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Recent Trends in Indian Economy

Industrial Production

- India's GDP growth for 2009-10 is estimated at 7.2 per cent, up from 6.7 per cent recorded in 2008-09. In the latest estimates for third quarter of 2009-10, country's GDP stood at 6 percent corresponding to the growth of 6.2 percent during same period of previous year. With an assumption of a normal monsoon and sustainable good performance of the industry and services sectors, the latest RBI projection placed the real GDP growth at 8.0 per cent for the year 2010-11. According to the latest IMF projection, India will grow at 8.8 percent during the year 2010.
- Indian industry recovered substantially in the later half of 2009-10. The IIP figures available for the entire fiscal shows industrial production register growth of 10.4 percent as against 2.8 percent during the same period of 2008-09.
- At the disaggregated level, all three sectors, i.e. mining, electricity and manufacturing witnessed a perceptible growth during the year 2009-10. The manufacturing sector, in particular, contributed significantly to this overall strong performance with a comprehensive growth of 10.9 percent during the period. As per used based classification, capital goods industry led the frontier attaining growth of 19.2 percent during 2009-10. The consumer goods sector secured a robust growth of 7.4 percent on account of consumer durables segment.
- In 2009-10, fourteen (14) out of seventeen industries achieved higher growth than in the previous year 2008-09. Only three sectors namely the food products, beverages, tobacco & related products and jute textiles have still continued to suffer from discernibly low growth in output.

Core Infrastructure

- Core sectors grew at a satisfactory rate of 5.5 percent in 2009-10 as compared to 3.3 percent growth in the previous fiscal. The growth was mainly on account of the cement industry sector followed by coal and power sectors.

Inflation

- The rise in inflation continued even in March 2010; the overall inflation headed 9.9 percent during the month whereas the rate of inflation was only 1.3 percent in

March 2009. The upward pressure on prices of food articles and fuel commodities pushed up the aggregate price level of the economy.

- The Reserve Bank raised the repo and reverse repo rates by 25 basis points each on March 19, 2010 to anchor inflation expectations.

Monetary Indicators

- (M3) Broad money supply increased by 17 percent during the year 2009-10. This growth was slightly lower than the growth of 18.4 percent posted during last year.
- Over the year 2009-10 the expansion of aggregate deposits was around 17 percent corresponding to the expansion by 19.9 percent seen during the same period last year
- The increase in bank credit was marginally lower at around 16.7 percent while it was 17.5 percent during the same period of the preceding year. After a phase of deceleration, there has been a restoration in the flow of bank credit observed since November 2009. As a consequence the indicative target of 16.0 per cent credit growth as set by RBI for the year was exceeded up to mid-March 2010.

Stock Market Trends

- In response to the large capital flight in portfolio investments throughout the year, Indian stock market portrayed an optimistic picture in the financial year 2009-10. As a result the BSE sensx rose from 9 k points in April 2009 to 16 k points in March 2010. Nevertheless, during the third and fourth quarter of 2009-10 the BSE sensx remained between 16 k to 17 k points.

Fiscal Trends

- Fiscal deficit has been found to be reticent with a modest increase of 24 percent during the period from April to February 2010 while the growth was 33 percent during the same period of 2008-09. During this period of 2009-10, the level of fiscal deficit stepped up from Rs 307133 crores in 2008-09 to Rs 380901 crores in 2009-10.
- Growth in the gross tax revenue decelerated in February 2009-10. The slide in overall tax collection was mainly on account of the weak collections in indirect taxes.

Foreign Trade

- Indian merchandise trade managed to recover from the severe impact of global turmoil. India's export seems to gather momentum as it saw a tremendous growth of 54.1 percent during March 2010 compared to negative growth of (-)33.1 percent in March 2009. However, taking the entire year 2009-10, Indian exports contracted by (-) 4.7 percent while the growth figure was positive 3.4 percent during 2008-09.

Foreign Investments

- Capital flows continued to remain buoyant throughout the year 2009-10. During the year 2009-10 total foreign investment amounted to be USD 66.5 billion as against USD 21.3 billion recorded during the same period last year. This confirms more than a three- fold increase in capital flows over the preceding year 2008-09.

Foreign Exchange Reserves

- India's foreign exchange reserves increased by US\$ 27.1 billion during 2009-10 to reach US\$ 279.1 billion at the end of March 2010. This is mainly ascribed to higher capital inflows in the form of portfolio investments during the year 2009-10.

Lead Stories of the Month

Education becomes a Right

Prime Minister Manmohan Singh called upon state governments, teachers, parents and guardians to help make the Right to Education Act a success. The Right to Education Act, 2009 has come into force from April 1 this year making education a fundamental right for all children aged 6 to 14 years.

Describing education as the 'key to success' that empowers the individual and enables a nation, the Prime Minister said that the implementation of the fundamental right to education demonstrated the government's "national commitment to the education of our children and to the future of India".

"To realise the Right to Education, the government at the Centre, in the states and union territories, and at the district and village level must work together as part of a common national endeavour. I call upon all the state governments to join in this national effort with full resolve and determination. Our government, in partnership with the state governments, will ensure that financial constraints do not hamper the implementation of the Right to Education Act", the PM said in his address to the nation. He further elaborated on the key role that teachers have to play in the implementation of the Act.

"The success of any educational endeavour is based on the ability and motivation of teachers. The implementation of the Right to Education is no exception. I call upon all our teachers across the country to become partners in this effort. It is also incumbent upon all of us to work together to improve the working conditions of our teachers and enable them to teach with dignity, giving full expression to their talent and creativity. Parents and guardians too have a critical role to play having been assigned school management responsibilities under the Act", he noted.

Feb exports up 34%, import surge signals strong revival

Exports went up in February 2010 for the fourth straight month to \$16.09 billion, an impressive growth of 34.8%. Imports, too, maintained momentum growing by 66% to \$25 billion underscoring the strong revival in the domestic economy.

The government, nonetheless, announced a fresh package of incentives for exporters of garments, engineering, electronics and agro products to select markets where demand for the products is yet to pick up.

The sops, will be available for six months and are expected to cost the government Rs 625 crore.

Director general of foreign trade (DGFT) RS Gujral pointed out that despite exports showing a healthy growth in the past four months, for April-February 2009-10 period at \$153 billion exports were still 11% lower over the same period in the previous fiscal.

India is expected to end the fiscal well below the \$189 billion worth of exports carried out in 2008-09.

Sectors such as engineering goods, textiles, jute, carpets, handicrafts and leather are continuing to perform badly.

At a press conference Commerce Minister Anand Sharma pointed out that the growing import numbers was good news. "It shows that the economy is picking up," he said.

Pranab sees increase in investment, growth at 9%

Finance Minister Pranab Mukherjee said the economy would soon return to the 9% growth trajectory, helped by various measures announced in the Union Budget 2010-11. He said the economy would post 8.25-8.75% growth in the current fiscal after recording 7.2% growth in 2009-10, which is impressive by global standards.

"The good news is that the world economy seems to be recovering from the severe crisis," Mr Mukherjee said at a SIDBI function.

"The fast-paced recovery of the Indian economy underscores the effectiveness of the policy response of the government in the wake of this financial crisis," he said.

Last year was a difficult one as the world was still in the throes of the financial crisis, Mr Mukherjee said.

The finance minister's growth forecast for 2009-10 is in line with the projection made by the Central Statistical Office, although it is lower than the 7.5% forecast by RBI's policy review in January.

"I am optimistic that the measures I have outlined in this year's budget will revive private investment and put the economy back on the growth path," Mr Mukherjee said.

Prime Minister Manmohan Singh had said at a function organised by the central bank that the economy would get back to 9% growth by the end of the Eleventh Five Year Plan period, and do even better after that.

After clocking 9% plus growth for three continuous years till 2007-08, the country's GDP grew by a relatively modest rate of 6.7% in 2008-09 on account of the international financial crisis.

Base metals, crude oil rise on signals of improved economy

After registering a steadily rising trend in the first quarter of the year, commodity markets appear to have begun the second quarter with more optimism. Flow of positive macroeconomic data is highly supportive even as demand fundamentals are seen improving.

Importantly, crude prices have ended Q1 on a high. Both WTI and Brent settled at their highest levels since early October 2008; and moved even higher. Base metals too have risen strongly with sentiment boosted by signals of improvement in the macro-economy.

Gold: The entire precious metals group was up last week, with gains recorded by palladium (7.7 per cent), platinum (4 per cent), silver (5 per cent) and gold (2.5 per cent). Prices rallied. In London, the PM Fix was at \$1,123.50 an ounce, up from the previous day's \$1,115.50. Silver followed suit with Fix at \$17.69/oz versus \$17.50 the previous day.

Palladium in particular has performed remarkably well with quarterly close (\$479/oz) the highest since Q2 2001 and the March close was the highest since February 2008. It opened the current new quarter higher at \$491/oz with prices driven by fresh demand.

As for the yellow metal, currency and investor interest will continue to determine the price direction. Physical demand is still less than robust although seasonal factors – for instance marriage season in India – may provide some physical support. Currently, the price momentum is to the upside. If it decisively breaches the 1,150 level, there is the possibility of surging ahead, according to technical analysts.

Base metals: Flow of positive macro-economic data helped the complex rally.

Copper and nickel closed higher. LME copper cash was \$7,855 a tonne, up from \$7,759 the previous day, while nickel breached the psychological \$ 25,000 barrier to register \$ 25,011 a tonne.

Copper is expected to press higher and the next upside target appears to be 8,000.

With iron ore prices being re-fixed obviously at higher levels, there is concern how much more prices could rise. Because pricing arrangement for the June quarter has been broadly agreed on, there is belief that spot prices could cool as speculative activity would slow.

However, there is likely to be demand pressure for actual consumption needs, rather than for stock building.

How iron ore supplies from India pan out in the coming months with government taking action against illegal mining remains to be seen. There could be marginal tightness possibly because of minor disruptions to shipments out of India.

Indian economy poised to achieve 9-10 per cent growth rate: PM

Prime Minister Manmohan Singh said India was poised to achieve 9-10 per cent economic growth but for this it required protection-free international climate.

During the meeting with President Barack Obama, Singh said, there was a need to "rewrite" the architecture of global economic system in which the G-20 could play an important role.

Singh and Obama discussed a broad range of issues, including global economic crisis, follow up of G-20 meetings and food security and energy security.

The Prime Minister said he was convinced that the two countries could begin a new chapter in their relations, Foreign Secretary Nirupama Rao reporters while briefing on the meeting.

Referring to the global economic crisis, Singh referred to role of US in strengthening growth impulses in world economy particularly in developing countries in period after World War II and stressed that that experience should be repeated.

Talking about India's context, he said the country was poised to achieve high economic growth of 9-10 per cent, given the savings rate of 35 per cent and investment rate of 37 per cent. For this to happen, there was need for peace in the region, he said.

He also said that countries like India needed international environment that does not allow protectionist forces to gain ascendancy, Rao said.

Singh told Obama that "we should rewrite the architecture of the global economic system. In this context, G-20 could play an important role in ensuring that global economic recovery is sustainable."

He said the US was uniquely placed to work out a plan for sustainable recovery in a globally integrated financial system. There is synergy of interests between India and the US, Singh told Obama.

In response, Obama said the US would welcome suggestions of India as preparations for the next G-20 were underway. He mentioned common interest of both countries in seeing early conclusion of Doha Round of WTO talks.

Singh said, food security, energy security were other areas for cooperation especially since experience of India in these fields was very valuable and of relevance.

India Inc boasts highest ever order inflow

India Inc's order book doubled in the fourth quarter (January-March) of the last financial year compared, to the year-ago period.

At Rs 92,290 crore, it was also the biggest ever order inflow in any quarter, beating the earlier high of Rs 74,775 crore recorded during the quarter ended September 2009.

Data, culled by Business Standard Research Bureau from announcements made to the stock exchanges, showed that the engineering and construction sector accounted for the highest position (35.5 per cent) of the total inflow. Power followed closely with 34.4 per cent.

The order- from private sector and central and state governments — are for building power plants, roads, and factories and houses, in addition to capital equipment and engineering.

The party is expected to be a long-drawn one, with analysts saying the growth could even improve in the next few quarters. "In the first half of calendar year 2011, we expect to see lot of action in the roads and power sector," Shailesh Kanani, analyst, Angel Broking said.

Corporate India set to end '09-10 on strong note

With a good improvement in overall economic activity, Corporate India is expected to end fiscal 2010 on a strong note. The net profit of sensex companies would grow 26-32 % year-on-year (y-o-y) to Rs 36,000-Rs 37,000 crore in the fourth quarter of 2009-10 , according to estimates by leading brokerages. Net sales would also be robust and would increase 31-35 % yo-y to about Rs 2.5 lakh crore.

Companies in the 30-share sensex are estimated to post the strongest revenue growth since the first quarter of fiscal 2009, according to analysts at IIFL. Only four sectors would have a less than 10% profit after tax (PAT) growth. Telecom, pharma and utilities are likely to post a decline in profits while companies in the financial sector would record a measly 2% growth, they said. In all, 25 out of 30 sensex companies would report positive earnings growth, analysts at Motilal Oswal said.

Corporate firms, which were badly hit by the global economic meltdown, are slowly clawing their way back to the heady sales and earnings growth of over 20% after a gap of nearly two years. "Capacity utilisation is approaching pre-crisis levels in domestic demand driven sectors such as steel (96% utilisation) and cement (87% utilisation)," analysts at Angel Broking said. Profits are also getting restored in some of the worsthit sectors such as automobiles , media and infrastructure , they said.

Infra firms to see robust growth in FY11: Crisil

Signalling that the worst is over for the economy, Crisil Ratings said companies in sectors like infrastructure, power and finance are expected to record robust growth in the current fiscal.

Infrastructure-related industries like power equipment, steel, cement, construction, healthcare, education and financial services will see high demand growth in the medium-term, Crisil said in its Ratings Round-up report released.

On the other hand, export-dependent industries like gems and jewellery, textiles and IT, will register only moderate growth as they are linked to the revival of the global economy.

The report further said during the current fiscal more companies are expected to witness upgrades than downgrades. "We believe that the worst is over for the domestic economy, and present trends indicate that upgrades will outnumber downgrades in 2010-11," said Crisil Ratings managing director and chief executive officer Roopa Kudva.

India can surpass US economy in three decades: Economist

India can emerge as the world's second largest economy in the year 2039, bigger than the US', if its GDP continues to grow at the rate of eight-nine per cent, says a senior economist.

Former senior advisor and a Director at The World Bank, Harinder Kohli said India's average per capita income would jump 22 times from USD 940 two years ago to USD 22,000 in 30 years from now, in that scenario. "India's footprint in global economy will go to more than 17 per cent in 2039 from less than two per cent in 2007".

But he underlined that it can become a reality if the current economic growth momentum is sustained in the next three decades. "It (India's becoming the world's second largest economy and related indicators) could happen if things go well. That if all goes well".

Kohli warned against India getting caught in the "middle income trap" - similar to the experience of Mexico and Brazil. This trap was explained as one when countries start stagnating after reaching middle income levels and don't grow to advanced country levels.

Countries getting into such trap are unable to compete with low income, low wage economies in manufacturing exports and also unable to compete with advanced economies in high skill innovations.

At a Confederation of Indian Industry-organised session on "India 2039 - An Affluent Society in One Generation" authored by him, here last evening, he said when

countries reach middle income group, they need to do a lot of adjustments, required a very different governance, education system, human resource needs and competitiveness, among others.

Crisil pegs India's growth rate at 8% for next 3 years

Crisil, a subsidiary of a Standard and Poor's, has said India is expected to grow at around 8% of GDP in the next three years. Robust growth will be seen in sectors like banking, insurance and asset management in 2010-11 and credit in the banking industry may grow at an estimated 20-22%, according to the rating agency

Speaking at an S&P-Crisil seminar held in Mumbai, Roopa Kudva, managing director & chief executive officer, Crisil, said, "India's financial stability emerged relatively unscathed in the global financial crisis. We expect India to grow at around 8% GDP in the next three years. Globally, it is among the highest. Bank credit may grow at 20-22% in the current fiscal year, driven by infrastructure spending and revival in capital spending."

Though credit pick up will be across sectors, according to her, infra will remain the key driver. Banks term loan may grow at around 27%. The lenders may resort to short-term borrowings like certificate of deposits in case they cannot meet deposit targets. The non-performing assets may reach 3.5-4% by March 2011. Financial stability will be underpinned by regulations. If there is a sign of financial destabilisation due to overseas hot money pouring into India, the regulator may creep in and is expected to play around with measures in different foreign investment limits or through foreign direct investment norms, said Kudva.

Foreign investment limit in corporate bond market is \$ 15 billion while it is \$ 5 billion in case of government securities.

"With the global recovery, it is encouraging to see India's GDP reaching double digit. Confidence is again coming back in the capital market, which is critical for economic growth too," pointed out Deven Sharma, president of S&P and chairman of Crisil, adding that banks in developing markets like India have proved resilient (in the recession).

The rating agency, which recently upgraded India's outlook to 'stable' from 'negative, however observes that regulations will play important role in shaping the economic activities.

ADB pegs India's economic growth at 8.2 pc in 2010

The Asian Development Bank said India is poised for an economic growth of 8.2 percent in 2010 although rising inflation would remain a concern.

Noting that India's rebound from the global crisis is set to accelerate this year, the bank said the stimulus measures taken by the government would be gradually rolled back as the economy sets itself on the high growth path.

"India's rebound from the global crisis is set to accelerate in 2010, with estimated growth of 8.2 percent, although rising price pressures present a challenge to policy makers as they steer the economy's recovery," ADB said in its report 'The Asian Development Outlook 2010'.

The report said even though overseas demand will take some more time to revive, robust domestic consumption and rising investment would place the economy firmly on the growth trajectory.

"Expansionary fiscal and monetary policies are now being wound back gradually as the rebound gains traction. While trade flows have yet to return to pre-crisis levels, rising private consumption and investments are likely to underpin growth over the next two years," it said.

After clocking an impressive 9 percent growth for the previous three fiscals till 2007-08, India's GDP grew by a relatively modest 6.7 percent in 2008-09.

The multilateral lending agency said prompt fiscal and monetary stimulus measures, improved overseas demand and increased capital inflow would help the Indian economy grow at the government-estimated 7.2 percent in 2009.

It expects the economy to expand by 8.7 percent in 2011. The report, further noted that the positive developments could be offset by signs of increasing inflation following a poor summer monsoon and floods, as well as expectations of further increase in fuel prices this year and the next.

"The outlook is for a return to high growth, although this will require continued apt handling of macroeconomic policies, and to sustain long-term growth it will be essential to address infrastructure bottlenecks and to reform agriculture," ADB Chief Economist Jong-Wha Lee said.

Indian investors continue run as most optimistic in Pan-Asia in Q1 of 2010

Investor sentiment in India and China continues to be the highest in the region. Strong domestic consumption and positive economic outlook drives India investor sentiment to highest levels in Asia. India investors indicated increased optimism across a number of areas despite rising food inflation. In fact, the number of respondents who indicated that rising food inflation positively impacts investment decisions in both the past three months and in the quarter ahead doubled in Q1 2010 as compared to Q4 2009.

ING, the global financial services group, which released data from its quarterly ING Investor Dashboard Survey, says, investor sentiment in India continues to be the highest amongst the pan-Asia (ex Japan) markets. Climbing further in the 'very optimistic' zone, the India Investor Sentiment Index rose to 174 in Q1 2010 from 169 in Q4 2009 riding on "growth optimism", improvement in pessimism related to inflation, strong domestic demand and confidence in the local stock market.

A significant 91% of India investors believe the economic situation will improve in the next quarter, signalling continued confidence in the local economy. Risk appetite expands among India investors with bullish economic outlook.

The overall pan-Asia (ex-Japan) ING Investor Dashboard Sentiment Index remains level at 145 for Q1 2010 from 147 for Q4 2009. Investor confidence continues to be high at double the low of 73 for Q4 2008 during the crisis – and remains in the optimistic territory for the fourth consecutive quarter.

Commenting on the market Index scores for India, Mr. Navin Suri, MD & CEO of ING Investment Management India said, “The confidence showed by India investors is based on domestic consumption and their anticipation of the return to robust economic growth.” “Given that the global economy has stabilized and is entering a period of weak growth and risk of a double dip recession in the U.S. has abated, investors are recommended to look into consumer, capital goods, construction and infrastructure sectors to capitalise on the domestic growth prospect” said Mr. Suri.

As optimism in the local economy grows, more India investors see high-risk, high-return investment tools positively. In Q1 2010, 69% of India investors – the highest percentage in Asia – find the high risk investment sector favourable, which is up from 56% a year earlier. During the last two quarters, 79% of India investors reported increased return on investment (ROI) and a significant 86% are confident about increased ROI in Q2 2010 as well.

India emerging as hub of eco-entrepreneurs

Driven by supportive government policies, maturing clean technologies and growing investor appetite, India is fast becoming a hub of eco-innovation for all manner of people -small town residents, Indian expats returning home with Ivy League education to boot, and even a few enterprising foreigners. Interestingly, this eco-entrepreneurship trend cuts across business models —from profit-seeking to pure social evangelism—and domains ranging from irrigation and apparel design to waste management.

Enterprises like Rikin Gandhi’s Digital Green, Santosh Ostwal’s Nano Ganesh, T Raghavendra Rao’s Sustainable Technologies & Environmental Projects and Kranthi Vistakula’s Dhama Apparel Innovation have already hit big time.

Supported more recently by Deshpande Foundation and Bill & Melinda Gates Foundation, Delhi-based Digital Green collaborates with local organisations to use videos of best agricultural practices to enhance the environmental and economic sustainability of small and marginal farmers in 200 villages in Karnataka, Jharkhand, Madhya Pradesh and Orissa.

Digital Green’s CEO Gandhi, an Indian expat from the US , says, “We don’t follow the usual top-down model. Our working model is driven by people and for people.”

The bachelor in computer science from Carnegie Mellon University and master in aeronautical and astronautical engineering from Massachusetts Institute of Technology is now planning to cover 1,200 villages in another two years and also to reach out to the bottom-of-the-pyramid population in Africa. In contrast to Gandhi's eco-services, Santosh Ostwal, CEO of Pune-based Ossian Agro Automation, has come up with a basic product, Nano Ganesh. A mobile phone and a modem combination, Nano Ganesh enables farmers to remotely control water pumps in faraway farms, leading to better farm management practices, including saving electricity and water.

Nano Ganesh has already become popular in states ranging from Maharashtra and Gujarat to Andhra Pradesh and Tamil Nadu. Ostwal says, "Apart from aiming to cater to a larger market in India, we have a potentially big global market. Our product is useful wherever water pumps are used."

Waste technology is another favourite with entrepreneurs. Mumbai-based Sustainable Technologies & Environmental Projects (STEPS) focuses on developing environment-friendly technologies to convert waste into value-added products. T Raghavendra Rao says, "We are focused on turning waste into wealth." STEPS has developed seven technologies, including five technologies, which have been commercialised.

IMF pegs India growth at 8.75% in 2010

On the back of strong domestic demand and robust business confidence, the Indian economy is projected to grow at 8.75 per cent in 2010 and 8.5 per cent in 2011. According to the World Economic Outlook report (2010) by the International Monetary Fund (IMF), the Indian growth story will be supported by a resurgence in demand from the working class on the back of resilient business confidence that will result in more investments.

However, China would continue to be ahead of India and was expected to grow at around 10 per cent in 2010 and 2011, the report added.

"Domestic demand will strengthen as the labour market improves, and investment is expected to be boosted by strong profitability, rising business confidence and favourable financing conditions," it said.

Moreover, the report stated that strong domestic demand in the economies of India and China is expected to have positive spillovers for other Asian economies, particularly exporters of commodities and capital goods. The overall growth of the Asian economy is expected to expand by 4.5 per cent in 2010 and 5 per cent in 2011. The projected growth rates will be a significantly robust compared to a slow growth of 0.25 per cent in 2009 primarily due to adverse global economic conditions.

"This reflects (growth in China and India) not just strong export growth but also a continued boost from inventory cycle and a boost in business investment in response to high capacity utilisation and strong business confidence," the report adds. These

factors are expected to cushion the impact of the expected withdrawal of fiscal stimulus in 2010.

Core sector grows 7.2 % in March

Six major infrastructure industries, which constitute the core sector, registered robust growth of 7.2 per cent in March — the highest in 2009-10.a

The growth was primarily on account of increase in steel, cement and electricity production. The cumulative growth for the entire financial year stood at 5.5 per cent, significantly higher than the 3 per cent last year.

The core sector, which has a 26.68 per cent weight in the Index of Industrial Production (IIP), had grown at 4.7 per cent in the previous month and 3.3 per cent in the corresponding month of 2009. The infrastructure in March has fuelled the expectation of a sustained high growth in overall industrial output, which has been in double digits since October. The average growth in industrial output, as measured by IIP, for the first eleven months of 2009-10 stands at 10 per cent. Analysts expect the March figures to sustain the high growth rate.

“The core sector data are quite encouraging, especially the performance of the sectors of steel, power and cement. This will keep the overall IIP strong and, given the bump up in industrial production in March, the IIP growth will be impressive,” said YES Bank Chief Economist Shubhada Rao.

Analysts, however, say the Reserve Bank of India (RBI) will watch the growth figures and the effect of monsoon on the domestic demand to further spruce up policy rates. Most maintain the next measure for monetary tightening will take place in the July monetary policy review.

India to produce more MNCs than any other country: PwC

India is expected to produce the highest number of new multinational companies (MNCs), overtaking China as the emerging world's largest such source. Over 2,200 Indian companies are likely to open operations outside the country over the next 15 years, says a new report by PricewaterhouseCoopers (PwC) on emerging MNCs.

The report says the number of companies from emerging markets choosing to set up operations abroad has increased in the past five years, partly due to the rapid pace of globalisation and the revolution in information and communication technologies. This trend is expected to continue over the next 15 years, as new MNCs from emerging economies rise in prominence on the global economic stage.

Indian and Chinese companies would lead the way in seeking new markets abroad, who will be joined by companies from Singapore, Russia, Malaysia and South Korea, who will continue to produce a large number of new MNCs.

Jairaj Purandare, India Leader for Markets and Industries, PwC, said: “It is encouraging to know that India will replace China as the largest source of new multinationals in the emerging world from 2018 onwards. The key drivers for this are the relative increase in both investment intensity and openness that the Indian economy offers.”

PwC used econometric techniques to project the number of new MNCs that would arise from a representative sample of 15 emerging economies over the next 15 years. The countries were: Argentina, Brazil, Chile, China, Hungary, India, Malaysia, Mexico, Poland, Romania, Russia, Singapore, South Korea, Ukraine and Vietnam.

Single FDI policy to simplify procedure

The government unveiled a comprehensive policy document that consolidates all policies on foreign direct investment, including as many as 178 Press Notes issued from time to time, in a bid to simplify procedures.

Commerce & industry minister Anand Sharma unveiled the document at a press conference and said it will be updated every six months, with the help of the Federation of Indian Chambers of Commerce & Industry (Ficci).

“The department of industrial policy & promotion (DIPP) will ensure the changes are incorporated every six months,” Sharma said, adding the industry lobby will also help and assist foreign investors who intend to invest in India.

Finance minister Pranab Mukherjee had announced about the document during his Budget speech on February 26, saying all prior rules, regulations and guidelines on foreign investment would be consolidated so that there is complete transparency on the matter.

“This would enhance clarity and predictability of our foreign direct investment policy to foreign investors,” the finance minister had said.

Thus far, foreign direct investment into India was administered primarily through a series of press notes, rules and guidelines issued over the years and some of its clauses had even led to disputes because of inconsistencies and vagueness.

These Press Notes not only fix investment caps on sectors like telecommunication or media, but also specify how foreign equity inflows will be treated. Often foreign investment guidelines prescribed by the new Press Notes modify the old ones released in an earlier year. But since the Press Notes are spread over various years, many a times investors get confused.

DIPP is aware of the problems associated with not having a single platform on FDI norms.

“Because of the large number of Press Notes spread across many years, only specialised experts understand the norms associated with investments,” Sharma said.

This means that the Press Notes released till now will no longer exist under the new regime and instead, foreign investors will have to refer to the FDI rules.

After compiling the operational Press notes, the DIPP will put up the draft FDI rules for public comments. Moreover, the language and the wording in the new rule book will be simpler for better comprehension of investors.

Govt bans fresh FDI in cigarette manufacturing

The Government banned FDI in manufacturing of cigarettes, effectively stubbing-out the future investment plans of foreign tobacco players that have been eyeing a greater slice of the Indian market.

The decision by Cabinet Committee on Economic Affairs would hit a proposed move by Japan Tobacco International (owner of brands - Camel and Salem) to hike its stake in the local operations to 74 per cent from the existing 50 per cent. It will also thwart any plans of foreign tobacco giants such as British American Tobacco (BAT) to increase their holding in either ITC or VST, or any other cigarette manufacturing entity in India.

A senior DIPP official said that the move would not affect existing FDI investments in the country nor the franchisee operations.

Asked about the status of FII investments in the sector, the official said, “FIIs will have to be cautious as foreign investors should know the regulation of the country that they invest in. It is their responsibility to adhere to the rules.”

An official statement said that the decision was expected to enhance public accountability by way of the Government's commitment towards proliferation of anti-smoking regime. “This would bring the policy in line with the administrative decision not to grant industrial licence for cigarette manufacturing,” it said.

So far, FDI up to 100 per cent was allowed in cigar and cigarettes manufacture on a case-to-case basis, but there has been growing opposition against encouraging investments including FDI into the sector. In the past, the Health Ministry had taken a clear stance that no FDI be permitted in the tobacco sector. The CCEA decision now puts cigarette manufacturing activity in the list of activities prohibited for FDI.

FIIs pump in \$5 bn in corp bonds in 2010

Foreign portfolio investors or FIIs have invested a record \$5 billion in Indian corporate paper in the first four months of this year as high bond yields and a strong local currency ensure that such investments pay off handsomely.

This is the first time that overseas portfolio investors have poured money on such a scale in corporate debt offerings issued by Indian firms. The bulk of such investments have been in top-rated bond offerings of an average tenure of 18 to 24 months and in commercial paper. Foreign portfolio investors prefer shorter duration paper as it is far more liquid, making exit easier.

Over the past few years, investment by FIIs in the Indian debt market has been primarily directed at government securities or G-Secs. Investment in G-Secs has been capped at \$ 5 billion by the government and the Reserve Bank of India (RBI).

Last year, the investment limit for FIIs in corporate bonds was raised to \$15 billion, which means that there is plenty of headroom still for them to subscribe to bond offerings. Indian policy makers are bound to be happy at this development, as more investment in corporate debt will help ease the pressure on local interest rates and also help develop the corporate bond market in the medium term.

The bulk of the investments in 2010 came in March (\$2.1 billion) when liquidity shrinks due to advance tax outflows and other quarter-end transactions- leading to a spike in yields.

PE firms invest \$2 billion in Q4

Private equity (PE) firms invested about \$2 billion (around Rs 8,890 crore), the highest in the last six quarters, across 56 deals during the March quarter, according to a study by Venture Intelligence, a research service focused on private equity and M&A transaction activity in India.

While the corresponding quarter in the previous year saw investments worth \$620 million across 58 deals, the preceding quarter witnessed investments worth \$1,681 million across 102 deals.

The largest investment during the March quarter was the \$425 million (around Rs 1,900 crore) investment into power generation firm Asian Genco by General Atlantic, Morgan Stanley, Norwest, Goldman Sachs and Everstone.

Other top investments reported during the quarter included Quadrangle Capital Partners' \$300 million (around Rs 1,350 crore) investment into telecom tower infrastructure company TowerVision India; StanChart PE, KKR and New Silk Route's \$217 million (around Rs 976 crore) investment into Coffee Day Resorts and TPG Growth's \$115 million (around Rs 517 crore) investment into Clean Tech firm Greenko Group.

"The key trend on the PE investments front during the first quarter of 2010 was the re-emergence of appetite for large ticket deals. For the first time since the third quarter of 2008, the latest quarter witnessed as many as five investments over \$100 million," said Arun Natarajan, MD & CEO of Venture Intelligence.

Forex reserves surge \$932 m

India's foreign exchange reserves has risen by \$932 million to \$280.02 billion in the week ended April 9, the Reserve Bank of India (RBI) said in its weekly statistical supplement,

While foreign-currency assets rose by \$933 million to \$255.66 billion, gold reserves remained unchanged at \$17.92 billion, the RBI said.

Special Drawing Rights with the IMF fell by \$1 million to \$5 billion, while its reserves with the IMF was little changed at \$1.38 billion. The rupee ended higher against the dollar, recovering from lows aided by fund inflows into an infrastructure company via qualified institutional placement, and dollar sales from a pharmaceutical company, dealers said.

Australia pushes for environment, labour, IPR in trade pact with India

The proposed free trade agreement between India and Australia has hit rough waters with the latter insisting that issues including environment, labour, intellectual property, government procurement and competition policy be part of the negotiations.

The joint study group set up to explore the feasibility of a free trade agreement between the two countries is under pressure to submit its report on the areas to be covered in the pact before Australian trade minister Simon Crean's India visit in May.

"There is no agreement yet on the issues that are to be excluded. We are not comfortable with these issues being included," a commerce department official said.

In almost all the trade agreements entered into or being negotiated by India, it has steered clear of all non-trade issues, said RIS senior fellow Ram Upendra Das, who is part of the joint-study group.

India and Australia had set up the group comprising government officials and research organisations from both sides in 2008 to explore the feasibility of a bilateral FTA.

Geithner, India Inc talk economic cooperation

The US would closely work with India to promote greater and more balanced economic cooperation between the two nations, visiting US Treasury Secretary Timothy Geithner told Indian business leaders at a lunch meeting in Mumbai today.

He also discussed ways to increase financial collaboration between the countries.

Geithner, who is on a two-day visit to India, had met Prime Minister Manmohan Singh and Finance Minister Pranab Mukherjee in New Delhi.

“The entire focus (of the meeting) was to find ways to enhance economic cooperation between the two countries and growth opportunities here,” said ICICI Bank Managing Director and Chief Executive Chanda Kochhar.

The lunch was co-hosted by Reliance Industries Chairman and MD Mukesh Ambani and Mahindra & Mahindra Vice-Chairman & MD Anand Mahindra. Among others present were State Bank of India Chairman OP Bhatt and TCS Vice-Chairman S Ramadorai.

Kochhar said the Indian participants shared their views on infrastructure development and microfinance with Geithner.

In a separate interaction at the University of Mumbai, Geithner told a gathering of bankers and financial entrepreneurs that the task is to make sure the two countries continue to support and encourage advances in expanding financial inclusion.

“India has been remarkably effective at extending the reach of the financial sector to people living without access to traditional forms of banking,” Geithner said.

Participants discussed how both countries can work together to advance financial inclusion using new technology, such as mobile or card-based ‘branchless banking’ pilots in India that have attracted more than 10 million customers over the last five years.

The US and Indian governments’ policy of promoting financial inclusion drew praise from the participants. In the case of India, policies such as priority sector lending, interest deregulation for NBFCs and business correspondent regulations that promote mobile banking for the poor were appreciated by the participants.

India, EU to seal free trade pact by year-end

A Free Trade Agreement (FTA) between India and the European Union (EU) is likely to be signed before the end of this year, according to Mr Marten van den Berg, Deputy Director-General for Foreign Economic Relations of the Netherlands.

“Discussions between India and the EU are in the final stages and a deal is a few months away,” Mr van den Berg, who headed a Netherlands Economic Mission team on a five-day visit to India told.

The FTA was also part of the talks he had with Indian officials earlier this week, he said.

In New Delhi, the Netherlands team signed a joint declaration with the Ministry of Heavy Industries for cooperation. The team also met the Union Minister for Corporate Affairs, Mr Salman Khurshid.

Last month, the EU trade chief, Mr Karel de Gucht, said in New Delhi that he was aiming to sign the FTA in October. The agreement, according to Mr de Gucht, could open up new export opportunities worth \$9 billion to India.

The negotiations on the FTA have been on since 2007. The talks with the EU, the country's largest trading partner, has run into problems over market access and issues such as child labour in India. Bilateral trade between the two countries is estimated at \$107 billion.

Issues such as lower tariff on agricultural products and phyto-sanitary norms have to be sorted out before the agreement can be signed.

Mr Gopal Ramanathan, Partner-Chairman of KPMG High Growth Markets, said the Netherlands was trying to convince Indian companies to list on the Amsterdam stock exchange. "We have talked to some companies listed on the Bombay Stock Exchange and are hopeful they will list on the Amsterdam bourse," he said.

Tatarstan, AP Govt sign MoU

The Republic of Tatarstan of the Russian Federation and the Andhra Pradesh Government signed a MoU for promotion of joint ventures between business houses of Tatarstan and the State.

The areas identified for bilateral cooperation included pharmaceuticals, chemicals, gas-based industries, power plant equipment, bio-technology and IT.

The agreement was signed between Ms Valeeva Zilya, Deputy Prime Minister, Republic of Tatarstan, and Ms Geeta Reddy, AP Minister for Tourism and Information, in the presence of the Chief Minister Mr K. Rosaiah.

"As AP has huge expansion plants in the power sector, Tatarstan is welcome to put up industries in the State for manufacture of power plant equipment," Mr Rosaiah said.

Earlier, at a CII meeting, Ms Zilya said the Republic was developing a cluster of petrochemical units, with around \$8 billion having been invested over the last four years.

Foreign trade between India and the Republic in 2009 was about \$15.1 million, she said.

In order to promote tourism, a cultural information centre would be opened in Hyderabad by September.

Tatarstan was the first in the Russian Federation to establish a SEZ and launch several e-governance initiatives, Ms Zilya said.

FTA with Israel will bolster trade ties: Envoy

The proposed free trade agreement (FTA) between India and Israel will boost trade and economic ties between the two countries and the bilateral trade will treble over the next few years, according to Mr Mark Sofer, Ambassador of Israel to India.

The bilateral trade between the two countries was at \$4 billion in 2008, likely to touch \$12 billion over the next few years. "Israel will be the first country with which India will have a one-to-one FTA. Post-FTA, the trade volume is expected to treble to \$12 billion," Mr Sofer said while speaking at a meeting on 'Enhancing the Indo-Israel Business Cooperation,' organised by the Bengal National Chamber of Commerce and Industry.

The trade was at just about \$150-160 million in 1992, he pointed out. The bilateral trade was evenly balanced between exports and imports, he added.

Areas of cooperation

Talking about the areas of cooperation between the two countries, Mr Sofer said, Israel was the world leader in drip irrigation technology, IT, supercomputers, medical equipment and solar power and would look at partnering with India in these areas.

"The trade between India and Israel does not compete with each other but is primarily complementary in nature," he observed.

A high level business delegation from Israel will visit West Bengal at the end of the calendar year in order to identify areas of cooperation in drip irrigation technology. Israel, Mr Sofer said, will aim at augmenting its trade relations with Bengal.

"Our companies have presence in Bangalore, Delhi and Mumbai but not many companies have their presence in Bengal so we would like to augment our presence here," he added.

India second largest biz partner of UAE

Trade ties between India and the United Arab Emirates (UAE) continued even during the economic downtrend, a top official of the UAE's Hamriyah Free Zone Authority (HFZA) said.

India in general was the second largest business partner of the Emirates after the US. Over 15,000 Indian companies are operating in the region out of which 400 are in the free zone, HFZA director general Rashid Al Leem said.

Speaking at a seminar on 'Business between India and UAE in the present economic scenario' organised by the Kerala Chamber of Commerce and Industry he said, "there is historical relationship between the UAE and India that you cannot deny... We have been dealing with each other for centuries now even during tough times.'

He said HFZA, housing over 4,700 companies from 135 countries, offered an array of business incentives including 100 per cent ownership, full repatriation of capital and profits and nil taxes or commercial levies to encourage businesses develop further.

The 15-year-old free zone continued to evolve with an average annual growth rate of 33 per cent, he said, adding it formulated policies and designed special programme to strengthen the SME sector. He said there are 500 SMEs in the free zone out of which 90 are Indian companies.

Indian exports to China up 75 pc

Indian exports to China surged by 75 per cent in the first quarter this year, with a big increase in textiles and stones and precious metals shipments bringing down the trade deficit.

Overall trade with China grew by about 66 per cent during the period, raising hopes of achieving the trade target of USD 60 billion this year, according to data released by the Chinese government.

The trade figures released by the Chinese customs brought blushes back on the faces of Indian diplomats and trade officials here as Indian exports -- which declined radically last year and resulted in a USD 16 billion dollar trade deficit -- have shown significant improvement.

According to the trade data, Indian exports to China touched USD 5.81 billion in the period between January and March this year as against USD 3.31 billion last year when overall trade volumes declined to about USD 44 billion due to the global economic downturn. The increase was stated to be 75 per cent.

However compared to 2008, during which the trade volumes touched a record USD 52 billion, this year's quarterly exports from India still fell short by USD 53 million. The overall trade between the two countries this quarter touched USD 14.14 billion against USD 13.24 billion in 2008 and USD 9.3 billion in 2009.

The new trade figures brought cheer to China too, as its exports to India went up by 38 per cent compared to 2009.

Chinese exports in Q1 were also higher than the USD 6.9 billion figure for exports to India during the same period in 2008.

The trade deficit for India was USD 2.5 billion for the first quarter, slightly lower than the USD 2.7 billion figure in the first quarter of 2008.

The two countries had set USD 60 billion as the trade target this year and the first quarterly figures showed that they are on their way to reaching it, Indian officials said.

According to the new figures, cotton, yarn and fabric exports from India have gone up from USD 495 million in 2008 to USD 729 million in the first quarter. The exports in this sector fell to USD 81 million around the same period in 2009.

SAARC to sign pacts on environment, trade

In its silver jubilee year, the eight-nation South Asian Association for Regional Cooperation (SAARC) will focus on climate change and sign two pacts on environment and trade at its 16th summit to be held in Bhutan's capital Thimphu April 28-29.

Prime Minister Manmohan Singh will join other South Asian leaders Thimphu April 28. This is the first time that Bhutan is hosting a summit of SAARC countries that account for nearly one-fourth of the world's population.

An idyllic Himalayan country known for measuring its wealth in terms of gross national happiness, Bhutan has chosen climate change as the summit theme which is expected to culminate in a joint declaration entitled "Towards a Green and Happy South Asia".

A separate Ministerial Declaration on Climate Change will also be issued.

India has stressed on an urgent need for adaptive action to deal with consequences of climate change in South Asia that is widely seen as the world's ecologically most diverse and yet one of the most fragile regions.

The SAARC countries will sign a convention on environment to boost exchange of best practices and knowledge, capacity building and transfer of eco-friendly technology in areas such as climate change, coastal zone management, wildlife conservation and environmental impact assessment studies.

With intra-SAARC trade touching \$529 million, the eight countries have decided to sign an agreement on trade in services that is expected to accelerate regional collaboration in diverse areas like health, hospitality, communications, computer and information services and air transport.

The SAARC has come a long way since its inception in 1985, with establishment of a slew of institutions like the South Asian Regional Standards Organization (SARSO) in Dhaka, the SAARC Arbitration Council in Islamabad, the SAARC Development Fund (SDF) in Thimphu and the South Asian University (SAU) in New Delhi.

Afghanistan joined the grouping as its eighth member at the 14th summit in April 2007.

SAARC is taking on the role of service provider for the economic and development needs the region's almost 1.5 billion people, Foreign Secretary Nirupama Rao said ahead of the summit.

India will focus on improving regional connectivity through the development of new trade, transport and telecommunication links, Rao said days ahead of the summit.

New Delhi will also focus on the setting of common standards and harmonization of customs procedures; and enhancing people-to-people contacts, particularly among the youth, civil society, cultural personalities, academics and parliamentarians.

Auto sector moves on with record 12.2 m sales

Moving on expected lines the Indian automobile sector is all set to break its 10-million unit sales record of 2006-07 by posting all-time high sales of 12.2 million units for the fiscal 2009-10. Though overall industry figures will come only a week later when the industry body Society of Indian Automobile Manufacturers (Siam) releases the figures, figures announced by individual auto makers confirmed that the month of March was once again one of the best in terms of sales.

The record performance by the domestic auto industry is largely on the back of the government's stimulus package, which had reduced excise duties leading to companies lowering product prices and low base during fiscal 2008-09.

Steel consumption up 8% on high infra, auto demand

Steel consumption grew 8% in the fiscal year ended March 2010 after shrinking a little a year ago, due to strong demand from automobile, infrastructure and housing sectors, as per the steel ministry. Demand for the metal is a key indicator of industrial activity and steel consumption had shrunk 0.5% in the year ended March 2009 as economic slowdown hit domestic demand.

"The growing demand as well as the low-base factor made it a staggering year for steel companies," said a steel ministry official.

The country's steel consumption increased to 56.3 mt in the twelve months to March 2010 from 52.3 mt in the previous year. Production in the world's fifth-largest steel producing nation rose 4.2% to 60 mt.

Domestic demand fuelled 23% growth in steel imports to 7.2 mt for the fiscal even as exports declined by almost a third as global demand is yet to see a strong recovery. The government's planned investments for the infrastructure sector will continue to boost domestic steel demand this year, steel analysts said.

Navin Vohra partner at advisory firm Ernst & Young said demand is robust and India's steel production is expected to post 8-10% growth in the current year, partly due to new capacities which will become operational.

Global steel prices have started moving up on the back of improving demand. Top Indian steelmakers including SAIL, Tata Steel, JSW and Essar hiked prices by up to Rs 3,000/tonne effective April 1.

Internet traffic rides the mobile wave

The 40 million mobile-internet users in India have taken the mobile-web traffic to new heights, according to AdMob, a leading mobile advertising network. According to the latest data from AdMob, web traffic from mobile phones touched the 1.2-billion mark in March 2010, making India's mobile-web traffic the second highest globally next to the US.

Mobile-web traffic reported a growth of over a 100 per cent in less than a year on the back of cheaper data plans and increased number of smartphones.

Mahesh Narayanan, country manager India, AdMob concurs, "Mobile ownership and usage far outstrips ownership of PCs with internet access in India. In the near future mobile internet usage is going to overtake fixed line internet usage in India."

Advertisers, say experts, are waking up to the unique opportunity to drive consumer acquisition and brand engagement on the mobile web using this platform. AdMob, which serves billions of mobile banner and text ads a month across a wide range of leading mobile websites and applications, has roped in around 100 advertisers in India which include names like Nokia, Vodafone, ICICI Bank, Travelocity, Toyota and Warner Brothers. "We have seen an incremental rise in the time spent browsing web over mobile phones and that presents a great opportunity for advertisers to engage with their customers," reasons Narayanan.

The mobile ecosystem, which consists of the advertiser, the agency, the mobile ad network, the ad server and the content provider, besides the consumer has begun to attract advertisers who are eager to reach out to rural masses, claims AdMob. "Every advertiser today considers mobile and TV as mass-mediums. With 3G auctions due this week, we are hoping that with efficient data speeds in 3G regime will boost the mobile ecosystem exponentially," added Narayanan.

A recent report by Google had indicated that mobile internet users have grown nearly five times in the last five years with close to 64 per cent of the web traffic coming from smartphone-like devices. The internet giant, too, recently acquired digital broadcast specialist, Episodic, that delivers live and on-demand video and is expected to enhance Google YouTube services, especially on mobiles.

PPT posts highest growth among all major ports

Paradeep Port Trust (PPT) has achieved the highest growth among all the major ports in the country in terms of traffic handling in 2009-10.

PPT has handled 57.01 million tonnes (mt) in 2009-10, registering a growth of over 22.84 per cent over 46.41 mt handled in 2008-09, thereby catapulting it to the fifth position among all the major ports from the eighth position which it held earlier.

The port has succeeded in clocking an impressive growth despite the global economic meltdown which had slackened the export and import business.

Addressing media persons here, PPT chairman K Raghuramaiah said, "The traffic handled at the Paradeep Port has more than doubled in the last six years. From 25.31 mt in 2003-04, it has reached 57.01 mt in 2009-10. A record quantity of 6.83 mt of iron ore was handled in the iron ore handling plant during 2009-10, surpassing the previous record of 5.84 mt in 2008-09."

Of the 57.01 mt of cargo throughput of PPT, 11.65 mt was POL (petroleum, oil and lube), 16.16 mt iron ore, 14.82 mt thermal coal, 5 mt coking coal and the remaining 9.38 mt constituted other cargo.

While PPT's POL cargo shot up from 3.24 mt in 2008-09 to 11.65 mt in 2009-10, a surge of 259.57 per cent; the port posted a growth of 13.24 per cent, 0.81 per cent and 7.32 per cent in iron ore, thermal coal and other cargo respectively in the said period.

Domestic air traffic grows 20.54% in Jan-Mar

Passenger numbers for domestic air carriers jumped 20.54% in the Jan-March quarter. 120.32-lakh passengers flew in the Jan-March quarter as compared with 99.82-lakh in the same quarter last year. Analysts say the growth is on account of sustained recovery in the air travel industry as corporate and leisure travel is gaining momentum. The hike in passenger traffic is likely to have a positive impact on the financial health of the air carriers, most of which have been reeling under heavy losses for last two years.

Industry watchers say the revival in the economy has resulted in more travel by air. This, together with cost cutting and rationalisation of routes by carriers, has boosted their load factors and improve financial performances. Carriers have also improved their on-time performance. The March quarter has been very good for airlines, which collectively saw a growth of 25% in air traffic. The April-June period also looks promising to analysts since airlines are not adding capacity.

While private carrier has maintained a status quo by securing the highest market share at 26%, its archrival Kingfisher Airlines has secured 23% share. Air India has secured 17.8% share and Chennai-based Paramount has secured 1.3% shares. In the low cost space, Delhi-based Indigo has once again notched up numero uno place at 14.7% market share. Low fare airline SpiceJet has grabbed 11.9%, while Mumbai-based GoAir is able to manage a 5.3% share.

Two-wheeler sales cross 10 million in 2009-10

The domestic two-wheeler industry has whizzed past a key milestone of making and selling one million units, in March. For the first time, the industry also crossed the 10-million mark in a fiscal by selling 10.5 million two wheelers in 2009-10.

In 2009-10 , total two-wheeler sales were up by 24.52%, over the previous fiscal which stood at 8.4 million, according to CMIE data. The market is dominated by motorcycles accounting for nearly 77-78 % of all sales, scooters sell around 15-16 %, and the rest by mopeds. With these heady numbers, India has emerged as a strong competitor to China , the largest two-wheeler market with 15 to 16 million bikes. However, China's electric two-wheeler market is another 10 million strong. In India , e-bike hasn't taken off yet.

"With the economy growing very fast, there is enough reason to believe that the momentum in two-wheeler sales would continue," H S Goindi, president (marketing), TVS Motor, said. "India is a grossly under penetrated market. In Indonesia, penetration is 30 per 1000." S Sridhar, CEO of Bajaj Auto's two-wheeler division , said that two-wheeler penetration would double to about 30% over next decade.

GSM users touch 421 m

Mobile operators offering services on GSM technology added 13.94 million subscribers in March taking the overall GSM user base to 421 million in the country.

According to the subscriber figures released by the GSM industry body, the Cellulars Operators Association of India (COAI), the country's largest telecom operator Bharti Airtel added 3 million users during the month taking its market share to 30.25% at the end of the month. With this Bharti's total subscriber base touched 127 million. Vodafone-Essar, the country's second largest GSM operator added more than 3.6 million subscribers taking its total subscriber base to 100.8 million with a market share of 23.91%. Idea Cellular's subscriber base grew by 2.71% with the addition of 1.68 million users during the month, taking its total subscriber base to 63.8 million. Idea had a market share of 15.13%.

India plans launch sale of 4G mobile services: Report

India plans to hold an auction of ultra-high-speed fourth-generation (4G) mobile phone spectrum soon after completion of 3G access now underway, a report said.

The sale for 4G, which will provide high-speed Internet connections, will begin as soon as operators roll out their 3G networks this year, Communications Minister A. Raja was quoted.

The government expects to bring in at least 350 billion rupees (eight billion dollars) from the sell-off of 3G airwaves and a follow-on auction of broadband wireless access spectrum.

Operators believe 4G will bring near-broadband speed technology to mobile phones, allowing users to receive multimedia such as TV broadcasts and online games at rates up to 10 times faster than those possible on 3G networks. "I do not want any delay in 4G services. We should be with the rest of the world in 4G," Raja said.

Germany began Europe's first auction of 4G frequencies. Raja said he expected the successful telecom bidders for 3G frequency would start launching their new networks within a few weeks of receiving the spectrum when it is allocated in September.

The auction of 3G spectrum will propel India into the Internet era, giving millions who have no computer access the ability to surf the web from their phones. It will also heat up the battle for customers in the world's fastest-growing mobile market.

The Telecom Regulatory Authority of India (TRAI) has already started the pre-consultation process for the sale of 4G spectrum, Raja said. "Once TRAI submits its recommendations, the government will work on it," he said.

Gems & jewellery exports shine 16% on US demand

Signalling that the export market is gaining momentum, a major export item —gems and jewellery—that accounts for 13% of the country's export basket, increased 16% in 2009-10 to \$28.4 billion against \$24.4 billion in the previous year. The figures were released by the Gem & Jewellery Export Promotion Council (GJEPC).

Cut and polished diamond exports increased over 20% to \$17.5 billion in the fiscal year from \$14.6 billion in 2008-09. Within the entire export basket for gems and jewellery, cut and polished diamonds account for over 60%, gold jewellery 31% and colour gemstones accounting for the rest.

Coloured gems stone export rose 10.55% to \$286.65 million in 2009-10 against \$259.29 million in the previous fiscal, while gold jewellery export increased by 9.38% to \$9.42 billion during the period under review compared with \$8.61 billion in 2008-09.

Chairman of GJEPC Vasant Mehta said the surge in exports was a strong indicator that the gem and jewellery export market had overcome the recessionary phase of decline and could continue to see high growth rates in the years ahead. The gems and jewellery industry has set a target to double jewellery exports by 2012-13.

Over the last 10 years gems and jewellery exports have witnessed a four-fold jump. In 2000-01 gems and jewellery exports stood at \$7.7 billion which increased to \$28.4 billion in the last fiscal year.

India among top 10 global pharma markets by 2020: PWC

India will join the league of top 10 global pharmaceuticals markets in terms of sales by 2020 with the total value reaching USD 50 billion by then, according to a report by PricewaterhouseCoopers (PwC).

The country's population is growing rapidly, as is its economy--creating a large middle-class that can afford western medicines, consultancy firm PwC's report said.

An ageing population together with increase in problems associated with cardiovascular disorders and central nervous system will lead to higher demand for drugs, the report said.

Around USD 70 billion worth of drugs are expected to go off patent in the US over the next three years and India is capable of manufacturing a substantial share of the products.

India, which produces more than 20 per cent of the world's generics, is likely to become a competitor of global pharma in some key areas, and a potential partner in others.

It has a considerable contract manufacturing expertise, the report says.

"Global players in the pharmaceutical industry are seeing immense prospects in the Indian market due to its sheer demographic profile. India could be the most populous country in the world by 2050 and is now making its mark as a growing market," Sujay Shetty of PWC said.

Several Indian firms have already entered into research partnerships with multinationals--Dr Reddy's Laboratories Torrent have joined hands with Novartis while Ranbaxy has formed alliances with GSK and Schwarz Pharmaceuticals, the report added.

India has the world's second biggest pool of English speaking population and a strong system of higher education, so it should be well-positioned to serve as a source for talent for research professionals, the report said.

Contract manufacturing of drugs to grow 10-15%

Contract manufacturing in pharmaceutical industry is set to grow 10 per cent to 15 per cent in the near term and is expected to double in the next five years after the approval of US healthcare bill as the bill has opened up opportunities for the use of more generic drugs in the US market.

US healthcare bill, approved by the US Congress recently, aims to bring an additional 32 million people under the insurance net and also plans to reduce the healthcare bill of the state. Moreover, the bill prohibits insurance companies from excluding people with pre-existing medical conditions and dropping policy holders on account of coverage limits.

"The demand for generic drugs will increase in the US market as this bill aims to reduce the healthcare spending of the state. As India is a prime destination for manufacturing generic drugs due to its low manufacturing cost and the availability of good facilities, contract manufacturing industry will definitely see a rise," Goutam Das, chief operating officer of Syngene International Ltd, a wholly-owned subsidiary of Biocon said.

The contract manufacturing industry will see a 10-15 per cent rise in the near term as many global generic drug companies will place manufacturing orders to feed this new demand, he said.

The domestic Indian drug industry, pegged at Rs 40,000 crore by 2009-end, will get support as many drugs will go off patent by 2013, throwing opportunities for generic drug makers.

“Many global drug makers like Pfizer, GlaxoSmithKline, Aspen among others have entered into manufacturing agreements with Indian companies and these deals are expected to grow in future,” Das said.

The last two years have witnessed many such deals being struck between global and domestic pharma companies. In March 2009, Pfizer and Aurobindo had entered into an agreement for the manufacture of 60 products for the regulated market in the latter’s facility in India. Pfizer also has similar arrangements with Claris Lifesciences. Moreover, Biocon and Mylan Labs have an arrangement to develop and manufacture monoclonal anti-bodies in Biocon’s facility. Recently, Aspen entered into a drug supply pact with Indoco.

“India, which has over 95 facilities approved by the US healthcare regulator, is expected to contribute 3-4 per cent of the market share in the manufacturing space in near future,” Sanjay Singh, Associate Director, KPMG said.

While 70 per cent is contributed by generics in pharma drug industry, their contribution in value terms is around 15 per cent, which is set to improve, he added.

Life insurance industry gains 68% in new biz

The life insurance industry recorded 68 per cent increase to Rs 25,399 crore in new business premium collected in March 2010 compared to Rs15,090 crore in the corresponding month in 2009.

Insurers witnessed a spurt in business during the last month of the financial year — with contributions over 23 per cent of the total collection in 2009-10 — as individuals opted to purchase covers to avail tax benefits.

Private players registered a whopping 47 per cent growth in the new business premium while state-owned Life Insurance Corporation of India (LIC) posted 83 per cent increase in new business income in March.

“Last quarter contribute to 40 per cent of sales. But March experienced the maximum inflow,” said a senior executive of a life insurance company.

SBI Life has pipped ICICI Prudential to become the largest private sector insurer in terms of new business premium. SBI Life recorded 71 per cent increase in new business premium collection to Rs 1,775 crore as against Rs 1,038 crore March 2009.

ICICI Prudential recorded 53 per cent increase to Rs 1,362 crore in March 2010 against Rs 887 crore in the corresponding month a year ago.

In 2009-10, SBI collected premium of Rs 7,041 crore from the sale of new policies, while ICICI Prudential recorded 7 per cent decline in new business collections to Rs 6,334 crore. Insurers sold 10.55 million new policies with LIC bagging 8.52 million and private companies 2.03 million. Group premium contributed 51 per cent for the month with SBI and ICICI Prudential making large contributions. LIC increased its market share by 4 per cent in total premium collection from 2009. At the end of March 2010, LIC holds 65 per cent market share in terms of new business income collection with the private sector contributing the remaining 35 per cent share last fiscal.

Natural rubber output likely to rise 8.45%

The Rubber Board has projected an increase of 8.45 per cent in the country's natural rubber (NR) output for the current financial year. According to board's projection, the total production this year would be 901,680 tonnes compared with 831,400 tonnes last year.

This will be the first time that the natural rubber production will cross the 900,000-tonne mark.

The incremental increase for FY11 will be 70,280 tonnes as against a fall of 33,100 tonnes in 2009-10. The board estimates a marginally lower growth in the case of consumption, as it estimates total consumption of 986,980 tonnes for the current financial year.

The consumption is projected to grow by 56,395 tonnes in the current year. In 2009-10, consumption increased 6.8 per cent at 930,585 tonnes as against 871,720 tonnes in 2008-09.

Meanwhile, Automotive Tyre Manufacturers Association (Atma) has questioned the rationale behind projections.

An analysis of Rubber Board Data shows an average incremental growth in production of only 21,000 tonnes a year over the last 10 years (FY01 to FY10).

A study of the Association of Natural Rubber Producing Countries (ANRPC) put the projected production of NR in India in the year 2010 at 853,000 tonnes, the same as production in the year 2006.

“With new capacities being put up by tyre manufacturers in the country to meet the rising demand from vehicle makers, the NR consumption will grow spirally. The decrease in incremental consumption as estimated by the board is most unfortunate and belie the growing requirements from consuming interests”, said Neeraj Kanwar, chairman, Atma.

India's share in steel use to rise marginally

India's contribution to the global steel consumption is forecast to increase marginally by 0.5 percentage point in 2011, mostly due to huge spends proposed by the government as well as active participation by private players on infrastructure development.

Construction projects accounts for about 20 per cent of the country's total steel consumption.

Brussels-based World Steel Association (WSA) has forecast that India's share in world steel consumption will rise to 5.48 per cent by 2011, which will come to 71.5 million tonnes (mt). During the current year, the country is estimated to contribute 5.08 per cent, or 62 mt, to the global steel consumption. In 2009, India's contribution was 4.9 per cent, or 55.2 mt.

"Healthy growth in steel consumption is possible in the next couple of years as the government will continue to focus on creaky infrastructure," said S K Gupta, director of JSW Steel.

During the Eleventh Five-Year Plan (2007-12), India plans to spend \$514 billion, with private firms contributing 36 per cent, to overhaul the country's weak infrastructure, an obstacle to achieving faster growth in Asia's third largest economy.

But, for the entire decade between 2011 and 2020, the country will require \$ 1.7 trillion to meet its infrastructure needs. Global investment and banking firm Goldman Sachs had earlier estimated an investment of \$620 billion for the purpose, while the government projected a requirement of \$500 billion during the 11th Plan period. Private companies were estimated to pump in \$1 trillion between 2012 and 2017, an independent analyst said. This means steel consumption in the country will go up as growth in infrastructure is directly linked with the demand for steel. Steel demand keeps pace with gross domestic products growth.

India may achieve record cotton output in 2010-11: USDA

India's cotton production may increase by over 6 per cent to a record 25 million bales in 2010-11 season if the country receives normal monsoon this year, the US Department of Agriculture (USDA) has forecast.

Cotton output is pegged at 23.5 million bales (one bale equals 170 kg) in 2009-10 marketing season (August-July).

"Assuming normal 2010 monsoon, cotton production in India's marketing year 2010-11 is forecast to increase to a record 25 million bales on expected record planting and improved yields," the USDA said in a report.

The Department noted that the area under cotton is forecast to increase marginally to a record 10.3 million hectares from 10.26 million hectares provided there is “timely and well distributed monsoon at the time of planting”.

Cotton area in most growing states is forecast slightly higher than last year except in Gujarat and Maharashtra, where farmers may revert to traditional crops, the report said.

“Planting intentions for 2010-11 cotton crop will be favourably influenced by comparatively strong cotton prices and relatively stable yields (realisation) vis-a-vis other competing crops during the marketing year 2009-10,” USDA said.

Productivity is also expected to rise by 6 per cent at 528 kg per hectare in the next season.

“With the area under Bt cotton and improved varieties now reaching the peak (90 per cent of the total area), the prospect for future growth in productivity is limited as most cotton is grown under rainfed conditions and small size of land holdings,” the report noted.

External Sector: Foreign Trade April- January 2009

Region/Country	Export		
	US \$ million		% change
	2008-09	2009-2010	2009-2010
World	158741.2	140462.1	-11.5
Africa	9772.5	8478.7	-13.2
Egypt	1137.8	975.2	-14.3
Ghana	366.3	299.3	-18.3
Kenya	780.8	696.4	-10.8
Mauritius	238.5	167.6	-29.7
Nigeria	1261.8	1052.8	-16.6
South Africa	1281.5	1138.8	-11.1
America	23486.5	19515.3	-16.9
Brazil	1425.7	1142.5	-19.9
Canada	1153.4	907.5	-21.3
USA	18159.3	15087.1	-16.9
Asia (excl. Middle East)	37153.3	35817.4	-3.6
Bangladesh	2077.4	1862.4	-10.3
China	7499.9	8353.2	11.4
Hong Kong	5523.3	6087.5	10.2
Indonesia	1710.4	1880.9	10.0
Japan	2441.8	1914.8	-21.6
Korea DPR (North)	296.6	117.4	-60.4
Korea Republic (South)	1493.5	1481.1	-0.8
Malaysia	3035.8	2069.3	-31.8
Nepal	834.2	757.8	-9.2
Pakistan	1122.4	1217.8	8.5
Philippines	620.4	583.6	-5.9
Singapore	4076.4	3848.8	-5.6
Sri Lanka	1445.5	1222.1	-15.5
Taiwan (Taipei)	760.9	541.2	-28.9
Thailand	1662.8	1328.6	-20.1
Viet Nam	1399.3	1418.0	1.3
Middle East	25634.9	23153.6	-9.7
Iran	1168.8	1364.3	16.7
Israel	1212.2	1022.4	-15.7
Kuwait	636.1	617.3	-3.0
Oman	613.2	655.9	7.0
Saudi Arabia	3183.0	2331.8	-26.7
Syria	314.9	274.7	-12.8
UAE	16558.0	15260.1	-7.8

Yemen	345.8	308.1	-10.9
Europe	33529.9	26873.8	-19.9
Belgium	3863.2	2707.8	-29.9
France	2403.2	2140.7	-10.9
Germany	5345.1	4306.0	-19.4
Italy	3270.5	2683.6	-17.9
Netherlands	2844.3	2341.7	-17.7
Russia	926.5	771.9	-16.7
Spain	2076.9	1617.0	-22.1
Turkey	1224.1	1089.4	-11.0
UK	5389.5	4799.2	-11.0
Oceania	1530.4	1346.2	-12.0
Australia	1247.7	1096.7	-12.1

Region/Country	Import		
	US \$ million		% change
	2008-09	2009-2010	2009-2010
World	269508.8	225515.4	-16.3
Africa	9374.9	7554.2	-19.4
Algeria	94.6	25.0	-73.6
Angola	8.3	4.7	-43.6
Egypt	516.8	226.1	-56.2
Libya	0.5	9.7	2018.8
Nigeria	74.7	71.5	-4.3
South Africa	5076.6	4679.4	-7.8
America	21848.5	17408.5	-20.3
Brazil	915.7	1778.3	94.2
Canada	2246.3	1748.2	-22.2
Chile	1297.1	742.7	-42.7
Mexico	736.9	264.3	-64.1
USA	15744.6	12041.0	-23.5
Asia (excl. Middle East)	68512.7	59992.6	-12.4
China	28348.6	24856.6	-12.3
Hong Kong	5299.4	3642.2	-31.3
Indonesia	5518.2	6476.0	17.4
Japan	6585.4	5334.7	-19.0
Korea Republic (South)	7157.9	5842.7	-18.4
Malaysia	3365.6	2756.9	-18.1
Singapore	4782.9	3850.4	-19.5
Taiwan (Taipei)	2117.0	1861.3	-12.1
Thailand	2154.0	2225.9	3.3
Middle East	19407.1	14872.6	-23.4
Iran	969.4	902.1	-6.9

Iraq	44.3	39.2	-11.7
Israel	1894.7	1544.1	-18.5
Kuwait	357.6	235.8	-34.1
Oman	468.8	457.6	-2.4
Qatar	545.1	413.1	-24.2
Saudi Arabia	1424.2	1317.8	-7.5
UAE	11912.4	9063.6	-23.9
Yemen	8.7	9.3	6.2
Europe	54963.1	45057.2	-18.0
Belgium	4957.4	5047.6	1.8
Finland	1038.5	882.4	-15.0
France	3901.1	2341.4	-40.0
Germany	10498.3	8064.3	-23.2
Italy	3748.4	3031.5	-19.1
Netherlands	1662.4	1254.3	-24.5
Norway	962.0	555.6	-42.3
Russia	3738.2	2449.1	-34.5
Spain	887.2	888.7	0.2
Sweden	1725.9	1344.2	-22.1
Switzerland	11137.0	10837.4	-2.7
Turkey	563.3	449.1	-20.3
UK	5294.3	3449.0	-34.9
Oceania	10219.6	9943.2	-2.7
Australia	9575.0	9457.0	-1.2

