Weekly Economic Bulletin

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'India to grow at 8% despite global turmoil'

India is expected to post an economic growth rate of 8% in the current fiscal despite the ongoing turmoil in the global financial markets, research firm Dun & Bradstreet said.

“We are maintaining our forecast of 8% growth for the current financial year despite the dwindling global economic scenario,” Dun & Bradstreet India chief operating officer Kaushal Sampat said. The global credit crisis might have slight impact on the Indian economy, but there would not be any significant impact as the financial institutions in the country were insulated, and regulators should be given credit for this, Sampat said.

“In line with D&B expectations, GDP growth moderated to around 8% during the first quarter of FY09. The moderation in growth is significant, especially when compared to the 9.24% growth in the first quarter of FY08,” Sampat said.

Going forward, given the high interest rates and low consumer demand, industrial production was expected to remain subdued, Sampat added. D&B in its September economy forecast said that given the subdued demand conditions and high raw material prices, industrial production should remain moderate. “We expect IIP to have grown within the 6-7% range during August this year,” the report said.


Export target can be met this fiscal: Pillai

India will be able to achieve the $200-billion export target in the current fiscal, a senior commerce ministry official said.

“We are well on target to achieve a 25% growth in exports,” commerce secretary, G K Pillai said on the sidelines of a packaging summit. However, the sharp fluctuation of the Rupee was not good for the industry, Pillai said.

“Sharp fluctuation is not good for the industry, but we can’t help it given the problem in the global financial market. Our industry is mature enough to live with it. There would be some marginal impact on sectors like gems & jewellery,” Pillai said.

India’s export target for the current fiscal is $200-billion. Last year, the country’s total exports were $159-billion, up from $65-billion in 2004.

M&A, PE deals cross $5.57-b mark in Aug

After a quiet July, dealstreet was again buzzing with action in August. The total value of mergers and acquisitions (M&A) and private equity (PE) deals during the month is pegged at more than $5.57 billion against a mere $1.23 billion in July'08. Though this has largely to do with large M&A transactions, even PE deal value jumped almost 50%.

While the number of M&A transactions actually dropped compared to July, the total value of deals rose sharply month-on-month. The total number of M&A deals announced during August stood at 31 with an announced value of $4.63 billion against 43 deals amounting to $580 million during July 2008, according to the latest dealtracker of advisory firm Grant Thornton.


Overseas Investment

Forex reserves jumps by $650 mn

India's foreign reserves jumped by 650 million to USD 289.461 billion for the week ended September 12 from USD 288.811 billion in the previous week.

During the week, the foreign currency assets (FCA) increased by USD 676 million to USD 280.302 billion as compared to USD 279.626 billion in the previous week, RBI said in its weekly report.

FCAs expressed in US dollar terms include the effect of appreciation or depreciation of non-US currencies such as Euro, Sterling and Yen held in reserves.

The gold reserves and special drawing rights, during the week remained static at USD 8.692 billion and USD 4 million respectively, the central bank said.

For the period under review, the country's reserves in the International Monetary Fund (IMF), declined steeply by USD 26-million to USD 463 million from USD USD 489-million in the previous week, the RBI said.


12 FDI proposals worth Rs 1,400 cr cleared

The government cleared 12 proposals, including National Housing Bank's Rs 570-crore plan, which will bring over Rs 1,400 crore of foreign direct investment into the country.

The proposals, cleared by Finance Minister P Chidambaram on the recommendation of the Foreign Investment Promotion Board, included a Rs 570 crore proposal from housing
finance regulator NHB to set up a joint venture in the field of mortgage guarantee activities.

NHB will set up the JV with United Guaranty Corporation and International Finance Corporation, both from the United States.

The JV will address the issue of loan defaults which would help banks spread lending activities across all segments and lower their risks.

Goldman Sachs proposal to undertake primary dealer activities will bring in Rs 34 crore of FDI.

Goldman Sachs will join a host of firms like ICICI Securities, Bank of Baroda, Corporation Bank, IDBI Cap, HDFC Bank, Canara Bank, Kotak Mahindra and so on as primary dealers, which are financial intermediary dealing in government securities.

A proposal from Mumbai-based Polycab Wires to convert its operating company to operating-cum-holding company to make downstream investment will attract Rs 551 crore of FDI.


**FII**s invest record $2.2 b in debt on September 16

Net investments in Indian debt instruments made on September 16 by foreign institutional investors amounted to a staggering $2.2 billion (Rs 8,904 crore), the combined data provided by custodians to SEBI showed.

This constitutes one of the highest one-day inflows into debt recorded by FIIs in recent times. The amount is sizeable, according to Mr Srinivasa Raghavan, President and Head – Treasury, IDBI Gilts Ltd: “This reflects the shift from equity to debt due to the global turmoil,” he said.

Meanwhile, details of daily trades in corporate bonds put up by SEBI, (based on reports sent by the BSE, the NSE and FIMMDA) also indicated a surge in daily turnover in corporate bonds on September 16 to Rs 957 crore, the highest so far for the month.

“We have to see whether the FII investments are in Government securities, corporate bonds or in Treasury bills. Debt is now a safer option. Also, the liquidity boost given by the RBI by way of allowing banks to borrow more against their SLR securities will ease the yields in the short term, such as on T-bills or on bonds up to five years,” said Mr Raghavan.

However, due to the cap of $5 billion in debt investments by FIIs, the current investments may not rise much, he added. In June, SEBI raised the FIIs’ investment ceiling in Indian debt to $5 billion from $3.2 billion.
Individual FIIs have been given a ceiling of $200 million for investment in the Indian debt market. So far in 2008, FIIs have invested $4.185 billion (Rs 16,884.10 crore) in Indian debt, according to SEBI data.


Govt open to selective 49% FDI in defence

The Centre said it could consider the industry’s demand for allowing up to 49 per cent foreign direct investment (FDI) in the defence sector “on a case-to-case basis”. “We will stick to the policy of allowing 26 per cent FDI in Indian defence sector. We could consider allowing 49 per cent FDI only on a case-to-case basis, if the industry is able to convince us,” the Defence Minister, Mr A.K. Antony, told an Assocham seminar on Defence Procurement Policy.

Stating that the Government was in favour of transparency in its defence deals, Mr Antony told the industry that there would be no secrecy surrounding the tendering process. “We believe in open deals. There will be no veil of secrecy in the Request For Proposals. Details would be made available to all industry representatives by placing the tenders on the Net, except in the most sensitive cases, which is a minuscule number,” he said.


Trade News

India in talks with Pak to start cross-border trade

The External Affairs Minister, Mr Pranab Mukherjee, said that India was hopeful to start cross-border trade with Pakistan.

“Discussions are still on with Pakistan on cross LoC trade and we are hopeful in this regard,” Mr Mukherjee told newsmen on the sidelines of the annual general meeting of Bengal National Chamber of Commerce and Industry.

Earlier, India had planned to start the cross-border trade soon after ‘Ramzan’ month this year.

In 2005, India had suggested trade across the LoC on Srinagar-Muzaffarabad, Poonch-Rawalkote and Kargil-Skardu routes. A list of items, too, was handed over to Pakistan in this regard.

FICCI for boosting trade with Korea

The Federation of Indian Chambers of Commerce and Industry said that there was enormous scope for trade between India and Korea to expand as the 12th round of negotiations are set to begin this week at Seoul to conclude a comprehensive economic partnership agreement between the two countries.

The Chamber highlighted the concern that China and Asean member countries like Indonesia, Malaysia and Singapore had overtaken India in exports to Korea. This was despite India’s trade with Korea having jumped four times to $4.62 billion and its share in imports increasing from 0.8 per cent to 1.3 per cent during 2002-07.

The Chamber stated that the top exports from India constituted crude & petroleum products, gems & jewellery, iron & steel, organic chemicals, cotton textiles, oil-cake, iron ore.

In India’s export basket to Korea, petroleum and petro-products constituted almost 55 per cent, barring which, the export figures would drop to just over $2 billion. Excluding petro-product-based exports, also dragged down India’s share of Korea’s imports to mere 0.6 per cent last year, the Chamber’s said.


India, Uzbekistan resolve to step up bilateral trade

India and Uzbekistan have identified that the favourable economic conditions and untapped potentials of both countries could help in boosting bilateral trade and investment in projects, with bilateral trade turnover in the first half of 2008 at close to $40 million.

Official sources told that the eighth session of the inter-governmental commission on Trade, Economic, Scientific and Technological Cooperation between India and Uzbekistan was held on September 16-17, chaired by the Union Minister of State for Commerce and Power, Mr Jairam Ramesh, and the Minister of Economy of Uzbekistan, Mr Batyr Khodjaev.

The sources said the bilateral trade turnover grew by 8 per cent in 2007 at $64.4 million, with exports from Uzbekistan to India at $9.5 million and exports from India at $54.9 million.

India adverted to the MoU the two governments signed in April 2006 and reiterated its commitment to establish Uzbek-Indian Entrepreneurs Development Centre in Tashkent and sought the Uzbek side to expedite the required clearance for the project.

The Commission emphasised that the efforts should continue for investment cooperation in processed food and agricultural products, information technology, petrochemicals,
fertilisers, ferrous and non-ferrous metals and it also agreed to explore possibilities and facilitate investments in these sectors through mutual consultations.

The Commission also noted the possibilities to set up joint ventures in the area of gas-based petrochemicals and fertilisers in Uzbekistan.


India invites investments from Spain

India has invited investments from Spain in the field of food processing, telecommunications and chemicals.

Spanish firms should take advantage of the conducive business climate in India and invest in areas of food processing, ceramics, telecom and chemicals, Commerce and Industry Minister Kamal Nath said during an interaction with former Spanish Prime Minister Jose Maria Aznan here yesterday.

Both sides took stock of the progress made by the India-Spain Joint Committee. The 9th meeting of the committee is scheduled to take place in Madrid soon. Presently, the joint working groups are engaged in the area of food processing and tourism, an official release said.

Trade between India and Spain was 3.28 billion dollars in 2007-08 compared to 2.5 billion dollars a year ago. Major items of Indian exports to Spain include readymade garments, marine products, machinery and instruments, transport equipment and electronics while India imports iron and steel, organic chemicals and project goods from Spain.


Sectoral News

Retail industry to touch Rs 18.1 lakh cr by '10: Report

Spiralling income and rising economic growth will see the Indian retail industry touch Rs 18,10,000 crore by 2010 with organised retail expected to constitute about 13 per cent of the total market to reach Rs 2,30,000 crore, said the India Retail Report 2009.

The India Retail Report 2009 compiled by research group Images F&R Research said, despite the hue and cry over the perceived impact of organised large retail on mom and pop stores, modernising the retail sector would engage around 15 million people in various activities by 2010.

At present, the 13,30,000 crore Indian retail market is growing at 10.8 per cent of which the organised retail sector's contribution is 5.9 per cent at Rs 78,300 crore, the report said.
This modern retail segment grew at the rate of 42.4 per cent in 2007, and is expected to maintain a faster growth rate over the next three years, especially in view of the fact that major global players and Indian corporate houses are seen entering the fray in a big way," it said.

Organised retail is expected to touch Rs 2,30,000 crore (at constant prices) by 2010, constituting roughly 13 per cent of the total retail market.

The report is based on rising economic growth rate of 8-9 per cent and a hike in average salaries by about 15 per cent which may trigger the rate of consumption.

On the employment front, the study said, "Modernising retail will see some 15 million people engaged in retail and retail support activities by 2010 - including front end retail operations, supply chain management, logistics, process and infrastructure development and supplies."

Food and grocery dominated the retail segment with 59.5 per cent share valued at Rs 7,92,000 crore, followed by clothing and accessories with a 9.9 per cent share at Rs 1,31,300 crore.

**Infra sector to attract over Rs 16 lakh cr investment in 5 yrs**

Eight infrastructure sectors, including power and road, are set to attract more than Rs 16 lakh crore investment in India between 2007-08 and 2011-12, but the global slowdown could impact potential of Special Economic Zones, according to Crisil research estimates.

The infrastructure areas - oil and gas, power, roads, ports, airports, railways, urban infrastructure and telecom -- got 2.2 times less investment in the previous five-year plan.

Though rising cost of finance will be a challenge in the present situation of high interest rates and global slowdown, it won't impact investments much as the infrastructural projects have large gestation period, the Crisil report said.

Meanwhile, a slower economic growth trajectory is likely to impact the investment potential of Special Economic Zones (SEZs), where the prospects for utilisation of real estate and infrastructural facilities could be quite susceptible to economic growth rates.

However, the least vulnerable to risk is the telecom sector, the report claimed. The report forecasts that between 2007-08 and 2011-12, power will grow at 60 per cent, roads at 100 per cent, airports at 400 per cent, ports by 160 per cent and railways to witness 250 per cent growth.

"There are three key reasons for being confident about investment in Indian infrastructure - improved institutional framework for enabling infrastructure investments, especially by the private sector; experience gained by governments, regulators and players regarding the
process of participation through concessions in infrastructure projects,” Crisil Research Head Sachin Mathur said.

Thirdly, improved project execution and financial capabilities of players, who can now handle multiple, larger and more complex projects, he added.


Tea exports to rise 17% in 2008 on revival of Iraq trade

India’s tea exports are likely to surge by over 17% to 210 million kg in 2008 on the back of resolution of trade-related complications with Iraq, a major importer, and a decline in output in the largest exporting nation, Kenya.

“We are hopeful that the exports may touch 210 million kg this year as against about 179 million kg in 2007. There were some problems with our exports to Iraq last year. Now that the issue is resolved, we are optimistic about the target,” Tea Board chairman Basudev Banerjee told.

“India is expected to export around 20 million kg of tea to Iraq in 2008,” said Banerjee, adding that the shortfall of around 40 million kg in tea production in Kenya helped boost India’s prospects.

However, he refrained from making any projection about the rise in shipments in value terms, saying that currency fluctuation was making it difficult to gauge the exact amount, though the depreciation of the rupee would aid exporters. Already, tea exports in the first seven months in 2008 have shot up to 105.56 million kg, compared with 88.86 million kg in the same period last year. In value terms, the shipments between January and July rose to Rs 1,096 crore against 910.27 crore in the same period last year.

In sync with exports, India’s tea production, the second largest in the world, is likely to inch up to around 950-960 million kg in 2008 against 945 million kg last year, Banerjee said.

“There could be a marginal fall in tea production in northern India due to weather conditions. But output in southern India is likely to be a bit better, marking an increase in the overall figures,” he said. Tea production between January and July increased to 476.63 million kg against 459.79 million kg in the year-ago period.

Indian soymeal exports set to surge on bumper crop

India is expected to export a record six million tonne of soymeal in the year from October, helped by strong Southeast Asian demand and expectations soybean output will beat earlier forecasts, a trade official said.

Soybean production might touch an all-time high of 12 million tonnes in 2008, 20% up on year, Atul Chaturvedi, president of Adani Enterprises Ltd, the country's biggest private exporter of farm products.

Industry associations had earlier said soybean output would reach 10.2 million tonne, a little higher than last year's then record harvest, and India would export 5 million tonne of soymeal this crop year. Higher acreage, monsoon rains and overall weather conditions augur well for the crop. We should not be surprised to see production touching as high as 12 million tonne, Chaturvedi said.

India grows nine oilseeds in a year. Soybean, the main summer-planted oilseed, is sown during the monsoon months of June and July and the crop starts arriving in the market by October.

Analysts say well distributed rains in the main soybean growing states of Madhya Pradesh, Maharashtra and Gujarat were likely to improve yields significantly.

Farmers planted soybean on 9.5 million hectare between June 1 and September 11 against 8.7 million hectare a year ago, the latest government data showed.

Demand for soymeal from India, Asia's biggest supplier of the protein-rich feedstocks, has been increasing rapidly as consumption of poultry products goes up worldwide.

India's August oilmeal exports jumped to almost three and a half times the year ago volume, and the upturn is expected to continue with demand from China and Southeast Asia likely to be strong, a leading trade body said.

Early this month, India contracted exports of 200,000 tonne of soymeal to Indonesia, Singapore and Taiwan at $450 per tonne, launching new season shipments at prices 56% above last year's early deals.

India sees a rise in patent, trademark applications: DIPP

If the total number of IPR applications filed in the country is an indication, then India is creating a conducive environment for innovations. According to the Department of Industrial Policy and Promotion (DIPP) and Intellectual Property Rights (IPRs), the filing of patent applications has increased from 4824 in the year 1999-2000 to 28,882 applications in the year 2006-2007. As against 8,010 trademark (TM) registrations in 1999-2000, 109,361 TMs were registered in 2006-07. Also, the filing of applications for design has increased from 2874 in 1999-2000 to 5372 in 2006-07.

Out of these, there has been a significant increase in the number of patent applications filed in the computer/electronics and biotechnology fields in recent years, due to the intensive research and development activities taking place in these sectors. One of the main reasons for the growth in the number of patent applications filed in India has been attributed to the government's initiatives to strengthen the IPR in India, in collaboration with industry and academia.

"In the era of globalisation, the importance of IPR is growing and has become imperial to the growth of Indian economy. Companies like Cadila Pharmaceuticals and Dishman have positively adhered to the IPR, keeping intact the confidence of businesses of the world in Gujarat," said Sujit Gulati, IAS, state industries commissioner at a seminar on 'Intellectual Property for Prosperity', organised in Ahmedabad by Federation of Indian Chambers of Commerce and Industry and the US embassy in India.

Talking about the importance of IPRs to the economy, KS Kadam, assistant controller of patent and design, Intellectual Property Office (IPO), Delhi, said, "Various government agencies and industry need to work in co-ordination to ensure that the legal remedies are used to achieve maximum outcome."

The registration and renewal of intellectual properties related to patents, trade marks, copyrights, designs and geographical indications (GI) has been a constant effort of the enforcement agencies. "We are discussing various future strategies in tackling piracy. The state governments have complied to implement various initiatives to curb piracy and spread awareness about IPR. A collaboration between the industry, academia and the government in the field of IPR is inevitable for the economy to grow," said GR Raghavender, registrar of copyrights and deputy secretary, department of higher education.

The seminar brought together representatives of the research and innovative processes from the corporate world to interact with various authorities and experts from the field of intellectual property protection.

22 Indian SMEs feature in best under-billion club

As many as 22 Indian companies, including Educomp Solutions, Jain Irrigation and Glenmark Pharmaceuticals, have been named in the latest ‘200 Best under a Billion’ list for the Asia-Pacific region by US magazine Forbes.

India, with 22 entries, is fourth in terms of the number of the companies included in the list, which is led by Greater China outperforming the others in the Asia-Pacific region with 88 entries followed by Taiwan and Japan with 24 and 23 firms, respectively.

The annual ‘Best Under a Billion’ list picks the best 200 small and medium sized companies from 24,155 listed firms in the Asia-Pacific region. Those with less than $1 billion in sales are vested for consistent growth of sales and profits over three years.

Other Indian firms on the list include, Blue Dart Express, Blue Star, Brigade Enterprises, Geodesic Information Systems, MIC Electronics, Nucleus Software Exports, Opto Circuits, Praj Industries and Unity Infrastructure.

About Educomp the magazine stated that, the company whose main business is developing and licensing digital lessons, has had a good run with its revenue up from $12.5 million in 2006 to $71 million for fiscal 2008, while profits jumped from $3 million to $18 million.

The company led by Shantanu Prakash is also cashing in on the education drive in the country by bringing computers to the classrooms.

Further, Thermax, Omnitech Infosolutions, Techno Electric & Engineering, Divi’s Labs, Cords Cable Industries, Tulip Telecom and Edex Services also find a place on the list. “More than a quarter of last year’s companies returned this year with consumer technology, commercial real estate, clean energy producers and business services sectors leading the way,” Forbes Asia said in a release.

All the firms on the 2008 Best Under a Billion list increased their sales and profits despite the major indices in Hong Kong, Japan, Korea and Australia each falling by over 20 % in the past one year.

Education services from South Korea’s mega study, Singapore’s Raffles Education and India’ Educomp also benefited from greater consumer spending, it stated. The list appears in the September 29 issue of Forbes Asia.