

## Weekly Economic Bulletin

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## News Feature

### FDI in Feb hits record high

In an indication that the investment climate in India remains strong, foreign direct investment (FDI) equity inflows in February stood at \$5.67 billion, the highest-ever during any month since 1991.

On a year-on-year basis, the inflows in the month were 712 per cent higher than the \$698 million inflows in February 2007.

A commerce and industry ministry release said FDI equity inflows in February 2008 were more than the entire annual inflows from 1991-92 to 2004-05.

Total FDI equity capital inflows stood at \$73.64 billion between August 1991 and February 2007.

The cumulative FDI equity inflow in April to February 2007-08 period stood at a record \$20.1 billion, a 70 per cent increase over \$11.88 billion in the corresponding period of 2006-07.

[http://www.business-standard.com/common/news\\_article.php?leftnm=1&autono=319117](http://www.business-standard.com/common/news_article.php?leftnm=1&autono=319117)

### Infrastructure output up 8.7% in Feb

Core infrastructure industries' growth accelerated to 8.7 per cent in February 2008, reviving hopes that industrial production would speed up and arrest an economic slowdown.

Growth in coal, power and cement, three of the six industries that make up the core infrastructure sector, aided the healthy growth in February as compared to 7.6 per cent a year ago.

These industries, including steel, crude petroleum and petroleum refinery products, carry 26.68 weightage on the Index of Industrial Production. Hence, they could influence higher industrial growth and in turn GDP expansion, although Asian Development Bank has projected the Indian Economy to moderate to 8 per cent this fiscal from 8.7 per cent in FY'08.

However, in April-February 2007-08 period, infrastructure growth remained lower at 5.6 per cent compared to 8.7 per cent a year ago due to less than five per cent growth in the four preceding months this fiscal. The infrastructure sector had grown by a poor 4.2 per cent in January 2008.

In February, coal industry growth improved to 11.7 per cent from 6.5 per cent, power to 9.6 per cent from 3.3 per cent and cement to 12.4 per cent from 5.8 per cent. However, crude

oil dropped to 2.3 per cent in the month under review from 4.9 per cent in the same month last year, petroleum refinery products to 5.8 per cent from 11.3 per cent and finished steel to 8.2 per cent from 13.6 per cent.

On sequential basis this fiscal, the infrastructure sector growth more than doubled in February from a mere 4.2 per cent in January.

<http://www.financialexpress.com/news/Infrastructure-output-up-8.7-in-Feb/292026/>

### **Exports register 35% growth at \$14.2 billion in February**

The country's exports clocked a 35 per cent growth in February 2008 with the cumulative export growth during the first 11 months of just-ended fiscal 2007-08 showing a robust growth close to 23 per cent in dollar terms, against heavy odds the exporters confronted throughout the year due to the unrelenting rise in the value of rupee.

Provisional trade data released by the Directorate-General of Commercial Intelligence & Statistics (DGCI&S) show that the country's exports during February 2008 were estimated at \$14.2 billion, against \$10.5 billion in the corresponding month of 2007.

Cumulative value of exports during April-February 2007-08 amounted to \$138.4 billion (\$112.6 billion), making the target of \$160 billion for the whole fiscal somewhat on the high side. At best, exporters say that the final month export figure could at best be \$14-15 billion which itself would be a tall order.

<http://www.thehindubusinessline.com/2008/04/02/stories/2008040251831000.htm>

### **Overseas Investment**

#### **PE firms invest \$3.3 bn in Jan-March**

Private equity firms invested about \$3.3 billion across 97 deals in India in the January-March quarter of 2008, says a study by Venture Intelligence, a research firm. The investment was higher compared to the same quarter a year ago (\$2.7 billion from 101 deals) but lower than the preceding quarter, which saw 131 deals worth \$5 billion.

The largest investment reported in the first quarter of calendar 2008 was \$395 million, raised by Sophia Power Company, a part of the Indiabulls Group, from Lakshmi Mittal-promoted LNM India Ventures and Farallon Capital.

Telecom continued to attract investor interest with KKR and Morgan Stanley investing significant capital into outsourced tower infrastructure firms like Bharti Infratel and TowerVision, respectively.

Other Companies that raised \$100 million plus rounds during the period included Cairn India, Ballarpur Paper Holdings, travel technology firm InterGlobe Technology Quotient and hospital firm Narayana Hrudayalaya.

“Despite the turmoil in the global financial Markets, PE investments during January-March 2008 registered growth over the corresponding period in 2007, thanks to a spurt in deals in the late stage segment which accounted for 60% of the amount invested,” said Arun Natarajan, CEO of Venture Intelligence.

<http://www.financialexpress.com/news/PE-firms-invest-3.3-bn-in-JanMarch/293463/>

### **FII inflows close to \$15 b in Q4**

According to revised US estimates the sub-prime mortgage crisis was accompanied by a drop in capital outflows or re-exports from \$ 465 billion in April/June 2007 to \$ 174 billion in July/September 2007. Provisional data for October/December 2007 show a further drop in capital flows from the US, to \$ 116 billion. But India has yet to feel the pinch.

Data released by the Reserve Bank of India on Monday show that the October/December quarter witnessed a further step up in FII inflows into India. Net flows increased from \$ 7.4 billion in April/June to \$ 10.9 billion in July/September and then to an all time high of \$ 14.7 billion in October/December.

The step-up in net flows was accompanied by a rapid rise in the Sensex from about 14,500 in early April 2007 to 20,000 points at the end of year.

Meanwhile there was an increase in the percentage of unrepatriated inflows, in a 180 degree turnaround of the trend in earlier years when the percentage of net to gross inflows fell from 39 per cent in 2003/4 to 22, 15 and 3 per cent in 2004/5, 2005/6 and 2006/7 respectively.

<http://www.thehindubusinessline.com/2008/04/02/stories/2008040252200600.htm>

### **India`s forex reserves swell by \$110 bn**

India`s foreign exchange reserves shot up 55 per cent in 2007-08 to close at \$309.16 billion – an increase of nearly \$110 billion from \$199.18 billion at the end of 2006-07.

The surge was mainly due to large foreign institutional inflows, higher overseas borrowings by Indian companies and remittances from non-residents.

[http://www.business-standard.com/common/news\\_article.php?leftnm=3&autono=319110](http://www.business-standard.com/common/news_article.php?leftnm=3&autono=319110)

## **Spot & forward forex trades double in FY08**

With massive foreign funds flowing into the country, the large currency movements have led to an increase in the number of deals on the forex market. Volumes and the number of deals have also soared, according to data from Clearing Corporation of India Ltd (CCIL).

Compared to 2006-07, the value of inter-bank forex transactions in the spot and forward segments has almost doubled. Foreign banks have taken a majority of buy positions in spot trades (57.08%) followed by public sector banks (28.42%), showed the data.

For the week ended March 28, 2008, volumes rose across all segments. The highest volumes were \$1.88 billion on March 26 for cash and \$2.27 billion on March 27 for T+1 transactions. The highest volumes for spot (T+2 transactions) were \$8.74 billion on March 24 and \$4.52 billion on March 28 in the forward segment.

In 2006-07, volumes in spot transactions stood at \$884.74 billion, against \$1.6 trillion on March 28, 2008. Volumes have also soared in the forward market. While in the forward market they were \$342.65 billion in 2007, in 2007-08 it is pegged at \$729.84 billion.

<http://www.financialexpress.com/news/Spot-&-forward-forex-trades-double-in-FY08/291843/>

## **Easier FDI norms for small sector likely**

In a move aimed at easing the flow of funds to small-scale industries (SSIs), the Centre proposes to allow foreign direct investment (FDI) into the sector through the automatic route. The relaxation is in line with the government's efforts to modernise SSIs, given their huge employment potential.

Under existing norms, FDI in sectors reserved for SSIs is currently routed through the Foreign Direct Investment Board (FIPB) and requires prior government permission. Once implemented, regulators such as the Reserve Bank of India need be informed of such investments only after they have been made.

A total of 79 manufacturing activities—including a part of food products, chemicals, plastics and drugs—is reserved for the SSI sector. "There is a need to attract large foreign investments into small and micro industries. We are looking at various steps, including easier fund inflows, into these sectors," said a senior government official.

<http://www.financialexpress.com/news/Easier-FDI-norms-for-small-sector-likely/291838/>

## Trade News

### **India, Sweden agree to catalyse cooperation in trade, academia**

India sought active cooperation from Sweden in the field of higher education, besides identifying complementarities in high-tech areas of IT, biotech, automotive industry and electronics.

At the bilateral meeting between the Union Commerce and Industry Minister, Mr Kamal Nath, and the visiting Swedish Minister of Foreign Trade, Ms Ewa Bjorling, here, it was agreed that the two countries should catalyse cooperation by involving industry, academia and local universities.

Both sides discussed the development of trade and economic relations. Expressing his appreciation for the Swedish government's desire for enhanced engagement with India, Mr Nath highlighted: "Sweden has strong interest to deepen and diversify relations with India, especially in the area of trade and economic development, as also in frontier areas of high technology".

<http://www.blonnet.com/2008/04/01/stories/2008040152141000.htm>

### **'India, Australia trade cooperation will enhance Asian integration'**

The emergence of a mutually-beneficial trade pattern in Australia's relationship with East Asia over the years is now being replicated between Australia and India, as well. And, together both the countries could bolster Asian integration in a more meaningful and mutually advantageous manner.

Prof Peter Drysdale of the Crawford School of Economics and Government at the Australian National University (ANU), an authority on the East-Asian and Pacific economies, contends that such a trade relationship remains strategically crucial to East Asia. Australia now supplies around half of Northeast Asia's key imported industrial raw materials and more than 22 per cent of Japan's energy supplies (not including uranium) — Australia is a more important energy source for Japan than Saudi Arabia.

"So the opportunity for establishing similar kind of relationship with India is growing, but, of course, it is on the expectations about the continuation of reform process in India. The most important thing is access to three or four most competitive mining companies of Australia and they are going to participate in India provided constraints on investment in terms of ownership and so on are addressed. It is important to deal with this — policy changes at the Federal (Union) level and at the State level."

<http://www.blonnet.com/2008/04/03/stories/2008040350641200.htm>

## **Indo-Africa meet likely to boost bilateral ties**

As the country is hosting the first-ever India-Africa Forum Summit on April 8-9 in the Capital involving a substantial number of countries from the African continent, expectations run high that New Delhi might come out with a substantial supportive package to deepen and widen its presence in Africa.

According to Government sources that unlike any other country, India's engagement in African economies had always been cost-effective and provided appropriate technologies with the country's development assistance taking a multi-pronged approach. This includes creative use of lines of credit, creation of assets in Africa and the establishment of high-tech projects by India.

Given India's wide-ranging cooperation and fostering partnerships in areas encompassing human resources development, health, capacity-building, and information, communication and technology (ICT) utilisation — all of which were embedded in the Pan-African e-Network Project, the sources said India is optimistic about taking this experience to a new efficacious level.

The sources said the Forum meeting is preceded by the Foreign Ministers' meeting in New Delhi has invited the Chairs of the regional economic communities and their Secretaries General and the founding members of the New Partnership for Africa's Development (NEPAD) initiatives, besides the incumbent and preceding Chairs of the African Union. It is also agreed that the formal outcome documents of the Forum would be a declaration and an action plan.

The declaration would deal with broader areas of cooperation and "our common views on regional and global issues including the fight against terrorism, climate change and WTO negotiations".

<http://www.blonnet.com/2008/04/07/stories/2008040751910300.htm>

## **Nine firms sign MoU at Sino-Indian meet**

In an effort to boost economic relationship between India-China, nine companies / entities from across each side of the border signed separate agreements to explore mutual benefits.

The agreements were signed at the 'Mutual Benefits — Joint Development' meet held by the Suzhou Municipal People's Government (China).

Indian entities that signed the MoU included Zaza Technologies, Bangalore Chamber of Industry and Commerce, Standard Chartered, Capgemini Group, Sunpa Sobha Software, Patni Computer, Logistic Solutions, Hero Mindmine and Excelerate Technology.

According to Zhou Weiquiang, vice-mayor, Suzhou Municipal People's Government, "China and India have comprehensively accelerated the pace of cooperation in the

services outsourcing field. The partnership forged also highlights the need for cooperation between the two giants to jointly surge ahead.”

Built around the Yangtze river delta, Zhou Weiquiang said Suzhou has developed into one of the most important IT hubs of China and the planners have consciously developed it as an “offshore outsourcing” centre.

The city is also keen on investments in the IT sector from Indian companies. According to the Chinese representatives, the IT Industry in Suzhou is growing at an annual rate of over 40 per cent. “The IT industry turnover in Suzhou was \$69 billion in 2007. Many Fortune 500 companies have invested in 375 local firms. Suzhou offers business opportunities in service outsourcing,” said Furong Tian, Head, India China Economic and Cultural Council (ICEC)-China Office, said.

[http://www.business-standard.com/common/news\\_article.php?leftnm=3&autono=319072](http://www.business-standard.com/common/news_article.php?leftnm=3&autono=319072)

### **Strategic dialogue set up between India, Singapore**

Singapore said a strategic dialogue has been set up with India to further cement the strong ties between the two countries which has reached new peaks since the signing of the Comprehensive Economic Cooperation Agreement (CECA).

The two sides involved in the strategic dialogue will meet in May, Singapore Prime Minister Lee Hsien Loong said at a ceremony to mark Incredible India@60 campaign.

The 3-day event, showcasing a resurgent India's entrepreneurship, investment prospects and tourism attractions, has been organised by the Government of India and the Confederation of Indian Industry.

"We are lucky to be neighbours to India and China, the two fastest growing economies."

[http://economictimes.indiatimes.com/PoliticsNation/Strategic\\_dialogue\\_set\\_up\\_between\\_India\\_Singapore/articleshow/2928838.cms](http://economictimes.indiatimes.com/PoliticsNation/Strategic_dialogue_set_up_between_India_Singapore/articleshow/2928838.cms)

### **Sectoral News**

#### **India exports 6 million bales of cotton in 2007-08**

Cotton exports from the country stood at 6 million bales during the 2007-08 fiscal owing to lower prices. Following good demand in the overseas markets, exports are estimated to further increase to 8-8.5 million bales by September 2009, when the cotton season ends.

According to industry estimates, India had a cotton export commitment of 7.2 million bales, of which 6 million bales have already been exported before March 31, 2008. In 2006-07, cotton export from the country stood at 5.9 million bales.

Export contracts with China and Pakistan are to the tune of 3.8 million bales and 1.8 million lakh bales respectively, while with Bangladesh and Far East, these are for 0.7 million and 0.9 million bales.

Though prices of cotton in India are ruling higher at Rs 22,300-22,600 per bale, these are still lower by around Rs 2,000 per bale as compared with the prices in America, China and Africa due to a drop in global production.

As against the estimated cotton output of 31.6 million bales for 2007-08, 29.3 million bales have already arrived in the market, while 3.1 million bales remained unsold as on March 31, 2008.

[http://www.business-standard.com/common/news\\_article.php?leftnm=1&autono=318805](http://www.business-standard.com/common/news_article.php?leftnm=1&autono=318805)

### **India server market factory revenue touches \$727 m**

The India server market factory revenue rose 24 per cent in 2007 to touch \$727 million, while shipments grew 19 per cent to 1,35,615 units during the same period, according to IDC.

The IDC Asia Pacific Quarterly Enterprise Server Tracker finds that the overall India server market has witnessed a healthy growth as customers continued to refresh and expand their IT infrastructure.

“Apart from traditional sectors like telecom, BFSI and manufacturing, 2007 also saw the emergence of retail and construction as key demand drivers,” a release said.

<http://www.thehindubusinessline.com/2008/04/07/stories/2008040750320200.htm>

### **‘Conditions seen favourable for 12% annual growth in poultry market’**

The country’s poultry market is expected to grow at 12-15 per cent a year in view of favourable conditions such as falling prices through integration, rising income, young and urban population and increasing domestic demand.

Despite being hampered by outbreak of avian influenza, the poultry industry is estimated to have grown at 11 per cent a year during 1991-2006. “And there is still a huge potential for further growth. However, the industry requires the right focus to sustain this momentum,” the study said.

<http://www.thehindubusinessline.com/2008/04/07/stories/2008040750440500.htm>

## News Round – Up

### RIL, ONGC in Forbes' top global firms list

After billionaire businessmen, it is the turn of Companies from India to shine on Forbes radar with as many as 48 firms making it to a list of the world's biggest Companies compiled by the US magazine.

Led by India's most valued firm Reliance Industries and PSU major ONGC, all these 48 Indian firms named in the 'Global 2000 List' have a billion-dollar size -- both in terms of turnover and market value. The ranking, topped by British banking behemoth HSBC, has been compiled on the basis of a composite score of sales, profit, assets and market capitalisation.

HSBC is followed by industrial conglomerate General Electric, Bank of America, JPMorgan Chase and Exxon Mobil --all four from the US -- in the top five positions.

Two Indian firms, Mukesh Ambani-promoted RIL and ONGC are among the top 200 Companies at 193rd and 198th ranks. Earlier in March, Forbes had released its list of world's richest billionaires that included 53 Indian businessmen, with four of them -- Lakshmi Mittal, Mukesh Ambani, Anil Ambani and KP Singh -- figuring among the world's ten wealthiest.

RIL and ONGC are followed by two PSU majors State Bank of India (219th) and Indian Oil (303rd), the country's biggest private sector lender ICICI Bank (374th) and state-run power generation major NTPC (411th).

The Indian presence is almost evenly divided among the private and state-run Companies

<http://www.financialexpress.com/news/RIL-ONGC-in-Forbes-top-global-firms-list/292061/>

### India Inc mobilises 32,000 cr via rights issue in FY 08

India Inc has mobilised a record over Rs 32,000 crore through issue of shares on rights basis in fiscal 2007-08, driven by the mega issues from State Bank of India and Tata Steel, a latest report says.

However, the picture may not be that rosy in the current fiscal due to the subdued secondary market conditions, according to primary market database provider Prime.

Corporate India has raised Rs 32,518 crore through right issue in the last fiscal, a jump of over eight-fold as compared to Rs 3,703 crore that was raised in FY 2006-07.

Rights route refers to issuing rights to a company's existing shareholders to buy a proportional number of additional shares at a given price, usually at a discount, within a fixed period.

The mobilisation of funds in the last fiscal have made history as it was more than even the combined mobilisation of the preceding 12 years.

More than half of the year's mobilisation came courtesy the country's largest lender SBI's rights issue, while another 28 per cent was taken up by Tata Steel.

"These issues, in a sense, were exceptional issues and are not indicative of any trend," Prime founder and managing director Prithvi Haldea said.

The largest issue from State Bank of India mobilised Rs 16,736 crore and other Rs 1000 crore-plus issues were from Tata Steel (Rs 9,135 crore), Federal Bank (Rs 2,141 crore) and Indian Hotels (Rs 1,447 crore).

<http://www.financialexpress.com/news/India-Inc-mobilises-32-000-cr-via-rights-issue/291572/>