Weekly Economic Bulletin

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News Feature

PM opens door wider for foreign investment

'In addition to FDI, we welcome portfolio investment in Indian companies,' says Singh. Prime Minister Manmohan Singh sent out a strong message on the need for further economic reform, particularly in the financial sector, and welcomed investment through qualified institutional investors in Indian companies. Stating that the country has been able to withstand the economic downturn, he said a gradual phase-out of the stimulus measures would take place next year.

"In addition to FDI, we welcome portfolio investment in equity in Indian companies by qualified institutional investors," Singh said in his keynote address at the inauguration of the 25th India Economic Summit, organised jointly by the World Economic Forum and the Confederation of Indian Industry, in Delhi.

Singh's statement, which is being interpreted as a welcome for foreign institutional investors, came against the backdrop of fears in the international community that India would impose controls on capital inflows. It is also significant because it was made just three days after the government announced that unlisted profitable state-owned companies with positive net worth would be tapping the stock market in addition to a further disinvestment in companies that have less than 10 per cent floating equity.

Singh said through the disinvestment policy the government hoped "to see faster progress in sale of a portion of government shareholding in the domestic market and issue of fresh equities in respect of the selected companies".

The government was looking at strengthening the stock market became clear with the prime minister stating that there was need to improve futures markets for better price discovery and regulation. "We also need to remove institutional hurdles to facilitate better intermediation," he said.

Setting the broad agenda for reform, Singh emphasised the need to make the financial sector more competitive while ensuring an efficient regulatory and oversight system. "We need to develop long-term debt markets and deepen corporate bond markets," he said.

This in turn, would "require strong insurance and pension sub-sectors", adding that some of the reforms, especially in insurance, involve legislative changes.

Singh was referring to legislation pending in Parliament to raise the limit for foreign investment in insurance joint ventures, among other key changes in insurance laws, which has been facing political opposition for some years. A bill is also pending to give the pension regulator statutory backing to formulate guidelines for the pension sector, a move that also attracted political opposition in the past.

Singh said the government would build political consensus to bring the required legislative changes.

Singh said the country hoped to achieve a growth rate of 7 per cent with a normal monsoon next year compared to around 6.5 per cent this year. “We resorted to a significant stimulus and we will take appropriate action next year to wind this down.” The country’s gross domestic product (GDP) grew by an average of nearly 9 per cent in the five-year preceding the global financial.

The country’s medium-term objective was to achieve a growth rate of 9 per cent. “Taking into account the fact that our domestic saving rate is now as high as 35 per cent of GDP, this is eminently a feasible task,” he added.

A return to the high growth path required a global revival and since demand there was likely to pick up slowly, the strategy would be to sustain a high growth on the strength of strong domestic demand. “We seek to achieve this through a large increase in investment in infrastructure,” he said. It was important to ensure that the financial systems provided the finance needed for investment in infrastructure.

http://www.business-standard.com/india/news/pm-opens-door-wider-for-foreign-investment/375789/

SEZs post Rs 89,000-cr exports in Apr-Sept

Bucking the trend, exports from the country’s 101 operational special economies zones (SEZ) topped Rs 89,000 crore during the first six months (April-September) of the current financial year, compared to Rs 99,689 crore worth of exports in the entire 2008-09.

Out of the Rs 89,000 crore, around Rs 25,000 crore worth of exports took place from government SEZs, Rs 9,000 crore from state and private SEZs and the remaining approximately Rs 45, 000 crore from SEZs that are set up under the Act.

The total number of employees in various SEZs across the country also grew from 283,425 to 418,129.

“This clearly shows the growth of SEZs in the country and how are they helping in stabilizing the country’s exports. SEZs go into long-term contracts unlike DTA (domestic tariff area) exporters where it is followed on the basis of per order,” said DK Mittal, additional secretary, Department of Commerce, after the meeting of the Board of Approval (BoA).

http://www.business-standard.com/india/news/sezs-post-rs-89000-cr-exports-in-apr-sept/375541/

Overseas News

Govt revisits retail FDI; cap on single-brand stores could go up

The government is once again pushing for foreign investment in the retail sector, albeit in a calibrated manner. In a new strategy being drawn up by the department of industrial policy and promotion (DIPP), foreign direct investment in single brand retail could be hiked to 74% from 51% now.

During the UPA-I regime, the government had tried to increase the FDI in single brand retail to 100% but couldn't. As an alternative, it had tried to bring in 51% FDI in multi-brand speciality retail segments like sports goods and stationery, but that too didn't get off the ground.

If the current move succeeds, it would benefit international brands like Marks & Spencer, Nike, Adidas, Benetton, which have set shop in the country through joint ventures and franchisees.

"The idea is to slowly uncap the sector, in a calibrated manner. Retail is a sensitive issue as it involves large corporations and general public as well. The government is committed to inviting FDI into one of the world's most attractive retail market but it would like to go slow and not against the public opinion", an official involved in the process told.

"With 26% (with Indian partners), the Indian partners would still have special powers, and all control would not pass into the hands of the foreign player, so we do not expect much resistance from any corner," the official said.

The government would not attach any riders while increasing the FDI in single brand retail. Earlier, when working at allowing 100% FDI in single brand retail, DIPP had proposed a set of riders. For instance, an international brand would then have to source 50% of the projected sales from the country. If it fails to meet the norm, within five years it would have to divest 51% stake in favour of domestic investors.

http://www.financialexpress.com/news/govt-revisits-retail-fdi-cap-on-singlebrand-stores-could-go-up/536345/

100% airport FDI too may have to pass security check

Foreign investment in airports could soon come under the watch of security agencies even though 100% FDI in Greenfield projects is allowed under the automatic route. Responding to concerns of the home ministry and various other departments, a new suggestion is now under discussion to alert security agencies as soon as foreign investment starts flowing into airport projects.

The commerce & industry ministry has said that the Reserve Bank should inform the department of industrial policy & promotion (DIPP) as soon as the first installment of foreign investment flows in. The DIPP would in turn alert the home ministry and the security agencies so that they can evaluate the investment from the national security point of view.

This suggestion from the commerce & industry ministry and a host of other initiatives would be discussed at a high-level meeting on national security concerns related to foreign investment, highly-placed government sources said. A committee of secretaries would look into these issues next week, the sources said.

The high-level panel, which includes top bureaucrats from ministries like home, finance, defence, commerce, aviation, DIPP and shipping would also look into national security concerns related to key infrastructure areas. The inputs from these discussions would form part of the larger screening process for foreign investment which is being planned by the National Security Council, the sources said.

In the case of brownfield projects, the commerce & industry ministry has suggested that the foreign investment promotion board (FIPB) could trigger the security scan in the case of brownfield projects where FDI level is proposed to go beyond 74%. In the case of existing projects FDI can go beyond 74% only with the approval of the Board.

http://economictimes.indiatimes.com/news/economy/finance/100-airport-FDI-too-may-have-to-pass-security-check/articleshow/5210398.cms

Commerce min weighs FDI in N-power sector

The commerce and industry ministry will be looking in to the possibility of allowing foreign investment in nuclear power sector. Prime Minister's Economic Advisory Council (EAC) in a recent report had called for allowing entry of "reputable private companies" in to the nuclear power generation sector.

"Nuclear sector is a sensitive area. The report (by PMEAC) will be discussed. No final view has been taken at the moment," commerce minister Anand Sharma said at the Economic Editors' Conference. At the moment, FDI in the nuclear power sector is not allowed along with sectors like multi-brand retail, lottery and gambling. Significantly, the Economic Survey of 2009 also called for allowing FDI in the sector, with a cap of 49 %.

PMEAC, in its report on economic outlook for 2009-10, had expressed concern at the slow pace at which power capacity has been added over the last few years. The council had called for an "active" plan of action for adding power capacity in the next 15 years, which would need greater amount of investment in the sector. "Necessary legislative changes will have to be made to allow the entry of such (private) companies with an appropriate regulatory framework, aside from giving a further impetus to the activities of the state owned companies such as Nuclear Power Corporation and other public sector companies that plan to enter the business," the EAC report had said.

http://www.financialexpress.com/news/commerce-min-weighs-fdi-in-npower-sector/537344/

Trade News

India, Sweden to talk climate deal & civil nuclear cooperation

Evolving a consensus on a new global climate deal and promoting civil nuclear cooperation between India and Sweden will top the agenda of the bilateral discussions between the two countries.

Prime Minister Manmohan Singh will hold talks with Swedish Premier Fredrik Reinfeldt on bilateral and global issues, including global financial crisis, climate change, economic ties and ways to deepen cooperation between the two countries in the field of nuclear energy and non-renewable energy.

Fredrik Reinfeldt was in New Delhi for a three-day visit to attend the 10th summit between India and the 27-nation European Union.

Sweden has also assured India of its long-term support to the development of Indian defence systems by way of technology transfer and co-production based on technologies for the future.

Swedish trade minister Ewa Bjorling in a seminar said, “Sweden is not seeking a buyer, but a strategic partner for long-term cooperation for future defence and industrial development. That would serve as a guarantor for independence instead of relying on a single partner.”

The seminar on “India-Sweden Defence Partnership: Forging Alliances” was organised by embassy of Sweden and Ficci, and Swedish defence industry.

http://www.financialexpress.com/news/india-sweden-to-talk-climate-deal-&-civil-nuclear-cooperation/537950/

Bahrain trade team in India to woo investors

A delegation led by Bahrain’s Economic Development Board (EDB) has arrived in India for a series of meetings with corporates keen to explore investment opportunities in the Kingdom, the gateway to the trillion dollar Gulf market and thriving economies of the West Asia.

Over the coming fortnight the delegation will tour cities including Mumbai, Hyderabad, Delhi and Chennai, and address senior executives and decision-makers who have shown an interest in establishing a base in Bahrain. Last month, the International Monetary Fund raised its 2010 growth forecast for the West Asia to 4.2%, rising to 4.8% in 2014. The six nations of the Gulf Cooperation Council (GCC) alone represent a single market already approaching one trillion dollars in GDP, the equivalent of India.

According to the Associated Chamber of Commerce and Industry of India, India’s total trade with GCC countries witnessed a four-fold increase in the last five years. Also, India and Bahrain have agreed to speed up negotiations to finalise an Indo-GCC Free Trade Agreement that would see trade between the country and the GCC exceed $40 billion by 2010.

http://www.financialexpress.com/news/bahrain-trade-team-in-india-to-woo-investors/537811/

Sectoral News

Big deals begin to click again for IT companies

After a year, Indian information technology (IT) companies are back to doing what they do best: Winning deals. While many of the deals closed during the year came at lower prices than earlier, the good news is that analysts believe prices are stabilising.

Take, for instance, HCL Technologies. The company announced three large deals of over $100 million in the first half of this year. Wipro Technologies also managed to bag a five-year data centre and application management contract from BJ Wholesale Club.

Infocrossing, the company acquired by Wipro, managed to get a contract extension of four years for $34 million from Sunoco, a leading manufacturer and marketer of petroleum products. Last month, TCS, Infosys and Wipro each won a part of the $1.5-billion outsourcing contract from British oil and gas firm BP.

That the flow of deals has resumed is evident from the third quarter Global TPI Index that tracks commercial contracts valued at $25 million or more.

The third quarter Global TPI Index recorded 139 transactions with a total contract value of $24.7 billion. It was the highest quarterly value since the fourth quarter of 2008 and represented an increase of 21 per cent over the second quarter of 2009 and 40 per cent over the third quarter of 2008.

The report said: “A brighter picture could be seen in mega-deals, those worth $1 billion or more. Mega-deal contract values reached $13.7 billion in the third quarter, the highest total since the fourth quarter of 2002. Excluding telco-to-telco contracts, four mega-deals were signed, the same amount in the last three quarters combined. The 11 mega-deals signed year-to-date falls within the range of recent years, but the more than $19 billion of contract value is the highest total since 2005.”

http://www.business-standard.com/india/news/big-deals-begin-to-click-again-for-it-companies/375271/

Indian auto sector growth soars

Getting some respite from the sluggish performance of the last few months, the country's auto majors have reported a significant growth in October 2009. While Maruti Suzuki India, for instance, has posted a 32.45 per cent jump in total sales at 85,415 units in October compared to the same period last year, Hyundai Motor India's total sales for October 2009 stood at 51,736 units as against 46,596 units in October 2008, registering 11% cumulative growth.

Maruti's sales in the domestic market grew 21.01 per cent to 71,551 units in October from 59,127 units in the same month last year, while exports rose over two-fold to 13,864 units compared with 5,363 units in the year-ago period.

Sales of M800, however, declined by 5.53 per cent to 3,124 units compared to the same period last year. The A2 segment (comprising Alto, Wagon R, Estilo, Swift, A-Star and Ritz) witnessed a growth of 18.43 per cent at 51,437 units compared to the same period last year.

Sales in the A3 segment (consisting of SX4 and DZiRE) increased by 62.68 per cent to 8,804 units compared with 5,412 units in the corresponding period last year, the company said.

Maruti's passenger car sales in October rose 21.99 per cent to 71,383 units as against 58,515 units in the same month in 2008.

Hyundai Motor India's total sales for October 2009 stood at 51,736 units as against 46,596 units in October 2008. The domestic sales grew by 41.4% and accounted for 28,301 units as against 20,009 units in October 2008 while the overseas sales dipped by 3,152 units to 23,435 units in October 2009.

Commenting on the company's performance in October, Arvind Saxena, senior vice president - marketing and sales, HMIL, said, "The festive period of the last two months generated strong sales and has given the Indian automobile industry some respite from the sluggish performance of the last few months. Now it looks that this period of strong sales would propel the industry into a positive double digit growth for the remainder of the year. This might be the turning point the Indian automotive industry has been waiting for."

Meanwhile the country's second largest two-wheeler maker, Bajaj, also reported a 52.38 per cent increase in its motorcycle sales at 2,49,681 units in October 2009 as against 1,63,850 units sold in October last year.

"Bajaj motorcycles grew 52 per cent in October 2009, despite several supply constraints. Bajaj is confident of maintaining this growth rate for the rest of 2009-10," the company said in a press release. BAL's exports went up by 11.88 per cent to 84,012 units in October from 75,092 units a year ago. This was the highest-ever monthly export reported by the company.

http://economictimes.indiatimes.com/Automobiles/Indian-auto-sector-growth-soars/articleshow/5189227.cms

Truck sales accelerate 59% in October

Keeping with the buoyant sales of passenger cars and two-wheelers, truck sales (5 tonne to 49 tonne) in the country jumped over 59% in October, mainly due to lower base effect of last year, low cost of finance and hardening of auto emission norms in various parts of the country.

While numbers from the Society of Indian Automobile Manufacturers (Siam) are yet to be released, as per the Indian Foundation of Transport Research and Training (IFTRT), 19,636 units of trucks were sold in the country last month, against 12,335 units sold in October last year, a growth of 59.2%.

This is in line with similar growth observed by industry players in the country. Total commercial vehicle sales of Tata Motors, the country's-largest commercial vehicle manufacturer, went up by 59% in October at 30,541 units as compared to 19,154 units during the same month last year. Ashok Leyland, the second largest commercial vehicle manufacturer in India, registered a growth of 65.8% in total domestic sales last month at 4,934 units vis-à-vis 2,976 units in October 2008.

“The auto finance cost in the past three months has come down from the internalise rate of return (IRR) of 15% to 10.6%. This, coupled with improvement in truck freight rates over the past three months, has brought truckers back into the buying mood,” said SP Singh, coordinator, IFTRT.

http://www.financialexpress.com/news/truck-sales-accelerate-59-in-october/537324/

Oct oilmeal exports doubles to 3.09 lt

Export of oilmeals has doubled to 3.09 lakh tonne in October, mainly on account of increased soyameal shipment, an industry body said.

A data, released by Mumbai-based Solvent Extractors Association (SEA), said the export of oilmeals was 3.09 lakh tonne during October 2009, as against 1.53 lakh tonne in the year-ago period.

India’s export to Vietnam, South Korea, Japan and Thailand has increased significantly due to less supply of oilmeals from South America and weakening of dollar, an SEA official said, adding that the demand for soyameal was very high.

However, oilmeals shipment during April-October 2009 has been lower at 15.43 lakh tonne compared to 26.82 lakh tonne in the corresponding period previous year.

In October, India had exported 2.19 lakh tonne of soyameal, 57,845 tonne of rapeseedmeal and about 30,000 tonne of castormeal, SEA said.

Indore-based Soyabean Processors Association (SOPA) also released soyameal export data which said the shipment was 2.18 lakh tonne in October 2009, compared to 92,424 tonne in the year-ago period.

Vietnam, Japan, Thailand, Indonesia and South Korea are the major destinations for Indian soyameal. The maximum quantity of 68,236 tonne of soyameal was shipped to Vietnam, followed by 59,029 tonne to Japan, 29,554 tonne to Thailand and 17,495 tonne to Korea during the last month, SOPA said.

http://www.financialexpress.com/news/oct-oilmeal-exports-doubles-to-3.09-lt/537764/

News Round-Up

18 of WEF's 'Global Growth Companies' are Indian

The GGC Community was formed to engage high-growth companies with the potential to be tomorrow's industry leaders and drive economic and social change.

Of the more than 200 companies from over 50 countries that form part of the World Economic Forum's Global Growth Companies (GGC) Community, India today has the second largest representation, with a total of 18 GGCs. Indian GGCs come from every sector, with a strong representation in information technology and electronics, retail, consumer goods and banking.

The GGC Community was formed in 2007 to engage dynamic high-growth companies with the potential to be tomorrow's industry leaders and become a driving force of economic and social change. The community provides a platform where leaders of the most dynamic organisations can jointly address the top issues they face in further developing their companies and contributing to economic and social development.

WEF selects companies on the basis of their revenue, growth rate, internationalisation and leadership. Membership is by invitation only.

Key selection criteria include: Annual growth rate exceeding industry and regional average by 15 per cent; minimum turnover between $100 million and $5 billion, depending on the industry; demonstrated growth potential; capacity and intent to build a global business; and exemplary executive leadership.

WEF's Senior Director and Head of GGC, Jeremy Jurgens, explains, "Global Growth Companies meet regularly several times a year— once on the occasion of the 'Summer Davos' that takes place in China each Fall and then at various Regional Summits that the Forum hosts. Companies also convene in small-scale gatherings either physically or virtually throughout the year. This past year for example we have conducted virtual sessions on 'Business Implications of the H1N1 Pandemic' as well as 'Building a Global Brand'."

Says Rana Kapoor, founder, managing director and CEO of YES BANK, a member of the GGC community, of the opportunities created by such membership: "The objective behind establishing the Global Growth Companies (GGC) Community was to enable emerging multinationals to develop into the next generation of international corporate leaders."

Kapoor explains that India has over the past few years made substantial progress towards achieving a robust financial system, and has been relatively resilient to exogenous global shocks. "I would like to believe that a young, dynamic, innovative growing organisation like YES BANK is consistently presented with unique opportunities that must be fully and persistently leveraged for growth and institutional development."

http://www.business-standard.com/india/news/18wef/s-/global-growth-companies/indian/375713/