

## Weekly Economic Bulletin

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### **News Feature**

#### **India Inc's off to a flyer as top guns fire**

The performance of India Inc, as reflected in the results of 731 companies for the quarter ended March 31, '06, shows an encouraging trend with corporate stalwarts, led

by Reliance Industries, beating market expectations by announcing robust topline and bottom line growth.

First, the big picture. The 731 companies have posted a 25% rise in the aggregate net profit to Rs 18,754 crore on the back of a 20% growth in their sales to Rs 1,71,639 crore. ET has considered both operating income and other income while calculating sales figure for finance companies including banks, term-lending institutions, housing finance companies, NBFCs and investment companies.

According to analysts, the trend in quarterly numbers announced so far remains positive but the true picture of overall corporate performance will emerge only after more companies announce results. The ET analysis showed that out of the 200 companies in BSE's high-profile A-group, only 67 have announced results so far.

<http://economictimes.indiatimes.com/articleshow/1511120.cms>

## **Overseas Investment**

### **'IFC to invest over \$700m here in 3 years'**

The crumbling infrastructure in India has been a blessing in disguise for International Finance Corporation (IFC), a part of the World Bank. Francisco Tourreilles, director of the infrastructure department of IFC, told ET that IFC has decided to ramp up investments in India's infrastructure sector.

For IFC, Russia, Brazil and India constitute the top markets. India, which has attracted around \$1.3bn of investment from IFC, may soon overtake Brazil in terms of IFC's total investments. "During the current financial year, IFC targets around \$150m investment in infrastructure.

As a whole, IFC has decided to invest around \$400-500m in the country in '06-07, all sectors put together," said Mr Tourreilles. In the current year, IFC's plan is to invest in four segments — electricity distribution and generation, road and water.

<http://economictimes.indiatimes.com/articleshow/1511105.cms>

### **ADB plans to double aid to India**

The Asian Development Bank (ADB) has decided to more than double its financial assistance to India to over \$2.6 billion by 2008 from the current level of around \$1.3 billion, according to the ADB President, Mr Haruhiko Kuroda. The decision is part of the ADB's attempt to make more Indians benefit from the country's dynamic growth and to bridge the rich-poor gap through robust infrastructure development that ensures an enabling environment for large-scale private investments and substantial jobs creation, he added.

Speaking to newsmen at the 39th annual meeting of ADB board of governors here on Wednesday, the ADB chief said that the considerably enhanced financial assistance to India was basically aimed at supporting the country in improving its infrastructure and other segments such as water, transport, energy, and urban development.

<http://www.thehindubusinessline.com/2006/05/04/stories/2006050404470100.htm>

### **Indian metal cos steel up plans for South America**

The Indian metal industry, both ferrous and non-ferrous, are exploring opportunities in South America, with a thrust on copper, iron ore deposits and steel manufacturing.

Essar Steel has already begun ground work on a 2.5million tonne (mt) hot rolled coil project at Point Lisas in Trinidad and Tobago.

Essar officials said that the company is likely to begin construction work as early as June '06. The new plant is expected to be built at a cost of Rs 5,800 crore. Iron ore for the steel plant will be supplied by CVRD, Brazil. An Essar official said that the company is looking at other investment opportunities in Latin America, while its prime target will be Brazil.

<http://economictimes.indiatimes.com/articleshow/1511804.cms>

### **Kamal Nath urges Japan to invest in India**

Commerce and industry minister Kamal Nath has invited Japanese companies to invest in setting up of industrial zones, using India as a manufacturing hub for investment not only in India but in the region as a whole.

In a meeting with a 35-member delegation of Japanese SMEs, led by Japan Finance Corporation for Small and Medium Enterprises (Jasme) president Koichi Minaguchi, Mr Nath called for enhanced cooperation between small and medium enterprises (SMEs) of India and Japan and said that Japanese SMEs investing in India would receive the highest priority from the Indian government.

[http://www.financialexpress.com/fe\\_archive\\_full\\_story.php?content\\_id=125842](http://www.financialexpress.com/fe_archive_full_story.php?content_id=125842)

## **Trade News**

### **Fillip to infrastructure to boost trade with Pak**

The Trade and Economic Relations Committee, chaired by the Prime Minister, Dr Manmohan Singh, has approved several initiatives for improving trade with Pakistan

including upgradation of the infrastructure at Attari and Wagah which at present is inadequate.

A meeting was held in the Prime Minister's Office to expedite action relating to improvement of the infrastructure at Attari Railway Station and Wagah international border in Punjab.

The Prime Minister had earlier announced various initiatives during his visit to Amritsar on March 24 in connection with the launch of the Amritsar-Nankana Sahib Bus Service.

During the meeting, attended among others by the Home Secretary, the Foreign Secretary and the Chief Secretary of Punjab, it was decided that Cabinet approval would be obtained for four-laning of the road from Attari to Wagah. RITES and IL&FS have been appointed Consultants for preparing a comprehensive plan for the upgradation of the Attari Railway Station and Wagah international border.

<http://www.thehindubusinessline.com/2006/05/01/stories/2006050102721500.htm>

### **Indo-Pak grey market trade worth \$965 m in 2005-06: Study**

The grey market trade between India and Pakistan was higher by 37.85 per cent than the official trade between the two countries at the end of 2005-06, according to a study conducted by Assocham.

The official bilateral trade figure for the period was around \$700 million, while the grey market trade is estimated at \$965 million during the period, according to the study.

The reasons for increasing grey trade between the two countries are easier flow of goods and services due to a developed network of informal traders across borders and lower transaction costs, compared to the formal channels of trade, the study said.

In the unofficial route, traders do not have to go through procedural delays and administrative bottlenecks that increase their transaction costs. Therefore, the goods supplied are at relatively lower prices.

Also, goods coming through these channels do not bear the additional burden of duties, taxes, and tariffs that makes them costlier, the study added.

<http://www.thehindubusinessline.com/2006/05/08/stories/2006050802551400.htm>

### **'FTA talks with Gulf will uphold Indian interests'**

Union Commerce Ministry officials have assured industry, particularly in the petrochemicals sector, that nothing would be done to affect their interests or disturb the level playing field while negotiating for a comprehensive Free Trade Agreement with the six-member Gulf Cooperation Council (GCC).

Speaking at an interactive session organised by Assocham-BNCCI here on the various aspects of the proposed Indo-GCC FTA, Mr M.V.P.C. Sastry, Joint Secretary, Ministry of Commerce, said he was aware of the fears of companies like HPCL, Reliance etc. over feedstock from the GCC region.

`Win-win for India'

He assured them that nothing would be done to jeopardise their interests. Strongly advocating a cautious approach, especially after the mistakes made with regard to vanaspati in the FTA with Sri Lanka, he sought suggestions from all stakeholders on creating a level field. Urging the trade to identify non-tariff barriers, including those pertaining to Sanitary and Phytosanitary measures (standards), he said, "We need to arrive at a win-win situation for Indian industry." The next round of negotiations with GCC is scheduled end-May in Delhi.

<http://www.thehindubusinessline.com/2006/05/03/stories/2006050302660900.htm>

### **EEPC hopes to double exports to Germany in 3 years**

The total business generated through Indian companies' participation in the five-day Hannover Messe 2006 fair has been put at \$1.3 billion.

Briefing newsmen here on Wednesday on the outcome of India's participation, said to be the largest by any partner country in the history of the fair, Mr Rakesh Shah, Chairman, Engineering Export Promotion Council (EEPC), said enquiries to the tune of \$100 million, nearly 18 per cent of the country's total engineering exports to Germany (\$545 million in 2004-05), have been made.

Mr Shah said the engineering sector, with an export basket of over \$19 billion in 2005-06, was among the most vibrant export sectors. Pointing out that the current export of engineering items and services from India to Germany was around \$545 million, he said, "I am confident *that this could be doubled in the next three years to \$1,090 million.*"

<http://www.thehindubusinessline.com/2006/05/05/stories/2006050502910800.htm>

### **UK keen on boosting trade with India**

The UK was the fourth largest investor in India during January-October 2005.

With bilateral trade between India and the UK set to touch \$10 billion this fiscal, India is turning into a hot destination for small and mid-size UK companies.

Talking to presspersons, Ms Vicki Treadell, the new British Deputy High Commissioner in Mumbai, said the UK was the fourth largest investor in India, during the period January-October 2005 (6.56 per cent), behind Mauritius, the US and Singapore.

There was also a significant reinvestment by UK companies already established in India, which was not included in the new investment figures. She said there were about 115 companies in Pune that had British links. The total trade in goods for the period January-October 2005 witnessed an increase of about 25.8 per cent over the previous year. UK-India bilateral trade in goods and services was £6.3 billion in 2004. Major items of trade in goods included UK exports to India - non-metallic minerals, gold, power generating and telecom equipment, transport equipment and industrial machinery. The UK's imports from India included textiles and readymade garments, gems and jewellery, footwear, metal manufacture, organic chemicals and vegetables and fruits.

<http://www.thehindubusinessline.com/2006/05/06/stories/2006050603781900.htm>

### **TERC clears PTAs with South Africa Customs Union & Mauritius**

The trade and economic relations committee (TERC) chaired by Prime Minister Manmohan Singh on Wednesday gave its nod to two preferential trade agreements (PTAs) with the South African Customs Union and Mauritius. It also took stock of the negotiations on India-Asean free trade agreement which is currently passing through a stormy phase.

The trade negotiations committee on India-Asean FTA is scheduled to meet during the month-end when the crucial decision on the length of the negative list will be taken. The Asean has expressed its dissatisfaction with the 990 items placed in India's negative list and wants it to be shortened considerably.

TERC has also approved a package for least developing countries Members of the TERC include the ministers of external affairs, finance, commerce and industries, deputy chairman of Planning Commission, chairman, PM's Economic Advisory Council, chairman, National Manufacturing Competitiveness Council and the National Security Advisor.

[http://www.financialexpress.com/fe\\_archive\\_full\\_story.php?content\\_id=125883](http://www.financialexpress.com/fe_archive_full_story.php?content_id=125883)

### **Sectoral News**

#### **Tata Tea UK arm to buy Czech firm JEMCA**

Tata Tea Ltd has announced that its UK arm would acquire the assets of JEMCA, a tea company in Czech Republic.

The UK-based Tata Tea (GB) Ltd has signed a definitive agreement to acquire the assets of JEMCA, from food processing company, Alima Znackova Potravina, Tata Tea said in a statement to the stock exchanges.

Tata Tea said the acquisition has been funded by The Tetley Group.

It is a 100 per cent acquisition, Mr Percy Sigamporia, Managing Director, Tata Tea, said but did not disclose the acquisition cost.

<http://www.thehindubusinessline.com/2006/05/03/stories/2006050303010100.htm>

### **Allahabad Bank set to spread wings abroad**

Allahabad Bank is set to open its first overseas branch in its history of 142 years. The Kolkata-based bank has received a licence from the Hong Kong Monetary Authority (HKMA) for opening a branch in Hong Kong. The RBI had earlier cleared the bank's Hong Kong plan.

Under the HKMA's norms, Allahabad Bank is not setting aside any capital for setting up the branch. "Unlike in other countries, setting up branches in Honk Kong by a foreign bank does not require bringing in minimum capital," a senior bank official told ET. "Our total capital would be treated as the required capital for carrying out banking operation there," a official pointed out. "We will undertake both wholesale and retail banking business," the official said, adding that the bank would open the branch shortly.

<http://economictimes.indiatimes.com/articleshow/1511076.cms>

### **Suzuki to ride motorbike again in India**

After snapping ties with TVS, Japanese motorcycle manufacturer Suzuki is re-entering the Indian market with new launches.

The company had set up a state-of-the-art manufacturing plant at Gurgaon which had the capacity to manufacture one lakh units per annum, an official of Suzuki Motorcycles India Private Limited, in which Suzuki Motor Corporation of Japan has 74 per cent shareholding.

The official said the remaining 26 per cent was held by Satya Sheel, the managing director of the company.

The Indian arm has launched Suzuki Heat, a motorcycle aimed at the semi-urban markets of the country. The company will shortly launch Suzuki Zeus, which is targeted at the youth.

He said new motorcycles had been developed after extensive market research, adding the Japanese parent would provide support for the success of the products.

<http://economictimes.indiatimes.com/articleshow/1510546.cms>

### **Yahoo keen on big slice of action in India**

Bullish on India, the Chairman of Internet giant Yahoo, Mr Terry Semel, on Thursday said he expected the country to be amongst the top 2-3 Internet markets in the next five years, and that his company had every intention of being a "major player" in the space.

"It is a superb time for us to provide more and better products and become a significant player in India. Some of the things that we have been doing here, for instance Mail, have given us a leadership position, helped us establish our brand and have a good share of consumers. There is no question that we have every intention of doing much more," Mr Semel, who is currently in Delhi, said at a media interaction here.

Stating that Yahoo's appetite in India had grown, Mr Semel said the Indian Internet market was on the "verge of exploding" and the company would continue to encourage people who can move things faster.

<http://www.thehindubusinessline.com/2006/05/05/stories/2006050504010400.htm>

### **Emirates to set up a 450-seat call centre in India**

Emirates Airlines is the latest airline to expand its back office operations in India in the quest for lower costs. The Dubai carrier has firmed up plans to start a new 450-seat call centre in Mumbai. It already has four other such centres in New York, Manchester, Australia and Dubai, but the centre in Mumbai will be the largest.

"Lower costs and increased efficiency of operations have led to a faster shift of back-office work to India, Nabeel Sultan, senior vice-president (west Asia and Indian Ocean), Emirates, said.

The new centre will begin operations in a year. The airline is also drawing up plans to start a training college in India. The institute will service the airline's staff training requirement for its employees in functions ranging from ticketing to fares and management, Mr Sultan said.

<http://economictimes.indiatimes.com/articleshow/1511753.cms>

## **Audi plans to set up local arm**

German car major Audi may consider setting up an Indian subsidiary to further strengthen its operations. "We may look at it to expand our understanding of the market and consumer habits here. This may also help us in building the corporate brand of Audi," said Ralph Weyler, a member of the global management board of Audi.

The luxury carmaker currently has three showrooms in India partnering local dealerships. Audi, which opened the first showroom in the South at Bangalore last week, hopes to sell over 400 cars across the country in the current year. Audi's other two dealerships are in Mumbai and Delhi.

<http://economictimes.indiatimes.com/articleshow/1511699.cms>

## **News Round – Up**

### **India Inc stays firm on growth path in FY05-06**

The performance of India Inc in 2005-06 reflects a healthy picture. It has achieved a significant top line and bottomline growth. An analysis of 531 companies, for which yearly results are available with FERB, shows that they posted a 23.8% rise in their aggregate net profit to Rs 48,107 crore. Their net sales increased by 19.5% to Rs 4,91,414 crore in 2005-06 from the level of Rs 4,11,280 crore in 2004-05.

Other income rose by 19.2% to Rs 21,036 crore in 2005-06 from Rs 17,645 crore a year ago. Other income contributes substantially to the spurt in bottomline growth. Operating expenses, including that on raw material, staff, power and fuel, shot up by 19.7% to Rs 3,93,983 crore. The ratio of total expenditure to sales was up marginally at 80.2%, compared to 80% in the previous year. Depreciation provision rose 5.8% to Rs 16,739 crore, while tax provision was substantially higher, by 15.5% to Rs 13,111 crore. There has been a slight improvement in margins at the net profit level. Net profit margins (net profit to sales) improved to 9.8% in 2005-06 from 9.4% in 2004-05.

[http://www.financialexpress.com/fe\\_archive\\_full\\_story.php?content\\_id=125636](http://www.financialexpress.com/fe_archive_full_story.php?content_id=125636)

### **India beats China in NYSE volumes game**

India has left China behind in terms of the volumes clocked by American Depository Receipts (ADRs) listed on the New York Stock Exchange (NYSE). While the number of listed Indian ADRs are far lower than those of listed Chinese ADRs, the trading volumes seen by the Indian companies are far higher.

India has also left its emerging market peers like South Korea (SK) and Taiwan behind when it comes to the number of companies listed on the NYSE. According to data provided by NYSE, a total of nine Indian companies are listed on NYSE, which is higher than that of SK and Taiwan that have eight and five companies listed, respectively.

[http://financialexpress.com/fe\\_full\\_story.php?content\\_id=125551](http://financialexpress.com/fe_full_story.php?content_id=125551)

### **India will be developed nation in less than 14 yrs**

What has made the world sit up and suddenly take notice of India? "It cannot be India's beauty queens, fashion shows or our cuisine," said Mr P. Chidambaram, Union Finance Minister. Then, what has made the elephant dance? It is India's success story of economic growth that made the world look at the country.

Addressing the 'Advantage India' session at the ongoing annual ADB conference on Thursday, he expressed the confidence that India would join the league of developed nations in less than 14 years.

It took 14 years for the country to transform from "a poor and perhaps forgotten country" to a thriving and increasingly noticed emerging economy. It would take even less time for India to join the league. The GDP growth rate soared to an average of 7-8 per cent in the last three years against an average of 6.3 per cent during 1992-2001.

Relating how the Indian economy has emerged as an attractive destination for investments, he said that the growth had been largely fuelled by domestic savings.

More FDI will further fuel investment rate and globalisation of Indian companies. Referring to the concerns voiced about the FDI policy, he said that it was an evolving one.

One half of the MNCs earn higher returns in India than their global average. Stating that investor confidence in India was at an all-time high, he said that AT Kearney had ranked the country as the second most attractive investment destination.

<http://www.thehindubusinessline.com/2006/05/05/stories/2006050502930800.htm>

### **India less vulnerable to global imbalances**

The global payment imbalances would not impact the Indian economy much, the Union Finance Minister, Mr P. Chidambaram, asserted today at the 39th annual meeting of the Asian Development Bank (ADB).

In case the world economy slows down, India is likely to be less vulnerable since its growth story is driven by domestic demand in contrast to other fast growing Asian economies, which are mainly driven by external demand.

"It needs to be noted that India does not depend on the international capital market for financing the fiscal deficit," Mr Chidambaram said, while addressing the ADB Governors' seminar on 'A Shared Responsibility: Fixing Global Payments Imbalances' here on Thursday.

<http://www.thehindubusinessline.com/2006/05/05/stories/2006050502940800.htm>

## **Moody's raises India rating**

India had the outlook on its domestic currency debt raised to stable from negative by Moody's Investors Service because of improvement in government finances. The shift to stable signals Moody's is more likely to maintain its rating than lower it.

Moody's has maintained a Ba2 rating on India's local currency debt, two levels below investment grade since June 1998 when it was first assigned. The rating company, in an e-mailed statement, said the change stemmed from the stabilisation in the government's debt ratios, citing "robust nominal gross domestic product growth and the cost savings achieved as lower interest rates mitigated the costs of servicing an ever-higher debt".

The expansion of the tax net and the government's commitment to narrow its fiscal deficit have contributed to fiscal improvement, New York-based Moody's said. Last month, Standard & Poor's raised India's outlook to positive from stable.

[http://www.financialexpress.com/fearchive\\_frame.php](http://www.financialexpress.com/fearchive_frame.php)

## **Two Indians in Time's top 100**

President Bush, Turkish writer Orhan Pamuk, Chinese environmentalist Ma Jun, German Chancellor Angela Merkel, and hip hop renaissance man Sean "Puffy" Combs have made Time magazine's list of the year's 100 most influential people.

Infosys' Nandan Nilekani, president of the software giant makes it to the 'builders and titans' list of Time alongwith a non-resident Indian Vikram Akula, 37, founder of SKS Microfinance, whose innovative use of smart cards to funnel venture capital to India to help more than 800 million people living on less than two dollars in India makes the grade (he has paid out \$52 million to 2,21,000 clients since 1998).

<http://economictimes.indiatimes.com/articleshow/1511239.cms>