

## Daily Economic News Summary: 29 June 2016

### 1. Narendra Modi's \$27 billion oil quest gives services firms a lifeline

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

India is offering global oilfield service providers starved of new contracts a \$27 billion lifeline as the government's ambition to cut fuel imports drives fresh investment. Spending plans are ratcheting up and stalled projects restarting after the government in March announced pricing freedom for natural gas from deepsea fields that begin production this year. Coming at a time when the cost of rigs and services has halved, that's prompted India's largest explorer Oil and Natural Gas Corp. to launch its biggest development campaign yet. Reliance Industries Ltd. is preparing to restart work at four offshore oil and gas blocks.

The flurry of activity is providing some respite to services companies including Schlumberger Ltd., Technip SA and Halliburton Co. that were stung last year by more than \$100 billion in slashed spending by explorers as oil collapsed. Investments in India are growing to meet Prime Minister Narendra Modi's target of cutting import dependence by 10 per cent over six years as increased consumption puts the nation on track to become the world's third-largest oil consumer. *"In India, there are two to three major identified projects and they are probably bigger than anything else going on in rest of the world,"* Technip India's Managing Director Bhaskar Patel said in an interview. *"India is a place where there is work available."* India's hydrocarbon resources still remain highly undeveloped and the government's new liberal approach is nudging companies to invest in tapping them. The measures are expected to boost gas output by 35 million standard cubic meters a day and unshackle projects worth 1.8 trillion rupees (\$27 billion), Oil Minister Dharmendra Pradhan had said when the policy changes were announced.

### 2. Rs 50 crore "jewellery park" set to come up in Mumbai in Bid to boost exports

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

A Rs 50-crore 'jewellery park' is set to come up in Mumbai as part of the central government's two-pronged efforts to boost exports that include common facilitation centres for diamond jewellery workers in small units where they will be able to share expensive equipment on pay-per-use basis. The jewellery park, for which the state government will provide land, will be more of a manufacturing cluster where facilities for training and testing including laboratories will be present in one area, officials said. *"A comfortable working environment will improve productivity of the karigars (artisans), make the product price more competitive and increase*

*profitability,"* an industry expert said, requesting not to be identified. He said the proposed jewellery park will generate employment for 80,000 people. Under the second scheme, the government has identified four locations in Gujarat where any artisan engaged in polishing and adding value to raw and uncut diamonds will be able to use expensive machinery.

### **3. India Inc's balance sheet improving: Financial Stability Report**

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

The performance of the corporate sector has improved in the past year as the number of leveraged companies has fallen and the amount of debt in companies' books has also declined, Reserve Bank of India (RBI) said in its bi-annual Financial Stability Report (FSR). The proportion of both leveraged and highly leveraged companies fell in March from a year ago — leveraged companies, with a negative net worth or a debt-to-equity ratio of 2% or more, dropped to 14% of the RBI sample size in March from 19% in March last year. The debt of these companies also dropped 20.6% of the total corporate debt compared with 33.8% last year.

### **4. Adani eyes financial services, ties up with Macquarie for NBFC**

Source: **Times of India** ([Link](#))

Billionaire Gautam Adani is taking his port-to- power conglomerate into financial services. Adani Finserv, the latest business entity in the \$10-billion Adani Group, is set to launch a non-banking finance company (NBFC), possibly through a partnership with Australian giant Macquarie, as it joins a growing list of conglomerates that have branched into financial services. Adani, 54, will pump in Rs 500 crore to float the NBFC unit, which will lend to infrastructure and real estate. Macquarie is in advanced discussions to combine its own NBFC with Adani Finserv, sources directly familiar with the matter said. Macquarie Capital's India head Gaurav Gupta, an investment banker close to Adani, will spearhead the latter's financial services foray and hold a small stake in the business.

Adani Finserv plans to build a full suite of financial services even as the NBFC would look to build a Rs 1,500-2,000 crore balance sheet, funding infra-building in Asia's third largest economy. Adani Finserv is also expected to enter asset management and securities business as it looks to expand the footprint, sources added. But the ongoing discussions with Macquarie are only for NBFC operations, for the time being at least, the sources added.

## **5. German premium audio products maker Sennheiser looks to set up own stores in India**

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

Family-owned German premium audio products maker, Sennheiser, is exploring options to set up company-owned stores in India and also evaluating options for manufacturing and assembling in the country at a later stage, global CEO Andreas Sennheiser said. Talking to ET, Sennheiser said the company will initiate talks with the government to relax the 30% local sourcing norm as the company makes products that involves cutting edge technology. Sennheiser said the company at present has around five company-owned stores globally, but it would want to ramp-up its direct presence in India which is the fastest growing big market globally. The company is growing sales at 30% year-on-year, but declined to share financials. *"India is becoming a premium market for consumer audio products and we have the largest share of voice amongst all brands. The pace at which we are growing, India would become amongst the top ten markets for us in next two "* said Sennheiser. He said its most expensive headphone priced at around 50,000 will be launched in India soon.

## **6. Amazon's cloud business plans pop-up loft in Bengaluru for growth lift off**

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

Amazon.com Inc's cloud business, Amazon Web Services, plans to set up one of its 'pop-up lofts' in Bengaluru as it looks to accelerate growth in India, a top company executive said. The lofts, which offer everything from open workspaces to consulting to networking services, are essentially hubs for entrepreneurs. "We are looking closely at Bengaluru to set up a loft. Obviously because of the startups, it is one of the places we are looking at very hard," Andy Jassy, chief executive officer at Amazon Web Services, told ET. On Tuesday, the company launched an AWS cloud region in Mumbai by opening data centres, allowing it to target Indian companies that are required to hold their data in the country. *"In our conversations with our customers, it was clear that they wanted a region in the country either for reasons of lower latency or for data sovereignty. We think having a region in the country will significantly accelerate our growth,"* Jassy said.

## **7. India remains a stellar market for WPP group: CEO Sir Martin Sorrell**

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

*WPP group CEO Sir Martin Sorrell spoke to Shephali Bhatt in Cannes on the impact of Brexit, prospects in the Indian market, and de-risking the business amidst the current scenario. Excerpts:*

### **How is India doing vis-a-vis the other fast-growth markets for WPP?**

*Among the fast-growth markets — BRICS — India remains a stellar market for us. Brazil is having a tough time. Russia is having a tough time. China is slowing, but India remains stellar. We will cross \$600 million in revenue this year as opposed to \$500 million last year. I am quite pleased and proud of that.*

### **At what stage do you see India holding itself at the same level of employee productivity and margins as WPP's top five markets?**

*It will take time. At the moment we have 15,000 people generating \$600 million of revenue. In the top markets you find a smaller number of people generating the same and more. If I look at Germany for example, our third largest market, it's \$1.6 billion for 8,000 people. It's a function of smaller size, labour intensity is greater. Also, Germany's economy is double the size of India's. So, it's going to take time. Right now, India is the second most populous country in the world. Soon, it'll be the most populous. India will be a fair way behind the US, so will China. But on an absolute GDP growth — China will be No.1, the US second, and India - third.*

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**By Harsha Hazarika**