

Weekly Economic Bulletin

Date: July 20-26, 2010

Issue No. 378

Contents

1	News Feature <ul style="list-style-type: none">• Exports grow 30.4% in June at \$17.75 bn• Economy to grow over 9 per cent in Q1: Pronab Sen• GST can push up economic growth by 1.5 pc: Montek	Page 1-3
2	Overseas Investment <ul style="list-style-type: none">• India's FX reserves at \$281.901 bn as of July 16• 18 FDI proposals worth Rs 2,245 cr approved• French investments in India to touch Rs 60,000 cr by 2012• EU asks India to further open economy to FDI• Tax havens turn a big draw for investments from India	Page 3-6
3	Trade News <ul style="list-style-type: none">• After Japan, Canada to partner Vibrant Gujarat 2011• India, China dominate exports to UAE• Cameron's India visit will focus on bilateral trade	Page 6-8
4	Sectoral News <ul style="list-style-type: none">• PM's panel forecasts 4.5 pc growth for agri sector for FY11• SEZ exports in Q1 rise 68% to Rs 58,757 cr• Healthy growth in traffic, user base to drive telecom results• Spices hot up, exports rise 17% in Q1	Page 8-11
5	News Round-up <ul style="list-style-type: none">• India to become a \$5 trillion economy soon: Folmsbee• PE investments forecast to reach \$17 bn by yr-end	Page 11-13

News Feature

Exports grow 30.4% in June at \$17.75 bn

Exports continued their upward trend with a growth of 30.4% in June, at \$17.75 billion against \$13.5 billion in the corresponding month a year ago. Meanwhile, trade secretary Rahul Khullar said, that country's \$13-billion current account deficit is manageable and will be covered by capital inflows, playing down concerns about the worst shortfall in nearly 3 decades. The current account deficit figure for the current June-August quarter has not yet been made public, the deficit widened to \$13 billion in the January-March quarter, the biggest since 1981, compared to \$12.2 billion in October-December, official data showed.

In June 2009 exports had nosedived almost 28% as the global economic slowdown intensified. "There is a problem in Europe...the mood is not good out there (still)," Khullar said. He drew attention to the fact that the June figures once again had a strong base effect to it. On a sequential basis, exports have now grown steadily since November 2009 after more than a year's decline.

In the first quarter of the current fiscal year, exports were valued at \$50.6 billion with an overall growth of 32.25% over the previous year. Imports for June surged 23% at \$28.3 billion against \$22.6 billion in June 2009 widening the country's trade deficit to \$10.55 billion. Trade favored imports in May by \$11.3 billion, according to the ministry of commerce and industry's revised trade figures.

In the April-June period imports increased 34% to \$83 billion, leaving the country with a trade deficit of \$32.2 billion during the first four months of the fiscal.

The sectors that have performed well in June are petroleum and oil products that grew 66%, engineering that increased 90% and gems & jewellery exports that increased 24%. However, exports of ready-made garments and tea continued to be in the red. The former contracted 14% in June.

<http://www.financialexpress.com/news/exports-grow-30.4-in-june-at-17.75-bn/648892/>

Economy to grow over 9 per cent in Q1: Pronab Sen

The economy is likely to grow above 9 per cent in the first quarter, according to Planning Commission principal energy advisor Pronab Sen.

"The first quarter gross domestic product growth will be slightly above 9 per cent," said the former chief statistician on the sidelines of a PHD Chamber function in New Delhi.

Chief economic Advisor Kaushik Basu also had said the first quarter might show up around 9 per cent expansion while the full fiscal would grow over 8.5 per cent.

The GDP grew by 7.4 per cent in the last fiscal with its fourth quarter managing clipping at 8.6 per cent. The government expects 8.5 per cent growth this fiscal.

The economy has been on the recovery path since dipping to 6.7 per cent in FY09 mainly on stimulus measures undertaken by government which saw the and industry ticking back after the global downturn that began in September 2008.

Industrial production has remained in double-digits for the eighth month in a row in May driven mainly by a robust performance of the manufacturing sector. However, Sen said industrial growth is not likely to remain in double digits for the full financial year. It has slipped to 11.5 per cent in May from 16.52 per cent in April.

"The index of industrial production is very unlikely to cross 10 per cent this fiscal. It will be probably around 9 per cent," Sen said.

On the headline inflation, he said it is likely to inch up from the 10.55 per cent in June, but will not cross 11 per cent mark in July.

"July provisional inflation is likely to be below 11 per cent. Inflation may peak in July unless rains play havoc," he said, adding the fuel price hike has already been factored in.

On whether there should be a uniform sales tax on petrol and diesel to avoid inter-state price disparity, he said the Centre has no role as sales tax on these items are out of VAT regime and it depends solely on the states.

<http://economictimes.indiatimes.com/news/economy/indicators/Economy-to-grow-over-9-per-cent-in-Q1-Pronab-Sen/articleshow/6188001.cms>

GST can push up economic growth by 1.5 pc: Montek

Making a strong case for implementation of Goods and Services Tax (GST), the Planning Commission said the new tax regime could push up economic growth by 1.5 percentage points.

"Lots of people believe that one to one-and-a-half percentage points of growth could come from efficiency enhancement of the tax regime and that is not small," Planning Commission Deputy Chairman Montek Singh Ahluwalia said when asked about the impact of GST.

His statement comes a day after Finance Minister Pranab Mukherjee emphasised that the new indirect tax regime could double the economic size of the country to USD 2 trillion in a short span of time.

Describing GST as an important reform, Ahluwalia said, "From the point of view of efficiency enhancement, it could probably be the biggest bang for the buck. So, I really hope that the states put themselves in a position where they and the Finance Ministry can agree on actually when can it be implemented."

The Prime Minister's Economic Advisory Council (PMEAC), however, said a considerable amount of work, including the tax structure, has to be put in place before launching the GST, which would subsume various taxes including excise, service tax, VAT and purchase tax.

<http://economictimes.indiatimes.com/news/economy/indicators/GST-can-push-up-economic-growth-by-15-pc-Montek/articleshow/6206886.cms>

Overseas Investment

India's FX reserves at \$281.901 bn as of July 16

India's foreign exchange reserves rose to \$281.901 billion as on July 16, from \$279.422 billion a week earlier, the central bank said in its weekly statistical supplement.

Changes in foreign currency assets, expressed in dollar terms, include the effect of appreciation or depreciation of other currencies held in its reserves such as the euro, sterling and yen, the central bank said. Foreign exchange reserves include India's Reserve Tranche position in the International Monetary Fund (IMF), the central bank said.

<http://economictimes.indiatimes.com/news/economy/finance/Indias-FX-reserves-at-281901-bn-as-of-July-16/articleshow/6205818.cms>

18 FDI proposals worth Rs 2,245 cr approved

The government cleared 18 FDI proposals involving an investment inflow of Rs 2,245 crore, including a Rs 1,932-crore proposal from the US firm Transcend Infrastructure to acquire Essar's telecom masts business.

The Rs 1,932-crore proposal from Transcend Infrastructure involves acquiring 100 per cent equity in Essar Telecom Infrastructure, post which it plans to build, acquire and lease towers for telecom and broadcasting sectors.

Early this year, the US-based ATC, the parent of Transcend, had entered into a definitive stock purchase agreement to acquire all of the issued and outstanding shares of Essar Telecom Infra from Essar Telecom Infrastructure Holding Overseas, Essar Securities and Essar Investments.

In all, the government has cleared as many as 18 proposals involving an inflow of Rs 2,245.32 crore overseas funds and rejected 10 others from companies like Mahindra & Mahindra, INX Media and Telcordia Technologies, the finance ministry said in a statement.

The ministry has also deferred as many as 21 proposals involving several media, IT and telecom companies.

"Based on the recommendations of the Foreign Investment Promotion Board at its July 12 meeting, the government has approved 18 FDI proposals amounting to Rs 2,245.32 crore," the statement said.

The government has also deferred 21 other proposals, including one of Wipro for its defence-related business. The other major proposals deferred include several media and IT companies like Zee Entertainment Enterprises, Jagaran Media Network, UTStarcom India Telecom and Verizon Communications.

The other proposals cleared include the Rs 125-crore proposal from Frigorifico Allana, GETIT Infoservices' Rs 96 crore plan to increase foreign equity and undertake additional activity in publishing.

Other proposals cleared include Nisarg Building Art & Technology (Rs 51.81 crore), Turquoise Metals & Electricals (Rs 10.36 crore), Modi Naturals (Rs 7.92 crore), NTT Communications Corporation (Rs 7.4 crore), McNally Sayaji Engineering (Rs 6.23 crore) and Telstra (Rs 5.54 crore).

<http://economictimes.indiatimes.com/news/economy/policy/18-FDI-proposals-worth-Rs-2245-cr-approved/articleshow/6206227.cms>

French investments in India to touch Rs 60,000 cr by 2012

Investments by French companies in India are expected to touch Euro 10 billion (around Rs 60,000 crore) by 2012, and would be focused on automobile, energy and environment sectors among others.

Jean Leviol, minister counsellor for economic, trade and financial affairs at the French Embassy in India, said that there were about 750 permanent French establishments in India, employing nearly 2,00,000 Indians, a fifth of them as engineers in French IT companies. The number was around 50,000 in 2005.

He said, "between 2008 and 2012, we expected French companies to invest Euro 10 billion. It is very much on track."

On the other hand, Indian companies in France had invested around Euro 500 million (around Rs 2,975 crore) between 2005 and 2010, he said. Currently 90 Indian companies are operating in France.

These investments were mainly driven by IT majors and pharmaceutical companies, "but now Indian companies are showing interest in mechanical engineering, plastic, medical devices and forging", he added.

Willing to help UID project

The French government is willing to share its experience and expertise for India's Unique Identification Number (UID) project. Jerome Bonnafont, Ambassador of France, said that "we would be very happy to be partners in this [UID] project, since we have the experience of implementing a similar project in France".

In France, he said, it had begun as a Personal Identity Number system began in 1941 to organise recruitment of men in the army and subsequently evolved as an important tool for the social security among other uses.

<http://www.business-standard.com/india/news/french-investments-in-india-to-touch-rs-60000-cr-by-2012/401867/>

EU asks India to further open economy to FDI

The European Union asked India to further open its economy for foreign investments even as the country has taken tentative steps towards liberalising FDI in sensitive defence and multi-brand retail sectors.

"We would like India to further open its economy to EU investments," the Head of the Delegation of the EU to India, Daniele Smadja, said at a Ficci function.

She said that the 27-member economic bloc has an open regime for FDI and the EU want to take it forward with India.

"We are ready to commit to full openness towards Indian investment...," Smadja said.

The EU accounted for 27 per cent of FDI India received in 2009. The Netherlands, Germany and the UK are the main investors.

The Ambassador said the proposed comprehensive free trade agreement between India and EU would bring more predictability in the bilateral investment relations.

"Concluding the FTA negotiations will send clear signal of engagement on both sides...we need to seize this opportunity," she said.

She added the negotiations for the trade pact are likely to be completed this year.

Under the Lisbon Treaty, investment policy will be developed and managed at the European level giving the EU a strengthened negotiating hand.

"We will therefore be able to integrate both investment liberalisation and investment protection to our talks with India, which will make the agreement more comprehensive...," she added.

The EU is the largest investor in India but the biggest outlet for Indian investments abroad.

Tata's deal with Corus, Tata Motor's acquisition of Jaguar and Land Rover and Arcelor's acquisition by Mittal are some of the major bilateral investments.

India remained in the list of top ten countries in 2009 to have the highest FDIs in the world. In 2009, the country received FDI worth USD 34.6 billion, while the outward FDI was USD 14.9 billion, an UNCTAD report said.

The country has taken several steps including simplification of its foreign investment policy to attract FDI.

Recently, the industry ministry has started debate to open sensitive defence and multi-brand retail sectors to foreign investors. While 26 per cent FDI is allowed in defence, India does not permit it in multi-brand sector that employs about 33 million people.

<http://economictimes.indiatimes.com/news/economy/finance/EU-asks-India-to-further-open-economy-to-FDI/articleshow/6205220.cms>

Tax havens turn a big draw for investments from India

Outbound foreign direct investment by Indian companies in tax havens such as the British Virgin Islands and the Channel Islands has seen a quantum jump in FY2010 compared with the previous financial year.

India's foreign direct investment (FDI) in the British Virgin Islands (BVI), one of the largest offshore jurisdictions in the world, jumped 102 per cent to \$542 million in FY2010 (\$268 million in FY2009), according to Reserve Bank of India data.

In the case of the Channel Islands, where no tax is payable by corporations or individuals on foreign income and gains, and non-residents are not taxed on local income, Indian investments soared to \$516 million in FY2010 against just \$44 million in the previous year.

While BVI is a British Overseas Territory located in the Caribbean, the Channel Islands are part of British Crown Dependencies located in the English Channel.

<http://www.blonnet.com/2010/07/17/stories/2010071753970100.htm>

Trade News

After Japan, Canada to partner Vibrant Gujarat 2011

The Government of Canada has accepted an invitation from Gujarat to act as a 'Partner Country' to the Vibrant Gujarat 2011 Summit. Canada is the second country to partner the fifth edition of the global summit to be held on January 12 and 13, 2011.

Japan, which partnered in the 2009 event, will continue its association next year as well, an official release said.

While Japan will demonstrate its world-class technology and industrial practices, Canada will provide a focus on alternative energy, clean and green technologies to improve the quality of work and life.

Share cutting-edge technology

The 2011 summit will enable Canadian companies to showcase their cutting-edge technology and share best practices, besides giving them an opportunity to invest and forge joint ventures in Gujarat's growing green energy sector.

In 2009, the Gujarat Government, the first in India to set up a separate department for climate change, had signed an MoU with Clinton Climate Initiative for setting up of large-scale solar power parks totalling 3,000 MW capacity. This department acts as a bridge between government and society to address the issues related to global warming.

<http://www.thehindubusinessline.com/2010/07/22/stories/2010072252222100.htm>

India, China dominate exports to UAE

India and China have become the most dominant exporters to the United Arab Emirates (UAE), accounting for nearly a quarter of the country's total imports in 2009, according to official data.

India, which maintains strong political and economic links with the Emirates, exported a record Dh61.5 billion worth of goods to the UAE in 2009, accounting for around 13.7 per cent of the country's total imports, Emirates Business 24/7 reported.

China's exports to the UAE stood at Dh47.8bn, constituting around 10.7 per cent of the country's total imports of Dh 447.3 bn.

Exports by India and China to the UAE totalled around Dh109.3 billion in 2009, nearly 24.5 per cent of the UAE's total imports, said the National Bureau of Statistics of the Ministry of Economy.

The figures showed the US, which had maintained the second position in exports to the UAE in most previous years, retreated to the third rank, with the value of its exports to the country totalling around Dh41.5bn last year.

Germany came fourth, with around Dh29.9 billion while Japan, which had long dominated exports to the UAE, fell back to the fifth position, with a value of about Dh 26.9 billion, according to the report.

Other key exporters to the UAE were Britain, with Dh18.7 bn, Italy with Dh17.4 bn, South Korea with Dh16.8bn and France with Dh14bn.

Neighbouring Saudi Arabia was the only Arab nation to be in the list of the top 10 exporters to the UAE, with a value of Dh12.1bn.

The report said, Iran remained the largest market for re-exported products from the UAE, with a value of around Dh25.9bn in 2009, accounting for around 17.6 per cent of its total re-exports of Dh147 bn. It was followed by India with nearly Dh24.6 bn.

<http://economictimes.indiatimes.com/news/economy/foreign-trade/India-China-dominate-exports-to-UAE/articleshow/6196400.cms>

Cameron's India visit will focus on bilateral trade

The focus of British Prime Minister David Cameron's visit to India next week will be on how to reverse the sharp decline in trade and investment between the two countries due to the global recession.

Cameron accompanied by a high-level delegation, including foreign secretary William Hague, chancellor George Osborne and business secretary Vince Cable and other business representatives, is scheduled to visit India on July 28-29. This would be Cameron's first overseas visit to create 'enhanced partnership' with one of the world's fastest growing economies after becoming the UK Prime Minister.

The British top industry captains are eyeing a piece of the burgeoning Indian economy which, according to the International Monetary Fund (IMF), is expected to grow by 9.5 %.

The focus of the visit will be on launching a new phase in the India-British partnership for accelerated business ties and exploring new areas like banking, insurance, financial and professional services sectors, according to sources.

A wide range of issues, which are of interest to both the sides, will be topping the agenda of discussions between Prime minister Manmohan Singh and Cameron. The two PM's are expected to issue a joint statement after their meetings heralding the new 'special relationship'.

The visiting leader will also address industry honchos on July 29 at a luncheon meeting organised by Federation of Indian Chambers of Commerce and Industry (Ficci) where he is expected to call for deeper and more meaningful trade relations between the two countries.

India and Britain had raised their bilateral relationship to a strategic partnership level in 2006 and it was agreed that there was huge potential to expand relationship in trade and human resource development.

Trade between the two countries is estimated at \$13 billion and the UK is the fourth-largest single investor in India. India also has considerable investment in Britain.

The British government believes their country must increase its business collaboration with Indian companies and universities to win a share of retail, banking and services markets, which are expected to grow by 10% per year. The priority given to boosting ties with India, which has an estimated 250 million English speakers, was outlined in the Conservatives' and Liberal Democrats' coalition agreement when they took power in May.

The UK is by far the most popular business destination in Europe for Indian companies. Out of 1,200 Indian firms in the EU, 700 operate from the UK.

<http://www.financialexpress.com/news/camerons-india-visit-will-focus-on-bilateral-trade/650426/>

Sectoral News

PM's panel forecasts 4.5 pc growth for agri sector for FY11

The Prime Minister's Economic Advisory Council pegged the farm sector growth rate at 4.5 per cent for 2010-11 fiscal on the expectation of a strong rebound in foodgrains output on the back of good monsoon.

The agriculture and allied sectors grew by mere 0.2 per cent in last fiscal due to a widespread drought which caused a 16 million tonnes or nearly seven per cent dip in foodgrains production from a record of 234.47 million tonnes in 2008-09.

"On the basis of a normal monsoon forecast by the Met Department, one may reasonably expect a strong rebound in crop output in kharif and rabi in 2010-11," Prime Minister's Economic Advisory Council (PMEAC) said in its economic outlook for the current fiscal.

The panel noted that the expansion in horticulture and animal husbandry and a low base effect should generate a farm sector GDP growth of around 4.5 per cent in the current fiscal.

It projected the sector to grow by 4 per cent in 2011-12. "So far the indications are that the monsoon would be normal. On that assumption, we are making forecast that agriculture growth would be 4.5 per cent in the current fiscal and this comes after two years of low growth," PMEAC Chairman C Rangarajan told reporters.

In the first three years of the current Plan period, the farm sector has achieved an average annual growth of 2.16 per cent and if the PMEAC's projection for this fiscal and the next proves to be correct, then the average annual growth for the entire 11th Five-Year Plan Period would be 3 per cent.

The government had targeted 4 per cent growth in the farm sector for the current Plan Period ending March 2012.

Food and Agriculture Minister Sharad Pawar had earlier said the country was likely to have bumper production this year on the back of good monsoon.

"The latest sowing report shows that compared to last year, the area coverage is more for rice, oilseeds, pulses, cotton, sugarcane and jute," Pawar had said.

Farmers have sown paddy in an area of about 124.78 lakh hectares till July 16, against 122.40 lakh hectare in the same period last year.

India had produced 234.47 million tonnes of foodgrains in 2008-09 and 218.2 million tonnes in 2009-10 crop year.

<http://economictimes.indiatimes.com/news/economy/indicators/PMs-panel-forecasts-45-pc-growth-for-agri-sector-for-FY11/articleshow/6205283.cms>

SEZ exports in Q1 rise 68% to Rs 58,757 cr

Exports from Special Economic Zones in the first quarter of the fiscal were 67.8 per cent higher than in the corresponding period of the previous year, the Export Promotion Council for Export Oriented Units and SEZs said.

According to a statement released by the export promotion council, the first quarter exports from SEZs were Rs 58,756.68 crore (Rs 35,013 crore).

Exports from SEZs in 2009-10 were Rs 2,20,000 crore-120 per cent more than Rs 99,000 crore in 2008-09 and 10 times more than Rs 22,000 crore in 2005-06, when the SEZ Act and Rules were made operational, it added.

As on June 30, 2010, SEZs have given direct employment to 5,50,323 people, up from 5,03,611 people as on March 31, 2010. This means that the SEZs have provided direct employment to 46,712 people in the first quarter of this year.

An additional investment of Rs 18,000 crore has been made in SEZs in the first quarter of this fiscal with the total investment in SEZs till June 30, 2010, going up to Rs 1,66,526 crore from Rs 1,48,488 crore as on March 31, 2010, the EPCES statement said.

Referring to doubts expressed by certain quarters recently on whether investments in SEZs (which are tax-free enclaves) was fresh or if it was diverted from the domestic tariff area (the area outside SEZs where taxes and duties apply), the EPCES said the SEZ scheme has enough safeguards to ensure that investments made in SEZs are fresh.

<http://www.thehindubusinessline.com/2010/07/20/stories/2010072051590500.htm>

Healthy growth in traffic, user base to drive telecom results

One of the most eventful quarters for telecom with 3G, BWA auctions and Trai's 2G recommendations may actually see telcos report stable results. There were no aggressive tariff launches and subscribers addition figures remained robust.

Companies are likely to see a marginal increase in revenues (2-4%) on a sequential basis. Most telecom operators have witnessed strong growth in minutes carried on mobile networks. Analysts expect a healthy traction in overall traffic growth in the range of 5-12% for listed telcos.

"We have modeled sequential minutes growth at 5-8% for companies, which translates to mobile revenue growth of 2-5% for 1QFY11. Lower-than-expected growth in traffic would lead to higher drop in average revenue per user (Arpu), which will impact revenues," said Amit Ahire, analyst, Ambit Capital.

The mobile industry added 33 million subscribers in April-May 2010 and is expected to add another 16-17 million subscribers in June, taking the total net addition to 49 million for the quarter, compared with the addition of 59 million in the previous quarter.

<http://www.financialexpress.com/news/healthy-growth-in-traffic-user-base-to-drive-telecom-results/649941/>

Spices hot up, exports rise 17% in Q1

Spices exports during the first quarter of the current financial year that started in April have recorded substantial increase in both volume and value terms.

In April-June 2010, volume of exports registered an increase of 17% and value rose 19% in rupee terms when compared to the performance of the same period last year, according to data released by the Spices Board. In dollar terms the rise was 22%.

In April-June 2010, a total of 148,730 tonne of spices and spice products valued at Rs 1,533.84 crore (\$336.43 million) were exported as against 1,27,265 tonne valued at Rs 1,293.14 crore (\$ 275.19 million) last year.

In 2009-10, India exported 5,02,750 tonne spices and products valued at Rs 5,560.50 crore (\$1173.75 billion) exceeding the target for the fiscal by 16% in volume and 24% in value terms.

In April-June 2010, the exports of chilli, ginger, celery, fennel, fenugreek and garlic have shown an increase both in volume and value as compared to same period last year. The export of value-added products like curry powder and spice oils and oleoresin have also shown an increasing trend.

However, cardamom (small) and turmeric saw an increase in value terms only. The export of coriander has increased in terms of quantity only. Spices like cardamom (large), cumin, nutmeg, mace, mint products and other seeds have decreased both in volume and value as compared to last year. Pepper export witnessed a marginal decrease in both quantity and value as compared to last year.

Slowdown in major consuming markets such as the EU and US have adversely affected export of value-added spices. Exports to Malaysia and China are helping the spices sector to sustain growth, board sources said. Exports to the Asian bloc have increased by around 15% annually in the last four to five years, sources said.

Chilli exports were up 33% in both volume and value for the period on global shortage of the commodity. Pepper exports were down 5% in volume and 1% in value for the period. Exporters feel pepper exports would catch up in coming days. Highest increase has come from garlic exports, which has shown an increase of a whopping 1,300% in volume and 1,900% in value due to lesser supply in China.

<http://www.financialexpress.com/news/spices-hot-up-exports-rise-17-in-q1/650437/>

News Round-Up

India to become a \$5 trillion economy soon: Folmsbee

US Consul General Paul Folmsbee said that the Indian economy has the potential to grow further and is likely to touch the \$5 trillion mark in the near future.

"The Indian economy is growing fast and from the present \$1.2 trillion, it is expected to become a \$5-trillion economy very soon," Folmsbee, said without specifying a particular time frame while addressing management students at G S College of Commerce.

The Consul General, who was in the city today for a seminar on 'Indo-US relations' also emphasised on the need for both countries to focus on vital issues like energy crisis, technology transfer, climate change, higher education and small as well as medium enterprises.

On the higher education scenario, particularly at the University level, Folmsbee said many US varsities were in the process of setting up their establishments in the country with Columbia University already establishing its institution in Mumbai.

On his first visit to the orange city, Folmsbee said he was here to study the issues of regional interest.

<http://economictimes.indiatimes.com/news/economy/indicators/India-to-become-a-5-trillion-economy-soon-Folmsbee/articleshow/6205212.cms>

PE investments forecast to reach \$17 bn by yr-end

Private equity and venture capital investments riding on the strong economic growth in the country are projected to reach \$17 billion (around Rs 80,000 crore) this year, a level last seen in pre-downturn times, a study has said.

According to 'India PE Report 2010', released by global consultancy Bain & Company, there is renewed confidence among the leading PE investors about the Indian market.

"Private equity (PE) and venture capital (VC) flows are projected to reach \$17 billion in India this year, the same as the peak year in 2007, " reads the report forecast.

The report includes a survey conducted across over 75 leading PE investors globally. The survey revealed number of respondents planning to invest in the range of \$200-500 million in the next two years has risen four-fold to 27 per cent this year.

"The number of PE firms--both foreign and domestic--continues to grow. This increasing population of hungry deal makers is wielding a lot of dry powder and they're eager to put it to work", Bain & Co's head of the private equity practice India Sri Rajan said.

"Our estimate is that current investment reserves are deep enough to finance between two and four years of PE deal making," Rajan added.

The report, prepared in partnership with Indian Venture Capital and Private Equity Association (IVCA), forecasts strong growth for the PE industry in the country over the next three years.

Nearly two-thirds of respondents surveyed said they expected the industry to grow between 10 per cent and 25 per cent into early 2011, the survey revealed.

However, though the macro-economic picture is far rosier today than two years ago, PE fund managers face rising acquisition costs and intense competition to land the best deals.

These factors are increasing pressure on them to become more directly involved in value addition to their portfolio companies over a typical 3-5 year ownership period.

"To succeed, it is not enough for PE investors to just be a source of funds. They must be able to position themselves as providers of expertise, in addition to funding," Rajan said.

<http://economictimes.indiatimes.com/news/economy/finance/PE-investments-forecast-to-reach-17-bn-by-yr-end/articleshow/6191203.cms>