Daily Economic News Summary: 22 March 2016

1. Govt prepares bailout for steel sector

Source: **Live Mint** (Link)

The government is readying a financial package to help revive the steel sector and also prevent bank loans advanced to steel firms from turning bad. The steel and finance ministries are working on a package for the steel sector that will be finalized in the next two months, steel secretary Aruna Sundararajan said. A number of options are being considered, including bringing in international investors to invest in domestic steel companies, Sundararajan said at a *CNBC TV18-Mint* event on Monday. *"There are a broad range of proposals that include banks taking certain equity as redeemable preference shares and then giving the companies enough time to redeem them. There are other proposals, where we are looking at bringing in financial investors who can hold some of these stakes for a period of time, and then when the company comes back to health, they can disinvest,"* Sundararajan said. *"We are also looking at bringing in certain external or international investors who can pump in fresh equity into these companies. There has been a fair degree of interest from international investors,"* she added. The government's move comes after similar efforts in the roads and power sectors. And it comes even as the banking system faces considerable stress from non-performing assets.

2. New defence procurement procedure to be unveiled at Defexpo

Source: **Live Mint** (Link)

The new Defence Procurement Procedure (DPP) that will introduce measures to promote indigenization and self-reliance in defence will be unveiled at the Defexpo India 2016, a biennial show of military and security systems. On 11 March, defence minister Manohar Parrikar said DPP 2016 is being finalized. Enabling provisions for utilization and consolidation of design, development and manufacturing infrastructure available in the country are included in the proposal, the minister said. Parrikar said the defence acquisition council (DAC) has approved a set of amendments to simplify the offsets process. Offsets, currently, are a provision in DPP that require any foreign arms maker securing an order worth more than Rs.300 crore from India to source components worth 30% of the value of the order from India.

During 2014-15 and 2015-16, the DAC approved 66 capital procurement cases at an estimated cost of Rs.1.98 trillion, according to the defence ministry. During 2014-15 alone, 47 capital procurement contracts valued at Rs.64,859.52 crore were signed. In the 11 months to February 2016, 44 such contracts valued atRs.39,955.36 crore were signed. The objective of the new DPP is to ensure expeditious procurement of the approved requirements of the armed forces in terms of capabilities sought and time frame prescribed by optimally utilizing the allocated budgetary resources. *"However, pendency sometimes occurs in procurement cases due to several reasons, such as insufficient and limited vendor base, non-conformity of the offers to the Request for Proposal conditions, long field trials, complexities in contract negotiations and long lead time for indigenization etc,"* the ministry admitted in a statement on 11 March.

3. India to outperform emerging markets in 2016: Morgan Stanley Survey

Source: **Economic Times** (Link)

India is expected to outperform emerging markets in 2016 although there is a considerable weakening of conviction among investors regarding the country compared with that in the second half of last year, according to a survey conducted by Morgan Stanley. While 52% of the respondents in the survey said they expected India to outperform emerging markets this year, 85% respondents had done so in the previous survey conducted in the second half of 2015. The concerns over the health of the global economy have triggered a risk averse sentiment among global investors, who had withdrawn money from riskier assets including India, and moved to gold and developed world bonds. But the survey conducted by the American financial services firm showed that a majority of foreign investors continue to have confidence in India's growth story. The Sensex has gone up 10% since the Budget for 2016-17 was presented on February 29.

4. Air India gains from Star Alliance

Source: **Business Standard** (Link)

State-owned Air India's decision to join Star Alliance, a global partnership of airlines in July 2014, has benefited it. Star Alliance's 28 members offer a network of 18,500 daily flights to 1,300 airports in 192 countries. The members sell tickets jointly and a single interface for passengers to book tickets in member airlines. According to Pankaj Srivastava, commercial director of Air India, partner airlines have brought in a lot of benefits. Of the airlines in the alliance, 16-17 operate to India but their destinations are limited to Mumbai and Delhi. *"AI gets the opportunity of flying those passengers to different destinations in India (via what is termed code sharing). It makes commercial sense,"* said Srivastava.

AI's revenue from alliance member-airlines doubled from Rs 110 crore in 2013-14 to Rs 213 crore in 2014-15. Till December in the present financial year (ending March 31), it had earned Rs 180 crore from the alliance. There was apprehension that the alliance might result in

AI not going for expansion on long-haul routes but be content to act as 'feeder' to some of the more powerful members like Lufthansa, United Airlines and Air Canada. However, Srivastava said the alliance opened new gateways for them.

5. FIPB clears 15 FDi proposals worth Rs 7262 crore

Source: **Econoic Times** (Link)

Japanese insurer Nippon Life Insurance, Tata AIA and Aviva Life were among the 15 companies whose foreign direct investment proposals totalling Rs 7,262 crore have been approved by the FIPB. Besides, the proposal of Yes Bank to hike foreign investment limit to 74 per cent from existing 41.87 per cent without any sub-limits has been referred to the Cabinet Committee on Economic Affairs (CCEA). *"Based on the recommendations of the Foreign Investment Promotion Board (FIPB) in its meeting held on March 7, the government has approved 15 FDI proposals involving Rs 7,261.6 crore and recommended one proposal for approval of CCEA involving FDI of Rs 6,885 crore,"* a Finance Ministry statement said. The Board also approved the proposal of Taurus Ventures for issuance of shares to the shareholders of Max India pursuant to a demerger of Max India Ltd.

6. Jindal shaded all set to tap $6Bn construction mkt in GCC

Source: **The Pioneer** (Link)

Jindal feels Jindal Shadeed Iron and Steel (JSIS) with its 1.4 MTPA rebar facility is all set to take advantage of the $6 billion market opportunity in the region. JSIS, a subsidiary of the steel-to-power group Jindal Steel and Power (JSPL), has invested $1.2 billion to set up a 2 million tonne per annum (MTPA) steel melting shop and a 1.4 MTPA rebar mill at the industrial port city of Sohar in Oman. The firm, which boasts of the third largest steel plant in the GCC, hopes to beat competition from China and other steel-surplus nations to get a significant pie in the region’s USD six billion TMT bars market with the newly inaugurated rebar mill. According to market analysts here, GCC requires around 15 million tonnes of steel annually. The current prices have gone up from $360-380 a tonne to $410-420 per tonne, which is a significant market in the region.

By Harsha Hazarika