.8% in Q1FY16, due to lower raw material and other expenses. After an initial spurt in raw material prices in April & May, rubber prices have stabilized, it added.

5. Metro Cash & Carry to focus on existing market in India for expansion

Source: **Live Mint** (Link)

After finding a right model in India, German wholesale major Metro Cash & Carry is ready to expand its business in India, although it will prioritise existing markets to consolidate its position.The company, which is aiming to have 50 stores by 2020, has opened its 23rd store in Lucknow and is gearing up to roll out rest 27 stores in the next four years. "We have got a right model now and (are) ready for rapid expansion in the country. We have now become the largest cash & carry store in the country," Metro Cash & Carry India MD Arvind Mediratta told *PTI*.

The company, which is currently operating six stores in Bangalore, three in Hyderabad, four in Punjab and two each in Delhi and Mumbai, is not looking at expanding in new regions. "Our strategy is not to get into a pan India presence but to make sure that we are able to expand and intensify our presence in these chosen markets," he said. Mediratta further said: "We want to invest in the big markets like Karnataka, Andhra Pradesh, Maharashtra, Gujarat, Delhi NCR and UP". According to him, a place like Bangalore, where Metro already operates six stores, still has potential of having two more. The company, which follow October-September calender, has added five stores this fiscal.

By Nandini Malhotra