

Weekly Economic Bulletin

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News Feature

India's GDP crosses \$1 trillion

India has joined the elite club of 12 countries with a trillion dollar economy, thanks to the continuing rally in rupee against the US dollar.

The country's GDP crossed the trillion-dollar mark for the first time in history when rupee appreciated to below 41-level against the US greenback yesterday, Swiss investment bank Credit Suisse said in a report.

Countries like the US, Japan, Germany, China, UK, France, Italy, Spain, Canada, Brazil and Russia have all breached trillion-dollar GDP level in the past.

The bank put the country's GDP at around Rs 41,00,000 crore, which translates to slightly more than one trillion dollar at the current currency level of Rs 40.76 per dollar.

Besides, the country's stock market capitalisation has rose to \$944 billion, which is also closing fast on the trillion-dollar level, it added.

http://www.financialexpress.com/latest_full_story.php?content_id=162344

India's FDI into London second biggest

India has become the second-biggest source of new foreign investment into London, behind only the United States, a report released said.

According to the Financial Times, a new report from Think London, the capital's foreign direct investment (FDI) agency, says that India has accounted for 16 per cent of all new foreign investment into London between 2003 and 2007.

That has helped investment into London jump to 52 billion pounds (76.1 billion euros, 103.4 billion dollars), from 38 billion pounds two years ago. The United States topped the list, with 31 per cent of new investment, while France was third with seven percent. China, Japan and Canada with six percent each followed.

"London does not have the same resonance in China, Russia or Brazil as it does in India," Think London's chief executive Michael Charlton noted. The United States still dominates total foreign investment into the capital, though, accounting for about half of it, followed by France with 12 per cent.

http://economictimes.indiatimes.com/Indias_FDI_into_London_second_biggest/articleshownews/1962743.cms

Overseas investment

Govt eyes \$30 billion FDI

The Government said it is aiming at 30 billion dollars in Foreign Direct Investment this year on the back of huge interest in the country from auto and electronics manufacturers.

"We are toying with the idea of keeping a goal of 30 billion dollars of FDI in the current year, of which 26 billion dollars would be through investments in equity, while the rest will be from reinvested earnings," Secretary in the Department of Industrial Policy and Promotion Ajay Dua said at an ICRIER seminar.

He said this FDI would constitute 3.3 per cent of the GDP, up from the 2.5 per cent last fiscal. In 2006-07, FDI inflows touched 19 billion dollars, of which 3.5 billion dollars were reinvested earnings.

The sectors, which would see increased FDI inflows in the current year are mainly manufacturing, auto, semiconductor, electronic hardware and services, Dua said.

http://www.financialexpress.com/latest_full_story.php?content_id=162214

FII hungry for more, buy equities

Foreign institutional investors (FIIs) are still hungry for Indian equities, if the number of deals done through the block/bulk deal route are anything to go by.

CLSA, HSBC, Citigroup and Merrill Lynch have emerged as the most active foreign investors, according to the data on block deals for the period from January 2006 to April 2007. CLSA emerged as the most active FII during this period, trading in shares worth Rs 5,835 crore. The figure includes value of shares transacted both on the buy and the sell side.

CLSA was followed by Citigroup, which traded in shares worth Rs 4,666 crore, HSBC's turnover was Rs 4,479 crore, while that of Merrill Lynch was Rs 4,341 crore. A major chunk of CLSA's investments has gone into the banking and financial services sectors.

The FII had bought 1.28 crore shares of ICICI Bank for Rs 1,121 crore in a deal transacted at the NSE on November 22, 2006. HDFC Bank (Rs 859 crore), HDFC (Rs 481 crore) and SBI (Rs 284 crore) are a few notable examples of large acquisitions of shares by CLSA in the secondary market.

http://economictimes.indiatimes.com/FIIs_hungry_for_more_buy_equities/articleshow/1982512.cms

Foreign players make a beeline to grab a share of banking pie

With the Indian economy growing at over 8% for the past few years a host of foreign banks are looking at tapping this opportunity. A host of foreign banks including Royal Bank of Canada, Royal Bank of Scotland, UBS have applied or are in talks with the Reserve Bank of India to start their operations in the country.

This is even as established players like Societe Generale are looking at widening their activity to cover retail banking operations. The French bank could join other banking majors like Deutsche Bank and Barclays who have expanded to retail banking sector in recent times.

In recent years a host of foreign banks like Commonwealth Bank of Australia, Monte Dei Paschi Di Siena and Banche Popolari Unite of Italy, BBVA of Spain and Zurcher Kantonalbank of Switzerland have set up their representative offices in India. Other banks are also looking at similar strategy to enter the Indian market.

Other foreign banks like Royal Bank of Scotland, which has put in a hostile bid for ABN Amro is also in talks with the RBI. The bank has already appointed Madan Menon who was earlier the co-CEO Barclays Capital India to head India operations. According to sources, the bank is planning to start off corporate and investment banking. It could also bring to India their private banking arm — Coutts Bank.

http://economictimes.indiatimes.com/Foreign_players_make_a_beeline_to_grab_a_share_of_banking_pie/articleshow/1977116.cms

FII inflows cross \$3 bn on Dalal Street

It's raining dollars in the Indian stock market as overseas investments on the local bourses this year have already crossed the \$3 billion mark.

Foreign Institutional Investors (FIIs) have put in a net \$3.05 billion (over Rs 13,500 crore) in the Indian stock markets so far in 2007, taking their total net investment in the country till date to over \$52 billion.

However, net inflows from foreign institutional investors in the current year is over \$1 billion less than the amount invested during the corresponding period of the previous year.

More than half of the net investment by FIIs this year was in April alone, as the overseas investors returned to the bourses after the Sensex regained the 14,000 levels.

http://www.businessstandard.com/common/storypage_c.php?leftnm=10&autono=282902

Trade News

Coir exports hit record high at Rs 595 cr

Exports of coir products touched an all-time high of 165,097 tonnes valued at Rs 595.22 crore for 2006-07, according to the provisional estimates of the Coir Board.

The exports rose 21.37 per cent in quantity over 136,027 tonnes exported in 2005-06 and increased by 17.07 per cent in value terms compared with Rs 508.45 crore clocked in 2005-06. The Coir Board had projected an export target of Rs 572 crore for FY07.

Of the 11 products, coir mats registered the highest exports of 72,147 tonnes worth Rs 454.65 crore. The coir mats exports in FY07 showed an overall growth of 13 per cent in quantity terms and 16 per cent in value terms over the numbers in FY06. In March 2007 alone, the country exported 7,253 tonnes of coir mats worth Rs 43.52 crore. Coir piths exports of 65,006 tonnes valued at Rs 51.85 crore recorded a 22 per cent growth in quantity and 34 per cent rise in value compared with the exports in FY06.

The country exported 9,495 tonnes of coir yarn (Rs 30.51 crore), 3,585 tonnes of coir mattings (Rs 23.43 crore), 3,005 tonnes of coir textiles (Rs 13.01 crore), 437 tonnes of coir rugs and carpets (Rs 2.96 crore), 772 tonnes of rubberised coir (Rs 5.62 crore), 8,624 tonnes of coir fibre (Rs 9.78 crore), 160 tonnes of coir rope (Rs 70.67 lakh) and 1,747 tonnes of curled coir (Rs 2.03 crore) in 2006-07. Besides, 119 tonnes of other coir-based products such as coir poles, bags, fenders and coir fancy items were also shipped during the same period, according to the provisional figures of the Coir Board.

http://www.businessstandard.com/common/storypage_c.php?leftnm=10&autono=282457

Oil products exports leap 44.8%

The country's oil products exports for the financial year 2006-07 zoomed by 44.8 per cent, even while the domestic consumption rose by 5.9 per cent and crude oil imports went up by 11.5 per cent.

According to industry sources, exports have seen a sharp increase due to expanding refinery capacity and the private refiners exported more products in the absence of a level playing field in the domestic markets. India is Asia's third largest consumer of oil.

As per a Government date, oil product exports climbed 21.4 per cent to 2.35 million tonnes (mt) in March compared with the corresponding period last year, taking exports for the full year up by 44.8 per cent to 31.14 mt. Despite the demand being high, the domestic oil product sales rose by only 7.1 per cent to 10.95 mt in March and sales for the fiscal under review were up 5.9 per cent to 119.8 mt. Crude oil imports went up by 6.4 per cent to 9.6 mt in March and the imports for 2006-07 were up by 11.5 per cent to 110.8 mt.

<http://www.blonnet.com/2007/04/26/stories/2007042603731200.htm>

SEZ exports rise 52% in 2006-07

Exports from Special Economic Zones (SEZs) grew 52.31 per cent in 2006-07 to Rs 34,787 crore from Rs 22,840 crore in the previous year.

The growth rate was more than double the 24.71 per cent increase recorded in the previous year. In 2004-05, exports from SEZs stood at Rs 18,314 crore.

"Incremental exports from existing SEZs and contribution from new SEZs accounted for this increase," Mr L.B. Singhal, Director-General of the Export Promotion Council for EoUs and SEZ units, told Business Line.

He also said that exports from SEZs are likely to touch Rs 67,300 crore in 2007-08. "We expect almost 100 per cent increase in exports for the current year."

Meanwhile, the total investments that would be made in the 234 SEZs for which formal approval has already been given has been estimated at Rs 3,00,000 crore.

<http://www.blonnet.com/2007/04/25/stories/2007042501141100.htm>

Sectoral News

Indian pharma firms corner chunk of US drug approvals

As the Indian pharmaceutical companies aggressively pursue research and development to capture the market for drugs going off-patent, a dozen companies led by Aurobindo Pharma, Wockhardt, Ranbaxy, Dr Reddy's Lab and Sun Pharma have bagged almost one-fourth of generic drug approvals in the US in the four-and-a-half month from December 2006.

Out of the 186 original abbreviated new drug application (ANDA) approvals granted by the US Food and Drug Administration (FDA) during the period, about a dozen Indian companies bagged 43 approvals, which is 23.11 per cent of the total approvals granted.

In comparison, Indian companies received only 23 out of 139 final approvals (16.54 per cent) in the corresponding period last year.

As per the US rules, an ANDA with data on safety, efficacy and processes have to be submitted to the US FDA for getting marketing approval for generics in that country.

Waxman-Hatch Act, enacted by the US government in 1984, was to ensure availability of less costly generic drugs by permitting FDA to approve applications to market generic versions of brand-name drugs without conducting costly and duplicative clinical trials.

http://www.businessstandard.com/common/storypage_c.php?leftnm=10&autono=283008

Govt sets sail for upgrade of 12 major ports

The government is working on a two-pronged strategy to upgrade 12 major ports to international standards during the 11th five-year Plan.

The first part of the strategy entails a financial plan for the ports, while the second aims at initiating capital dredging.

The financial plan is being prepared by the Planning Commission in tandem with the shipping ministry. According to ministry officials, though the amount to be invested is not yet finalised, the funds will come from private investors.

According to the officials, the total traffic at major ports is expected to touch 1,200 million tonnes by 2013-14.

Currently, these ports handle 573 million tonnes of traffic. In order to achieve this target during the next five years, the Planning Commission has suggested to the ministry that more berths should be provided.

The strategy's second part, financial planning to facilitate such changes, is also being prepared. Though the total Plan size is not finalised, sources say around Rs 60,000 crore will be needed for creating more berths at these ports.

http://www.businessstandard.com/common/storypage_c.php?leftnm=10&autono=283034

IT majors sit on growing cash mountain

The top five Indian IT firms have piled up net cash in excess of Rs 20,000cr.

Riding high on a booming economy and growing outsourcing opportunities, the top five Indian information technology players – Tata Consultancy Services, Infosys Technologies, Wipro, Satyam Computer Services and HCL Technologies – have piled up net cash in excess of Rs 20,000 crore.

The net cash figure jumped 31 per cent to Rs 21,148.42 crore in 2006-07 from Rs 16,151.36 crore in the previous year. Analysts estimate the figure to increase by 60 per cent in the current financial year.

The logic lies in the revenue and net profit numbers of these companies. For instance, the total turnover of the five companies for the 2006-07 financial year stands at Rs 57,397 crore — a jump of nearly 40 per cent over last fiscal's number of Rs 41,033 crore.

http://www.businessstandard.com/common/storypage_c.php?leftnm=10&autono=282652

Tata group pegs retail real estate fund at \$1 billion

The Tata group, which joined hands with private equity firm the Xander group Inc through its group company Trent earlier this month, has firmed up plans to raise \$1 billion for an institutional retail real estate fund.

Xander group, through one or more of its fund vehicles, will invest in the development of an institutional retail real estate portfolio in India in partnership with high quality Indian developers.

Trent will have anchor tenancy rights and will participate with Xander in the management of such portfolio and its growth.

The Tata group's move is in line with other big retail players like the Future group, which controls retail company Pantaloon Retail. The Future group has floated two real estate funds specifically for the retail sector. The Aditya Birla group is also considering floating a real estate fund to fuel its retail growth.

Xander Real Estate Partners, part of the Xander group, has also recently bought a 20% stake in a joint venture between Reliance Industries and the Maker Group, to develop commercial, residential and retail real estate.

http://www.financialexpress.com/fe_full_story.php?content_id=162631

RIL FY'07 turnover crosses \$25 bn mark

Reliance Industries Ltd's (RIL) net profit for fiscal year 2006-07 crossed the Rs 10,000 crore mark, while revenues soared past the Rs 1,00,000 crore level.

The fiscal year net profit jumped by over 20 per cent to Rs 10,908-crore, as against Rs 9,069-crore a year ago, while turnover zoomed by 29 per cent to Rs 1,05,556 crore (\$25.74 billion) as against Rs 81,894 crore in FY'06, RIL announced on Thursday.

RIL, India's most valued firm with a market cap of over \$50 billion, has become the first private entity to cross the 25 billion dollar revenue mark.

"I am pleased to report yet another year of robust performance by RIL. 2006-07 has also been an eventful year for the company," RIL Chairman Mukesh Ambani said, attributing the performance to robust growth in petrochemicals and refining businesses.

http://www.financialexpress.com/latest_full_story.php?content_id=162342

Eicher Motors buys US co for \$3.5 mn

Commercial vehicle maker Eicher Motors has acquired 100 per cent stake in US-based Hoff and Associates, along with its two subsidiaries in Beijing and Shanghai, for \$3.5 million (Rs 14.70 crore).

The company paid a total consideration of \$3.5 million to acquire 100 per cent equity shares from the shareholders of Hoff and Associates, Eicher Motors informed the BSE.

Hoff & Associates reported a consolidated turnover of \$5.2 million (about Rs 22 crore) in the year ended December 31, 2006.

The Michigan-based company provides engineering solutions and utilises computerized design, modeling and analysis tools for supplying equipment to aerospace, automotive, semiconductor, medical, marine and plastics industries.

Eicher Motors, which has its manufacturing facility at Pithampur in Madhya Pradesh, has a product range including trucks and buses.

[http://economictimes.indiatimes.com/Eicher Motors buys US co for 35 mn/articleshowcnews/1955053.cms](http://economictimes.indiatimes.com/Eicher_Motors_buys_US_co_for_35_mn/articleshowcnews/1955053.cms)

Maruti FY-07 net up 31%, to invest Rs 5,000 cr

Buoyed with the 31 per cent jump in net profit during 2006-07 to Rs 1,562 crore, the country's top carmaker Maruti Udyog today said it will invest Rs 5,000 crore in the next three years to boost production.

The company's robust performance is on the back of record sales it achieved in the fiscal with 6,74,924 units, including exports of 39,295 units, up 20.1 per cent compared to the previous fiscal.

For 2006-07, the company's total income stood at Rs 15,252.3 crore (net of excise), a growth of 22.2 per cent over the previous financial year, it said.

Maruti Udyog Managing Director Jagdish Khattar described the fiscal that went by as "one of the best years in the company's history".

"We registered a record sales and our compact car model Alto sold more units than all the models of the number two competition put together," he said.

http://www.financialexpress.com/latest_full_story.php?content_id=162115

News Round – Up

Stock, Bonds & Forex cheer RBI credit policy

The financial market gave a thumbs up to Reserve Bank's annual credit policy, which pushed up the benchmark Sensex higher by over 225 points and lifted the Rupee to over a nine-year high.

The RBI annual monetary and credit policy, which left all key rates unchanged and triggered all-round buying.

While the Bombay Stock Exchange's Sensex zoomed by over 225 points to 14,153.58, the rupee surged by 51 paise against the US dollar, which traded at Rs 41.17.

The Indian unit has appreciated over 12 per cent against the dollar since August 2006, when it was trading at over 47 to the greenback.

The government bonds rose, pushing 10-year yields down to the lowest this month. Bonds rallied and the yield on the benchmark 8.07 per cent bond due for 2017 fell 4 basis points, or 0.04 percentage points, to 8.03 per cent.

http://www.financialexpress.com/latest_full_story.php?content_id=162098

Re: Asia's most performing currency

In recent times, the rising rupee is generating immense interest among traders in offshore markets. With hedge funds overseas taking short positions on dollar, but holding on to longer positions on rupee, treasury managers contend that the movement in the local currency is being substantially driven by offshore triggers apart from local reasons.

Bankers admit that the rupee is gaining increasing relevance in overseas markets and is slowly becoming a currency to reckon with, even outside Indian borders. The rupee has clearly outpaced most other Asian currencies due to strong capital inflows and is currently regarded as Asia's most performing currency against the dollar.

According to a senior treasury manager with a private sector bank, “Within Asian markets, it is only the Indian rupee and the Chinese yuan which are outperforming other currencies. Now this is largely an outcome of the fact that other currencies like the Singaporean dollar, the Taiwan dollar and the South Korean won do not have to deal with the challenge of large foreign exchange inflows.”

http://economictimes.indiatimes.com/Re_Asias_most_performing_currency/articleshow/1947090.cms