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WEEKLY ECONOMIC BULLETIN

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PM Modi to launch Stand Up India programme in April

After the launch of the Start Up India programme, the government is now gearing up for Stand Up India, which mandates each bank branch to provide one loan to a Dalit or a borrower categorised as scheduled tribe or scheduled caste, and the other to a woman entrepreneur.

While the scheme is already operational, Prime Minister Narendra Modi will officially kick off the programme next month in Noida.

The launch comes amid a raging controversy over the suicide of Dalit student Rohith Vermula in Hyderabad in January.

Banks have been asked to ensure that all the 1.25 lakh branches meet their targets.

"The focus was first on the Pradhan Mantri Jan Dhan Yojana, to ensure that all Indian households had a bank account, now it's the social security schemes along with the Mudra and Stand Up India programmes," a senior government official who did not wish to be identified told HT.

Modi has held several meetings with bankers and senior finance ministry officials on the scheme, sources said.

Loans under the Stand Up India programme will range from Rs 1 lakh to Rs 1 crore, and will be given for greenfield projects in the non-farm sector. A refinance window via Small Industries Development Bank of India (SIDBI), with an initial amount of Rs 10,000 crore, will be available under the scheme, which is expected to benefit 250,000 borrowers.

The government has already launched the Start Up India scheme to promote entrepreneurship.

Source: Hindustan Times

Govt defines e-commerce marketplace rules, allows 100% FDI

The government allowed 100% foreign direct investment (FDI) in online retail of goods and services under the so-called "marketplace model" through the automatic route, seeking to legitimize existing businesses of e-commerce companies operating in India.

It also notified new rules which could potentially end the discount wars, much to the disappointment of consumers. This is because the rules now prohibit marketplaces from offering discounts and capping total sales originating from a group company or one vendor at 25%.

This could, however, level the playing field with offline stores, which have witnessed a slump in footfalls corresponding to the increase in e-commerce.

So far, India has allowed 100% foreign investment in business-to-business (B2B) e-commerce but none in retail e-commerce i.e., business-to-consumer, or B2C.

Even so, Indian e-commerce companies such as Flipkart and Snapdeal have been following the marketplace model which was not defined and attracting large foreign investments. Marketplaces essentially act as a platform connecting sellers and buyers.

This has led to allegations from time to time by brick-and-mortar stores that Indian e-commerce companies were flouting existing policy norms to gain an unfair advantage, given that the government does not allow FDI in multi-brand retail companies.

It led to a legal challenge in the Delhi high court, even as the model came under the scrutiny of the authorities such as the Enforcement Directorate.

The government, conscious that the sector has seen a big inflow of FDI, has opted for caution.

"An explicit position from the government on where it stood with reference to e-commerce has been long overdue. In that sense, it is good that some clarity has been provided," said Vivek Gupta, partner, BMR Advisors, pointing out that close to $10 billion in funding has been committed to the sector.

The government had very little elbow room to really state a policy position. And hence, it has chosen to bless the marketplace model with some safeguards that the marketplace should not act like the retailer," he added.

According to the press note issued by the department of industrial policy and promotion (DIPP), a marketplace model is an information technology platform run by an e-commerce entity on a digital and electronic network to act as a facilitator between buyer and seller.

However, DIPP has prohibited FDI in e-commerce companies that own inventories of goods and services and sell directly to consumers using online platforms.

The marketplace e-commerce companies will be allowed to provide support services to sellers on their platform such as warehousing, logistics, order fulfilment, call centre and payment collection.

The new policy also mandates such e-commerce companies to display contact details of the sellers online. The warranty/guarantee of products or services sold online will also be borne by the sellers, not the e-commerce company.

Amazon funds discounts by sellers indirectly through a route it calls "promotional funding". This it how it works: Amazon recommends the amount of discounts to its sellers on products, but doesn't force them to adopt these prices. Sellers, however, go along as Amazon finances the discounts.

Flipkart's largest seller WS Retail Services Pvt. Ltd easily generates more than 25% of the company's sales while Cloudtail India Pvt. Ltd, the biggest seller on Amazon India, contributes even more.

Flipkart has been gradually reducing WS Retail's business over the past 15 months as it shifts to a marketplace model. Following the new regulations, Flipkart may have to accelerate its transition.

Cloudtail India, a joint venture between Amazon.com Inc. and N.R. Narayana Murthy's Catamaran Ventures, is now the key growth driver for Amazon India, generating at least 40% of the company's sales in some months, Mint reported on 29 October. Cloudtail is particularly dominant in electronics and fashion sales, two of the three largest categories for Amazon India (run by Amazon Seller Services Pvt. Ltd). The new regulations mean Amazon India may have to find new sellers on its platform.

"While a seller may sell goods at a discount, marketplaces have now been prohibited from funding discounts through bonus schemes, marketing cost reimbursement, etc.

Accordingly, there is a strong possibility that prices of products online will revert to levels that are comparable with offline prices. This could make online marketplaces less attractive to shoppers and investors," said Stephen Mathias, partner, Kochhar and Co., a law firm.

Rajnish Wahi, senior vice-president, corporate affairs and communication, Snapdeal, said the guidelines recognize the transformative role that e-commerce marketplaces will play in the Indian market.

"True marketplaces like Snapdeal have democratized commerce, providing millions of businesses a platform to sell beyond their geographic boundaries. It is a comprehensive announcement which will pave the way for accelerated growth of the sector in India," he said.

Flipkart and Amazon didn't immediately respond to emails seeking comment.

The share of e-commerce in retail is expected to jump from 2% in 2014 to 11% in 2019, while the share of physical, organized or modern retail is expected to shrink from 17% to 13%, according to a report by property consultant Knight Frank India Pvt. Ltd and the Retailers Association of India (RAI).

Interestingly, the e-commerce regulations come at a time when the finance ministry is finding ways to tax e-commerce activities such as downloading of songs, movies and books, online consumption of news, software downloads and online sale of goods and services.

The government in the budget allowed 100% FDI in marketing of food products produced and manufactured in India. In November last year, the government also allowed a manufacturer to sell its products manufactured in India through retail e-commerce.

Two retail associations representing brick-and-mortar retailers, the RAI and the All India Footwear Manufacturers and Retailers Association, have approached the Delhi high court arguing that online retail companies have gained an undue advantage by being allowing access to FDI through which they are able to provide deep discounts that traditional retailers cannot match.

They also argued that the present retail policy of the government does not allow such e-commerce companies to directly sell to customers, but that, in the garb of the marketplace model, such online companies are directly selling to customers, violating rules.

In an affidavit submitted before the Delhi high court on 21 December, DIPP said the current FDI policy neither permits FDI in B2C e-commerce nor recognizes the marketplace model in e-commerce followed by companies such as Flipkart, Snapdeal and Amazon.

Source: Livemint

American-Chinese food chain Panda Express to enter India

Fast-food chain Panda Express, which serves an American-Chinese cuisine, plans to make an India entry in partnership with JSM.

Mumbai based-JSM had earlier brought international chains like Hard Rock Cafe and California Pizza Kitchen into the domestic market, and is learnt to have inked a master franchise agreement with Panda Restaurant Group, which runs Panda Express.

According to sources, JSM is likely to roll out the first few outlets of Panda Express over the next six months starting with major metros. It plans to open around 50 outlets for the brand over the next five years. When contacted by TOI, JSM co-founder Jay Singh confirmed the development without giving further details. Panda Express did not respond to an emailed query by TOI.

Started in 1983 in California, the family-owned Panda Express has built one of the largest Chinese restaurant businesses in the US with sales of over $2 billion as of 2014. Its closest competitors in the Asian-themed restaurants space include PF Chang's, Noodles & Co and Pei Wei, among others.

JSM, founded in 2004 by Singh and Sanjay Mahtani, runs eight brand properties with close to 30 outlets - Hard Rock Cafe, California Pizza Kitchen, Pinkberry, Shiro, Plus91, The Big Kanuha, Asilo and Ginger Tiger.

Backed by Wipro founder Azim Premji's investment fund PremjiInvest, JSM plans to start Panda Express through largely self-serviced outlets in India in order to keep operational costs low. Some of the leading players in the Chinese and Asian food segment at present include the likes of Mainland China run by Specialty Restaurants, as well as the newer crop of brands like Azure Hospitality's Mamagoto. Azure Hospitality last year raised about $10 million from investment bank Goldman Sachs.

According to a report by Technopak Advisors, the organized restaurant chain market in India is marked by the presence of 90-100 brands with about 2,900-3,000 outlets.

Source: The Times of India

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Foreign automakers make India their export hub

Boeing, Tata Advanced Materials (TAML) and Nettur Technical Training Foundation (NTTF) rolled out a skills development program to train front-line workers for the aerospace industry. The first batch of students was inducted at a ceremony in TAML's Bengaluru facility.

Sponsored by Boeing and conducted by NTTF, the "Learn and Earn" program offers students a three-year diploma program in Aerospace Manufacturing Technology (Advanced Composites), rolled out under the 'National Employability Enhancement Mission' (NEEM), a skills development initiative of Government of India. The program involves classroom sessions on fundamental theory, behavioral skills training and vocational training in manufacturing skills at TAML. This is a second initiative by Boeing, with training provided by NTTF, a partner of the National Skills Development Corporation (NSDC).

"Boeing is committed to addressing the crucial and growing need for vocational training and skills development in India's aerospace sector and fully supports the Indian government's efforts to promote Skill India," said Pratyush Kumar, president, Boeing India. "Boeing-supported curriculums and initiatives have already been launched along with aerospace partners such as Rossell Techsys, and we are working with NSDC, Ministry of Skill Development and Entrepreneurship and Ministry of Defense to sca .

"Skills development is the foundation for achieving the goals of "Make in India," and at TAML, we continue to invest in skills development programs to ensure that our manufacturing workers are skilled and can deliver high quality products required by the aerospace and defense industry," said S.R. Mukherjee, Chief Executive Officer, TAML. "We support the Government of India's commitment to 'Skill India' and the launch of the National Skill Development Mission."

"This program is aimed at providing trainees with quality technical education while earning a living. The National Employability Enhancement Mission program is for two years and we are adding another year to offer students a diploma certificate," said N. Reguraj, managing director, NTTF.

"The "Learn and Earn'" Program is aimed at enhancing the employability of students and bridging the gap of skilled manpower in the aerospace sector.

Students from the science stream in Class 12 will be eligible for the diploma program. NTTF will conduct an eight-week induction program to make the students industry-ready for their job training.

The batch will then be placed at TAML for training in their manufacturing facilities. Trainees who complete the program will be awarded a three-year Diploma in Aerospace Manufacturing Technology (Advanced Composites) certificate by NTTF.

Source: Business Standard

EU, India agree to strengthen strategic partnership

India and the 28-member European Union ended their 13th summit in Brussels on Wednesday night by underlining their commitment to strengthen their strategic and economic partnership.

"As global partners and the world's largest democracies, the leaders reaffirmed their commitment to strengthen the EU-India Strategic Partnership based on shared values and principles," the leaders declared in a joint statement.

The leaders endorsed the "EU-India Agenda for Action-2020" setting out a concrete road-map for the EU-India Strategic Partnership for the next five years.

The Agenda seeks to strengthen foreign policy cooperation, in areas of mutual interest such as Asia, Africa, the Middle East/West Asia, Europe, and other relevant areas including through regular dialogue.

They confirmed their "strong interest in building global peace, security and prosperity, fostering non-proliferation and disarmament, and tackling global challenges such as terrorism and climate change in addition to other challenges such as migration and refugee crisis".

They expressed their commitment to further strengthen the EU-India economic partnership.

A The leaders welcomed that both sides have re-engaged in discussions with a view to considering how to further the EU-India Broad-based Trade and Investment Agreement (BTIA) negotiations.

The EU was represented at the summit Aby Donald Tusk, President of the European Council, and Jean-Claude Juncker, President of the European Commission. The Republic of India was represented by Prime Minister Narendra Modi.

The leaders welcomed the European Investment Bank's (EIB) commitment to supporting long-term investment in infrastructure crucial for environmentally sustainable social and economic development in India.

They welcomed a total loan of 450 million euro as a participation in the construction of the first metro line in the city of Lucknow, with the signature by the EIB and the Government of India of a first tranche of 200 million euro.

The leaders welcomed the announcement by the EIB of the upcoming establishment, in New Delhi, of the Bank's regional representation for South Asia.

Emphasising that the threat of terrorism is global and needs to be tackled globally, the leaders adopted a Joint Declaration on Counter-terrorism.

The EU and India renewed the 2010 'Joint Declaration on International Terrorism' and decided to step up cooperation to counter violent extremism and radicalisation, the flow of foreign terrorist fighters, sources of terrorist financing and arms supply

The EU and India expressed their confidence in the arbitration procedure on the Italian Marines case currently underway in the framework of the United Nations Convention on the Law of the Sea (UNCLOS), to which India and Italy are strongly committed. Both sides will contribute to settling the case on this basis, enabling the cause of justice to be served for all those affected .

The leaders reiterated their commitment for a sustainable, democratic, prosperous and peaceful Afghanistan Aand agreed that a stable and democratic Pakistan is in the interest of the entire region.

The EU and India decided to step up their cooperation to fight climate change and adopted the aJoint Declarationbetween the EU and India on a Clean Energy and Climate Partnership'

The EU and India agreed to address environmental challenges and work together towards sustainable development enhancing cooperation on environment issues.

The Joint Declaration by the European Union and the Republic of India on Indo-European Water Partnership' adopted at the Summit foresees strengthening technological, scientific and management capabilities in the field of water management and supports the Indian 'Clean Ganga' and 'Clean India' flagship projects.

The leaders also endorsed the establishment of the Common Agenda on Migration and Mobility (CAMM) between the EU and India, reflecting the importance of India as a strategic partner for the EU in the field of migration and mobility.

The CAMM, as a framework for cooperation, is the start of a longer term process which will lead to deeper cooperation and solid mutual engagement on migration.

Source: Indo-Asian News Service

Electronics manufacturing gets a Rs 6,000-crore push

As the country vies for self reliance in electronic goods production, the Department of Electronics and Information Technology (DeitY) has so far approved proposals amounting to around Rs 6,155 crore under the Modified Special Incentive Package Scheme (M-SIPS).

The scheme looks at providing financial incentives to private companies for setting up electronics manufacturing units. The government has given final as well as in-principle approval to 28 electronics manufacturing clusters (EMCs) and common facility centres (CFCs) across the country.

According to a report by Deloitte Touche Tohmatsu released last year, the demand for electronics hardware in India is projected to grow $400 billion by 2020. However, by that time the estimated domestic production could rise to only $104 billion, while the rest has to be met through imports. The government in India, through various initiatives, is looking at reducing the dependence on electronic imports by promoting domestic manufacturing.

"Here the idea is to push more companies setup base in India to manufacture LED televisions, set-top boxes, automotive electronics, telecom equipment, RFID tags and labels among other things. Most of the equipment till now are not made in India but merely assembled. We hope that this would give a much needed push to the sector," said a senior official in the Ministry of Communications and Information Technology.

"The ministry is attaching high priority to electronics and IT hardware manufacturing. It has the potential to generate domestic wealth and employment, apart from enabling cyber-secure ecosystem," added the official.

While the government has taken a number of steps to increase electronics hardware manufacturing in India including 100 per cent FDI under automatic route, no requirement for industrial licence, payment of technical know-how fee and royalty for technology transfer under automatic route, the impact of such measures has not been substantial.

"It is partly because is India is a signatory to the Information Technology Agreement (ITA-1) that has resulted in zero duty regime on import of the goods covered under the agreement.

India also has free trade agreements (FTAs) with several countries and trading blocks, which has enabled zero import duty of imports not covered FTA," said the official. Besides, lack of reliable power, high cost of finance, poor logistics and infrastructure, weak components manufacturing base are other factors hampering growth of electronics in the country.

According to government officials, DeitY under the M-SIPS programme received proposals from 14 states including Goa, Gujarat, Haryana, Kerala, Madhya Pradesh, Telangana and Uttar Pradesh among others.

The proposals received include manufacturing of RFID inlays and tags, automotive electronics, telecom equipment, instrument clusters, optical fibre cable, LED televisions, wifi dongles among other things.

"Till date under the EMC scheme, DeitY has received 44 applications for setting up 40 greenfield EMCs and four CFCs in brownfield clusters over an area of 6,922 acres spanning across 18 states with a project outlay of Rs 8,313 crore, seeking grant assistance of Rs 3,508 crore," said the official.

DeitY has accorded final approval to seven greenfield EMCs, one CFC in brownfield cluster. Also, it has given in-principle approval to 17 greenfield EMCs and three CFCs in brownfield clusters.

The states which have been given final approval are Madhya Pradesh, Rajasthan, Jharkhand, West Bengal, Karnataka and Maharashtra.

Source: Business Standard

Startup India initiative to get a rural avatar

Shares of Biocon Ltd rose in a weak market after the biopharmaceutical firm said it has received approval to sell its biosimilar insulin glargine in Japan.

"The approval for insulin glargine has been obtained post successful completion of initial development of Biocon and local phase-III clinical studies in over 250 type-1 diabetes patients by our partner in Japan," Biocon said in a statement. Insulin glargine is a long-acting form of insulin to treat diabetic patients.

The company said it aims to capture a significant share of the Japan's $144 million glargine market the second largest outside North America and Europe.

Biocon has tied up with Fujifilm Pharma Co. Ltd to develop and commercialize the product in Japan. It plans to launch insulin glargine in Japan in the first quarter of the next financial year.

Biocon's product will come in ready-to-use, prefilled disposable pens with 3 ml of 100 IU insulin glargine.

"The insulin glargine approval in the highly regulated market like Japan marks a huge credibility milestone for Biocon," company chairperson and managing director Kiran Mazumdar-Shaw said.

We see this as a significant achievement in our journey of making a global impact in diabetes management through our affordable biosimilar insulins," Mazumdar-Shaw added.

Biocon's manufacturing facilities for insulin glargine, and its state-of-the-art disposable pen assembly facility, were inspected and approved by the Japanese regulatory authorities.

This pen assembly facility was inaugurated in September 2015 for the launch of Biocon's insulin glargine pen, branded as 'Basalog One' in India.

The per capita spending on pharmaceuticals in Japan is the second highest among OECD (Organisation for Economic Co-operation and Development) countries after the US, and the government is striving to rationalize healthcare spending by encouraging the entry of high quality yet affordable follow-on biologics.

Biocon markets human insulin or rh-Insulin and insulin glargine in India and several emerging markets.

The company currently has marketing approvals in over 60 countries for rh-Insulin and in over 20 countries for insulin glargine.

It is also developing insulin glargine for the developed markets outside of Japan in collaboration with Mylan NV.

Shares of Biocon gained 3.59% to close at Rs.479.05 on Monday on the BSE, while the benchmark Sensex closed down 371.16 points, or 1.46%, at 24,966.40.

Source: The Economic Times

Private defence firms keen on Make in India

Domestic telecom equipment maker Himachal Futuristic Communications Ltd (HFCL) is known for two things.

In the late 1990s, it made outrageous bids for telecom licences and later on it had its share of run-ins with the capital markets regulator for its suspected involvement in rigging share prices in a case dating back to 1999-2001.

But that's the past and it's makeover time as the company, with revenue of Rs.2,553 crore in 2014-15, has won government licences to design, develop and manufacture aircraft and unmanned aerial vehicles.

HFCL is just one of the private firms eyeing defence projects. Between January 2001 and February 2016, the commerce ministry has granted 333 industrial licences to private firms for defence manufacturing, according to data on the department of industrial policy and promotion (DIPP) website.

They include Micronel Global Engineers Pvt. Ltd, Marine Electrical (I) Pvt. Ltd, Defsys Solutions Pvt. Ltd, Naistoco India Pvt. Ltd, Comint Systems and Solutions Pvt. Ltd, Ananth Technologies Ltd, DCX Cable Assemblies Pvt. Ltd and OIS Advanced Technology Pvt. Ltd.

There are more familiar names too: Tebma Shipyards Ltd, Premier Explosives Ltd, Titagarh Wagons Ltd, Taneja Aerospace and Aviation Ltd, Punj Lloyd Aviation Ltd, Dynamatic Technologies Ltd, Bharati Shipyard Ltd, Ashok Leyland Defence Systems Ltd and AMW Motors Ltd.

And then there are big, established ones such as Bharat Forge Ltd (BFL), Reliance Industries Ltd (RIL), Tata group, Larsen and Toubro Ltd (L&T), Godrej Group and the Mahindra Group.

Anil Ambani's Reliance Group and the Adani Group's Adani Defence Systems and Technologies Ltd are the latest to enter the race.

So, why is there a rush to be part of the defence sector?

It is partly the result of Prime Minister Narendra Modi's emphasis on defence equipment as part of his Make in India campaign.

This government thrust for defence too has a reason. India is the world's largest importer of defence equipment and spends around $24 billion a year, according to Stockholm International Peace Research Institute. And this means import substitution and indigenization.

Domestic private firms have a significant opportunity, says Kabir Bogra, associate partner at New Delhi-based law firm Khaitan and Co. “The serious players in the space have been investing for the past decade or more (Tata group, BFL, L&T) and have built a portfolio in electronics, land systems, aerospace products and short-range missiles. Most of these are either in talks or have already concluded framework arrangements with foreign original equipment manufacturers (OEMs), therefore to a large extent, the preparatory work is completed or in progress,” he said.

For instance, BFL has tied up with Israel defence tech firm Rafael Advanced Defense Systems Ltd and Elbit Systems Ltd and UK-based Rolls-Royce Corp. Similarly, Tata group has tied up with US-based firms Sikorsky Aircraft Corp., Lockheed Martin Corp. and Boeing Co.

“However, for them to deliver on their potential, the government needs to be commercially sensitive and a few large contracts need to be commissioned. Most notably, NUH (naval utility helicopter) tender needs to be taken on priority along with artillery products to send a clear signal to the domestic industry that things are moving. The ministry of defence needs to commit itself to time frames for concluding these,” Bogra said.

The tender to buy NUH was scrapped in 2014 after years of process or inviting proposals and tenders. But now things are different as the government aims to revive the private sector. According to A.K. Gupta, secretary, department of defence production, ministry of defence, the private sector now has the opportunity to pick up a 25% share of defence production.

"Around 25% of the defence PSU (public sector undertaking) turnover can be off-loaded to the private sector, and the ministry has already de-licensed 60-70% of the production," he said earlier this month in Mumbai.

Public sector undertakings in defence sector have a cumulative turnover of about Rs.50,000 crore, he said.

Last week, Tata group said it expects defence and aerospace business to increase its revenue by 7.5% to Rs.2,650 crore in the year to 31 March.

Defence and aerospace are important growth drivers identified by Tata group chairman Cyrus Mistry and significant investments will be made in these areas, said Mukund Rajan, member, group executive council, and the brand custodian of Tata Sons Ltd.

Tata group companies engaged in the defence and aerospace sector include Tata Advanced Systems Ltd (TAS) and its subsidiaries, Tata Advanced Materials, Tata Motors Ltd, Tata Power Strategic Engineering Division, TAL Manufacturing Solutions, Tata Technologies, Tata Consultancy Services Ltd, Tata Steel Ltd, and Tata Elxsi Ltd.

Defence has the potential to contribute 15% to Tata Motors' revenue from the current 3% if it wins the order to make Future Infantry Combat Vehicles or FICVs, for the Indian Army, said Vernon Noronha, vice-president of defence and government business at Tata Motors.

The contenders for the FICV contract include L&T, Mahindra and Mahindra, Reliance Defence and Engineering Ltd (formerly Pipavav Defence) and Titagarh Wagons Ltd. The order could be worth about Rs.60,000 crore over the next few years, according to defence ministry officials.

Currently, the order book of Tata Advanced Systems (TAS), the aerospace and defence arm of Tata group, stands at Rs.4,500 crore. A majority of it are export orders, said Sukaran Singh, chief executive of TAS.

It expects to get more orders in the domestic market, he said. TAS is working on projects, including missiles, radars, aerospace and unmanned aerial vehicles and counts companies such as Lockheed Martin Corp., Sikorsky Aircraft Corp., Boeing Co., PilatusAircraftLtd, Cobham, RUAG and Rolls-Royce as its customers.

In November, TAS formed a joint venture with Boeing to make aerostructures for aircraft, deliveries for which will start from 2018.

Tata Motors, in partnership with the state-run Defence Research and Development Organisation, has also designed and developed India's first amphibious infantry combat vehicle Kestrel.

Last week, the auto maker tied up with BFL and General Dynamics Land Systems to develop FICVs for the Indian armed forces. Tata Motors has supplied over 100,000 vehicles to the Indian military and paramilitary forces, so far, and expects its future growth to come from combat vehicles, the group's executives said.

Tata Power SED, another group company, is planning to invest Rs.700 crore to set up a defence equipment manufacturing plant in Karnataka, Tata executives said on Wednesday. It plans to double investments at this plant over the next two to three years. To be sure, currently imports contribute almost 75% of the defence equipment needs; public sector and domestic private sector players contribute only 20% and 5%, respectively.

A January report of domestic brokerage ICICI Securities Ltd said it is difficult to track any other industry with similar import-substitution opportunity all through the history of independent India.

"While the growth of the defence sector will follow along its strategic and technological requirements, the domestic defence industry is still in its infancy—which translates into a huge opportunity for investors and Indian enterprises," ICICI Securities said.

The brokerage firm also foresees hurdles for private enterprises. "Across platforms, indigenization has more or less trailed the intended goals, with imports inevitably making up for the shortfalls. Further, execution of platforms has faced the typical headwinds of higher book-to-bill ratios for defence PSUs. While DPP (defence procurement procedures), 2013, has created excitement along with Make in India projects, it may take significant time to fructify. Over the next five years, we see limited prospects of meaningful indigenization barring radars and missiles," the report noted.

Source: Livemint

Renewable energy growth in developing countries is led by China and India

India and China led developing countries in investments made in renewable energy in 2015, when for the first time commitments in solar, wind and other renewables capacity by emerging economies surpassed those by wealthy nations, a UN-backed report has said.

The report 'Global Trends in Renewable Energy Investment 2016' by the UN Environment Programme said the developing world including China, India and Brazil committed a total of USD 156 billion in new renewables capacity last year, up 19 per cent on 2014.

Investments by developed countries were down eight per cent in 2015 to USD 130 billion.

The year 2015 was the first time when investment in renewables in developing countries outweighed that in developed economies, the report said.

A large part of the record-breaking investment in developing countries took place in China, which lifted its investment by 17 per cent to USD 102.9 billion, more than a third of global commitments.

India was also among the top 10 investing countries in renewable energy, with its commitments rising 22 per cent to USD 10.2 billion.

The US, Japan, UK Brazil, South Africa, Mexico and Chile all made it to the top 10 investing countries in 2015.

"The investment (in India) took place against a backdrop of pro-renewable policies introduced by India's BJP government. These include a target to almost- triple wind capacity to 60 GW by 2022," the report said.

Within the developing-economy category, the "Big Three" of China, India and Brazil saw investment rise 16 per cent to USD 120.2 billion, while other developing economies enjoyed a 30 per cent bounce to USD 36.1 billion.

Among developed countries, investment in Europe was down 21 per cent, from USD 62 billion in 2014 to USD 48.8 billion in 2015, the continent's lowest figure for nine years despite record investments in offshore wind projects.

The US was up 19 per cent to USD 44.1 billion, and in Japan investment was much the same as the previous year at USD 36.2 billion.

The report said India enjoyed a second successive year of increasing investment, breaching the USD 10 billion for the first time since 2011.

It added that the highlight of India's performance in 2015 was a jump in utility-scale solar financings to USD 4.6 billion, up 75 per cent on the previous year, although still a little below the 2011 record of USD 4.9 billion.

Among the big projects getting the financial go-ahead were the NTPC Kadiri PV plant phase one, at 250 MW, and the Adani Ramanathapuram PV installation, at 200 MW.

Source: The Economic Times

Indian companies raise over Rs1 trillion in FY16

Equity fundraising by listed Indian companies crossed the Rs.1 trillion mark during fiscal 2016 the highest in five years and the fourth highest overall.

Companies have picked up Rs.1.04 trillion through equity issuances so far this fiscal year, the highest since 2011, showed data from Prime Database, a primary market tracker operated by Praxis Consulting and Information Services Pvt. Ltd.

A significant portion close to 86% of the total raised this year has been by way of secondary market offerings, private placements and preferential allotments, amid a downtrend in the secondary markets.

The benchmark Sensex has lost close to 9.5% this fiscal year, according to Bloomberg data.

Investment bankers view the equity fundraising activity as a positive sign for Indian markets overall and expect the trend to play out in similar fashion to the one observed between fiscals 2004 and 2008 when Indian companies raised a total of more than Rs.3.5 trillion.

“This year’s activity has been fairly diversified with some very large government deals, a fair amount of IPOs (initial public offerings) and large transactions,” said V. Jayasankar, senior executive director and head of equity capital markets at Kotak Mahindra Capital Co. Ltd.

Jayasankar said the markets will continue to see a pickup in fresh issuances, such as IPOs and institutional placements, if there is a similar pickup in macroeconomic growth and need for capital expenditure.

Money raised through IPOs during fiscal 2016 stood at Rs.14,461.32 crore, according to data by Prime Database. Close to 25 firms tapped the IPO market during the fiscal year.

Marquee issues include those by InterGlobe Aviation Ltd, the owner of India’s largest and most profitable airline IndiGo, which raised Rs.3,130 crore the biggest IPO since Bharti Infratel Ltd’s Rs.4,100 crore offering in December 2012.

Coffee Day Enterprises Ltd, the owner and operator of coffee chain Caf Coffee Day, raised Rs.1,150 crore in October.

Tata Motors Ltd raised Rs.7,500 crore in the third-largest rights offering by value. In all, 10 companies conducted rights issues sale of shares to existing shareholders to raise a total of Rs.9,034 crore this fiscal year.

Money raised through institutional placements totalled Rs.14,357.87 crore, whereas that from offer for sale (OFS) stood at Rs.19,819.71 crore. Twenty firms raised money through qualified institutional placements (QIPs) in the fiscal year. As far as government deals are concerned, the centre raised Rs.18,352 crore this fiscal year by selling minority stakes in seven firms, including Indian Oil Corp. Ltd. The government sold a 10% stake in the oil marketing company for Rs.9,369 crore the sixth largest government deal ever.

Preferential allotments were valued at Rs.46,508.65 crore, largely driven by fund infusion in public sector banks by the government and government-backed institutions as part of bank recapitalization drive.

India’s largest bank by asset value, State Bank of India, saw an infusion of Rs.8,363 crore by the government.

Other banks where the government infused capital include Bank of India (Rs.2,455 crore), IDBI Bank Ltd (Rs.2,229 crore), Indian Overseas Bank (Rs.2,009 crore), Bank of Baroda (Rs.1,786 crore) and Punjab National Bank (Rs.1,732 crore).

In all, 27 public sector banks saw capital infusion this fiscal year to the tune of Rs.30,911.89 crore, data showed.

Prithvi Haldea, founder-chairman of Prime Database, said that preferential allotments are typically done to the promoter or promoter group and are for raising stake or for meeting a company's funding requirements.

"Preferential allotments do not involve public markets. What we need is more activity in the public markets, especially IPOs. Secondary market transactions do not create capital formation," said Haldea, adding that there was a huge demand-supply mismatch, and there needs to be a pickup in IPOs and QIPs.

Haldea pointed out that the recent IPO activity was more to provide exits to private equity and venture capital funds.

"IPO market has been lacklustre with very small-sized IPOs tapping the market," he added.

Last fiscal, Indian firms raised Rs.95,161.06 crore, data showed. The fund mobilization peaked in fiscal 2008 at Rs.1.66 trillion. This was followed by Rs.1.33 trillion in FY10 and Rs.1.14 trillion in FY11.

While the secondary market issues have dominated the markets, things remain positive for Indian markets, said an investment banker with a US bank, on condition of anonymity owing to compliance rules.

"The year has been the best after 2010-11 and gives a lot of hope that the fundraising trend will continue. Secondary market issuances are a sign of capital markets maturing and show that investors are more willing to buy on the secondary market, which is good because it's leading to a capital churn in the markets," the banker said.

We believe the fundraising activity will continue. Things may have slowed down a bit of late, but they have not collapsed. We're hoping it will be like 2004-2008, when fundraising consistently picked up. We do not want it to be like 2010-2011 when activity spiked and suddenly fell flat," the banker added.

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