

Weekly Economic Bulletin

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News Feature

India's GDP to be 2nd largest by '50: Goldman

India can sustain an 8% growth rate till 2020 and will overtake UK as the world's fifth-largest economy by the middle of next decade at this pace, according to a Goldman Sachs report.

"Our baseline projections for India's potential output growth show that the economy can sustain growth rates of about 8% till 2020, significantly higher than the 5.7% that we projected in our original BRICs paper," Goldman Sachs said in a new economic paper released today.

"The implications of projections are that India will overtake the G6 economies faster than envisaged in our earlier BRICs research," it added.

The report forecasts that India's gross domestic product (GDP) will surpass Italy, France and the UK by the middle of next decade (around 2015). It will then overtake Germany, Japan and finally the US before 2050, to emerge as the second-largest economy after China.

http://businessstandard.com/common/storypage_c_online.php?leftnm=11&bKeyFlag=IN&autono=19939

India, Inc. shines in Dec quarter

India Inc has started 2007 with a bang. The first 250 quarterly results (which include 100 BSE-500 companies) for the quarter ended December 2006 show a combined net sales growth of 42% YoY as compared to 21% growth in Q3 FY05. On the net profit front, the result is even more impressive, with the 250 companies together clocking a PAT growth of 70% as against 20% reported in the corresponding quarter of the previous year.

On the turnover front, top honours were taken by Reliance Industries (RIL) which posted a massive 46% growth in net sales, aided by higher-than-expected refining margins owing to huge discounts received on ultra heavy crude oil. Base effect, too, played its part, as RIL's topline growth in the December quarter of the previous year was just 2%.

RIL alone contributed for 30% of the total net sales growth posted by these companies. Sterlite Industries followed next with a net sales jump of 94% for Q3 FY07, on the back of 78% growth reported in the corresponding quarter of the previous year. The company recorded its highest ever copper cathode production of 86,000 tonnes which, added to better realisations in copper, zinc and aluminium businesses, helped it maintain this robust growth rate.

http://economictimes.indiatimes.com/India_Inc_shines_in_Dec_quarter/articleshow/1361675.cms

Overseas Investment

FII inflows may pour in this year

Forget volatility. Forget the market at an all-time high. Forget fair (read stretched) valuations. '07 may turn out to be a bumper year for India in terms of foreign institutional investors (FII) allocations. And if the views of the market's movers and shakers are any indication, one can expect \$10-billion-plus FII inflows during '07.

India's broking community is quite positive on FII inflows. Motilal Oswal Securities CMD Motilal Oswal says, "Foreign funds will continue to be bullish on India." On the other hand, Angel Broking CMD Dinesh Thakkar says, "We may see a slowdown in FII flow for the first half of the year, but since macro-economic parameters – which are the key drivers of robust corporate earnings growth — are still intact, FIIs will continue to plough money into India."

India Infoline CMD Nirmal Jain says, "FIIs' flow into India will remain robust as the economy is doing extremely well. Redemptions may occur at higher levels, but new money will be available at corrections."

http://economictimes.indiatimes.com/FII_inflows_may_pour_in_this_year/articleshow/1360564.cms

Credit Suisse's \$1bn to tap Indian realty

Zurich-headquartered Credit Suisse, a leading financial house of the world, is giving final touches to a dedicated \$1-billion fund for investing in the booming real estate sector in India. The India fund is expected to be announced early in the next fiscal.

US-based Financial services giants Goldman Sachs and Morgan Stanley have managed a strong foothold in the real estate market in India. While Morgan Stanley Real Estate fund has struck a few large transactions in the space, Goldman Sachs is planning to make an investment of \$1 billion.

According to sources, Credit Suisse's \$1-billion investment in real estate will be brought in in a phased manner by 2010 and will focus on commercial space. "The financial plans to build a real estate portfolio with an asset value of around \$1 billion over the next 3-5 years.

http://economictimes.indiatimes.com/Credit_Suisse_1bn_to_tap_Indian_realty/articleshow/1361864.cms

Trade News

Indo-Russia trade to touch \$80 bn by 2015

Seeking expansion of business with India in a variety of new areas including hi-tech, telecommunication and ship building, Russian President Vladimir Putin says bilateral trade

should be up to USD 80 billion by 2015 but feels it is for corporate houses to address issues in the hydrocarbon sector.

"...Somewhere by 2010, we can achieve the level of USD 10 billion worth of turnover and to increase it by 3.4 times and to double it by 2015. This is quite a realistic task to be achieved," he said in an interview said.

Putin, who is arriving in New Delhi on Thursday on a two-day visit accompanied by a strong business delegation, said the two governments would achieve the results by putting efforts from both the ends by cutting the red tape and providing initiative to the private sector.

http://www.financialexpress.com/latest_full_story.php?content_id=152645

40 pc growth in engg exports likely

The country's engineering exports were set to grow to \$24 billion in the current year, clocking a growth of 40 per cent on top of the export earnings of \$20 billion achieved in 2005-06, the Union Commerce and Industry Minister, Mr Kamal Nath, said here on Tuesday.

Speaking at the golden jubilee celebrations of the Engineering Export Promotion Council, Mr Nath lauded the efforts of the engineering sector. He said the engineering process outsourcing (EPO) services from India had the potential to exceed \$40 billion by 2020, raising the country's share in the EPO market from the extant 12 per cent to 30 per cent. The President of India, Mr A.P.J. Abdul Kalam, inaugurated the celebrations marking 50 years of the council.

<http://www.thehindubusinessline.com/2007/01/24/stories/2007012402781400.htm>

Sectoral News

Industrial growth at decade-high in Nov

Industrial growth across sectors hit a decade's high at 14.4 per cent during November 2006, an official news release said.

For the first eight months in the current financial year ending November 2006, the industrial growth has been reported to be 10.6 per cent as against 8.3 per cent in the relative period in 2005-06.

As per the Quick Estimates of Industrial Production released by the Central Statistical Organisation, the manufacturing sector clocked a 15.7 per cent year-on-year growth in November 2006. The mining and quarrying sector reported a growth of 7 per cent, while the electricity sector has registered a growth of 8.7 per cent.

<http://www.blonnet.com/2007/01/26/stories/2007012603171000.htm>

IT's still hot in the PE space

Powering its way through, the Indian IT/ITES sector saw as many as 87 private equity deals, netting investments worth \$1,470 million in 2006.

Though there has been intense private funding activity in other 'private equity pockets' like manufacturing and heavy engineering sectors, IT continues to be a hot sector for private equity (PE) investments in India.

According to data available with Venture Intelligence India, a research service focused on PE and venture capital activity, year 2004 saw the IT/ITES sector entering into 29 deals. These deals accounted for about 45% of the total PE investments into India at \$976 million. The sector could only bag \$412 million from 46 deals in 2005.

http://economictimes.indiatimes.com/News/Economy/Finance/ITs_still_hot_in_the_PE_space/articleshow/1439138.cms

Media floats to rake in Rs 3000 cr

Media and entertainment companies are the flavour of the day in the Indian stock market. According to the data released by Prime Database, 18 media companies will float public issues drawing about Rs 3,000 crore.

This is a three-fold increase from the Rs 1,200 crore the six media companies raised through IPOs last year.

Global Broadcast News (CNN-IBN) and Cinemax India already announced their issues this month.

"It is a booming industry across print media, films and television and production and distribution. This sector has been almost entirely out of the listing domain, unlike most developed markets. We will witness a huge listing activity in the coming years," Managing Director Prime Database Prithvi Haldea said.

<http://businessstandard.com/common/storypage.php?autono=272236&leftnm=8&subLeft=0&chkFlg=>

News Round – Up

India Inc upbeat on future growth, says CII survey

Indian Inc is upbeat about future growth, both for itself and the economy, says Confederation of Indian Industry's 66th Business Outlook Survey.

The chamber's business confidence index for the period October to March of the current fiscal at 71.8 was higher by 2.5 points compared with April to September period of the previous fiscal.

The survey revealed that 85 per cent of the respondents plan to increase investments during the October to March period.

Capacity utilisation across the board has increased and 58 per cent of the respondents have expressed confidence that capacity utilisation will be in the range of 75-100 per cent.

Yet another 24 per cent of the respondents expressed confidence that the capacity utilisation will exceed 100 per cent.

<http://www.thehindubusinessline.com/2007/01/23/stories/2007012303171400.htm>

Global oil majors gung-ho on India

International players eye stake, domestic firms invited overseas to set up refineries. Six deals-in-the-making were unveiled in the last seven days in the downstream sector.

Even as international companies are looking for a share in the fast-growing refinery sector in the country, domestic oil companies have been invited by countries such as Yemen, Nigeria and Saudi Arabia to pick up stake in existing refineries and also set up greenfield units.

The trend is obvious — “India is on its way to becoming the world’s refiner,” Indian Oil Corporation’s Director (Refineries) B N Bankapur said.

In India, investments needed for setting up refineries is much lower, as is the cost of operation.

“Construction work in our Paradeep refinery involves around 25,000-30,000 people. Nowhere else in the world would that kind of numbers be easily available, and at competitive costs,” Bankapur said.

An analyst says another reason why global players are flocking to India is because the country is logistically well placed for refineries.

Besides being a major market for crude oil and petroleum products, it is in close proximity to major demand centres such as China. Also crude oil from West Asia can easily be brought to refineries in India.

http://businessstandard.com/common/storypage_c.php?leftnm=10&autono=272141

India growth story intact: PwC

Business chiefs across the world are getting more confident about their ability to grow businesses and take advantage of opportunities provided by globalisation, a new study released by PriceWaterHouseCoopers shows.

According to PwC's 10th annual global CEO survey released on Wednesday at the World Economic Forum, CEOs' confidence has reached a record level. Nearly twice as many CEOs now feel very confident about revenue growth over the next 12 months compared to five years ago, it said.

Geographically, CEOs expect growth to continue in the widely recognised BRIC (Brazil, Russia, India, China) nations, as well as other emerging and developed economies.

Beyond the BRICs, top five countries cited for major growth opportunities are Mexico, Indonesia, Vietnam, Korea and Turkey, with CEOs generally favouring the nearest developing country as providing the largest growth opportunities.

http://www.financialexpress.com/latest_full_story.php?content_id=152655