Daily Economic Newsletter: 14 July 2015

1. Rosneft eyes Indian solar power market

Source: **Live Mint** (Link)

Russia's OAO Rosneft, the world's largest publicly traded oil company, is exploring a huge investment in solar energy in India, in a move that is as much a sign of the company's interest in the Indian market as it is the potential of solar energy in the country.

"Representatives from Rosneft have met the Indian government officials. They want to set up a capacity ranging between 10,000MW (megawatts) to 20,000MW," said a government official who spoke on condition of anonymity. At an investment of around Rs.6 crore per MW, a 10,000MW capacity will entail an investment of around Rs.60,000 crore.

Russian energy companies are looking at new investment avenues in the aftermath of the collapse of international crude prices and also to work around the economic sanctions imposed on the country by the US and the European Union. At the same time, India is seeking to expand its energy mix by encouraging more investment in green power.

Rosneft's interest also stems from India's plans to install 100,000MW of solar power capacity by 2022. India needs as much as $200 billion to meet its target and the government aims to provide green power at less than Rs.4.50 a unit. This initiative comes in the backdrop of news that the Essar Group plans to sell as much as 49% of Essar Oil Ltd to Russia's OAO Rosneft, in which the largest shareholder (with a 69.5% stake) is the Russian government.

2. Indian metals industry may be hit by China's faltering economy

Source: **Economic Times** (Link)

Adverse economic developments in China, which accounts for 40 per cent consumption of major metals globally, will negatively impact the metals industry in India, says a rating agency. *"Adverse economic developments in China may have a directionally negative impact on the Indian metals industry as well as on sectors with an export focus,"* India Ratings and Research (Ind-Ra) said in a statement.

3. Higher retail inflation dents hopes of an RBI rate cut

Source: **Live Mint** (Link)

Retail inflation accelerated to an eight-month high of 5.4% in June, from 5.01% in May, as food items became costlier after the government's weather forecaster predicted deficient monsoon rainfall for the second year in a row.

The data released on Monday fueled concern that the Reserve Bank of India (RBI) may press the pause button on rate cuts in its next monetary policy review on 4 August. Food-price inflation measured by the consumer price index quickened to 5.48% in June from 4.8% in May on higher prices of vegetables as well as protein-rich food items such as meat, fish, egg and pulses.

Prices of clothing and footwear rose by 6.34% last month from 6.1% in May. Significantly, rural India now faces a higher level of inflation—6.07% in June. Consumer price inflation was 4.55% in urban India in the same month.

4. Foreign banks register strong profit growth

Source: **Live Mint** (Link)

Foreign banks led by Deutsche Bank AG and Standard Chartered Plc reported strong profit growth from their Indian operations in the year ended 31 March on demand for loans and income from trading.

However, the spectres of non-performing assets (NPAs) have continued to haunt these banks. Standard Chartered and Hong Kong and Shanghai Banking Corp. Ltd (HSBC) have seen a rise in bad loans as a percentage of total advances, even as Singapore-based DBS Bank Ltd slipped to its first loss in India as it set aside money to cover bad loans because of delinquencies the bank suffered in the previous fiscal year.

Net profits of both Deutsche as well as Standard Chartered almost doubled in the year ended 31 March from the previous fiscal year. Citibank NA, however, maintained its position as the most profitable foreign bank in India. Standard Chartered's net profit rose 93% to Rs.3,051 crore in the year ended March from Rs.1,584 crore in the previous year, helped by a drop in provisions as it kept expenses under check.

5. Port trusts set for a hybrid makeover

Source: **Live Mint** (Link)

The shipping ministry has opted for a hybrid model (incorporating Companies Act features into the Major Port Trusts Act) for altering the institutional structure of 11 of the 12 ports it runs. The decision is a clear indication that the much-talked-about plan to convert these harbours into full-fledged corporate entities from a trustee setup may not work because of political considerations and a workforce that is hostile towards the move.

On 5 June, shipping minister Nitin Gadkari said in Mumbai that the government was looking at alternatives to corporatization. "Finance minister Arun Jaitley had told us (in the budget) about the Companies Act, but we are looking at other alternatives beyond the Companies Act to modernize and upgrade the ports," Gadkari told reporters without giving details of the alternatives being considered.

Currently, 11 of the 12 ports controlled by the Union government function as trusts under a law framed more than five decades ago called the Major Port Trusts Act, 1963 (MPT Act). Kamarajar port located at Ennore in Tamil Nadu is the only exception; it was formed as a company under the Companies Act, 1956, when it was opened in 2001 and hence is free from rate regulations unlike the other 11 ports. The alternative plan hinted at by Gadkari has been revealed in a 7 July tender issued by the shipping ministry seeking to hire a legal firm to rewrite the MPT Act.

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By Harsha Hazarika