

Weekly Economic Bulletin

Date: November 13- 19, 2007

Issue No. 238

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News Feature

Overall economic situation still buoyant'

The overall economic situation remains buoyant despite some sectors in the economy showing weakness in terms of growth, according to Dr C. Rangarajan, Chairman, Economic Advisory Council to the Prime Minister.

Speaking at the TiE-ISB Connect 2007, Dr Rangarajan said, "Contrary to the concerns of overheating, some concerns have been expressed about the possible slowdown. The rupee appreciation has its impact on exports and domestic production. Nevertheless, we should be able to achieve 8.5 per cent to 9 per cent growth this year."

Observing that some macro-economic parameters were in the right direction to sustain high growth over the medium term, the former governor of RBI said that the XI Plan projection for the gross domestic saving rate of 32.3 per cent had already been achieved.

In the short term, there were signs of 'overheating' towards the end of the last calendar year and in the first quarter of the current year.

"The inflation rate was running nearly one per cent above the 5.5 per cent and trade deficit has widened. But these signs have (now) abated," he pointed out.

While the macro-economic policy environment had been made conducive to rapid economic growth, there should be more action at the enterprise level in Indian industry, he said adding: "At the minimum, they must be able to meet global competition and the search for new competitive advantages must be made earnestly."

To sustain the current growth rate and translate growth into poverty reduction, there were many challenges to be tackled such as stepping up agricultural growth, infrastructure development, fiscal consolidation, building social infrastructure, managing globalisation and good governance, he opined.

<http://www.blonnet.com/2007/11/16/stories/2007111650621200.htm>

Forex kitty swells \$3.7 b

The country's forex kitty swelled by \$3.663 billion to \$270.181 billion for the week ended November 9. The reserves had increased by \$4.068 billion to touch \$266.518 billion for the week ended November 2, 2007, according to the Reserve Bank of India's Weekly Statistical Supplement.

Foreign exchange dealers said that RBI's constant intervention in the forex market – buying dollars in order to cap the appreciation of rupee - has attributed to the accretion to the reserves.

The foreign currency assets increased by \$3.659 billion at \$261.923 billion. Foreign currency assets, as expressed in dollars, include the effect of appreciation or depreciation in non-US currencies (euro, sterling and yen) held in reserves.

The reserves in gold and SDRs remained unchanged at \$7.811 billion and \$13 million respectively. The reserve position in IMF went up by \$4 million to \$434 million.

<http://www.thehindubusinessline.com/2007/11/17/stories/2007111751810600.htm>

Overseas Investment

Nearly 50 FIIs apply for licences

Less than three weeks after the curbs on participatory notes (P-notes), overseas investors are rushing to invest in the booming Indian stock markets directly by applying for Foreign Institutional Investor (FIIs) licences.

Nearly 50 applications for FII registrations, including from Morgan Stanley, Citigroup, Bank of America, CLSA and hedge fund DE Shaw, have been cleared since October 16 when the curbs on P-notes, derivatives that allowed foreign investors to trade on the Indian markets, were imposed by the Securities and Exchange Board of India (Sebi).

Twenty of the new registrations are for conversion of sub-accounts by the big Wall Street firms into FIIs, said sources.

The other top names that have been granted full-fledged licences include Credit Agricole Funds, Prudential Investments, SocGen International, Crosby Asset Management (HongKong), ING Life Ltd, Man Investment Ltd and State Street Global Advisors.

Several top firms that have chosen to come through the Mauritius route are Morgan Stanley Investments (Mauritius), Bank of America Singapore Ltd, Citigroup Global Markets Mauritius Pvt Ltd, CLSA (Mauritius) Ltd.

According to the Sebi website, there are 1,147 FIIs as on November 12 and 3,482 sub-accounts of FIIs. Before the P-note curbs, there were 1,113 FIIs and 3,445 sub-accounts.

The latest numbers do not reflect the conversion of 20 sub-accounts into FIIs.

"Earlier it would take three to four months for registration but after the P-note announcement, the Sebi machinery is processing every application quite expeditiously," said Akil Hirani, managing partner, Majmudar & Co International Lawyers.

http://www.business-standard.com/common/storypage_c.php?leftnm=10&autono=304264

Infiniti to debut in India

After wrapping up India plans for Renault and Nissan, Nissan CEO and MD Carlos Ghosn is set for the rollout of another car brand – Infiniti – in the country.

Infiniti, the Nissan-owned company, produces luxury cars in the US and Canada. The company will debut in Europe next year. Infiniti's global foray, including in India, is in line with the company's strategy of exploring markets beyond the US.

"Nissan's focus on India is based on the cars from Nissan's stable. However, we are witnessing a surge in demand for luxury cars in India. We are looking to launch the Infiniti brand in the country," the famous French CEO had said.

Ghosn's announcement comes after US car maker General Motors' said it was planning to launch prominent US brands such as Hummer and Cadillac in other local markets.

Cars from Infiniti are priced in the range of \$34,000-\$52,000 (Rs 16 lakh to Rs 21 lakh) in the US market. It is not clear whether the company will go for local production in India, considering the huge-sized Chennai facility. The plant may start production in 2009 or may sell the cars as direct imports (completely built units).

http://www.business-standard.com/common/storypage_c.php?leftnm=10&autono=304149

Samsung opens second facility

Samsung is shifting a major portion of its colour television assembly line from Noida to Chennai with the inauguration of its second manufacturing facility in India at the ELCOT Industrial Park in Sriperumbudur .

The Korean consumer electronics major has invested \$30 million in the first phase of the facility, where it is starting operations with 350 employees on its rolls.

The next two phases of the facility, which has a production capacity of 1.5 million units per annum, will be completed by 2011, at an additional outlay of \$70 million. The project will employ 2,500 people post-implementation, H B Lee, president and chief executive officer, Samsung south-west Asia, said.

R Zutshi, deputy managing director, Samsung India Electronics, said the Chennai facility would manufacture flat and ultra slim television sets in the 21-29 inch range and LCD TVs in the 19-32 inch range for the domestic and export markets. Samsung's India revenues are poised to reach \$1.3 billion in 2007-08, Lee said.

"Colour TV exports will commence from Sriperumbudur in the first half of next year," Lee said, noting that Samsung is also considering manufacturing home appliances such as washing machines out of Chennai in the medium to long term.

The Chennai plant will have an annual production capacity of 1.5 million ultra slim (flat) colour TV sets, with an additional 0.3 million LCD TVs.

Zutshi said that south India had emerged as a major colour TV market for the company in the January-October period of this year when its share of the market touched 35.7 per cent.

"We will have the SAARC comity of nations such as Bangladesh, Nepal and Sri Lanka as target export markets for a start, before diversifying exports to other regions," Zutshi said.

While Samsung has been transporting its colour TV sets to the southern markets from Noida, the Chennai facility is expected to bring in huge logistics savings for the company.

http://www.business-standard.com/common/storypage_c.php?leftnm=10&autono=304245

Canadian PPFs looking at India's core sector for investment

Enthused by the huge opportunities in the country's infrastructure sector, a clutch of Canadian Public Pension Funds (PPFs) are believed to have started talks with various infrastructure funds and entities for investment.

Market sources told media that at least six funds, with a total corpus of around \$900 billion, have initiated talks with local companies here and are very optimistic of the future of country's infrastructure sector.

"These funds find India as the best destination for investment since the US market and their own courtyard are yielding lower returns," they said.

An estimated \$500 billion investment in infrastructure is expected in India during the 11th plan ending 2012.

"Representatives from these funds are already in the market and are doing their bit of job. They are, however, looking at participating in some infrastructure funds first before investing in companies," a source said.

Roads, ports, airports and power are some areas they could be interested in, the source said.

With long gestation period, infrastructure projects are the most suitable investment opportunities for these funds that are also not in a hurry to make quick returns.

http://economictimes.indiatimes.com/Economy/Canadian_PPFs_eyeing_India/article_show/2550130.cms

Imports of edible oil up; non-edible oil down

The Centre's move to tighten the laws with regard to import of crude palm stearin seems to have paid off with imports of non-edible oil dropping 11 per cent during the 2006-07 oil year that ended in October.

"The Centre raised the duty for crude palm stearin imports in August, and tightened up its monitoring," said trade sources.

Non-edible oil imports declined to 6.29 lakh tonnes (lt) from 7.09 lt the previous year as a result.

On the other hand, import of edible oils increased 7 per cent during the just-ended oil year.

Again, the last quarter of season witnessed a 3 per cent fall in imports.

The Solvent Extraction Association of India Executive Director, Mr B.V. Mehta, said import slid during the last quarter as there was a definitive indication of the kharif oilseed being higher at 165 lakh tonnes this year.

<http://www.blonnet.com/2007/11/16/stories/2007111652391300.htm>

Haryana's software export leapfrogs to Rs. 14k cr

The export of software from Haryana has increased from Rs 890 crore (in 1999-2000) to Rs 14,000 crore in 2006-07. While informing this, a spokesman of the information and technology department said the state had improved its ranking in the country by six positions. It has graduated from fifteenth position to ninth position in the last two years as per the latest e-readiness assessment report released by department of information technology.

According to the spokesman, with the introduction of information technology policy Haryana is emerging as a leader. While lauding the significant role played by Haryana in achieving green revolution, he said it is now making a mark in the field of information technology. Efforts are being made to get the state on top ranks in the field of software technology.

<http://www.financialexpress.com/news/Haryanas-software-export-leapfrogs-to-Rs-14k-cr/238949/>

India, ASEAN to hold talks on free trade pact

India and Southeast Asian nations are set to engage each other in complex negotiations on Tuesday here to seal a free trade pact before their top leaders meet for summit-level talks later this week.

Prime Minister Manmohan Singh, who is leading the high-level Indian delegation for the top summit, is set for wide ranging discussions with the leaders from the Association of

South East Asian Nations (ASEAN) aimed at sorting out FTA issues to bolster the two-way trade which crossed \$30 billion in 2006-07.

Indian Commerce and Industry Minister Kamal Nath will hold consultations a day in advance with his counterparts from Malaysia, Vietnam, Indonesia and Brunei on New Delhi's offers on market access to ASEAN on agriculture products.

Leaders of ASEAN, meeting this week for their annual summit, are due to sign a blueprint for creating a vast single market and production base covering about 570 million people by 2015.

<http://economictimes.indiatimes.com/Economy/India ASEAN to talk on free trade /articleshow/2550377.cms>

Sectoral News

Global telecom cos ride on Indian operations

Indian operations are clearly driving revenues and earnings of global telecom companies including Singapore Telecommunications, Maxis Communications, Vodafone Plc and Telecom Malaysia – all of which are present in the country.

SingTel, the largest phone company in Southeast Asia, posted an increase in second quarter profit, primarily due to record earnings by Bharti Airtel in India.

Net income climbed 3.3 per cent to S\$988 million (Rs 2,673 crore), in the three months ended September 30, 2007 with Bharti Airtel contributing almost 20 per cent of that at S\$197 million (Rs 533 crore).

Similarly, Malaysia-based Maxis Communications Berhad's Indian subsidiary Aircel Ltd contributed 15 per cent of the Group's revenues during the quarter ended March 31, 2007 compared with 10 per cent in previous quarter.

Indian operations generated revenue of RM320 million (Rs 373 crore) and EBITDA of RM102 million (Rs 118 crore) towards Maxis Group's revenues in the first quarter.

Vodafone, the world largest mobile phone company has reported a turnaround in profits after its acquisition of India-based telecoms company Hutchison Essar. The company said that its first-half revenue rose 9 per cent to £17 billion as it won over millions of India-based customers through Vodafone Essar.

<http://www.thehindubusinessline.com/2007/11/16/stories/2007111653060100.htm>

'Retail, real estate boom will boost AC, refrigeration industry'

The boom in the retail, cold chain, entertainment, manufacturing and real estate industry will spur the growth of the Indian heating, ventilation, air-conditioning, cooling and refrigeration (HVAC&R) sectors.

For the past three years, the HVAC&R is growing at an average 25 per cent and by end-of-fiscal 2008-09, it is expected to touch Rs 16,000 crore, according to industry experts.

Air-conditioners have become a necessity and a wide range of upcoming industries need it on a priority. With a bit of support from the Union and State Governments, the sector will grow well, said Mr M.S. Anand, Chairman, CRP Group, Hyderabad.

While the growth prospects are exciting, the worrying aspect is the huge shortfall of trained manpower. The industry also needs to put in place labelling and standards, said Mr Satish Iyengar, former President of the Indian Society of Heating, Refrigerating & Air-Conditioning Engineers (ISHRAE). It is estimated that nearly 5,000 engineers are required every year to meet the needs of the industry. To address the issue, the ISHRAE is planning to start Institutes of Excellence and sub-chapters for vocational training for fresh graduates, he told newsmen.

<http://www.thehindubusinessline.com/2007/11/16/stories/2007111652010300.htm>

Railway planning to give rail connectivity to ports

In order to facilitate container traffic and export of iron ores, the Railway Ministry is working on providing broad gauge connectivity to about a dozen of ports.

"While the work for port connectivity for Paradip (Orissa), Krishnapatanam (Andhra Pradesh) and Dahej (Gujarat) ports is already underway, proposals for other ports in Maharashtra, Gujarat, West Bengal are being finalised by the railways, D C Mitra, Managing Director, Rail Vikas Nigam Ltd (RVNL) told media. The RVNL is implementing the port connectivity project.

Railways will carry out the port connectivity work on public-private partnership (PPP) model.

"While an 85-km line will be laid for Paradip port at an estimated cost of Rs 700 crore, Railways will lay a 35-km line for Dahej port at an estimated cost of Rs 140 crore," Mitra said.

Work will be carried out in two phases for Krishnapatanam. While in the first phase, 36-km line will be laid at an estimated cost of Rs 100 crore, the second phase will feature work on 100-km line at an estimated cost of Rs 500 crore.

Rail connectivity is very crucial for ports as many projects, including Special Economic Zones (SEZ) and thermal plants, are coming up near the ports. "Rail connectivity will be required to import coal for thermal power projects", Mitra said.

<http://economictimes.indiatimes.com/News/News By Industry/Transportation/Railways/Railway planning to give rail connectivity to ports/articleshow/2539681.cms>

Fashion biggies Diesel, Hugo Boss step up sourcing from India

An appreciating rupee isn't deterring global fashion biggies from reposing their faith in India's garment story. Just as the currency blues impact India's \$9 billion worth garment exports, apparel giants like Diesel and Hugo Boss and Liz Claiborne are seen stepping up their sourcing from the country. Diesel's wholly-owned sourcing subsidiary K-Bit has set up a domestic arm located at Chennai to increase its exposure in the Indian market.

Another global peer Hugo Boss is reportedly considering a foray into India's apparel sourcing industry and has had discussions with several suppliers, including Madura Garments and Hyderabad-based Pokarna Fashions, sources said. Liz Claiborne, which has a relatively small sourcing base for its Mexx brand in Bangalore, is likely to expand operations to cover other group brands in the next six months, sources added.

According to industry observers, the move by Hugo Boss, Diesel and Liz Claiborne, amongst the world's cutting edge fashion brands, is a significant step towards India's emergence as a value-added garment exporter. In fact, Italian fashion powerhouse Diesel has split its Asian sourcing operations, hitherto headquarters in Hong Kong, in a bid to focus independently on India.

<http://economictimes.indiatimes.com/News/News By Industry/Cons Products/Fashion biggies buy Indias garment story/articleshow/2541770.cms>

India's clinical trials market to grow at 15% a yr: ICRI

The country's \$300 million clinical trials market is expected to grow at an annual growth rate of 15 per cent over the next four years, a top official with the Institute of Clinical Research India (ICRI) said.

This will bring nearly 15 per cent of the total global clinical trials to India by 2011 and will generate an annual revenue of \$1 billion, ICRI's Chief Executive Officer Anthony Woodman told media here.

"Currently, there are 268 approved clinical trials in India, as compared to a global total of 1,80,000. The value of the current clinical trials in India is USD 300-million," he said.

ICRI is the country's premier institution for clinical research and has four campuses in Mumbai, Delhi, Ahmedabad and Bangalore.

However, a lack of competent personnel in the country and appropriate research infrastructure are posing major challenges to its growth, Woodman said. He also pointed

out the need for amendments in regulations to conduct studies of medicines developed outside India.

"Though the regulatory environment has improved significantly, further changes to the mechanism are also required. In India, studies on drugs developed abroad are not permitted, while it is allowed in most of the countries," Woodman said.

ICRI has joined hands with the Drug Information Association to organise a three-day international conference in India this month, he said.

http://economictimes.indiatimes.com/Economy/Clinical_trials_mkt_to_grow_at_15/articleshow/2550123.cms

News Round – Up

Anand Jain, Adani, Thapar among 10 Forbes debutants

Ten new people made it to the list of India's top billionaires in the Forbes list of the World's Richest People in 2007.

This includes trader Gautam Adani, who built Mundra Port, Anand Jain, Mukesh Ambani's school buddy; and Gautam Thapar, whose Ballarpur Industries is India's largest paper maker.

The real estate sector also churned out a couple of more billionaires: Niranjan Hiranandani, who built a thriving township in suburban Mumbai, along with his brother; and Rakesh Wadhawan, whose July listing of his company Housing Development & Infrastructure Ltd (HDIL) made him a billionaire.

The other five new entrants to the list of 40 richest Indians are Cyrus Poonawalla, L Madhusudhan Rao, Vikas Oberoi, Anu Aga and Gracias Saldanha.

Overall, the four richest Indians are worth an astonishing \$180 billion. Steel tycoon Lakshmi Mittal is No. 1 again, worth \$51 billion, but Reliance Industries' Mukesh Ambani is rapidly closing the gap. His net worth jumped \$30.5 billion to \$49 billion, making him the year's biggest gainer, moving up from rank 56 to rank 14 in 2007.

http://www.business-standard.com/common/storypage_c.php?leftnm=10&autono=304464

Indian investments in Egypt to touch \$1.5 bn by '09: CII

Indian investments in Egypt are expected to more than double to 1.5 billion dollar in the next two years, given the country's lucrative consumer market and proximity to the Middle East, industry body CII has said.

"Being a natural gateway to the Middle East and North Africa, Egypt has become the target of Indian companies, with total Indian investments expected to soar to USD 1.5 billion by 2009," CII said in a statement on Sunday.

Large consumer market and cheap labour are also driving Indian firms to invest in Egypt, it said.

Indian investments in Egypt stood at USD 700 million in close to 40 projects. Bilateral trade amounted to USD 2.5 billion in 2006-07. India's exports to Egypt, one of its most important trading partners in the African continent, crossed USD 761 million while Egypt's exports to India, mainly oil and gas, reached USD 1.74 billion.

Aiming to further promote 'Brand India' in the African country, CII is partnering with the Indian Embassy in Cairo to organise the 'Made in India' exhibition from November 20-23. The four-day event would include seminars on investment opportunities in Cairo, Egypt as well as in India. CII would also take a 20-member CEO delegation to Egypt.

Over 100 private and public sector companies such as Godrej, Tata, GAIL, IOC, ONGC and Apollo Tyres would be participating in the event, CII said

http://economictimes.indiatimes.com/News/Economy/Indicators/Indian_investments_in_Egypt_to_touch_15_bn_by_09_CII/articleshow/2549809.cms

Inflation up at 3.11% on food, petro

Wholesale price-based inflation bounced back to above 3%-level in early November and touched a five-week high on account of a faster escalation in the prices of certain food, manufactured items and petroleum derivatives. Inflation rose by 3.11% in the week ended November 3, 2007, compared to the previous week's 2.97% and last year's 5.45%. Inflation has been ruling below 4% for 12 weeks now after touching 6.69% earlier this year.

Economists attributed the rise to a bullish trend in global food prices and the record high crude oil price that reflected in certain petroleum derived products. Analysts said that they do not expect any change in the monetary policy based merely on weekly fluctuations in the inflation.

During the week ended November 3, the price of aviation turbine fuel escalated 5% while furnace oil price went up 6%, influencing the reversal of the trend despite the effect of a sharp increase earlier in the year called the base effect. Prices moved up across almost all the categories during the week.

Prices of food items such as fish, marine, eggs, moong and bajra rose faster than the previous week, while prices of jowar, poultry chicken, fruit and vegetables, maize and arhar moved up a little slower. Among manufactured items, imported edible oil, sunflower oil and ghee, became costlier than the previous week while groundnut oil and sugar prices registered a decline.

Provisional inflation figure for the week ended September 8 has been revised upwards by 14 basis points to 3.46%, an official release said on Friday.

“This marginal increase was expected and it should have been mirrored in the index earlier as global crude oil prices had been increasing sharply recently. “Although it is difficult to speculate about future inflation based on one week’s data, the upward bias is likely to be more pronounced in the coming days once the high base effect ceases to exist.

The central bank decides on interest rates relying on a combination of inflationary expectations, capital inflows and money supply in the system rather than merely headline inflation,” HDFC Bank chief economist Abheek Barua said.

http://economictimes.indiatimes.com/News/Economy/Indicators/Inflation_up_at_311_on_food_petro/articleshow/2547307.cms