

## Weekly Economic Bulletin

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## News Feature

### Core sector output for December up 6%

India's core sector, which comprises six key infrastructure industries, grew 6 per cent in December, compared with 5.3 per cent growth in the previous month. The growth, signifying a recovery in industrial manufacturing, was primarily led by an increase in the production of finished steel, cement and electricity last month.

The core sector growth stood at 0.7 per cent in December 2008, due to the economic slowdown.

The sector, which accounts for 26.7 per cent of the Index of Industrial Production (IIP), grew 4.8 per cent in April-December period in the current financial year, against 3.2 per cent in the corresponding period of 2008-09, showed official data released by the commerce and industry ministry.

"The data are on expected lines. We can expect double-digit growth in IIP numbers... The core data alone do not signify much and the recovery in the economy is more visible in IIP and other data," said D K Joshi, principal economist at Crisil, a ratings agency.

Finished steel output and electricity grew 9.6 per cent and 5.4 per cent, respectively, against a drop of 8 per cent and growth of 1.5 per cent, respectively, in the same month last year.

Crude oil production grew by 1.1 per cent, against a fall of 0.3 per cent in December 2008. Coal and cement output grew 2.5 per cent and 11 per cent, respectively. In the corresponding month of 2008, coal and cement recorded growth of 11.2 and 11.6 per cent, respectively.

Only petroleum refinery products grew marginally by 0.9 per cent in December 2009, against 3 per cent growth in the same month last financial year.

In the April-December period, the output of crude oil and petroleum refinery products fell by 1 per cent each, compared with a 0.5 per cent decline in the year-ago period.

While coal and cement rose by 8.3 per cent and 11 per cent, respectively, electricity and finished steel also posted moderate growth of 6 per cent and 3.6 per cent, respectively, in the nine-month period.

<http://www.business-standard.com/india/news/core-sector-output-for-december6/383432/>

### After a robust 2009, India Inc start '10 with Rs 5,800 cr QIPs

After robust 2009, wherein funds garnered via the Qualified Institutional Placements (QIP) route touched a record Rs 41,522 crore, India Inc seem keen to start this year too on an

earnest note. Most companies prefer the QIP route as it cheaper and quickest route with minimum disclosures. There's no lock-in and the whole process takes little time.

As many as five companies are lined up to collectively raise Rs 5,311 crore in the next few days. Five companies, including two banks, Yes Bank and Karnataka Bank, Electrosteel Castings, HDIL and Shriram Transport Finance are the ones. Meanwhile, Usha Martin closed its QIP issues on Monday, mobilised Rs 468 crore, thus total this year's tally to Rs 5,779 crore.

On comparative basis, 2008 was quite a lacklustre year with just Rs 4,111 crore mobilised during the entire year. The prime reason for this was the bearish secondary market amid the global meltdown, which saw stock prices fall to record levels. However, things changed from March 2009, as bullishness crept in, India Inc too grew confident and rising share prices saw them garner money with ease. As a result of which, Fifty-one companies collectively raised record Rs 41,522 crore, against Rs 4,111 crore funds mobilized by nine firms in 2008.

Again in December 2009, things had slowed down a bit as only four companies collectively raised Rs 594 crore via QIP route, as compared to more than Rs 4,500 crore mobilised between July and November. The slowdown was a counter effect of a slew of IPOs, including major Power IPOs, in the October-December period, which sucked up inflows from the institutional investors.

However, Indian companies are once again active to raise the funds from institutional investors though QIPs. The improvement in investor sentiment and market valuations has seen a host of companies announcing fund raising plans. Many of these companies raised funds for expansion of business, funding new project, repay debts and enhance the capital adequacy ratio.

<http://www.business-standard.com/india/news/afterrobust-2009-india-inc-start-/10rs-5800-qips/83802/on>

## **Overseas Investment**

### **Forex kitty up \$899 m, touches \$285 bn**

Foreign exchange reserves rose \$899 million to touch \$285.1 billion during the week ended January 15, largely on account of revaluation of non-dollar assets in reserves.

The latest figures released by the Reserve Bank of India (RBI) indicate that the total foreign exchange reserves comprising foreign currency assets, gold and special drawing rights (SDR — reserves currency with the International Monetary Fund) rose \$853 million reflecting valuation gains in non-dollar assets. The value of SDR and the reserve capital with the IMF rose \$36 million and \$10 million, respectively, during the week.

“The dollar had strengthened sharply against the euro during the week. As a result, the value of euro-denominated assets in reserves, which are expressed in dollars, have risen,” said a treasury official with a private bank, requesting anonymity. Almost 40% of the reserves are believed to be comprised in non-dollar assets, including the sterling pound,

yen, euro and the yuan, though central banks don't make their currency composition of reserves public.

In other developments, the central government has kept its respective ways and means advances (WMA) account with RBI vacant during the week ended January 8. WMA is a facility under which governments (states as well as the Centre) can borrow from the central bank to meet their daily revenue mismatches. While borrowing within the limit is at the prevailing repo rate, borrowings above the agreed limit — between the government and RBI-is at 2% higher than the repo rate.

State governments availed of Rs 72 crore higher during the week under this facility, taking their outstanding WMA balances to Rs 75 crore as on January 15.

<http://economictimes.indiatimes.com/news/economy/finance/Forex-kitty-up-899-m-touches-285-bn/articleshow/5490199.cms>

### **Govt to relax FDI norms**

The government of India proposes to ease the norms for foreign direct investment (FDI) approval.

At present, projects worth more than Rs 600 crore require the final approval of the Cabinet Committee on Economic Affairs (CCEA). The department of industrial policy and promotion (DIPP) has proposed that this ceiling be raised to anywhere between Rs 1,000 crore and Rs 1,500 crore.

The new norms are likely to be notified after the introduction of a consolidated FDI policy framework on April 1 this year. Projects below the threshold would get their final approval from the finance minister after they have been cleared by the Foreign Investment Promotion Board (FIPB).

According to the current norms, any FDI infusion, irrespective of its size, into projects worth above Rs 600 crore requires a formal clearance from CCEA after it passes through FIPB under the Ministry of Finance. This is mandated in Press Note 7.

Senior DIPP officials told that it was in favour of raising the threshold to augment greater FDI inflows into the country and minimise the role of CCEA. "The proposal has been in works for some time, but we plan to introduce it when the consolidated FDI policy framework comes into effect and we receive stakeholders' views," said a senior DIPP official. Once notified, the move is expected to benefit companies across all verticals from telecom, retail, airlines, banking and financial services that view India as one of the prime investment destinations. He added that the government was not planning to review the FDI ceiling for any sector.

Even as FDI inflow has been rising since 2000, it still does not play a significant role in capital formation, according to a recent report by the Organization for Economic Cooperation and Development. The latest move is part of the policy measures aimed at smooth FDI flow into the country.

Last month, Commerce and Industry Minister Anand Sharma unveiled a draft consolidation of the FDI policy. It aimed to bring greater clarity by replacing all 177 press notes outlining the guidelines and making it investor-friendly. The draft guidelines were released for stakeholders' consultation till January 31. It would be finalised by March 31. The new policy would then be subjected to inter-ministerial review after every six months.

FDI inflows increased to \$27 billion in 2008-09 from \$3.2 billion in 2004-05. During the period April-September 2009-10, FDI inflows reached \$15 billion. The government has set a target of achieving \$50 billion annual FDI by 2012 and \$100 billion by 2017.

<http://www.business-standard.com/india/news/govt-to-relax-fdi-norms/383232/>

## **Trade News**

### **Biocon explores investment in Malaysia**

Biocon Limited, the country's second largest biotechnology firm has signed a Memorandum of Understanding (MoU) with Malaysia's Biotechnology Corporation (BiotechCorp) to explore collaboration and potential investment in Malaysia's biotechnology industry.

Biocon is in talks with BiotechCorp to manufacture biopharmaceutical products and formulation, within Malaysia's Nusajaya, Iskandar Malaysia, in the biotech park called the Bio-XCell Ecosystem.

Biocon is also developing biotechnology infrastructure in the Bio-XCell Ecosystem Project. BiotechCorp is the lead development agency for the biotech industry in Malaysia and acts as a central contact point providing support, facilitation and advisory services for biotech and life sciences companies in Malaysia.

Kiran Mazumdar-Shaw, chairman and managing director, Biocon said, "The company is keen to explore Malaysia as a destination for our expansion. Malaysia and the Bio-XCell Ecosystem in Iskandar Malaysia are attractive propositions."

Biocon develops and manufactures biopharmaceutical products for various medical needs, including cancer, diabetes and inflammatory diseases. In the third quarter of the ongoing fiscal, Biocon posted three times growth in its net profit to Rs 81 crore as compared to the corresponding quarter of last year.

The company is also furthering its own research for oral insulin and has filed an US IND application, which when approved gives the company approval to start human trials, a major step prior to commercialising the product.

<http://www.business-standard.com/india/news/biocon-explores-investment-in-malaysia/383510/>

### **India, Korea to ink three key MoUs**

India and South Korea will sign three memoranda of understanding on techno-economic cooperation, information technology and space cooperation during the visit of South Korean president Lee Myung-bak as chief guest for India's Republic Day celebrations.

An upgrade to a strategic partnership is also on the cards during President Lee's visit, sources said, with Seoul seeking to establish relations with "new nations" like India, ASEAN and Central Asia – beyond nations like the US, China, Japan and Russia, the building blocks of Lee's 'New Asia Initiative' -- while India seeks to reinvent ties with East Asian powerhouses like Japan and Korea.

President Lee will, however, not visit the site of the Posco steel plant in Orissa's Jagatsinghpur district, where Korea's largest steel-maker has been trying to build an integrated steel factory and port at Paradip, even though Prime Minister Manmohan Singh personally intervened to push central and state authorities to allow Posco to acquire the land earlier this month.

<http://www.business-standard.com/india/news/india-korea-to-ink-three-key-mous-next-week/383245/>

## **Sectoral News**

### **Hiring picks up across sectors**

Besides IT, power and infrastructure, even BPO and FMCG companies are hiring in a big way with the economy picking up, hiring is back in full swing across sectors.

The poster boys for the information technology (IT) sector are already hiring in thousands — both freshers from campuses, as well as experienced people (called 'laterals'). India's second-largest IT company, Infosys Technologies, for instance, has increased its overall hiring numbers for 2010-11 to 24,000. The company said it would hire 6,000 people on a gross basis, of which 1,500-2,000 will be laterals. The company plans to make 15,000 campus offers in the next financial year, of which 9,000 offers have already been made.

And India's largest IT company, Tata Consultancy Services (TCS), will be hiring close to 11,000 in the fourth quarter ending March 31, 2010. Of this, close to 8,300 will come from campuses and 3,000 will be laterals. For 2010-11, the company has already made campus offers to 5,625 students.

The trend, however, is not just restricted to the IT sector. After a lull in 2009, both companies and head hunters seem more self-assured about growth, which is reflected in hiring across sectors. Besides IT, energy, power and infrastructure, which are hiring in a big way, even business process outsourcing (BPO) and fast moving consumer goods (FMCG) companies have entered the fray. Hiring from pharmaceuticals and healthcare segments have been steady.

"Recovery in hiring across all sectors has begun and this kind of hiring will gain momentum in the first quarter (January-March) and accelerate in April-May because March is the closing month for most Indian companies," acknowledges Sanjay Modi, Monster India MD (South-East Asia and West Asia).

However, besides the IT and financial sectors, where commitments are being made mostly at the entry levels, other sectors are hiring at the mid- and senior-levels, especially infrastructure, power and energy sectors, according to sources. For instance, they note, companies like Reliance Infrastructure, Gammon Infrastructure and Kalpataru Power are hiring actively. This, however, could not be independently confirmed.

“There is a cautious optimism in the job market. More activity is being observed at the senior- and mid- level management because there is a demand to fill up positions as companies look to expand slowly,” says Shiv Agarwal, CEO, ABC Consultants.

<http://www.business-standard.com/india/news/hiring-picksacross-sectors/383148/>

### **Biotech sector may double to \$5 bn by 2011**

India's biotechnology sector is set to become a \$10 billion industry by 2015, CMD of Biocon Ltd, Kiran Mazumdar-Shaw said today. She expects the industry to grow to \$5 billion by next year. In 2008-09 it was \$2.51 billion.

“India's biotechnology industry is at an inflexion point, and has attained a critical mass, Mazumdar-Shaw said. It now has a platform from where it can leapfrog and deliver exponential growth, she said. India is also becoming the vaccine capital.

India is today becoming the vaccine capital. Bio-manufacturing offers a huge potential and there are indications many global contract manufacturers announced they will be shifting their base from Europe to Asia. I think India will be a beneficiary of that strategy,” Kiran added. Clinical trials, agri-biotech and bio-fuels are becoming opportunities. There are a lot of growth drivers and trigger points which, she said, will deliver in the next five years.

Department of IT, bio-technology and science and technology, Karnataka, Vision Group on Biotechnology on Tuesday announced the 10th edition of Bangalore Bio, rechristened Bangalore India Bio is scheduled to be held from June 2 to June 4 in Bangalore.

But, as the sector aims to grow rapidly, it may hit hurdles like poor human resources. The industry finds it difficult to get industry-ready graduates. Hence, Karnataka has decided to select 10 institutions with the infrastructure to have finishing schools with focus on specialised skill development to make graduates in biotechnology industry-ready. A sum of Rs 10 crore has been allocated to support the finishing schools, according to industry sources.

Co-chairman of the high-power genetic engineering approvals committee (GEAC) Arjula R Reddy had earlier said that China had taken a major step forward in producing Bt rice varieties by becoming the first country to give the bio-safety approval for the development of Bt rice varieties.

Reddy, a geneticist, had said that in a year or two China would be ready with disease-and-insect-resistant Bt varieties of rice which would considerably help reduce the cost of cultivation and also increase productivity.

<http://www.business-standard.com/india/news/biotech-sector-may-double-to-5-bn-by-2011/383090/>

### **Cargo handling at ports up for 5th month in row**

Cargo handled by major ports in the country, a key indicator for economic activity, is staging a smart recovery.

In December 2009, cargo handled was up for the fifth consecutive month at 49.1 million tonnes (MT) compared to 45.3 MT in the corresponding month last year, a growth of 8.3%. On a sequential basis, the cargo volumes increased by 1.9% compared to the previous month.

According to data from the Indian Ports Association (IPA), for the third quarter ended December 2009, the major ports have registered cargo growth of 10.7% compared to the same period last year, while sequential growth has been 9.7%.

"For the fifth consecutive month, the cargo volumes at major ports have registered a growth over the corresponding months last year. For third quarter, cargo traffic at major ports registered a strong growth of 10.7% y-o-y and 9.7% q-o-q. Moreover, cargo growth of 5.1% y-o-y in year-to-date in the current fiscal indicates that economic activity is back on track. And with GDP expected to grow at 6.5% in FY10, we believe the Indian economy has come out of the last year's slowdown," Kunal Lakhan, an analyst at domestic brokerage KR Choksey said.

Container cargo has registered a strong growth of 42% y-o-y and 12.2% m-o-m mainly on back of revival in demand in the global markets. As per the data, iron ore was the worst performing cargo in December as the volumes declined 10.5% y-o-y and 8.6% m-o-m.

Coal volumes grew by 3.2% y-o-y, whereas on a sequential basis, volumes dipped 4.6%. Crude volumes have registered a fall of 2% y-o-y whereas growth of 1.9% m-o-m. During the third quarter, container and iron ore volumes grew by 16.6% y-o-y, whereas fertilisers and crude declined by 7.8% y-o-y and 1.1% y-o-y.

In a recent interview, Anand Sharma, union minister for commerce, said, "exports have found their positive growth trajectory again. Our exports will reach \$200 billion by the next fiscal-end. By 2014, we will double our exports from last year's \$287 billion, including \$186 billion in goods exports and \$101 billion in service exports."

For December, the ports on the west coast have performed better than east and south. West coast ports have posted a growth of 14.4% whereas the east and the south ports have registered (-)1.6% and 7.5% growth.

JNPT on the west coast recorded a strong growth of 24.7% y-o-y, while Haldia and Kolkata have been a drag. Among the southern ports, Cochin, Chennai and Tuticorin registered strong growth at 32.2%, 22.6% and 24.4%.

<http://economictimes.indiatimes.com/news/news-by-industry/transportation/shipping/-/transport/Cargo-handling-at-ports-up-for-5th-month-in-row/articleshow/5497946.cms>

## **Consumer electronics cos post double-digit growth in Jan-Nov '09**

The durables industry has firmly put the slowdown behind it after buoyant demand from first-time buyers in semi-urban markets and affluent customers in the premium category lifted companies to a double-digit volume growth in January-November 2009.

The consumer electronics industry, in particular, benefited from robust demand for high-value goods such as LCD televisions, split air-conditioners and frost-free refrigerators, which helped it overcome the crushing second half of 2008 and sluggish first quarter of 2009, say data from market research agency ORG-GFK.

The LCD television category grew 93% to 10 lakh units during January-November, washing machine sales grew 14% to 24 lakh units and refrigerators surged 16.4% to 50 lakh units from a year ago, as per the data.

Though around 70% sales continued to be driven by large cities, consumption soared in the rural and semi-urban markets as public sector employees there were hardly affected by the slowdown.

Companies were also helped by an overhaul of strategies. Distribution strategies were tweaked and investments were ploughed back into brand-building and promotions. Companies such as LG, Videocon, Samsung and Godrej announced scores of new products and offered hefty discounts during festive periods to woo consumers. These companies are also investing in tailoring products and prices as per the needs of rural consumers to spur demand in these markets.

For Samsung, growth was fuelled by launches, improvements in the economy and more income for consumers. "We achieved the 25% growth target during the year across home appliances category," said Samsung India deputy managing director R Zutshi.

The government's stimulus packages rolled out early last year and wage revision also boosted consumer demand as prices softened.

"The government's support through stimulus measures, revision in salaries of employees coupled with fresh recruitment across sectors is giving a further fillip to demand," said LG India sales head Amitabh Tiwari. The company claims to have posted a 30% growth in sales volumes in 2009.

The ORG-GFK data showed that within refrigerators, the mass-product direct cool category leapt 21% to 36 lakh units while the premium frost-free fridge category grew 7.4% to 14.5 lakh units. Sales in fully-automatic washing machines rose 21% to 8.6 lakh units and split airconditioners grew 13.4% to 12 lakh units.

<http://economictimes.indiatimes.com/news/news-by-industry/consumer-products/electronics/Consumer-electronics-cos-post-double-digit-growth-in-Jan-Nov-09/articleshow/5496100.cms>

## **India may have 100 mn broadband connections in 5 years: Pitroda**

Hoping that the newly launched video telephony, by BSNL and Sai Info Systems (SIS), will boost demand for broadband connection, Sam Pitroda, advisor to Prime Minister on public information, infrastructure and innovations, expects the number to hit 100 million in next five years.

Unveiling the Video Phone services in Gujarat for commercial use, Pitroda said, "It took 50 years for video telephony to move out of laboratories into market. However this new step in telecom holds the key behind a big jump in broadband connections in India. At present, the number of broadband connection is less than 10 million, but services like video telephony is bound to generate fresh demand for the broadband service. We hope to have 100 million broadband connections in India next 3-5 years."

Being offered by state-owned telecom operator BSNL in association with Ahmedabad-based IT solution provider SIS, the video telephony services will require land line telephone as well as broadband connections. With the help of a separate device, the service will allow subscribers to make video calls at Rs 2 per minute.

"We will begin offering video telephony services in association with SIS from January 22, 2010 while the connections will be offered from February 1, 2010 onwards. Initially, the service will be available to BSNL customers in Gujarat and by April, 2010, customers across the country will be able to avail the service. While the audio call will cost subscribers Rs 0.40 per minute, video calls can be made at Rs 2 per minute," said SK Bhandari, principal general manager, BSNL.

The video phone service will be available in wire line as well as wireless medium on IP. According to Vijay Mandora, director of SIS, a wide range of phone equipment from simple to high end models will be introduced in the market.

"The service is expected to revolutionize the telecom sector and take it to the next level. Globally with video phones have become an integral part of life. The service will be provided and marketed by SIS while the connectivity for the service will be provided by BSNL. BSNL will also market it as another value added service to its large broadband customer base," said Mandora, director, SIS.

<http://www.business-standard.com/india/news/india-may-have-100-mn-broadband-connections-in-5-years-pitroda/383400/>

## **News Round-Up**

### **India can become 3rd largest economy by 2012: PwC**

The US financial crisis may have expedited a shift in global economic power. According to a report by global consultancy firm ricewaterhouseCoopers (PwC), India could become the

world's third largest economy by purchasing power parity (PPP), overtaking Japan in 2012.

This would be almost 20 years ahead of Goldman Sachs' projection of 2032 in its BRIC (Brazil, Russia, India, China) report.

India is also expected to grow faster than China after 2020. China, which was projected to become the world's largest economy by 2041, now looks set to achieve the distinction sometime around 2020, the PwC report said.

"While the exact date is open to doubt, it seems highly likely that, by 2030, China will clearly be the largest economy in the world on PPP," writes PwC head of macroeconomics John Hawksworth in the report.

<http://economictimes.indiatimes.com/news/economy/indicators/India-can-become-3rd-largest-economy-by-2012-PwC/articleshow/5491011.cms>

### **Return to 9% GDP growth likely by end of 2010-11, says CEA**

Optimistic that India should return to the 9 per cent growth rate trajectory by the end of the next financial year, Kaushik Basu, chief economic advisor in the Union finance ministry, today said robust growth in the manufacturing and services sectors would offset the impact of a decline in the agricultural GDP (gross domestic product) growth in the third quarter.

For the current financial year, Basu expects GDP growth to be between 7.5 and 7.8 per cent.

"It is true that we are expecting the agricultural growth to decline in the third quarter. Agriculture now constitutes 17 per cent of India's national income, which means the agricultural downturn should be deflated by one-fifth or more for its total impact on the GDP. That, coupled with the fact that in the same quarter one year ago, India had performed very poorly. The GDP growth was 5.8 per cent. These two factors make me feel that the third-quarter GDP is going to be pretty good," said Basu, on the sidelines of a seminar organised by the American Chamber of Commerce here today.

"We are getting indications that growth in manufacturing and services sectors will be pretty good," he added.

Pronab Sen, chief statistician and also secretary of the ministry of statistics and programme implementation, had recently said poor agricultural growth might pull down GDP growth in the third quarter to 6-6.5 per cent.

On being asked if the third-quarter GDP growth would be similar, Basu said: "The growth in the second quarter was very good at 7.9 per cent and we expect it to be very good in the third quarter as well. My expectation is that the economy should be returning to 9 per cent growth, at least in the last two quarters of 2010-11."

<http://www.business-standard.com/india/news/return-to-9-gdp-growth-likely-by-end2010-11-says-cea/383434/>