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## News Feature

### Industry output to expand 6.1% in 08-09: CMIE

India's industrial sector, which was affected the most due to the global economic crisis, is likely to grow at a faster rate in the current fiscal because of strong domestic demand, the Centre for Monitoring Indian Economy (CMIE) said.

The economic think tank predicts industrial output to expand by 6.1 per cent in 2009-10, compared with the expected 4.3 per cent growth in FY 08-09.

"We expect the current recovery seen in cement, steel, automobile and in the core industries index to gather further momentum in the coming months," CMIE said in its April edition of Economic Intelligence Services (EIS).

Higher industrial output would help India's Gross Domestic Production (GDP) to grow by 6.6 per cent, compared with estimated 6.5 per cent in just ended fiscal, it said.

CMIE based its optimism on better industry performance on the fact that two issues — high inventory levels and liquidity problem — that plagued the industrial sector in three months ended December 2008 have eased.

The industrial sector, which make up nearly 28 per cent of India's output, is the most affected from the global crisis because of falling global demand and also because of liquidity crunch that adversely affected their operations. Exports are expected to shrink for the sixth consecutive month in March 2009.

However, CMIE said recovery in automobile and steel sectors indicate strong domestic demand. "Low inflation and low interest rates are expected to further strengthen this demand impetus," said CMIE.

<http://www.business-standard.com/india/news/industry-output-to-expand-61-in-08-09-cmie/355047/>

### At 33%, SEZ units beat export slump

Exports from special economic zones (SEZs) rose 33% during the year to end-March 2009, far outpacing the country's overall exports growth of just 4%, figures from the commerce department showed.

According to the data, exports from such tax-free manufacturing hubs totalled Rs 89,000 crore (\$18.16 billion) last year—or, 10.76% of total exports—up from Rs 66,637 crore (\$13.60 billion) a year before.

India's total goods exports are estimated at \$168.80 billion in 2008-09, up from \$162 billion in the previous fiscal year. Overall exports have been hit by a steep drop in global trade volumes because of a recession in most developed economies.

“One reason why SEZ exports have fared better than overall exports is that most exporters in the zones are manufacturers. Manufacturing exporters seem to have handled the demand slowdown better than trading exporters,” said a commerce department official.

Superior infrastructure in the zones also helped exporters cut costs and remain competitive, the official added.

[http://economictimes.indiatimes.com/News/Economy/Foreign-Trade/At 33 SEZ units beat export slump/articleshow/4416377.cms](http://economictimes.indiatimes.com/News/Economy/Foreign-Trade/At_33_SEZ_units_beat_export_slump/articleshow/4416377.cms)

## **Overseas News**

### **Foreign trade policy to be aligned with GST after April 1, 2010**

The new foreign trade policy, which is being prepared by the commerce ministry, will be aligned with the Goods and Services Tax (GST) only after implementation of this indirect tax mechanism.

The new policy is likely to be announced by the next government at the Centre by mid-2009, while the GST is likely to be implemented from April 1, 2010.

The current foreign trade policy of 2004-09 was unveiled by the United Progressive Alliance government on September 1, 2004 and was to expire on March 31, 2009. However, the Directorate General of Foreign Trade (DGFT) under the commerce ministry had extended its tenure till a new policy was ready.

The foreign trade policy has several export promotion measures that reimburse indirect levies charged on exports. These levies will now be subsumed under the proposed GST and will have only two slabs — one for the Centre and the other for the states. Therefore, the new export policy will have to specify how the current benefits given to exporters are matched with the proposed GST rates.

“We expect the new policy to be released by mid-2009. Till the GST mechanism is in place, provisions of the policy will not be changed. This is to ensure there is no confusion. Once GST is rolled out, the foreign trade policy will be modified to take into account the new taxation mechanism,” said a government official.

<http://www.business-standard.com/india/news/foreign-trade-policy-to-be-alignedgst-after-april-1-2010/355399/>

### **FIs, funds can invest in IDRs, says Sebi**

Market regulator Securities Exchange Board of India (Sebi) has permitted foreign institutional investors and mutual funds to invest in Indian Depository Receipts (IDRs).

The move to widen the investor base will increase liquidity for IDRs that will be issued in India. Initially when IDRs were introduced, the government allowed only Indian citizens to invest.

Further, the board of Sebi also decided to permit the issue of depository receipts by custodians on behalf of issuers, and demat holding of IDRs.

Just like American Depository Receipts (ADRs), where Indian companies raise resources from overseas market, IDRs would enable foreign firms to do the same from Indian markets.

ADRs or IDRs are derivative instruments, that is, they derive their value from the shares deposited with the custodian.

Basically, the foreign company will deposit shares with a custodian, who in turn will issue depository receipts based on these shares. The receipts are issued based on the ratio of how many shares equal a single depository receipt.

<http://www.business-standard.com/india/news/fiis-funds-can-invest-in-idrs-says-sebi/354985/>

### **Neo holding co to get Rs 258 cr FDI**

Neo Sports Broadcast, the holding company of sports channels Neo Cricket and Neo Sports, is set to get Rs 258 crore from leading foreign investment firms like Oman Investment Fund (OIF) and 3i Sports Media, Mauritius.

Neo Sports Broadcast will use the funds to add two more channels in the lifestyle and films genre, apart from expanding its two sport channels. Sources say the Rs 258 crore may come over the next few months.

The company recently got approval from the Foreign Investment Promotion Board. It plans to issue fresh equity shares and equity-linked instruments like compulsory convertible preference shares to OIF and 3i Sports Media.

Neo Sports is owned by Zenith Sports, a subsidiary of Nimbus Communications Ltd, the holder of telecast rights of all domestic and international cricket tournaments in India till March 2010. OIF is already a stakeholder in Nimbus Communications.

Abhishek Verma, head of marketing and communications, Neo Sports, said: "We are looking forward to the upcoming Afro-Asian Cup and India's tours of Australia, Sri Lanka and South Africa, beginning in the second half of 2009-10. We may also launch additional television channels in 2009-10."

<http://www.business-standard.com/india/news/neo-holding-co-to-get-rs-258-cr-fdi/355257/>

## Trade News

### Sweden woos India for N-power JVs

After countries like France, the US, Britain, Russia and Canada, it is now the turn of Sweden to woo India for joint ventures in the field of nuclear power.

A Swedish business delegation on nuclear power and safety management arrived in Delhi for a four-day trip. They are here to understand better the Indian nuclear energy market and explore business opportunities where Sweden has an advantage.

The UPA government had set a target to add a capacity of 63,000 megawatts nuclear power by 2030 at an estimated development and generation cost of over \$80 billion.

Sweden is more bullish on back-end operations like nuclear waster management (building storage and disposal facilities for spent nuclear fuel and radioactive waste from nuclear facilities) for which they see a market of around \$2 billion in India.

The delegation, headed by ambassador of Sweden to India Lars-Olof Lindgren, comprises Swedish companies, technology providers, government agencies and research institutes in the area of nuclear energy.

“Nuclear power in Sweden has proved to be a technologically and economically a success. In India, the sector is on the threshold, ready for take-off. This provides huge opportunities for synergies in the area of nuclear energy and management between the two countries,” said Lars-Olof Lingdren. “With this delegation, Sweden expands its ties with India, now also within the field of nuclear technology solutions,” he added.

In India, the delegation will be in New Delhi, Mumbai and Chennai and will meet government authorities, and businesses and key research institutes. The delegation will tour the Madras Atomic Power Station (India’s first indigenously designed atomic power plant and fuel reprocessing plant) at Kalpakkam, about 80 km south of Chennai.

<http://www.financialexpress.com/news/sweden-woos-india-for-npower-jvs/446941/>

### Indo-Mauritius trade bonding with the best

Mauritius and India have historical ties, common culture and values. At a time when economic slowdown has made most developed/developing markets an unattractive proposition, Mauritius offers plethora of foreign trade opportunities for Indian businesses. At the ET Indo-Mauritius Trade and Investment Seminar organised by The Economic Times, in association with HSBC, a delegation which comprised various senior people from India as well as Mauritius discussed the potential of trade relations between the two countries.

The panel comprising Rama Krishna Sithanen, vice prime minister and minister of finance and economic development, Mauritius, Bhuriguraj Singh, senior vice-president, trade and supply chain, HSBC India, Couldip Basanta Lala, founder director, International Financial Services Limited, Naina Lal Kidwai, group general manager and country head of the

HSBC group of companies in India, N Shridhar, CFO, Future Capital Holdings Ltd, Russell Parera, chief executive officer, KPMG India and Sandeep Uppal, chief executive officer, HSBC Mauritius put forth their views on the synergies between India and Mauritius that can be leveraged to derive mutual benefits.

Naina Lal Kidwai, group general manager and country head for HSBC group companies in India, the moderator for the session, kicked off the discussion by posing the question: 'How easy is to set up a business in Mauritius?' to the panelists.

Responding to the question, Couldip Basanta Lala, founder director, International Financial Services said, "You need 3-10 working days to acquire a business licence in Mauritius, depending upon the completeness of information. A prospective businessman has to produce all the relevant documents along with a business plan.

These are further passed onto the FSC for a global business licence. In the case of a fund management license, there is additional regulatory requirement and you can apply on one stop shop basis." He added that professionals have an experience of inbound investments into India. For fund managers as well as promoters, all inward funds go through Mauritius. The existing management companies are already experienced with the knowledge of making outbound investments as well.

<http://economictimes.indiatimes.com/News/Economy/Foreign-Trade/Indo-mauritius-trade-bonding-with-the-best/articleshow/4402434.cms>

## **Sectoral News**

### **Steel output, sales back in positive territory in Q1**

The steel industry staged a smart recovery in the three months to March-end on account of a revival in demand from the automobile, rural infrastructure and housing sectors, at a time when the world's major steel-producing countries are facing a steep fall in output.

Steel production and consumption grew at 1.2% and 3.8%, respectively, in the January-March quarter over the same period last year, after turning in dismal figures in the previous quarter when production and consumption slipped 7.8% and 13.6%, respectively.

The recovery in steel production has been aided by the improved sales performance of steel companies. The fourth quarter saw most of the large steel companies such as SAIL, Tata Steel, Essar and JSW operating at full capacity. Lower steel production in the quarter to December-end was attributed to lower demand and output cuts. While the country's largest steel producer, SAIL, registered a modest 4% growth in sales to 15.3 lakh tonnes in March over the same month last year, another PSU Rashtriya Ispat Nigam Ltd reported a 16.81% growth in sales.

SAIL witnessed a huge increase in sales of long steel products, used in construction activities, in the past few months. The firm's monthly sales of long products have risen sharply to 50,000 tonnes in 2008-09 against 5,000 tonnes in 2006-07, reflecting a huge increase in demand from rural construction.

Tata Steel has beaten expectations with a phenomenal 45% growth in sales in March, capping a great year that saw its production of saleable steel reaching an all-time high of 5.375 million tonnes. Private steel maker JSW reported an 11% increase in production during Q4 of 2008-09. The company's sales grew 4.4% to 4.5 lakh tonnes in March and 17.4% in the January-March quarter.

<http://economictimes.indiatimes.com/Economy/Steel-output-sales-back-in-Q1/articleshow/4412282.cms>

### **Highest ever GSM additions in March**

The telecom juggernaut continued unabated despite an economic slowdown, with GSM technology service providers setting a new record by crossing the 10-million subscriber mark in March.

In January this year, GSM players had recorded a 9.69 million increase in subscriber numbers, which included Reliance Communications' figures.

According to figures released by the Cellular Operators Association of India (COAI), GSM players added 10.84 million new subscribers in March, taking total GSM subscriptions for the fiscal year to 288.3 million. GSM services account for around 75 per cent of mobile subscriptions.

The numbers exclude subscriptions for Reliance Communications, the CDMA service provider that recently launched GSM services, because the company does not reveal GSM numbers separately.

If the estimates of 2.5 million to 2.7 million GSM subscribers for Reliance Communications are added, the total monthly increase for GSM subscriptions will be 13.54 million.

At this rate, India's GSM subscriber base is growing at more than double the monthly growth rate of China, which is adding around 6 million customers every month. With over 600 million mobile customers.

<http://www.business-standard.com/india/news/highest-ever-gsm-additions-in-march/355049/>

### **Drug firms may exceed growth targets**

Despite forex losses and currency fluctuations impacting profitability, leading Indian drug companies such as Cipla, Sun Pharma, Dr Reddy's Laboratories and Wockhardt are likely to exceed revenue growth targets set for financial year 2008-09.

Dr Reddy's Laboratories, which is celebrating its 25th year of inception, had targeted 25 per cent growth in revenues for 2008-09. In the first three quarters, the Rs 5,000-crore company recorded revenue growth of 25 per cent, 30 per cent and 49 per cent respectively, despite heavy losses in the first quarter.

According to analysts, the company is likely to have a good showing in the last quarter with about 20 per cent growth, thanks to good revenues from sumatriptan succinate, an authorised generic version of GlaxoSmithKline (GSK)'s Imitrex. The company launched the product in November last year, with exclusive sales opportunity for six months.

“The Indian companies would continue to benefit on the top line front from the 25 per cent rupee depreciation as compared to the last quarter of the previous year. On the operating front, margins are expected to contract for most companies,” said a Angel Broking analysis, led by analyst Sarabjit Kaur Nagra.

Another company that has performed beyond expectations is Sun Pharmaceutical Industries, India's largest drug company in terms of market capitalisation. Sun Pharma gave a guidance of 18-20 per cent growth in revenues for 2008-09, but it has already recorded 50 per cent growth in net sales to Rs 3,137.9 crore for the first nine months, from Rs 2099.4 crore in the same period in 2007-08. Net profit was also up at Rs 1422.9 crore, up by 86 per cent, compared to the same period last year.

Analysts feel Sun Pharma's performance in the fourth quarter will be affected due to diminishing sales for pantoprazole and production issues with Caraco, its US subsidiary. “Sun Pharma numbers should see sequential moderation, as sales of pantaprazol have come down and Caraco base business continues to decline,” said a CLSA report.

“In the first nine months, we have exceeded our guidance with basic business, without considering one-time opportunity revenues and other additional income,” said a Sun Pharma spokesperson.

According to a Religare Hichens Harrison earning estimate, second largest domestic drug maker Cipla's March quarter sales are expected to go up by over 23 per cent to Rs 1,383.1 crore on year on year basis and profit after tax to grow by 60.2 per cent to Rs 253.3 crore on year on year basis.

Total sales for Cipla grew 26.4 per cent to Rs 3,785 crore for the nine months, but PAT was down by 1.2 per cent to Rs 521 crore, impacted by currency fluctuation losses. Motilal Oswal estimates Cipla's revenues to grow 22 per cent in the fourth quarter of 2008-09. Analyst firm Prabhudas Lilladher had estimated Cipla's revenues to grow 24 per cent, with a 9.3 per cent growth in net profit for 2008-09. Angel Broking's estimate was an overall 10.4 per cent growth in PAT for Cipla for 2008-09.

Lupin Ltd, another top five Indian drug company, also had better than industry average performance in the first nine months. The company, which was growing at over 30 per cent in the last four years, maintained 38 per cent growth in turnover and 49 per cent growth in profits in the first nine months of 2008-09. “We should continue that momentum in this quarter. We anticipate to grow by at least 25 per cent in the next year,” said Kamal K Sharma, managing director, Lupin.

<http://www.business-standard.com/india/news/drug-firmsmay-exceedgrowth-targets/355647/>

## **FMCG set to record double-digit growth despite recession**

Despite the economic recession, the Rs 86,000-crore Indian FMCG industry is expected to register a double-digit value growth in the last quarter of 2008-09. The industry is expected to register a value growth of 14 % in Q4 as compared to the corresponding period last year. "We expect the industry to register 16 to 17 % value growth for the financial year 2008-2009. There's no clear trend for margins as different companies will post different margins depending upon the commodity prices," said Akhil Kejriwal, an analyst with Enam Securities.

So far the economic recession has not impacted the India FMCG industry and the Industry captains are quite optimistic about the industry's performance in Q4. Adi Godrej, chairman of the Godrej Group, said, "I think there will be a strong growth both by value and volumes in Q4 FY09. I think the margins will also improve in Q4. The industry is doing well despite the economic recession."

According to Amit Burman, vice chairman of Dabur India, the Indian FMCG industry will register a double-digit growth in value in Q4. "I think the industry will post 12 to 15% value growth in Q4. I expect a lot of growth coming from rural India. I think the FMCG industry has not seen the recession because of value-for money products," he said. Echoing similar sentiments, Harsh Mariwala, chairman of Marico Ltd said, "I think the results will be pretty good in the last quarter of FY 09."

However, industry analysts predict the Indian FMCG industry will register lower sales growth of 12.8% y-o-y in Q4 FY09 vis-à-vis previous quarter due to muted growth in Hindustan Unilever (HUL) and ITC. Price cuts in many categories across the sector is another reason for the predicted decline. "While volume growth is likely to be strong for most categories, it is expected to decelerate for discretionary categories. Lower input costs will result in margin expansion, leading to 18.3% y-o-y growth in operating profit for the FMCG industry," said an industry analyst based in Mumbai.

<http://www.financialexpress.com/news/fmcg-set-to-record-doubledigit-growth-despite-recession/448813/>

## **Indian wellness services market to grow at 30-35% in 5 yrs**

Notwithstanding the current economic slowdown, the Rs 11,000-crore Indian wellness services market is expected to grow at about 30-35 per cent for the next five years on the back of rising consumerism, globalisation and changing lifestyles, according to a study.

According to a FICCI-Ernst and Young study titled 'Wellness-Exploring the Untapped Potential', the wellness services market, presently estimated at Rs 11,000 crore, would sustain an annual growth rate of about 30-35 per cent for the next five years.

The report classified wellness industry into seven core segments of allopathy, alternative therapies, beauty, counseling, fitness/slimming, nutrition and rejuvenation. While rejuvenation services such as spas, alternative therapies, ayurveda treatments and beauty

services are expected to grow by as much as 30 per cent, fitness comprising gyms and slimming centers are expected to grow by more than 25 per cent, the study said.

"Given the favourable demand and supply dynamics, wellness presents strong business potential," Ernst and Young Partner (Advisory Services) Mr Farokh Balsara said.

<http://www.thehindubusinessline.com/blnus/03151720.htm>

### **Organic farming beats recession**

Export of organic spices to Europe is seen withstanding the recessionary pressures and growing, while exports to US market have slowed a bit, traders said.

"Turning organic seems to have helped spice farmers resist the recessionary pressure in pepper, coffee and cashew, while cocoa has tanked a little due to lower demand for chocolates," Shiny George of Indian Organic Farmers' Producer Company Ltd (IOFPCL) told.

Her organisation, which exports nearly 100 tonne of cocoa to Switzerland-based chocolate manufacturer Chocolate Stella SA , is under pressure to settle for a value that is nearly 5-8% lower than the contract entered in 2007-08.

IOFPCL is farmers' collective formed in 2004 to promote the cultivation and export of organic produce. Shiny foresees more pressure from buyers on price, while the volume could grow given the small size of the market. "The most interesting part is that if we can show an improvement in quality, the buyers are willing to pay more even in a recessionary market," Shiny added. Coffee and cashew exports to Europe, particularly Germany, is growing and offer good scope for Indian farmers, she said.

Thomas Chacko of Peermade Development Society feels that the market for organic spices would continue to grow at 15% annually. "The per capita consumption of spices is very nominal to be affected by a slowdown. It will continue to grow and the prices will move according to the quality of the commodity," he said. Cocoa is under pressure due to higher per capita consumption when compared to spices, he added.

<http://www.financialexpress.com/news/organic-farming-beats-recession/447434/>

### **Gem and jewellery trade may cross Rs 1,25,000 cr by FY 12: GJF**

India's domestic gem and jewellery trade is expected to touch Rs 1,25,000-crore by FY 12 from the present Rs 80,000-crore, a top industry official said.

"In times of global recession when all industries have been hit hard, we are targeting growth from Rs 80,000-crore to Rs 1,25,000-crore by year 2012," All India Gem and Jewellery Trade Federation (GJF) Chairman C Vinod Hayagriv said.

"We are looking at a 17 per cent growth in the sector over the next three years from the present 8 per cent growth per annum. Our target is that every jeweller in the country should achieve an additional 50 per cent growth in the next three years," Hayagriv said.

He expects the gem and jewellery business to improve during the auspicious Akshaya Tritiya festival period next week. After the slow-down in February and March, the jewellery consumption will increase in the next few weeks, he said.

Hayagriv's vision is to make GJF India's nodal jewellery body with a world-class organisational structure; to make Indian jewellery industry the finest in the world and to help it grow to Rs 1,25,000-crore before end-2012 in a highly ethical, fair and transparent manner, involving every city, state, district and taluka.

<http://economictimes.indiatimes.com/News/Economy/Foreign-Trade/Gem-and-jewellery-trade-may-cross-Rs-125000-cr-by-FY-12-GJF/articleshow/4420484.cms>

### **India Feb iron ore exports up 16.8% yr/yr**

India's February iron ore exports rose 16.8 per cent to 12.63 million tonnes from 10.81 million tonnes a year earlier, the Federation of Indian Mineral Industries (FIMI) said.

In April 2008 to February, the first 11 months of the 2008/09-year, exports were at 91.65 million tonnes, up from 90.48 million tonnes a year earlier, FIMI data showed. The data is provisional, FIMI said in a statement.

<http://economictimes.indiatimes.com/News/Economy/Foreign-Trade/India-Feb-iron-ore-exports-up-168-yryr/articleshow/4413151.cms>

## **News Round – Up**

### **India emerging as global business power: ISB survey**

With foreign assets growing by more than 100 per cent annually in recent years, Indian multinational enterprises (MNEs) have become significant investors in global business markets and India is rapidly staking a claim to being a true global business power, according to a survey of Indian MNEs investing outside India.

The survey done by the Indian School of Business (ISB) and the Vale Columbia Center on Sustainable International Investment (VCCI) was released at Columbia University in New York.

According to an ISB press release, the survey is part of a long-term study of the rapid global expansion of MNEs from emerging markets, in particular from the so-called BRIC countries — Brazil, Russia, India and China. It establishes a baseline against which subsequent developments can be measured.

The survey identifies 24 large multinationals and ranks them on the basis of their foreign assets. These 24 companies are among the largest outward investors from India and, in

2006, they jointly accounted for \$15.3 billion in foreign assets, 60,000 in employees abroad, \$12.7 billion in foreign sales and 441 foreign affiliates (branches, subsidiaries, etc) in 75 countries.

The leading company on the list of 24 was the state-controlled Oil and Natural Gas Corporation (ONGC), which accounted for 31 per cent of the foreign assets on the list. It was followed by the conglomerate Tata Group, accounting for a further 27 per cent. The Tata Group – which includes Tata Steel, Tata Chemicals, Tata Consultancy Services (IT), Tata Motors and Tata Communications (telecoms), among other companies – had the largest number of employees abroad, just under 25,000.

Although the ranking by foreign assets draws on 2006 data, the ISB said the report goes beyond it to provide information about large Indian investments in 2007 as well. The largest brownfield investment through a merger or acquisition targeting an existing company in 2007 was the Tata Steel acquisition of Corus Group (UK) for about \$ 12.7 billion, while the largest greenfield investment was by GAIL, formerly the Gas Authority of India Limited, which invested \$4.2 billion in petrochemicals in Saudi Arabia. The foreign assets of India's top MNEs could have doubled in 2007, given the large increases in outward investment in that year. Outward M&A deals alone surged to nearly \$ 25 billion in 2007.

Indian firms (like their Chinese counterparts) are seeking natural resources abroad, as well as leveraging India's special edge in information technology and pharmaceuticals.

<http://www.business-standard.com/india/news/india-emerging-as-global-business-power-isb-survey/354955/>

### **Indian investors most optimistic in Asia-Pac**

Investor sentiment in India has improved significantly in the first quarter of 2009, according to a survey conducted by Dutch financial services firm ING.

India's score in the ING Investor Dashboard Sentiment Index jumped 75% over the previous quarter (October-December 2008) with more than half of those surveyed in the country saying that their household financial situation will improve in the next quarter.

The survey, which tracks investor sentiment and behaviour of mass affluent investors each quarter from 13 Asia Pacific markets, revealed that India's index moved up from 76 in Q4 of 2008 to 133 in Q1 of 2009, representing a move from pessimistic to optimistic zone. The survey showed investors in India were the most optimistic in Asia.

Indian investors are also much more confident about their job security compared to other markets with around 64% Indians saying that the global economic crisis did not have any negative impact on their jobs and gave a positive outlook for the second quarter of this calendar year.

<http://economictimes.indiatimes.com/Indian-investors-most-optimistic-in-Asia-Pac/articleshow/4412251.cms>

