

## Weekly Economic Bulletin

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## News Feature

### **S&P affirms India's long-term stable rating**

Standard & Poor's Ratings Services affirmed its 'BBB-' for long-term and 'A-3', short-term, credit ratings on the Republic of India. The outlook on the long-term rating remains stable. This reflects the country's strong economic prospects, external balance sheet, and its deep capital market, which supports a weak, but improving fiscal position.

India's economic prospects remain strong, underpinned by the dynamic service sector, gradual deregulation of the industrial sector, continued trade liberalization, and modest improvements in infrastructure. Economic growth is also benefiting from higher consumption and private investment demand, due to a growing middle class and favorable demographics.

"Commitment to fiscal consolidation across all levels of government looks to be entrenched, aided by both strong revenue collection and expenditure controls," said Takahira Ogawa, credit analyst at Standard & Poor's. The combined central and state government deficit is estimated at 5.5% of GDP in fiscal 2007 down from 6.4% in fiscal 2006.

Improvements have been led by a marked improvement at the state government level as they implement and adhere to fiscal responsibility laws (currently enacted by 26 out of 29 state governments as of end-2007).

<http://www.financialexpress.com/news/S&P-affirms-Indias-longterm-stable-rating/303852/>

### **Exports up by 26.59% during March 2008**

India's exports during March 2008 were valued at US \$ 16282.79 million, which was 26.59 per cent higher than the level of US \$ 12862.40 million during March, 2007. In rupee terms, exports touched Rs.65710.71 crore, which was 16.04 per cent higher than the value of exports during March, 2007. Cumulative value of exports for the period April-March, 2008 was US\$ 155512.49 million (Rs.625471.22 crore) as against US \$ 126413.99 million (Rs.571779 crore) registering a growth of 23.02 per cent in Dollar terms and 9.39 per cent in Rupee terms over the same period last year.

India's imports during March 2008 were valued at US \$ 23174.94 million representing an increase of 35.24 per cent over the level of imports valued at US \$ 17136.46 million in March 2007. In Rupee terms, imports increased by 23.96 per cent. Cumulative value of imports for the period April- March, 2008 was US \$ 235910.73 million (Rs.949133.82 crore) as against US \$ 185735.17 million (Rs.840506 crore) registering a growth of 27.01 per cent in Dollar terms and 12.92 per cent in Rupee terms over the same period last year.

Oil imports during March, 2008 were valued at US \$ 8633.14 million which was 76.6 per cent higher than oil imports valued at US \$ 4888.47 million in the corresponding period last

year. Oil imports during April- March, 2008 were valued at US \$ 77033.57 million which was 35.28 per cent higher than the oil imports of US \$ 56945.25 million in the corresponding period last year.

Non-oil imports during March 2008 were estimated at US \$ 14541.79 million, which was 18.73 per cent higher than non-oil imports of US \$ 12247.99 million in March 2007. Non-oil imports during April-March, 2008 were valued at US \$ 158877.15 million which was 23.36 per cent higher than the level of such imports valued at US\$ 128789.74 million in April-March, 2007.

The trade deficit for April- March 2008 was estimated at US \$ 80398.24 million, which was higher than the deficit at US \$ 59321.18 million during April- March 2007.

<http://pib.nic.in/release/release.asp?relid=38358>

## **Overseas Investment**

### **Forex reserves at \$309.7 bn, third largest amongst EMEs**

The country's foreign exchange reserves stood at \$309.7 billion as at end-March 2008, up \$110.5 billion over end-March 2007, making it the third largest stock of reserves among emerging market economies.

"The increase in reserves was mainly due to an increase in foreign currency assets from \$191.9 billion at end-March 2007 to \$299.2 billion at end-March 2008," the Reserve Bank said in its Macroeconomic and Monetary Developments document.

As on April 18, the country's foreign exchange reserves were at \$313.5 billion.

"The overall approach to the management of India's foreign exchange reserves in recent years reflects the changing composition of the balance of payments and the liquidity risks associated with different types of flows and other requirements," the RBI said.

Taking these factors into account, India's forex reserves continued to be at a comfortable level and consistent with the rate of growth, the share of external sector in the economy and the size of risk-adjusted capital flows, it said.

[http://economictimes.indiatimes.com/News/Economy/Indicators/Forex\\_reserves\\_at\\_3097\\_bn\\_third-largest\\_amongst\\_EMEs/articleshow/2993004.cms](http://economictimes.indiatimes.com/News/Economy/Indicators/Forex_reserves_at_3097_bn_third-largest_amongst_EMEs/articleshow/2993004.cms)

### **Overseas trading in Indian equities up**

Trading in global depository receipts (GDRs) and American depository receipts (ADRs) in overseas Markets now accounts for about half the total foreign institutional investor (FII) trades in India. Overseas trading in Indian equities is now about 32% of all such overseas trading in Indian equities.

A detailed study on the subject by Instanex Capital, a Mumbai-based investment advisor, found that Indian equities trades totalled \$46.42 billion on average—taking purchases and sales together—in India, the UK and the US. Of this, \$31.63 billion is by way of trades in India, and \$14.79 from trades abroad.

One of the key findings of the study is that of the approximately \$15 billion traded monthly overseas, almost \$11 billion—as much as 73%—is in the form of ADRs. The top five ADRs account for over 70% of the traded value of all ADRs. The top five ADRs traded overseas by value are: ICICI Bank, Infosys Technologies, HDFC Bank, Sterlite Industries and Satyam Computer. On the other hand, the top five GDRs account for 83% of traded value of the 23 frequently traded DRs in London.

<http://www.financialexpress.com/news/Overseas-trading-in-Indian-equities-up/303947/>

### **NYSE Euronext plan among 15 FDI proposals cleared**

NYSE Euronext's plans to pick up 5 per cent stake in Multi-Commodity Exchange (MCX), at an estimated investment of Rs 218.51 crore, was among the 15 FDI proposals cleared by the Government.

The proposals — approved by Finance Minister, Mr P. Chidambaram, on the recommendations of Foreign Investment Promotion Board (FIPB) — totalled Rs 308.57 crore.

Images Multimedia received approval for bringing in Rs 33.37 crore FDI for inducting 26 per cent equity in the publication of speciality magazines, according to an official release.

<http://www.blonnet.com/2008/05/03/stories/2008050351961000.htm>

### **FDI inflows in 2007-08 up 56% at \$24.57 b**

Foreign direct investment (FDI) inflows during 2007-08 stood at \$24.57 billion, up 56.50 per cent compared with \$15.7 billion in 2006-07.

For 2008-09, the Government is targeting around \$35 billion FDI inflows, the Minister for Commerce and Industries, Mr Kamal Nath, told newsmen here on Friday.

“There has been a phenomenal level of confidence in India as an investment destination starting from 2004-05. In just four years, inflows have increased eight times,” he said.

“If one takes into account the reinvested earnings then the total FDI for the year stands at \$30 billion,” Mr Nath said.

Out of the total FDI inflow, around \$9 billion are advances for which shares have not been issued till March 31.

"This amount would be accounted as FDI for the current year. So, we started the year with an opening balance of \$9 billion in FDI," he said.

<http://www.blonnet.com/2008/05/03/stories/2008050351921000.htm>

## **Trade News**

### **Move to boost bilateral trade with EU in goods & services**

Bilateral trade in goods and services between India and the European countries, around euro 1.3 billion per week at present, is likely to increase after India becomes a signatory to the free trade agreement with the European Union (EU).

Daniele Smadja, ambassador and head of the EU delegation to India, Bhutan and Nepal, said bilateral trade grew at a rate of 15-20% for the last few years as against a mere 3-5% at the beginning.

"This is not very much when compared with the potential. This is why the government of India and the EU have decided to enter into the FTA," she said.

EU, the largest trading partner of India, accounted for 18.9% of the country's exports and imports in 2005. EU's import from India increased from euro 22.4 billion in 2006 to euro 26 billion in 2007 while India's import from the EU stood at euro 29 billion in 2007 as against euro 24 billion in 2006.

<http://www.financialexpress.com/news/Move-to-boost-bilateral-trade-with-EU-in-goods-&-services/302929/>

### **India close to clinching ASEAN free trade deal**

India is close to clinching a free trade deal with Southeast Asian nations, spurred on by a bleak global economic outlook and rising food prices, Trade Minister Kamal Nath.

"We are on the last mile and in the final stage of conclusion," Kamal Nath said after meeting his counterparts from the 10-member Association of Southeast Asian Nations (ASEAN) on the resort island of Bali.

"We hope it could be concluded in the next three months -- there is no major obstacle," he said, adding that a dispute with Indonesia over palm oil would be resolved.

Indonesia, the world's top palm oil producer, has been insisting on having wider access to India's palm oil market as a condition of removing its opposition to a free trade agreement with India, according to media reports.

"We are going to resolve that, because with the world food situation and the global economic outlook in the United States and Europe which is bleak, it's therefore even more important for regional integration," Nath said.

<http://www.financialexpress.com/news/India-close-to-clinching-ASEAN-free-trade-deal/304955/>

## **Sectoral News**

### **Cement capacity up at 190 mt**

The total production capacity of the Indian cement industry has gone up to 190 million tonne for the fiscal ended March 31, 2008 as compared to 167 mt during the previous fiscal, a growth of 13% to 14%. For the first time, the industry has seen an addition of over 22 mt in a single year during 2007-08, said industry sources here.

Almost every other player in the industry has either put up a new plant or have expanded capacity, ranging between a minimum of two lakh tonne and a maximum of three million tonne spread across all producing states in all four regions, said the sources.

Some of the major players who have added capacity include Ambuja Cement, Lafarge, Ultratech, India Cements, Madras Cement, Shree Cement, Grasim, Jaypee. Kesoram, Century Textiles among others. These additions were based on the increasing demand and supply gap and the industry hopes to do a better year in the current fiscal too, the sources said.

Except a few one million tonne plus capacity addition in big cities, most of the additions were small in size and were between two lakh tonne and eight lakh tonne in capacity. Interestingly, these capacities addition taken place in small pockets of all four regions, the sources pointed out. The industry move to have wider presence, though in small quantity, is to cash in on emerging developmental activities while ensuring continued supply over a period of time, the sources pointed out.

Meanwhile, led by western region, the industry continued to maintain its 10% growth rate in despatches during the year. With the near total capacity utilisation, the total despatches were higher at 170 mt as against 155 mt during the previous year. Western region reported a growth of 15% in consumption, followed by northern region (12%) and southern region (10%). Among the states, Haryana reported 24% growth in consumption, followed by Delhi (17%), Gujarat (15%), Andhra Pradesh (15%), Maharashtra (14%) and Tamil Nadu (13%).

According to the sources, despite there have been imports in pockets of region, the demand and supply gap continue to be there in the current fiscal too and the prices will remain firm.

<http://www.financialexpress.com/news/Cement-capacity-up-at-190-mt/302748/>

## **'IT, BPO revenue to touch \$132 bn by 2012'**

The Indian software and BPO segment will grow at a rate of more than 16 per cent to become a 132 billion-dollar industry by 2012, global infotech analyst International Data Corporation said.

"The India domestic IT and ITeS market is expected to cross the Rs 2,00,000-crore (50 billion dollar) mark in 2012. This translates into a CAGR of 18.4 per cent in the five-year period. It was Rs 90,014 crore in 2007," IDC said.

Together with IT and ITeS, and exports revenue of Rs 3,20,278 crore, the total IT and ITeS industry would grow to Rs 5,29,976 crore (132 billion dollar) by 2012, representing a growth of 16.5 per cent, said IDC.

Exports continue to be the biggest segment at Rs 97,492 crore. In 2008, IDC expects the IT and ITeS industry to grow at 20 per cent, with the domestic market growing at 22.4 per cent.

The overall industry is projected to be of the size of Rs 5,29,976 crore, or 132 billion dollar, by 2012-end, with the share of domestic IT and ITeS revenues being 40 per cent of the total compared to the current 37 per cent.

The IT and ITeS exports market is likely to more than double to Rs 3,20,278 crore in 2012, IDC claimed. In 2008, IT and ITeS exports segment is expected to clock a growth of 20.4 per cent to touch Rs 1,86,142 crore.

"The domestic IT and ITeS industry CAGR of 18.4 per cent (during 2008-12) is expected on the back of a robust growth of the past five years (2003-2007), IDC India Country Manager Kapil Dev Singh said,

The Indian IT and ITeS industry grew to Rs 2,46,609 crore in 2007 from Rs 2,01,413 crore in 2006, representing a growth of 22.4 percent.

<http://www.financialexpress.com/news/IT-BPO-revenue-to-touch-132-bn-by-2012/303670/>

## **Processed food ind to attract Rs 95k cr investment in 3 years**

The Indian processed food industry, which constitutes only a mere 1.3 per cent of total agricultural products, will see investments of over Rs 95,000 crore in the next three years, says a report.

"Investments to the tune of 23.5 billion dollars in the food processing sector over the next three years is in the pipeline," said the report, 'India Food Report 2008', which is expected to be released at the Food Forum India in Mumbai.

This is just the right time for global firms to invest in the food processing sector, especially when the government seems eager to boost rural and farm incomes, it added.

"The total market for food in India, estimated at over Rs 8,00,000 crore, accounts for about 2/3rd of the total Indian retail market. Less than one per cent of this segment is organised," the report said.

Food segment that contributes about 13 per cent of the total organised retail pie offers huge scope for investment. Nearly 80 per cent of agricultural products in developed countries get processed and packaged, the report said. However, it is just about 1.3 per cent in India.

In this backdrop, the country's food industry is gearing up for the first food forum, to be held on May 6-7 in the financial capital of the country and over 300 companies from across the globe are expected to take part in the event.

The two-day B2B event, organised by Delhi-based Images Multimedia Group and supported by Central Food Processing Industries Ministry, would deliberate on different aspects and issues of the food industry, besides exploring opportunities in branding and retailing of food spaces across India.

"This is for the first time that any such kind of event is happening in India. We are expecting over 300 companies from all over the world to take part in the forum," Food Forum India (FFI) Convener R S Roy told , adding that about 50-60 overseas firms would participate.

FFI Advisory Board members have lined up various sessions during the conclave, which are expected to be attended by about 1,000 delegates, including over 150 foreign nationals, he added.

The event would primarily focus on processed food industry, in which, according to the government's vision document, investments to the tune of Rs 1,00,000 crore is targeted by 2015.

Some of the leading companies expected to take part in the food conclave include Future Group, Subhiksha, Reliance Retail, ITC, Hypercity Retail, More & Trinethra, Nirula's, Barista, Pizza Hut, Domino's, McDonald's, Food Bazaar, Bharti Retail, Dabur, Parle, Coke, Pepsi, Britannia and Nestle among others.

[http://economictimes.indiatimes.com/News/News\\_By\\_Industry/Cons\\_Products/Food/Processed\\_food\\_ind\\_to\\_attract\\_Rs\\_95k\\_cr\\_investment\\_in\\_3\\_years/articleshow/3009154.cms](http://economictimes.indiatimes.com/News/News_By_Industry/Cons_Products/Food/Processed_food_ind_to_attract_Rs_95k_cr_investment_in_3_years/articleshow/3009154.cms)

## **Retail real estate to see up to \$10 bn investment by FY10**

Developers and private equity players are set to put India's retail space market on full throttle with investments worth anywhere between \$5 billion and \$10 billion in FY09-FY10.

In moves that would lend retail space gigantic proportions, the Runwal Group and Singapore's GIC will use a joint venture to launch a 'Our City Centre' retail mall over 1.1 million sq ft of area in Ghatkopar, Mumbai. In the second phase of their foray, they will develop another 'Our City Centre' over 7 million sq ft of area in Hyderabad. Mumbai-based ICS Group is their project advisor.

Equally bullish is Sheth Developers, which is building a shopping centre called 'Viva City' over 1 million sq ft in Hyderabad and Thane, Mumbai. The company is investing Rs 400 crore in this new retail development and has not associated with any private equity firms.

The sudden gush of investments has also swept across smaller cities. Media major Dainik Bhaskar Group will develop a 7.5-lakh sq ft retail mall in Bhopal. With construction already under way, the mall is likely to be up and running in December 2009. The mall comprises a basement, ground and six floors with seven anchor shops, 180 retail shops, six-screen multiplex and food courts. JMC projects have been appointed as the civil contractors and Bentel Associates, Mumbai, are the property advisors.

<http://www.financialexpress.com/news/Retail-real-estate-to-see-up-to-10-bn-investment-by-FY10/303889/>

## **News Round – Up**

### **PE investments to continue unabated in India: Report**

Private equity investments, which ballooned to nearly \$25 billion over the past four years, are likely to continue strongly through 2010, driven by robust economic growth and attractive market valuations, a latest report says.

According to a study by global consulting firm Boston Analytics, around 903 private equity investments worth \$24.8 billion in value were made in India from 2004-2007, with more than 45 of those deals exceeding \$100 million.

In 2003, private equity investments were just 56 with an average size of \$8.4 million but it increased rapidly in the past four years to 387 deals worth on average of \$36.8 million by 2007.

According to the report titled 'Private equity landscape in India', demographic and economic factors spurred this rapid growth. The liberalisation of India's economy coupled with a middle class that grew to more than 300 million provided an increasingly diverse skill base awash with more and more disposable income thereby resulting in a large consumer base and a need for a variety of different services.

The study reveals that country's current market situation and the dynamics of its economy are likely to result in continued growth through 2010.

The major attributes favouring the country's investment climate include rapid GDP growth, favourable demographics as about half of the population is under the age of 25 and a high domestic savings rates.

Interestingly, the correction in the domestic stock market with the benchmark index Sensex dropping by 21 per cent in the first two months this year, has eased valuations of target companies for private equity investments.

Besides, a comfortable foreign exchange reserves position of \$301 billion in February, the report added.

More than one-quarter of the total PE investments (28 per cent) in 2004-07 period were in the IT industry.

Manufacturing saw the next largest number of deals accounting for 17 per cent followed by Banking, Financial Services and Insurance (BFSI) and healthcare with 10 per cent each.

[http://economictimes.indiatimes.com/PE\\_investments\\_to\\_continue\\_unabated\\_in\\_India\\_Report/articleshow/3001784.cms](http://economictimes.indiatimes.com/PE_investments_to_continue_unabated_in_India_Report/articleshow/3001784.cms)

### **Sonia, Tata, Nooyi in list of world's most influential**

Congress President Sonia Gandhi and industrialist Ratan Tata have been named in a list of 100 most influential people in the world, compiled by Time magazine.

The list also includes international figures like Tibetan leader Dalai Lama, US President George Bush as well as three presidential aspirants Hillary Clinton, Barack Obama and John McCain, former British Prime Minister Tony Blair and Russia's Vladimir Putin.

The annual Time 100 list, published in the issue of Time magazine hitting the news-stands tomorrow, has been divided into five categories — leaders and revolutionaries, heroes and pioneers, scientists and thinkers, artists and entertainers, and builders and titans.

The most influential business people include global food and beverage giant PepsiCo's India-origin chief Indra Nooyi, besides Ratan Tata. Others who have been named to this category include global media conglomerate News Corp's Rupert Murdoch, Steve Jobs of Apple Computer, Microsoft CEO Steve Ballmer and Mexican billionaire telecom tycoon Carlos Slim.

[http://www.business-standard.com/common/news\\_article.php?leftnm=3&autono=321744](http://www.business-standard.com/common/news_article.php?leftnm=3&autono=321744)

## **Five Indian cos in top 10 global service providers list**

US-based companies — Accenture and IBM — seized the top two spots of the world's best outsourcing service providers. But Indian software majors dominate the list — there are five of them among the top 10.

Infosys made it to the top three behind Accenture and IBM in the list. The Bangalore-based software major was on the Leaders List representing firms with annual sales of \$60 million or more in the annual expert ranking of the world's best outsourcing service providers compiled by the International Association of Outsourcing Professionals (IAOP).

Other Indian companies are Tata Consultancy Services, Wipro, Genpact and Tech Mahindra. TCS moved up 20 places to finish sixth this year. There are 20 Indian companies in the list. Accenture was ranked the number one outsourcing service provider for the first time, ahead of IBM, which was the leader since the list's inception three years ago.

Two companies based in France — Sodexo and Capgemini — also earned the highest rankings from the independent panel of recognised industry leaders. Hewlett-Packard came in No 8 on the list.

<http://www.thehindubusinessline.com/2008/05/02/stories/2008050250770400.htm>