

## Weekly Economic Bulletin

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### Contents

1	<b>News Feature</b> <ul style="list-style-type: none"><li>• India among world's top 12 in gas reserves</li></ul>	Page 1
2	<b>Overseas Investment</b> <ul style="list-style-type: none"><li>• Essar Steel to invest \$1.5 bn in West Asia</li><li>• Eurocopter plans \$1 bn investment in India</li><li>• Altair to invest \$5 mn in 2 yrs</li><li>• Polygon embarks on global expansion</li></ul>	Page 1-3
3	<b>Trade News</b> <ul style="list-style-type: none"><li>• India in 5-year iron ore export deal with Japan</li><li>• Current account surplus of \$1.8 b in Q4</li><li>• Russia welcomes more Indian Oil companies</li></ul>	Page 3-4
4	<b>Sectoral News</b> <ul style="list-style-type: none"><li>• India Inc may soon take a Europe tour</li><li>• Indian real estate, a big bargain for foreign investors</li><li>• India seeks FDI in renewable energy SEZ</li><li>• Indian Pharma industry to be Rs. 60,000 croe in 07-08</li><li>• Textile sector exports can reach \$85b by 2010</li></ul>	Page 5-6
5	<b>News Round-up</b> <ul style="list-style-type: none"><li>• It's Indian granite vs Italian marble now</li><li>• ADR/GDR rules relaxed for unlisted cos</li></ul>	Page 7

### News Feature

#### India among world's top 12 in gas reserves

Mukesh Ambani controlled Reliance Industries Limited's (RIL) enhanced gas estimates in the hydrocarbon rich Krishna-Godavari (KG) basin, taking the total gas reserves in the

fields to 35.5 trillion cubic feet, will place India on the 12 spot among gas producing countries, next only to Iraq (ranked 11th). Besides, it will help RIL fetch better prices for the additional quantity of gas and meet a part of India's energy needs.

With the revised estimates, India's total gas reserves have shot up to nearly 90 TCF (including GSPC's gas find of 20 TCF last year) placing India in the 12th position, much ahead of Kazakhstan (ranked 16th ). India wasn't among the global Top 20 until now.

But India will still have to import much of its natural gas, either via pipeline or as liquefied natural gas (LNG) as domestic consumption of natural is expected rise faster than any other fuel in the coming years.

"Even with these new reserves, India's domestic natural gas supply is not likely to keep pace with demand, and the country will have to import much of its natural gas. We need another such big discoveries to be self sufficient," said an analyst with a leading broking house in Mumbai.

[http://www.financialexpress.com/fe\\_full\\_story.php?content\\_id=132270](http://www.financialexpress.com/fe_full_story.php?content_id=132270)

## **Overseas Investment**

### **Essar Steel to invest \$1.5 bn in West Asia**

With increasing consolidation in the steel industry, Essar Steel too is catching up on the global game with a reported plan to invest about \$1.5 billion (Rs 6,900 crore) to set up three steel plants in West Asia.

According to a Gulf media report, Anshuman Ruia, one of the directors at the conglomerate, gave details of three plants being set up in Iran, Sharjah (UAE) and Qatar.

According to company sources in India, the company is in advanced stages of finishing the paperwork for different plants. In Qatar, it has reportedly signed a 50:50 joint venture agreement with state-owned Qatar Steel Company for a 1.5 million-tonne-a-year plant.

Essar is reported to have taken possession of the land in Qatar and raised capital for the project and is close to signing gas contracts with the government.

The plant is estimated to cost \$325 million in the first phase. It will subsequently be supplemented by a 1.5 million tonne steel rolling mill for long products such as steel rods in the second phase, which is expected to cost another \$300-400 million.

[http://www.business-standard.com/common/storypage\\_c.php?leftnm=10&autono=96883](http://www.business-standard.com/common/storypage_c.php?leftnm=10&autono=96883)

### **Eurocopter plans \$1 bn investment in India**

Eurocopter, the world's largest civil and military helicopter manufacturer, will invest over \$1 billion in India over the next two years.

A wholly owned subsidiary of European aerospace major EADS, the company has put in bids for over 500 helicopter manufacturing contracts for Indian defence.

The company is planning to set up an Indian subsidiary, a helicopter training school, and a maintenance, repair and overhaul (MRO) centre for helicopters in the country.

Eurocopter Regional Sales (South Asia) Director Rainer Farid told Business Standard that the company was bidding along with defence major Hindustan Aeronautics Limited (HAL) for light and 10-tonne helicopters for the Army, Navy, and Air Force

[http://www.business-standard.com/common/storypage\\_c.php?leftnm=10&autono=96925](http://www.business-standard.com/common/storypage_c.php?leftnm=10&autono=96925)

### **Altair to invest \$5 mn in 2 yrs**

Altair Engineering, the Michigan-based product design and technology company, plans to invest around \$5 million in the next two years to ramp up its Indian operations.

The company's Indian subsidiary Altair Engineering India, which has grown from just a 15-member team in 2002 to around 220 at present, will double its headcount over the next one year.

"We will soon recruit around 280 people for our product development centre in Bangalore in the next eight months to one year, apart from ramping up the team size in Pune and Delhi," Pavan Kumar, managing director, Asean, Altair Engineering, told Business Standard.

He said that to accommodate a bigger team, the company would soon move to a bigger facility off the Outer Ring Road area in the city. "We have bought a space of around 50,000 sft at the Prestige Technology Park, where we will move in shortly," he added.

[http://businessstandard.com/common/storypage\\_c.php?leftnm=10&autono=96235](http://businessstandard.com/common/storypage_c.php?leftnm=10&autono=96235)

### **Polygon embarks on global expansion**

Polygon, the jewellery industry's largest B2B Internet marketplace, announced the beginning of its global expansion with the opening of offices in Dubai, Mumbai and Shenzhen, China.

Polygon's international initiative is a joint venture with the Dubai Multi Commodities Centre (DMCC), a Dubai government initiative.

As part of the expansion, Mr Jacques Voorhees, founder of Polygon, was named Chairman. New CEOs were named for PolyGroup Ltd and Polygon DMCC. "We chose to affiliate with Polygon because of its leading position in the industry," said Mr Ahmed bin Sulayem, COO of the Dubai Multi Commodities Centre.

<http://www.thehindubusinessline.com/2006/06/29/stories/2006062903520500.htm>

## Trade News

### India in 5-year iron ore export deal with Japan

India, world's third-largest iron ore exporter, has signed new five-year agreements with Japan and South Korea for ore exports, slashing the quantity to a maximum of 6.78m tonnes (mt) annually during '06-11.

"The new long term agreements with Japan and Korea have been signed. Iron ore exports to these two countries during '06-11 would be in the range of 2.7mt to 6.8mt," said Christy Fernandez, additional secretary, ministry of commerce.

The previous five-year agreement ended on March 31. The agreement for '01-06 had set the range at 9.6-16.5 mt of ore exports per year, but included exports to China as well by state-run National Mineral Development Corporation (NMDC). The new agreement provides for iron ore exports by NMDC to Japan and Korea only and ore exports to China would hereafter be carried out by trading firm Mmtc, for which a separate agreement would be negotiated in Beijing next month.

<http://economictimes.indiatimes.com/articleshow/1686400.cms>

### Current account surplus of \$1.8 b in Q4

Reversing a trend of current account deficits in the first three quarters of 2005-06, the country has achieved a current account surplus of \$1.8 billion in the fourth quarter, thanks mainly to a 40.7-per cent pick up in software exports and 16.9 per cent rise in private transfers.

In the fourth quarter of the previous year, there was a current account surplus of \$527 million, according to data released by the Reserve Bank of India.

Exports also grew more at 22.9 per cent, compared with 20.7 per cent in the fourth quarter of 2004-05 and were "more broadbased".

#### Fall in imports

Non-oil imports witnessed a decline of 4.6 per cent during the quarter, compared with a growth of 59.7 per cent in the corresponding period of the previous year.

Oil exports, however, rose 48.3 per cent against 43.6 per cent previously.

On the overall, growth in imports was only 20.1 per cent against 59.1 per cent previously — this deceleration also helped achieve a favourable current account balance.

<http://www.thehindubusinessline.com/2006/07/01/stories/2006070103060100.htm>

## **WTO talks collapse in Geneva**

The mini-ministerial conference of the World Trade Organisation (WTO) in Geneva ended in a deadlock with India loudly complaining that there is no negotiating space for developing countries on concerns raised by them.

In a statement issued by the Department of Commerce in Geneva and made available here, the Union Commerce and Industry Minister, Mr Kamal Nath, said the success for the Doha round now rests on developed countries. He said, "I am going back to India. I cannot be in a meet that does not recognise Indian farmers."

### **Minimum agenda**

In his presentation at the meet, Mr Nath outlined a six-point minimum agenda for the Doha programme suggesting, among others, substantial reduction of trade-distorting subsidies in agriculture along with disciplines, meaningful reduction in agricultural tariffs by developed countries, particularly in products of export interest to developing countries, substantial reduction in industrial tariffs based on a less than full reciprocity in reduction commitments, meaningful special and differential treatment provisions for developing countries, special products, special safeguard mechanism in agriculture and accommodation of specific concerns of vulnerable economies, cotton producers of Africa.

<http://www.thehindubusinessline.com/2006/07/02/stories/2006070203220100.htm>

## **Russia welcomes more Indian oil cos**

Russia on Wednesday welcomed the interest shown by Indian oil companies to participate in more projects in the country and expressed hope that the arrangements would be worked out during the forthcoming visit of the Indian Prime Minister.

Visiting Deputy Chairman of Russian Federation Alexander Zhukov, in his meeting with Petroleum Minister Murli Deora, said there is a need to increase cooperation in oil and gas sector between the two countries.

"Besides, working together in Sakhalin-I and in oil and gas exploration blocks in India, leading Russian gas company Gazprom is keen to participate in the proposed Iran-Pakistan-India gas pipeline project," he said.

Deora said Indian companies were keen to work with Russian companies both in India and Russia as well as in third countries.

<http://economictimes.indiatimes.com/articleshow/1688789.cms>

## **Sectoral News**

### **India Inc may soon take a Europe tour**

Mittal Steel's mega deal with Arcelor will open the doors for other Indian steel companies to Europe, and the coming months are expected to see domestic steel companies acquiring small and medium-sized companies in Europe, industry insiders and analysts said.

They also said that the Mittal-Arcelor deal was done at an almost fair valuation and the mega deal is now expected to lead to a re-rating of the industry. This would make it difficult for Indian steel majors to look at any sizeable acquisition overseas. "One has to look at the long-term advantages of the deal for assessing the valuation of the deal.

At one stroke, the deal will add about 53m tonnes to Mittal's current capacity, a capacity which otherwise would have taken very many years to build. The deal also enables Mittal Steel access to technology for high end products, besides market dominance in Western Europe," said the head honcho of an Indian steel company, who did not want to be quoted

<http://economictimes.indiatimes.com/articleshow/1682753.cms>

### **Indian real estate, a big bargain for foreign investors**

Indian realty appears to be truly going global, with many overseas investors looking to cash in on the burgeoning property scenario. Interestingly, this is in spite of the sharp run-up in property prices over the past several years and the steep rally on the stock market (before the sell-off).

Despite suspicion of a bubble, foreign investors believe Indian real estate to be a bargain with initial yields north of 15 per cent on developments and 10 per cent on acquisitions. While accepting that higher yields are not without risks, they believe that some of these risks are built into the high yields that can be found in emerging markets.

<http://www.thehindubusinessline.com/2006/06/27/stories/2006062703271500.htm>

### **India seeks FDI in renewable energy SEZ**

India is looking for foreign direct investment flow in the proposed special economic zone (SEZ) dedicated exclusively for manufacturing renewable energy equipment and devices.

The ministry for non-conventional energy sources has decided to finalise a draft policy on new and renewable sources of energy by the end of this year. The proposed policy aims at a long-term strategic vision for the development of non-conventional sources of energy as a viable substitute for fossil fuels. It also aims at generation of power from non-conventional sources to progressively add to the power generation capacity of the nation.

The government has set a target of installing 15% of the additional power generation capacity in the country through grid-interactive renewable power by 2012. About 15,000 mw power is expected to be generated from renewable sources in the 11th Plan period for this purpose. By the year 2030, the target is to generate 20% to 30% of power from renewable sources.

[http://financialexpress.com/fe\\_full\\_story.php?content\\_id=131848](http://financialexpress.com/fe_full_story.php?content_id=131848)

### **Indian pharma ind to be Rs 60,000 cr in 07-08**

The Indian pharmaceutical industry is expected to grow by 11 per cent and become a Rs 60,000 crore industry by 2007-08, with exports to regulated markets of the US and Europe in generic drugs also likely to increase, industry body Assocham said in a study.

Exports from the industry would grow at around 18 per cent by 2007-08 to take the total export volume to about Rs 30,000 crore as compared Rs 18,290 crore in 2004-05, it added.

The domestic pharma industry stood at Rs 39,000 crore in 2003-04, while exports were Rs 15,500 crore during the same period, the chamber said adding the industry would grow to over Rs 48,015 crore with export volumes likely to exceed Rs 21,582 crore.

Expiry of patents of branded products would substantially contribute to the growth of domestic pharmaceutical industry, thereby pushing its exports, particularly in generic drugs markets, because of their low production costs and give India an edge over other countries like China and Israel, Assocham president Anil Agarwal said in a statement.

<http://economictimes.indiatimes.com/articleshow/1698024.cms>

### **Textile sector exports can reach \$85 b by 2010**

India has the capability of becoming one of the leading exporters of textiles as it is the third largest cotton producer in the world after China and the US, said Ms Asha Swarup, Additional Secretary and Financial Adviser, Ministry of Textiles.

At a seminar organised by CRISIL Infrastructure Advisory, Mr Sanju Shishodia, Head CRISIL Research, said the textile sector has the potential to reach \$85 billion by 2010 from its current size of \$36 billion. Its average annual growth rate is 11 per cent.

This growth can be further fuelled by both exports and a rise in domestic consumption, he said.

Emphasising why the textile sector requires foreign direct investment (FDI), Mr Shishodia said, "Indian textile companies are small and fragmented. The financial strength of individual companies is too weak. FDI will help by building large scale capacities and will help capture a bigger share of the market."

<http://www.thehindubusinessline.com/2006/07/03/stories/2006070303840300.htm>

## **News Round – Up**

### **It's Indian granite vs Italian marble now**

Rich Americans seem to be going gaga over designer bathrooms and kitchens adorned with Indian granite. Americans now prefer Indian granite in place of Italian marble. While India has already amassed Rs 3,050 crore from the export of this product in '04-05, export demands are on the rise.

In fact Indian exporters have started buying granite slabs from Brazil to process them into tiles and export them to the US.

Market research on the sector shows that it is black granite that is hot in American households. Once associated with the colour of death the product has been given the trademark of black Galaxy in America.

<http://economictimes.indiatimes.com/articleshow/1698687.cms>

### **ADR/GDR rules relaxed for unlisted cos**

The Government on Wednesday announced that unlisted Indian companies would now be allowed to sponsor an issue of American depository receipts (ADRs) or global depository receipts (GDRs) with an overseas depository against the shares held by its shareholders.

Under a sponsored ADR/GDR programme, a majority shareholder in a company gets an opportunity to divest a portion of his holding in the overseas market through issuance of ADRs or GDRs. Such a window for divesting abroad is also made available to other shareholders in the company.

The latest decision to throw open the sponsored ADR/GDR route to unlisted Indian companies, however, comes with certain conditions.

<http://www.thehindubusinessline.com/2006/06/29/stories/2006062904840100.htm>