Daily Economic News Summary: 2 May 2016

1. India's appetite for smartphone defy global trend

Source: **Business Standard** (Link)

India is soon becoming the centre of every smartphone manufacturer's universe as the country's appetite for the devices continues to grow at a brisk pace, despite slowing global sales. In the first three months of 2016, sales of smartphones in India grew 23 per cent to 24.9 million units. Tim Cook, chief executive of Apple, recently stated he sees India in the same position China was seven to 10 years ago. While a majority of smartphones sold in India are entry-level models, the base for high-end devices such as Apple's iPhone is also growing, with the company witnessing a 56 per cent growth in sales in the January-March 2016 period.

It's clear India is the next China not only for Apple but every smartphone manufacturer. The country has a base of 1.02 billion mobile subscribers, and with smartphones overtaking feature phone sales, it offers a huge opportunity for growth. This realisation has caused Chinese manufacturers such as Xiaomi, OnePlus, Oppo, Vivo and Lenovo to venture out of their home market and make inroads in India.

2. India ready to clear $6.5 billion of Iran's oil dues

Source: **The Hindu Business Line** (Link)

Keen to step up engagement in hydrocarbon sector with Iran, India has conveyed to the Persian Gulf nation that it was ready to clear nearly USD 6.5 billion of the dues for oil import from that country at the earliest, provided there was clarity on payment channel. The message has been conveyed to Iran even as Prime Minister Narendra Modi is likely to visit the oil-rich country later this month. Government sources said there has been a series of discussions at various levels both in Tehran and here and both sides were confident of resolving the issue soon. *"We are working on clearing the dues to Iran and are hopeful that the issue will be resolved soon,"* they said. Following lifting of sanctions against it in January under a historic nuclear deal, Iran had terminated a three-year-old system with India of getting paid for half of the oil dues in rupees and has been insisting on being paid in Euros for the oil it sells to Indian refiners. It has also scrapped free delivery of crude oil to Indian refiners. Officials said though Western sanctions against Iran were lifted, problems persist in banking channels due to which regular transactions were not possible yet.

Refiners like Essar Oil and Mangalore Refinery and Petrochemicals Ltd (MPRL) owe nearly USD 6.5 billion in dues to Iran. Since February 2013, Indian refiners like Essar Oil and MRPL paid 45 per cent of their import bill in rupees to UCO Bank account of Iranian oil company. The remaining has been accumulating, pending finalisation of a payment mechanism. Petroleum Minister Dharmendra Pradhan and External Affairs Minister Sushma Swaraj had visited Iran last month during which they had conveyed to Iranian leaders that India wants to significantly ramp up engagement in oil and gas sector with that country. The issue of the pending dues had also figured in the meetings. Swaraj during her visit had conveyed to Iranian leadership that India wants to invest in joint ventures in oil and gas sectors in the Persian Gulf nation where foreign investors from major economic powers are rushing in to get early footholds after lifting of sanctions. Following lifting of sanctions against Iran, India has been eying deeper energy ties with that country and has already lined up USD 20 billion as investment in oil and gas as well as petrochemical and fertiliser projects there. New Delhi is looking to increase engagement with the sanction-free Iran by raising oil imports and possible shipments of natural gas. It also wants rights to develop Farzad-B gas field in the Persian Gulf discovered by OVL.

3. Ajmer Road, Jaipur: Likely to see increased activity due to proposed SEZ

Source: **Business Standard** (Link)

Jaipur, 258 km from Delhi, is one of the fastest-growing business cities of this region. Among other factors, it is rising to prominence on the back of its well-planned city layout and architecture. Jaipur offers innumerable options and varied opportunities for entrepreneurs, large corporates and investors. The Rajasthan Industrial Corporation has planned an information technology park in Sitapur, which has excellent connectivity with Jaipur. Many thriving IT companies like Infosys and Wipro are also scheduled to set up base in Jaipur. Developers such as Ansals, Parsvnath and Omaxe have plans to develop integrated townships with world-class infrastructure here.

One of the recent developments in Jaipur is the growth of its Peripheral Business Districts, and the Jaipur-Ajmer Expressway is part of it. The region has gained significant popularity among property investors and end-users. Ajmer Road is six-laned and well-developed, now an arena of serious real estate action. Lately, the Expressway has seen tremendous growth in construction of both commercial and residential projects. Jaipur's rapidly-developing infrastructure has provided impetus to this growth corridor, and property prices are seeing significant appreciation. Naturally, investors are keen on Jaipur's real estate market, not least of all because of the growth of the IT/ITeS sector. With Special Economic Zones (SEZs) being proposed by two corporate majors, Ajmer Road can expect increased traction in its real estate. Apart from this is the fact that it is close to the city's Peripheral Business Districts.

4. Sovereign funds remain positive on India

Source: **Business Standard** (Link)

Concerns that falling oil prices would trigger a sell-off by sovereign wealth funds (SWFs) in the domestic market seem to have been unfounded. SWF assets in the equities market have risen 14 per cent to Rs 1.76 lakh crore during 2015-16, despite a nine per cent decline in the Sensex. Overall foreign portfolio investor (FPI) equity assets fell by 6.3 per cent to Rs 18.9 lakh crore during this period, latest data by depository firm NSDL shows.

SWFs, investment vehicles set up by countries with budget surpluses, invest in various liquid asset classes across the globe. Over half of global SWFs are from countries rich in natural resources, particularly oil. The decline in oil prices has sent fiscal calculations of many of these countries for a toss, forcing them to offload or withdraw investments. Brent crude oil prices have fallen sharply from $115 a barrel in June 2014 to $27 a barrel in January this year. Though oil prices have recovered to $45 currently, they are 60 per cent lower than in June 2014.

According to think tank Sovereign Wealth Fund Institute (SWFI), these have offloaded equity assets worth over $200 billion (Rs 13 lakh crore) in 2015. Then what explains their enthusiasm with India? *"It was widely expected that the drop in oil prices would lead to the withdrawal of sovereign wealth funds. But we haven't seen much of that in the Indian market. It may be because of India's attractive prospects relative to other markets, from a long term investor's point of view. Also, not all sovereign funds have a dependency on oil revenues,"* says Kapil Seth, managing director and head, HSBC Securities India.

5. Defence Ministry lists out 23 projects for private industry

Source: **Economic Times** (Link)

In a first, the defence ministry has listed out 23 major projects from the three armed forces— from UAVs, glide bombs to underwater systems and tank engines — it will earmark for the Indian companies under the Make in India category. The list, which has recently been drawn up by the ministry in consultation with the three armed forces, for the first time shares details of the requirements in the coming years as well the schedule for acquisition, things that were shrouded in secrecy in the past. The new-found openness is being driven by defence minister Manohar Parrikar who has stepped up outreach and is in regular touch with industry bodies and major companies indulged in military manufacturing. Among the projects that have been listed out are 125mm smooth bore gun barrel for battle tanks, targets for torpedo firing, advance pilotless target aircraft, mine layers and diesel engines for naval boats. Besides technical specifications of the equipment, the ministry has also specified quantities to make it easier for the industry to plan investments into technology. For example, the IAF has listed its requirement of long-range glide bombs thousand per year and it wants to acquire them at the earliest. Similarly, the Army wants to annually acquire 5 pilotless target aircraft starting next 2-3 years.

6. Norms relaxed for faster movement of coastal cargo

Source: **Economic Times** (Link)

Revenue department has relaxed the norms for cargo movement from one port to another, a move that will spur developmental activities in coastal cities. The Central Board of Excise and Customs (CBEC) relaxed norms after receiving representations that the present procedure governing movement of coastal goods was restrictive. *"The container carrying coastal goods shall be clearly marked with the words 'For Coastal Carriage Only' on all sides. There shall be no examination of the coastal goods, the container shall be sealed with tamper-proof one-time bottle seal and then the same can be loaded on to the vessel,"* CBEC said in a circular. It further said non-containerized cargo will also be allowed to be loaded on the vessel provided it is clearly marked on the packing 'For Coastal Carriage Only' to make it easily identifiable.

By Harsha Hazarika