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Contents

- | | | |
|----------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------|
| 1 | News Feature <ul style="list-style-type: none">• India celebrates 60th Republic Day• India Inc made PE deals worth over \$10 bn in 2008: Thornton | Page 1-2 |
| 2 | Overseas Investment <ul style="list-style-type: none">• Proposal to allow 49% stake for foreign airlines in domestic carriers• FDI via partly-paid shares may get Centre's nod soon | Page 2-3 |
| 3 | Trade News <ul style="list-style-type: none">• India, Canada agree to strengthen business ties• India, Jordan signs BIPPA• 'China emerges India's largest trading partner in 2008'• South African cos keen to expand exports• India, Asean likely to ink free-trade pact on Feb 26• FTA need of the hour: EU trade commissioner | Page 4-8 |
| 4 | Sectoral News <ul style="list-style-type: none">• Telecom space buzzes on; 113 m users added in 2008• Iron ore exports jumped 39% to 13.6 million tonne in December• Spices export rises in April-Dec• Indian healthcare to be worth \$10.3 bn by 2010: Study• Against all odds: infra sector will beat the slump in 2009, says E&Y report• Tobacco exports jump 13% on global demand | Page 8-12 |
| 5 | News Round-up <ul style="list-style-type: none">• India Story, Chapter 2009: No. 2 in growth race | Page 12-13 |

News Feature

India celebrates 60th Republic Day

Kaleidoscopic images of India's rich cultural diversity and the might of its military were on full display on the magnificent Rajpath as the nation celebrated its 60th Republic Day amid an unprecedented security cover.

An impressive and colourful parade, a traditional attraction of the national event, marched down the thoroughfare connecting the Rashtrapati Bhawan and the historic India Gate as President Pratibha Patil took the salute from marching contingents.

Armed forces in battle regalia proudly marching before their supreme commander, scintillating show of air power, fascinating tableaux depicting the diverse culture and hundreds of colourfully-dressed dancing school children were part of the parade.

The march-past was watched by the Republic Day chief guest Kazakhstan President Nursultan Nazarbayev, Vice President Hamid Ansari, Defence Minister A K Antony and the country's top political and military brass, including UPA Chairperson Sonia Gandhi, besides a large enthusiastic crowd that had gathered on either sides of the Rajpath.

As Prime Minister Manmohan Singh is recuperating from his bypass surgery in All India Institute of Medical Sciences, Antony performed all the customary duties of the Prime Minister during the Republic Day celebration.

Minutes before the parade began, Antony and chiefs of Army, Navy and Air Force laid wreaths at 'Amar Jawan Jyoti', the British-era World War-I memorial at India Gate, where an eternal flame burns in memory of those who laid down their lives while defending the nation's frontiers.

<http://businessstandard.com/india/news/india-celebrates-60th-republic-day/15/17/53616/on>

India Inc made PE deals worth over \$10 bn in 2008: Thornton

Fall in the capital market mirrored itself in the corporate India's private equity transactions, which registered a 23 per cent decline during the year 2008 at \$10.59 billion, thanks to the effects of the recent economic downturn, a latest report says.

There were 312 deals in 2008 with a total announced value of \$10.59 billion compared with 405 deals with an announced value of \$19.03 billion in the year 2007, according to Grant Thornton's latest annual issue.

Though there has been a decline in PE deals but still India Inc braved the downtrend and managed to attract decent number of such deals.

"Over the year, India Inc has shown its resilience by not only being an important destination for International Private Equity funding and inbound M&As but also by being highly active in acquiring international companies," the latest issue of Deal Tracker said.

The report further said that the average PE deal value fluctuated from \$46.99 million in 2007 to \$33.93 million during 2008. Besides, high value deals saw less activity in 2008. There were 28 deals of over \$100 million in 2008, while in the year 2007 there were as many as 53 such deals.

Some of the large PE deals in 2008 included Providence Equity Partner's acquisition of 20 per cent stake in Aditya Birla Telecom (ABTL), a subsidiary of Idea Cellular for \$640 million in May 2008 and Symphony Capital's investment in DLF Assets (Property fund of DLF) for \$450 million.

The decline in PE transactions was mainly because there was less activity in the second half of the year 2008 on account of global financial crisis.

"While the value of PE deals during the first half of 2008 was \$7.1 billion, the second half was \$3.5 billion," Grant Thornton said.

http://economictimes.indiatimes.com/News/Economy/Indicators/India_Inc_made_PE_deals_worth_over_10_bn_in_2008_Thornton/articleshow/4016991.cms

Overseas Investment

Proposal to allow 49% stake for foreign airlines in domestic carriers

The Civil Aviation Ministry's proposal for allowing foreign airlines to pick up a stake in domestic airlines has moved ahead. Later this week the Committee of Secretaries headed by the Cabinet Secretary is to consider a proposal to allow foreign airlines to hold a 49 per cent stake in scheduled, non-scheduled and charter airlines.

The latest thinking in the Government is more liberal than the 20-25 per cent stake that the Ministry of Civil Aviation has proposed for foreign airlines in domestic airlines. The change in the FDI rules, if approved, will not only help the 15 scheduled airlines like Kingfisher and Air India but also the 98 non-scheduled operators including Ahmedabad Aviation and Aeronautics and Span Air. Official sources confirmed that an "official proposal" to allow foreign airlines to hold a 49 per cent stake in domestic airlines is before the Government.

At the moment foreign airlines are barred from holding a direct or indirect stake in the domestic airline sector. The Minister for Civil Aviation, Mr Praful Patel, had indicated that the Ministry was examining a proposal to allow foreign airlines to hold a 20-25 per cent stake in domestic airlines. A final decision on how much stake foreign airlines will be allowed to hold in domestic airlines will be taken by the Union Cabinet and not the Group of Ministers looking into the civil aviation policy, Mr Patel had said.

It remains to be seen whether the Ministry of Civil Aviation will have its way and foreign airlines will be allowed a 20-25 per cent stake in domestic airlines or the recommendations of some sections of the Government to allow a 49 per cent stake is cleared.

The Government's proposal to consider liberalising FDI rules has already been welcomed by several international airlines including British Airways and Virgin Atlantic.

<http://www.thehindubusinessline.com/2009/01/21/stories/2009012151670100.htm>

FDI via partly-paid shares may get Centre's nod soon

Indian companies may soon be allowed to raise cash from overseas investors through partly paid-up equity shares, according to an official with the department of industrial policy and promotion (Dipp).

Currently, the rules regarding partly paid equities are ambiguous, but till recently, foreign direct investment (FDI) through this route was allowed on a case-to-case basis.

Partly paid share capital exists where the monies have been received by a company for equity that it has issued, but the amount received is less than the agreed value of the shares issued. The rest of the amount, adding up to the total agreed value of shares, could be paid in instalments. These shares are in contrast to fully paid shares, in which no more money is to be paid by shareholders to the company on the value of the shares.

An official, said the new route could give flexibility to both Indian and foreign partners as both could induct and bring in capital as per their requirement.

The prevailing norms on partly paid shares present a picture of contradiction. While the Foreign Exchange Management Act (FEMA) does not allow issue of partly paid shares to non-residents, the Companies Act permits it. The FDI policy is silent on this instrument.

The official said Dipp supports the proposal subject to shares being convertible into fully paid-up shares within a specified time period. "The department has proposed that shares should be convertible within 180 days of issuance," he said.

The department of economic affairs (DEA) in the finance ministry has no objection to the proposal subject to adherence to Sebi's pricing guidelines, the official said.

However, if the RBI approves the proposal, raising capital through this means would only be possible subject to clearance by the foreign exchange promotion board (FIPB). "It will not be allowed on the automatic route," the official said.

"The government should bring clarity to the treatment of these instruments, and if a time limit set for conversion of party paid of shares is capped, the move would be in the spirit of the FDI policy," said Saroj Jha, a partner of Delhi-based law firm Fox Mandal.

http://economictimes.indiatimes.com/News/Economy/Finance/FDI_via_partly-paid_shares_may_get_Centres_nod_soon/articleshow/4031528.cms

Trade News

India, Canada agree to strengthen business ties

India and Canada have decided to strengthen business and trade ties that will open fresh opportunities "for our respective business communities", Commerce and Industry Minister Kamal Nath said on Wednesday after holding talks with Canada's Minister for the Asia-Pacific Gateway Stockwell Day.

The two leaders also agreed to take forward talks for the proposed comprehensive economic partnership agreement.

Both sides have stressed the need to strengthen investment in sectors like infrastructure, agriculture and Industrial goods.

During the talks, Kamal Nath said there has to be greater engagement between small and medium enterprises of the two countries. He said India was committed to taking the economic partnership forward.

"The steps taken today will ensure we move towards opening doors for our respective business communities," the minister said.

On the other hand, Day agreed that it was the right time for both countries to begin talks on the possible parameters of a comprehensive trade agreement.

http://economictimes.indiatimes.com/News/Economy/Foreign_Trade/India_Canada_agree_to_strengthen_business_ties/articleshow/4011768.cms

India, Jordan signs BIPPA

A Bilateral Investment Promotion and Protection Agreement (BIPPA) between India and Jordan has come into force. As per the agreement, both the countries will accord national treatment and most favoured nation treatment to investments from each other's territory.

To put it simply, both the countries will treat each other's investments on par with the treatment given to investments from domestic investors or any other country.

"The BIPPA seeks to promote and protect investments from either country in the territory of the other country with the objective of increasing bilateral investment flows," an official statement said. It requires both the countries to encourage and create favourable conditions for investors of each other to make investments in their territory and to admit investments in accordance with their laws.

The agreement also provides an elaborate dispute resolution mechanism, which includes recourse to negotiations, conciliation and international arbitration. The treaty has come into force today with the exchange of Instruments of Ratification (IRs) between the two countries.

The instruments were exchanged by Anup K. Pujari, Joint Secretary (Foreign Trade), Department of Economic Affairs, Ministry of Finance, on behalf of India and Mohamed Ali Daher, Ambassador of Hashemite Kingdom of Jordan, the statement said.

The Indian model text of BIPPA is the basis of the negotiation between the two countries. The signing and ratification of BIPPA was approved by the Cabinet On November 30.

India has so far signed BIPPA with 73 countries. Of these, 61 have already been ratified and have come into effect. BIPPA with Syria has also come into effect, it said.

http://economictimes.indiatimes.com/News/Economy/Foreign_Trade/India_Jordan_signs_BIPPA/articleshow/4017999.cms

‘China emerges India’s largest trading partner in 2008’

In 2008, China emerged as India’s largest trading partner, surpassing the US, according to Mr Mao Siwei, China’s Consul-General in Kolkata. Quoting statistics from China’s Customs, Mr Mao said the size of bilateral trade reached a historical level of \$51.8 billion in 2008 compared with \$38.6 billion in 2007.

Between January and November 2008, the US-India trade amounted to \$41.5 billion compared with \$41.6 billion in the whole of 2007.

Describing the growth of trade between India and China, “a great achievement”, Mr Mao pointed out that 10 years ago, i.e. in 1998, the bilateral trade amounted to less than \$2 billion. He was addressing an international steel seminar organised by Steel Scenario, a journal on steel industry, in partnership with Sinosteel India Pvt Ltd.

The steel industry, according to the Chinese Consul General, will take a lead in further development of economic relations between the two countries. This would happen because India’s exports of iron ore to China accounted for more than 20 per cent of China’s total iron ore import.

At the same time, China accounted for the bulk of two million tonnes of coke imported by India’s steel industry. Also, China was poised to meet India’s growing demand for steel estimated at 200 million tonnes (mt) by 2020. Currently, India produced 53 mt, while China 500 mt. “China has reached production saturation and to reserve steel production capabilities, the Chinese steel industry needs to go abroad,” he added. “The near future will see that the co-operation in the steel industry will benefit each other in a big way.”

Dr S.K. Gupta, Director, JSW Steel Ltd, in his keynote address, hinted at the possibility of more protectionist measures by the US, EU and China in view of the present global meltdown. For Indian steel producers, the long-term availability of metallurgical coal, both coking and non-coking, at a reasonable price would continue to be a matter of concern, he said. “If India is to become the second largest producer of steel, our steel producers, besides becoming low-cost producers, must also target to produce high quality products along the value chain,” Mr Gupta observed.

<http://www.thehindubusinessline.com/2009/01/22/stories/2009012250981700.htm>

South African cos keen to expand exports

Taking advantage of a weaker rand against the rupee, South African companies, especially capital equipment manufacturers, are scouting for export opportunities in India.

The focus areas for exports include capital equipment, especially those required in mining and mineral processing industries.

More than 80 South African companies would showcase their products in the forthcoming edition of the Indian Engineering Trade Fair (IETF) to be held in Bangalore from February 23-26, according to Mr Iqbal Meer Sharma, Deputy Director General, Trade and Investment South Africa. The companies that are likely to showcase products include Bateman and Multotec.

South Africa will be the partner country for IETF 2009, being organised by Confederation of Indian Industry (CII). South Africa was the partner country for IETF 2005, when about 70 companies from that country participated.

“South African exports are twice as affordable now for Indian importers. Since the establishment of diplomatic relations in 1994, the rupee has strengthened significantly against the Rand — almost 50 per cent appreciation. We are looking to leverage on the rupee appreciation to expand our exports to India,” Mr Sharma told.

Meanwhile, South Africa’s annual mining conference—‘mining indaba’ will be held at Cape Town from February 9-12.

With commodity prices declining, mining opportunities are set to become more attractive. Besides discussing the future of mining, the conference will provide an opportunity for Indian companies to meet people with concessions and those looking for partnerships.

<http://www.blonnet.com/2009/01/24/stories/2009012451710500.htm>

India, Asean likely to ink free-trade pact on Feb 26

India and the Asean, a grouping of 10 southeast Asian nations, are expected to sign a free-trade agreement on February 26 to eliminate tariffs on around 4,000 products traded between the two sides.

Commerce and industry minister Kamal Nath has been invited by the economic ministers of Asean to sign the pact, provided it is approved by all 10 Asean countries. The signing will take place at the Hua Hin beach resort, 130 kilometres southwest of Thailand’s capital Bangkok, a day before the 14th Asean summit begins there.

The treaty will result in the abolition of tariffs on a variety of manufactured items ranging from consumer electronics and farm products to metals and chemicals. A commerce

department official said the Asean members will have to get the agreement ratified by their respective parliaments before the trade ministers sign it. He said the Asean countries are expected to get their domestic clearances by February 10.

“India will try its best to ensure that the FTA is signed next month as it will be the last chance for the current government to conclude the pact,” the official said. Asean is India’s fourth-largest trading partner after the EU, US and China. Indo-Asean trade, which has been growing at a compounded annual rate of 27%, stood at \$38.37 billion in 2007-08. It is projected to reach \$48 billion in 2008-09.

The FTA provides for the elimination of tariffs on 80% of the items traded between the sides in a phased manner by 2015. For about 10% of additional items on the sensitive track, the tariffs will not be eliminated, but brought down to 5%. India has 489 items, mostly farm products, on the sensitive list, which will not be subject to tariff cuts.

The 10 Asean members are Brunei, Cambodia, Indonesia, Laos, Malaysia, Myanmar, the Philippines, Singapore, Thailand and Vietnam. Asean and India will gradually turn their free-trade agreement into a comprehensive economic cooperation agreement that will also include services and investment.

India already has a comprehensive economic cooperation agreement with Singapore and an early harvest programme with Thailand wherein the two sides have reduced duties on 82 products.

<http://economictimes.indiatimes.com/Economy/India Asean to ink free-trade pact/articleshow/4034317.cms>

FTA need of the hour: EU trade commissioner

Former European Union (EU) trade commissioner Peter Mandelson has said that efforts should be made to implement the EU-India free trade agreement (FTA) this year as it could help the two sides in overcoming challenges in a post-crisis world.

“The downturn does not reduce the value of a bilateral trade deal, it raises it. The EU and India should call the deal what it would be – a confidence-building economic stimulus package — and sign it before the end of the year,” said Mr Mandelson who is currently the British secretary of state for business, enterprise and regulatory reform.

Europe is India’s biggest market, and the top export market for its ten biggest exports. EU-India trade rose from e28 billion in 2003 to e55 billion in 2006-07, pushing the two to start negotiations on a bilateral trade agreement in 2007. The proposed agreement, called the bilateral trade & investment agreement, seeks to liberalise trade in agriculture and industrial goods, services and investment norms.

There have been three rounds of talks so far in which negotiators from both sides have been attempting to iron out differences on issues of intellectual property rights, competition, market access, transparency, rights of foreign investors, environmental, social and human rights issues.

Speaking at the 15th CII Partnership Summit 2009, Mr Mandelson emphasised the need to keep trade flowing during the present financial crisis. The World Bank has forecast that world trade growth will go into reverse in 2009, for the first time since 1982.

http://economictimes.indiatimes.com/Economy/FTA_need_of_the_hour_Mandelson/articleshow/4004375.cms

Sectoral News

Telecom space buzzes on; 113 m users added in 2008

India's growth story in the telecom space shows no signs of slowdown. The country added 113.26 mn new customers in 2008, the largest globally. To put this growth into perspective, the country's cellular base witnessed close to 50% growth in 2008, with an average 9.5-mn customers added every month.

As per industry data, the country had 346.89 mobile phone users as of December 2008-end compared to 233 mn in the corresponding period a year ago.

As per sector regulator Trai, the total number of telephone connections (mobile and fixed) has touched 385 million as of December-end, taking the telecom penetration to over 33%. This implies, one out of every three Indian has a telephone connection.

On the other hand, fixed-line numbers continued to tumble. The landline customer base was down by 3% in 2008 to 37.90 mn. Mobile customers now out-number landline users by around 9 times. Despite registering close to 75% growth in its broadband subscriber base, the penetration of high-speed internet connections remains dismally low. A mere 5.5 mn users have a broadband internet connection.

The growth in 2008 was led by Bharti Airtel, the country's largest communications provider. Bharti had 85.6 million customers as of December-end, when compared to 61.3 million of Reliance Communications and about 61 million of Vodafone Essar.

In fact, Bharti has more customers than the state-owned BSNL's mobile and landline users combined. The PSU finished 2008 with 46.2-million mobile subscribers and 29.5-million landline customers.

Telecom companies estimate growth in 2009 to be higher: "We are extremely bullish that the growth will continue in 2009. This year, the number of additions will be in excess of 130 million.

While, currently, we are adding about 10 million plus customers per month, this figure will go up to 12 million in the second half of 2009," explained Cellular Operators Association of India's director general TV Ramachandran. COAI is the industry body that represents all GSM players in India.

http://economictimes.indiatimes.com/News_by_Industry/Telecom_buzz_113_M_new_users_in_08/articleshow/4014115.cms

Iron ore exports jumped 39% to 13.6 million tonne in December

On the back of rising demand from China, the country's iron ore exports jumped 39% to 13.6 million tonne in December, 2008 against 9.8 million tonne in the same month a year ago.

This was brought out by a study conducted jointly by Minerals & Metals Trading Corporation, Goa Mineral Ore Exporters Association and Kudremukh Iron Ore Company.

But for the first nine months of the financial year exports are lower. Total exports during April-December, 2008 dipped 5.4% to 64.4 million tonne against 68.1 million tonne in the corresponding period last financial year.

India's annual iron ore production, a key input in steel making, is more than 200 million tonne, of which about 50% is exported. Globally, demand for steel has grown marginally in the last few weeks.

Some of the Chinese steel mills that had shut down as a result of low demand have now increased their production levels. This has in turn pushed up demand for the Indian ore, said Federation of Indian Mineral Industries president Rahul Baldota.

Besides, the government's move to reduce export duty on iron ore lumps from 15% to 5% has also boosted exports, Mr Baldota said adding that reduction in railway freight has also helped the domestic iron ore miners in a big way.

http://economictimes.indiatimes.com/Metals_Mining/Iron_ore_exports_jumped_39_to_136_million_tonne_in_December/articleshow/4007695.cms

Spices export rises in April-Dec

Spices exports during the first nine months of the current fiscal increased 15 per cent in terms of rupee value and three per cent in quantity from that of the corresponding period in 2007.

Total shipments in April-December 2008 is estimated at 3,34,150 tonnes valued at Rs 3,810.95 crore (\$860.40 million) as against 3,25,320 tonnes valued Rs 3,320.00 crore (\$821.45 million) in the same period of the last financial year.

Quantity, value up

Spice oils and oleoresins including mint products contributed 42 per cent of the total export earnings. Chilli contributed 21 per cent followed by pepper eight per cent, cumin eight per cent and turmeric five per cent.

Exports of most of the major spices have shown an increasing trend both in terms of quantity and value compared with the same period of last year. However, exports of pepper and chilli have declined both in terms of quantity and value compared to last year, according to a Spices Board release. Exports of ginger and mint products have declined in quantity only, while that of pepper have dropped both in terms of quantity and value during

April- December 2008 to 19,100 tonnes valued at Rs 317.77 crore from 27,580 tonnes valued at Rs 400.20 crore of last year. The average export price of pepper has gone up from Rs 145.11 a kg in 2007 to Rs 166.37 a kg in 2008. The low inventory in the major international markets due to the economic recession is reported to be the major reason for the decline in exports.

Exports of chilli and chilli products declined to 1,41,000 lakh valued at Rs 793.18 crore from 1,49,755 tonnes valued at Rs 807.03 crore in April-December 2007. The traditional buyers of Indian chilli viz. Malaysia, Indonesia and Sri Lanka continued their buying this year also. It is expected that the export will pick up in the coming months as the new crop comes to market, it said.

The export of cumin has shown an increase of 51 per cent in quantity and 49 per cent in value compared to last year. The reported crop failure in other major producing countries viz. Syria, Turkey and Iran has helped India to achieve this substantial increase in its shipments.

Value-added products

The export of value-added products such as curry powder and spice oils and oleoresins have also shown substantial increase both in terms of quantity and value compared to last year.

Against the export target of 4,25,000 tonnes valued at Rs 4,350.00 crore (\$1,025 million) for the current fiscal, the achievement of 3,34,150 tonnes valued at Rs 3,810.95 crore (\$860.40 million) up to December 2008 is 79 per cent in quantity, 88 per cent in rupee value and 84 per cent in dollar terms of value. The export of spices such as cumin, fenugreek, nutmeg and mace, vanilla and other seeds have already achieved the respective targets fixed for the year 2008-09.

<http://www.thehindubusinessline.com/2009/01/22/stories/2009012250861600.htm>

Indian healthcare to be worth \$10.3 bn by 2010: Study

The annual healthcare report of global consultancy firm Boston Analytics has predicted Indian healthcare sector to grow to \$10.3 billion by 2010.

The “Healthcare in India” report released said the growth will be driven by a number of factors like rising life expectancy, rising household income, increasing penetration of health insurance, government action and rising incidence of lifestyle-related diseases.

This report is part of a series based on the results of monthly surveys for the Boston Analytics Consumer Sentiment Index (BACSI). It focuses on India’s healthcare sector and captures consumer responses to questions in lifestyles and attitudes towards healthcare, emergency and specialist medical care, prescription and OTC drugs, health insurance sources and coverage.

“The BACSI provides a wealth of information on consumer attitudes that is useful to policymakers, companies, and investors involved in consumer-centric industries,” Rashid Bilimoria, CEO and Co-Founder, Boston Analytics stated in a press release.

<http://www.businessstandard.com/india/news/indian-healthcare-to-be-worth-103-bn-by-2010-study/21/31/53377/on>

Against all odds: infra sector will beat the slump in 2009, says E&Y report

Infrastructure sector can foresee optimism in 2009 as there are signs of the government trying to revive and focus on bringing more infrastructure projects into the market unlike 2008 that has seen the sector bear the brunt of the economic slowdown.

According to the Ernst & Young quarterly India infrastructure report titled, “Against all odd” released, the opportunities for growth in the infrastructure sector continue to be as promising as ever although it is heavily dependent on capital flows and it is likely that with increasing focus on project execution, Indian companies will start capitalising on the opportunities.

As far as the power sector is concerned, the government is expected to curtail its investments due to the global financial crisis. The investment during the 11th Plan is now expected to be \$100 billion as against the planned investment estimate of \$200 billion. However, civil nuclear energy is likely to provide ample opportunities. Industry experts have estimated a more than \$40 billion opportunity for global businesses as Indian companies may supply components to foreign nuclear plant manufacturers while offering power generation opportunities. This is expected to increase the nuclear power level in the country to 52,000 mw by 2020 from the current 4,120 mw.

In transportation sector, the global credit crunch has significantly increased the cost of financing and has made the financial close of concession-based infrastructure projects much more challenging than at any juncture over the last decade. A number of transport projects, which were auctioned at aggressive prices, have yet to reach a financial close in the current difficult financing environment. The report however, said most developers will adopt far more conservative assumptions and price in risks more cautiously while bidding for concessions in the current environment.

Despite difficult global circumstances, the report said the infrastructure sector will continue to attract investors and witness large deals on a selective basis, particularly private equity transactions. Besides, the country will witness consolidation and mergers and amalgamations, with developers looking to divest and operate BOT assets as more transport projects are commissioned in the mid term.

<http://www.financialexpress.com/news/against-all-odds-infra-sector-will-beat-the-slump-in-2009-says-e&y-report/413234/1>

Tobacco exports jump 13% on global demand

Tobacco shipment from India, the third-largest exporter in the world, surged by 61% to Rs 2,428 crore till December 2008 on better price realisation and weakening rupee against the dollar.

In volume terms, tobacco exports, comprising raw tobacco and its products, rose 13% to 173,484 tonne between April and December 2008 from 153,991 tonnes in the year-ago period, a senior Tobacco Board official said. "India exported tobacco worth Rs 2,428.65 crore between April and December against Rs 1,508.51 crore in the same period last year," he said.

Raw tobacco exports soared to Rs 1,978.93 crore in April-December from Rs 1,121.07 crore in the same period of the previous year. In volume, the shipments rose to 153,064 tonnes during the period from 133,941 tonnes a year ago, he said.

"High prices in global markets have boosted prospects of shipments. That apart, the depreciation of the rupee against the dollar also benefited the exporters," he said. Indian tobacco prices hit records due to a shortfall in output in some of the major producing countries, including China, last year.

Prices of tobacco skyrocketed to a record average of Rs 84.85 per kg during auctions in Andhra Pradesh in 2008 against Rs 47.47 the previous year. Similarly, prices of the highest quality tobacco in Andhra Pradesh spiralled to a record Rs 141 a kg, as against Rs 65 in 2007.

The depreciation of the rupee boosted the profitability of the exporters, the official said. The Indian currency depreciated by over 21% to Rs 48.58 against the dollar between April 1 and December 31, 2008. Tobacco Board Chairman J Suresh Babu had said that India's tobacco exports may increase to \$700 million (close to Rs 3,500 crore) in this financial year, though shipments in volume terms may not rise significantly.

India exported around 2.1 lakh tonnes of tobacco worth \$503 million in 2007-08. Belgium and Russia accounted for bulk of India's tobacco exports in 2007-08 and the Philippines, Germany and South Korea were other major markets.

http://economictimes.indiatimes.com/News/Economy/Foreign_Trade/Tobacco_exports_jump_13_on_global_demand/articleshow/4031351.cms

News Round – Up

India Story, Chapter 2009: No. 2 in growth race

India will be the second fastest growing economy in the world after China, Goldman Sachs, the American financial services major has said.

Goldman Sachs expects India's economy to grow 5.8% in FY 2010 due to fall in external demand and a slowdown in investments. The US, EU and Japan are likely to experience a significant contraction in economic activity in 2009 and possibly in 2010.

Significantly, Prime Minister Manmohan Singh too had expressed a cautious note on the outlook for the economy while speaking at the The Economic Times Awards For Corporate Excellence. However, the CEO of the largest private bank in the country, ICICI Bank, is more optimistic. Mr KV Kamath predicted at the same event that the economy will clock a growth of around 7% for FY '10.

Tushar Poddar of the Asia Research Team, said. "India will be the second fastest growing major economy in the world after China. However, due to rapidly falling exports and slowing investments, we have maintained an under-weight on the Indian stock market." He further said, "Four important themes — spending by the rural consumer, government spending, low inflation and low-cost housing — are identified as themes which the investor can play for downside protection in 2009."

He said, the rural consumer demand is largely unaffected by the global crisis since rural India has not borrowed much. Besides, agriculture has done relatively well and the government has assisted the rural population through schemes like waiver of agricultural loans and National Rural Employment Guarantee Scheme (NREGS) which provides every rural family with paid employment.

Low inflation is also going to translate into a lower import bill and low input cost. "In an environment of rapidly falling input costs, sectors which have a high proportion of variable cost compared to fixed cost are likely to benefit from falling input prices," the report said.

Higher government expenditure on account of tension with Pakistan and coming general election is also expected to spur demand. Also, the sixth pay commission payouts and implementation of NREGS will also add to the consumption demand in the economy.

As for low cost housing, the report notes: "With a supply shortfall of over 30 million units, continued demand growth due to favourable demographics and urbanisation, and more immediately, falling construction costs along with massive fiscal and monetary incentives suggest to us that low-cost housing is an opportunity whose time has come."

http://economictimes.indiatimes.com/News/Economy/India_Story_Chapter_2009_No_2_in_growth_race/articleshow/4009423.cms