Daily Economic News Summary: 18 July 2016

1. Power surplus India to electrify B'desh trade

Source: **Times of India** (Link)

After turning power-surplus, India is working with Bangladesh on a plan to double the capacity of existing transmission interconnects and set up a third link for increasing cross-border electricity trade in a bid to widen the regional market as new generation capacities come up on both sides. Sources said the two sides are working to double the capacity of the Baharmapur-Bheramara line to 1000 MW and also examine the possibility of raising the Tripura-Comilla line's capacity to 200 MW. Also, on the table is a proposal to lay a third line from Assam's Bongaigaon to a suitable inter-connect point in Bihar through Bangladesh. Through the proposal is a nascent stage, sources said a HVDC (high voltage, direct current) line with a capacity of around 2000 MW is being looked at.

2. India Inc upbeat on economy, higher profits

Source: **Business Standard** (Link)

India Inc is more confident in the first quarter of the current financial year about the macro economy and their own companies than any of the previous six quarters, shows a survey by the Confederation of Indian Industry (CII). The Business Confidence Index rose to 57.2 points in April-June of FY17, compared to 54.1 in the previous quarter. The index is based on a survey conducted by CII covering about 200 firms of varying sizes. However, companies are still not forthcoming in increasing their investments despite expectation of increase in sales and profit after tax, thanks to excess capacity. Weak global recovery, low consumption demand, high borrowing costs and a lack of political consensus on economic reforms remained the key concerns of the companies surveyed. More than the current situation, it is expectation about the macroeconomy and their own firms in the remaining period of the year that pushed up the index to the second highest level since the Narendra Modi government took over in May 2014. Before this, the index was higher only during the second quarter of FY15 at 57.4 points.

3. Indian economy on track to meet projected growth target of 7.4% in FY17: ADB

Source: **Live Mint** (Link)

The Indian economy has shrugged off global headwinds and is on track to meet its projected growth target of 7.4% in 2016-17, supported by brisk consumer spending and an uptick in the rural economy, the Asian Development Bank (ADB) said on Monday. The Indian economy grew at 7.6% in 2015-16 and the government expects it to expand at above 8% in 2016-17. In a supplement to its Asian Development Outlook released in March, ADB said, as measured by the purchasing managers' index, India's manufacturing steadily inched up over the first quarter (April-June) of 2016-17, reaching 51.7 in June as new orders proliferated. *"However, actual industrial production suffered a small contraction, dragged down by a larger contraction in manufacturing output,"* it added.

After a weak start, the monsoon picked up in mid-June and overcame early rain deficit by the first week of July, ADB said. *"The improved monsoon encouraged more planting of rice, pulses and sugarcane into July. There are some signs of an uptick in rural demand in anticipation of good monsoon and a rural-oriented government budget. Reforms like the passage of the Bankruptcy Code, which creates time-bound processes for resolving corporate insolvency, and the easing of rules governing foreign direct investment are likely to facilitate business,"* it added. ADB said in India, the pick-up in inflation was driven entirely by food prices, while fuel inflation eased marginally and core inflation remained largely unchanged. In June, retail inflation marginally inched up to 5.77% from 5.76%.

4. Nitin Gadkari again woos Tesla to invest in India

Source: **Live Mint** (Link)

Transport minister Nitin Gadkari who is on a visit to US has offered American automotive company Tesla various sops including land parcel to form joint ventures with Indian automobile companies to intordunce pollution free road transportation in India. In a press statement, the transport ministry said that Gadkari along with transport ministry officials visited Tesla factory near San Francisco and asked them to look at collaborations with Indian automobile firms to manufacture electric and solar-energy based automotives. The idea is to have special eco-friendly automobile fleed for commercial and public transportation in India. Gadkari also asked Tesla to outline their proposals for entry into Indian market.

Offering land on any of the major ports in India, Gadkari told Tesla's senior executives to make India their Asia manufacturing hub and extended support to facilitate exports of their vehicles to South and South East Asian countries. Gadkari said the Indian government was committed to encouraging alternate pollution free transport in the country by providing incentives to bio-fuel, CNG, ethanol and electric vehicles.

5. Schreiber Dynamix sets up Rs 100 Crore plant in Punjab

Source: **Live Mint** (Link)

Schreiber Dynamix Dairies Pvt Ltd (SDDPL) on Sunday launched its second aseptic food processing and packaging facility at Fazilka. Set up in International Food Park, Rs.100 crore was invested in this project, the company said in a statement. The facility was inaugurated by Francois Salamon, president of Schreiber International; Amitabha Ray, chairman and managing director of SDDPL and Kandarp Singh, managing director of Tetra Pak South Asia Markets.

SDDPL is country's first dedicated contract packer for foods in Tetra Pak cartons and uses Tetra Pak's advanced processing and packaging technology to partner leading food and beverage players like PepsiCo, Nestle, Danone, Britannia and Hector Beverages, it said. Aseptic beverages offer high quality and safe products with long shelf life, without the need for refrigeration or preservatives, it said, adding that currently, brands like Tropicana, Nestle and Paper Boat are processed and packed in SDDPL's plant at Baramati, Maharashtra.

Salamon said: *"The market for aseptic beverages in India is showing exponential growth and there still is a lot of untapped potential. This along with the Government of India's support in developing Food Parks has given us the impetus to invest in a second facility"*. Ray said that with his company's existing plant at Baramati running at full capacity, this new integrated facility not only increases production capabilities, but also gives a geographical advantage to cater to consumers in North India who account for 50% of the country's aseptic beverage consumption.

6. Thales bets big on India, scouting for more partners

Source: **Live Mint** (Link)

French defence major Thales SA is keen on increasing its over six-decade-old footprint in India and aims at roping the country in a much bigger way into its global supply chain. Maintaining that Thales has "ambitious plans" involving India, which currently contributes less than 2.5% to the company's €14 billion annual turnover, a top executive said they are looking at more joint ventures besides the ones already in place with state-run Bharat Electronics Ltd

(BEL), Samtel Avionics Ltd and Larsen and Toubro Ltd (L&T). *"We have ambitious plans for the future. We believe that we can go much further. We see our activities in India not only as the right approach to get some business here but we also see our activities as a way to increase our footprint in other countries through export from India,"* Pascale Sourisse, Thales senior executive vice-president (international development) told *PTI.*

She said the company's strategy in India is defined not only by a regional or domestic view but should be seen as involving the country in the group's global strategy. *"We believe India will play a big role in the global strategy of Thales going forward. Our assessment is we need to do much more. Currently what we have done is to actually work on our purchasing policy to identify more Indian companies that can be suppliers,"* Sourisse said.

7. Ashok Leyland to set up bus assembly unit in Kenya

Source: **Live Mint** (Link)

Hinduja Group flagship Ashok Leyland will be setting up a bus assembly plant in Kenya with an investment of Rs.70 crore as part of its global expansion plans. The new plant in Kenya will serve at least three neighbouring countries, besides catering to local demand. *"We are setting up a bus assembly plant in Kenya through a wholly-owned subsidiary. This plant will have an annual capacity of 1,200 buses,"* Ashok Leyland senior vice-president (Global Buses), T Venkataraman told *PTI*. He said the setting up of the Kenya plant will begin this quarter itself. *"This plant will also serve as an export hub for three neighbouring countries, besides meeting local demand in Kenya,"* he added.

Amid tough global market conditions, the company has been working to enhance its international presence. The company already has a manufacturing facility at Ras Al Khaimah in the UAE, which was set up as a joint venture with the Ras Al Khaimah Investment Authority (RAKIA). The plant has an annual capacity of 2,000 vehicles and caters to demand of the Gulf Co-operation Council (GCC) and African markets from the plant. Ashok Leyland's overall commercial vehicles exports, however, have been in decline so far this fiscal, which stood at 2,226 units in April-June, down 34.16% from the year-ago period. Besides conventional buses, Ashok Leyland has been focusing on new technology such as hybrids through its UK arm Optare Plc, in which it holds a 75.1% stake.

BY Harsha Hazarika