Daily Economic News Summary: 29 March 2016

1. Make in India is at the heart of Defexpo 2016

Source: **Live Mint** (Link)

The government will finance 90% of the cost of producing defence equipment by the private sector under a new sub-category introduced on Monday. The Defence Procurement Procedure 2016 (DPP-2016) unveiled at Defexpo 2016 in Goa splits the existing “Make” category of projects into Make I and Make II, the first to be mostly funded by the government and the latter by the industry. *“Projects under Make I sub category will involve government funding of 90%, released in a phased manner, and based on the progress of the scheme, as per terms agreed between ministry of defence and the vendor,”* the new DPP document said. Make II projects would be funded by the industry. *“Projects under Make II category will involve prototype development of equipment or system or platform or their upgrades, or their sub-systems or sub-assembly or assemblies or components with a focus on import substitution, for which no government funding will be provided for prototype development purposes,”* the document said.

The Make in India initiative launched by Prime Minister Narendra Modi in September 2014 aims to promote the manufacturing sector, and increase the contribution of manufacturing output to 25% of the gross domestic product or GDP. The defence sector is prominent among the 25 sectors of industry covered under the initiative. The provision of Make category of capital acquisition is a key pillar for realizing the vision behind the Make in India initiative. Therefore, the new DPP 2016 released on Monday was structured to provide the necessary leverage to make adequate investments, build the required capabilities, and match up to the contemporary and futuristic requirements of the Indian armed forces.

2. USAID, ADB to give Rs 5681 cr for solar parks across India

Source: **Pioneer** (Link)

The US Agency for International Development (USAID) and Asian Development Bank on monday signed a pact for providing Rs 5,681 crore ($848 million) to develop solar parks across India, as part of clean energy infrastructure in the country. The agreement was signed by Jonathan Addleton, Mission Director, USAID for India and M Teresa Kho, Country Director, India Resident Mission, Asian Development Bank (ADB). *“Through the agreement, USAID will align the technical resources of two of its programs to support ADB's investments in the development of solar parks and renewable energy transmission infrastructure in states at the* *forefront of India's efforts to promote clean energy",* the US Embassy said in a press statement. The collaboration will initially focus on the state of Rajasthan, it said.

The cooperation will design and develop public private partnership models as well as study options for managing grid reliability. In particular, USAID technical activities will help place investments of Rs 2,331 crore by ADB for transmission infrastructure for renewable energy deployment in western Rajasthan. USAID will also work with ADB across India with an additional Rs 3,350 crore ($500 million) of investment in the design and development of solar parks.

3. Hyundai to invest $200 mn yearly, to launch 2 models

Source: **Business Standard** (Link)

Hyundai, the Korean automobile major, says it plans to launch two new products in the Indian market every year, with a minimum investment for each of around $100 million (Rs 650 crore). It completes 20 years in the country this year and has a 17.1 per cent market share (second only to Maruti Suzuki in cars). Young Key Koo, managing director of Hyundai Motor India, says this is their third biggest market, after China and the US. To strengthen its position, the company is planning to launch two new products every year and the company is expecting to invest around $100 million at the minimum to develop each of these products. The firm also set a target to increase rural sales by five per cent from 15 per cent to 20 per cent. Taking the leadership position in the near future will be difficult for the Korean car marker, mainly due to constrains in manufacturing. The company can produce around seven lakh units, while Maruti's capacity is more than double of this.

4. ONGC to invest $5 billion to take out hydrocarbon from KG block

Source: **Indian Express** (Link)

The country's flagship explorer ONGC on Monday unveiled plans to invest $5.076 billion to drill oil and gas from a part of its much-touted deepwater block KG-DWN-98/2 in the prolific Krishna-Godavari (KG) Basin. ONGC chairman and managing director Dinesh K Sarraf said the firm's board has given the go-ahead on the investment plan to take out hydrocarbon from cluster-II area of the KG-DWN-98/2 block in the east coast. The block is divided into three clusters and the explorer is currently taking up the development of cluster-II, which is further divided into IIA and IIB. ONGC has alleged that Reliance Industries, which operates the neighbouring block KG-D6, has drilled out gas from the cluster-I area. At present, the PSU explorer is not taking up development of cluster I and III.

5. India emerges as key training hub for Mercedes-Benz

Source: **Economic Times** (Link)

India has emerged as a key training hub in production processes for workers of German luxury car maker Mercedes-Benz globally, with its employees in Brazil becoming the latest group to learn at the firm's Chakan facility in Pune. Around 30 workers at the company's newly-opened Iracemapolis plant in Brazil have undergone training at the Chakan facility. The plant in the South American country will initially roll out C-Class to be followed by the the GLA compact SUV with an initial capacity of 20,000 units per annum. Mercedes-Benz India Managing Director & CEO Roland Folger said in a statement: "*India is a forerunner among Mercedes- Benz's assembly plants globally, and in the past we have already supported the plant in Vietnam in the global network."*

6. H&M growth will depend on the mall and the retail space available: Janne Einola

Source: **Live Mint** (Link)

Janne Einola, chief executive officer, H&M Hennes and Mauritz Retail Pvt. Ltd, a subsidiary of Swedish fast-fashion retailer H&M, spoke to *Mint* at the opening of the company's fourth store in the country, in Bengaluru. Einola, formerly deputy country manager for the brand in Finland and the Baltics, has been travelling to newer and "interesting" markets hoping to make the brand, which has 3,900 stores globally, more accessible to shoppers beyond the top metros. He talks about the local shopper's style sensibilities and H&M's plans for India.

Edited excerpts:

Seven months in the market and eight store announcements later, is the India business on track?

Everything is going according to our plans. We are happy with the stores that we've opened from a customer point of view; so we see our business idea, fashion quality and best price working in this market. Now we have a fourth store already (in the country) in Bengaluru. We will later go to Noida and Mohali this year and then to Mumbai. All we can say is that we most probably will have more news for this year.