

Weekly Economic Bulletin

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News Feature

Forex reserves up \$1.43bn at \$199.18bn

Foreign exchange reserves increased \$1.43 billion to \$199.18 billion during the week ended March 30, according to the weekly supplement released by the RBI.

Foreign currency assets rose \$1.53 billion to \$191.9 billion. While gold reserves declined \$99 million to \$6.78 billion, SDRs were unchanged at \$2 million.

The Reserve Tranche Position with the IMF was unchanged at \$469 million.

http://www.business-standard.com/common/storypage_c_online.php?leftnm=11&bKeyFlag=IN&autono=22159

eGoM clears 83 SEZs, caps max area at 5,000ha

After months of controversy, the empowered group of Union ministers (EGoM) has lifted the political freeze on special economic zones permitting the commerce ministry to approve and notify more zones.

However, while doing this, the government imposed a cap of 5,000 hectares on the maximum permissible land size of a zone, directly impacting the plans of four large developers – Reliance Industries, Gujarat Positra and real estate firms DLF and Omaxe. The state governments have also been given the flexibility to reduce the land size from the new limit.

The move follows massive opposition to the SEZ policy from various political parties, including the Left (which had demanded a 2,000 hectare cap), and protests by farmers over the acquisition of their farmland in West Bengal and other states.

The EGoM, which is headed by Minister of External Affairs Pranab Mukherjee, was attended by Union ministers Kamal Nath and P Chidambaram, among others.

<http://www.business-standard.com/bsonline/storypage.php?leftnm=11&bKeyFlag=IN&autono=22132>

Overseas investment

Indian cos invest \$23 b abroad in Jan, Feb

Indian companies have made foreign direct investments (FDI) worth \$23 billion in January and February of the current year, higher than \$21 billion made in the whole of 2006, said Dr Ajay Dua, Secretary, Department of Industrial Policy and Promotion.

Speaking at a meeting organised by the Confederation of Indian Industry, Dr Dua said, "The small and medium enterprises are increasingly acquiring companies to gain the advantages of quick scale-up, technology acquisition and benefits of innovation."

Moreover, a large number of SMEs have approvals to invest abroad, thus making the process of acquisitions faster, he added.

Dr Dua said the size of company was no longer valid in relation to mergers and acquisitions. "Going forward, what will be more important is your bona fides, your products and your entrepreneurial ability. India's growth in the future will be influenced by a range of mergers and acquisitions," he said.

<http://www.blonnet.com/2007/04/06/stories/2007040606911000.htm>

Trade News

Oilmeal exports at new high

Export of oilmeals surged to a new high in terms of both volume and value. Shipments during fiscal 2006-07 aggregated 51.7 lakh tonnes (lt) valued at Rs 4,300 crore, according to data compiled by the Solvent Extractors Association of India.

This represents a 17 per cent rise by volume and 21 per cent by value. Rapeseed extractions recorded an increase to 9.7 lt . from 5.3 lt the previous year.

This was mainly due to the off-season availability of rapeseed from the National Agricultural Cooperative Marketing Federation allowing year-round crushing.

Soyabean extraction continued to dominate the export basket with 36.6 lt (34.2 lt), while ricebran extraction shipments doubled to 2.5 lt.

Castor meal export was unchanged at 2.0 lt owing to lower crop.

<http://www.thehindubusinessline.com/2007/04/07/stories/2007040704491100.htm>

Textile exports may touch \$25 b: Assocham

Textile exports from the country will touch \$25 billion in 2007-08, up from \$20 billion expected in the fiscal just ended (2006-07), according to Assocham.

The country's textile exports were estimated at \$17 billion in 2005-06.

Growth in textile exports by China declined by almost 20 per cent last year due to a higher valued Chinese currency, a cut in export tax rebates and higher labour costs, according to the chamber.

The 10 per cent cap on Chinese textile exports will continue till 2008.

This has provided ample opportunity for India to establish itself in the export market and compete with China when the cap on its textile exports would be lifted, the chamber added.

Assocham also estimates that the textile sector would attract an investment of Rs 1 lakh crore under the Technology Upgradation Fund Scheme (TUFS), which aims at transforming the textile industry by extending fiscal assistance.

<http://www.blonnet.com/2007/04/05/stories/2007040505640300.htm>

Govt effects further import duty cuts with Singapore

In keeping with its tariff elimination and reduction commitments with Singapore, the Government has effected further duty cuts to as many as 4,500 items as part of the India-Singapore Comprehensive Economic Co-operation Agreement (CECA).

For the phased elimination list of about 2,200 items, the Government has increased the level of duty concession from 25 per cent to 50 per cent. The duty cuts are effective from April 1.

As per the free trade agreement (FTA) on goods, which formed part of the CECA, import tariffs in the phased elimination list are to be eliminated in five stages leading up to zero tariffs from April 1, 2009.

The percentage reduction is expressed as a margin of preference over the most favoured nation (MFN) applied rates. The India-Singapore CECA came into effect from August 1, 2005.

"The import duty concessions have been deepened towards meeting the terminal year commitments," a Finance Ministry official told Business Line.

The Government has also increased the level of concession from 10 per cent to 20 per cent for the phased reduction list, which has about 2,300 items.

<http://www.blonnet.com/2007/04/06/stories/2007040606831000.htm>

PM allows duty-free access to Bangladesh, 3 others

Bangladesh could be the biggest beneficiary of the Prime Minister, Dr Manmohan Singh's announcement of not only allowing duty-free access to South Asian least developed neighbours by the year-end but also further reducing the sensitive list for these countries.

Addressing the 14th South Asian Association for Regional Cooperation (SAARC) summit, Dr Singh said India was ready to accept asymmetrical responsibilities, and open its markets to the South Asian neighbours without insisting on reciprocity.

Nepal, Bhutan and Maldives are the other countries that could benefit from Dr Singh's announcement.

In July last year, the Government reduced tariff on 380 tariff lines for imports from South Asian LDCs including Bangladesh.

The items that saw a cut in customs duties include motorcars, motorcycles, golf carts, pharmaceutical products, fertilisers, paints, routers, modems, iron and steel, a host of textile items, certain edible vegetables, cut flowers, cocoa and cocoa preparations, and lactose, maltose and sugar syrup.

<http://www.blonnet.com/2007/04/04/stories/2007040405771000.htm>

Sectoral News

Steel production grows 10 pc in Apr-Feb period

Steel production in the country during the April-February period grew 10.1 per cent at 44.3 million tonnes as against 40.237 million tonnes in the corresponding period of previous fiscal.

Exports during the period under review increased 9.3 per cent to 4.3 million tonnes from 3.934 million tonnes in the same period of previous fiscal, an official release said.

During the period, state-run SAIL produced 11.402 million tonnes of saleable steel, up five per cent over same period previous fiscal while the company's hot metal production in the period declined marginally at 13.215 million tonnes.

http://economictimes.indiatimes.com/Steel_production_grows_10_pc_in_Apr-Feb_period_/articleshowcnews/1858458.cms

Wheat output more than estimate

India is likely to produce 73.7 million tonnes of wheat in the 2006-07 rabi season against the previous estimate of 72.5 million tonnes.

While the forecast on wheat sounds promising, there is a decline in oilseed production, which may impact edible oil prices.

The total foodgrain output is expected to rise by 1.5 per cent to 211.78 million hectares versus 208.6 million hectares last year.

“The wheat production will rise due to favourable weather and higher acreage of the crop,” said Agriculture Secretary P K Mishra, while releasing the third advance estimates for various agriculture crops.

Wheat acreage increased to 28.1 million hectares this year, as against 26.4 million hectares last year.

The projected output of 73.7 million tonnes will be 6.2 per cent higher over last year’s final estimates of 69.35 million tonnes. The rise in wheat output is likely to provide relief to consumers and help government in tacking inflation, currently bordering at 6.46 per cent.

The production of rice at 91.05 million tonnes is marginally higher than previous estimate of 90.13 million tonnes.

http://www.businessstandard.com/common/storypage_c.php?leftnm=10&autono=280114

IT, ITES growing at 28 pc: Premji

A buoyant Indian IT and ITES sector, including the domestic and exports segment, is growing at an estimated 28 per cent in the financial year 2006-07, offering unlimited opportunities to the aspirants, Wipro Corporation Chairman Azim Premji said.

Total revenue for the sector is expected to exceed US \$48 billion, nearly a ten-fold increase over the revenue of \$4.8 billion, reported in 97-98, he observed while delivering the convocation address at Pune University.

Premji said as a proportion of national GDP, the revenue of Indian technology sector has grown from 1.2 per cent in 1997-98 to an estimated 5.4 per cent in financial year 2006-07.

The domestic market is also picking up and its total size is expected to cross USD 15.9 billion in 2006-07, a growth of 21 per cent over the previous year.

As we look forward, India continues to enjoy an unmatched superiority as an offshore destination for IT and ITES services. The success of IT has now spread to other industries

including Biotechnology, Auto ancillaries and Pharmaceutical industries, he said adding, "It seems almost that the success is contagious."

<http://economictimes.indiatimes.com/IT ITES growing at 28 pc Premji/articleshow/wcnews/1852904.cms>

Food sector to be a 310 bn dlr Industry by 2015

Global food experts will converge here next week for a two-day conference to discuss the opportunities in India against the backdrop of the recently enacted Food Safety and Standards Act.

"The Indian Food Sector is estimated to be worth over 200 billion dollars and is expected to grow to 310 billion dollars by 2015", a release issued by the CII, organisers of the conference, said.

The meeting to be held on April 10-11 will be attended by United Nations Food and Agriculture Organisation's Chief of Food Quality and Standards Service, vice chairpersons of Codex Alimentarius Commission and senior representatives of regulatory authorities from the US, UK, Ireland, Brazil, New Zealand, Singapore and other countries, the release said.

The food summit would be inaugurated by Health Minister Anbumani Ramdoss. The Food Safety and Standards Act provides a major opportunity to India to revisit its current food regulatory regime to ensure that Indian consumers get high quality and safe food as well as a conducive, industry and innovation friendly environment is created to enable faster growth of the food industry, CII said.

<http://economictimes.indiatimes.com/News/Economy/Indicators/Food sector to be a 310 bn dlr Industry by 2015/articleshow/1874623.cms>

Cars & bikes sales in double-digit lane

Big auto, including both car and bike makers, ended the fiscal year with double-digit growth figures. However, the stats weren't as heady for motorcycle makers as they were for car companies. Market leader Maruti Udyog sold 6.32 lakh units in the domestic market for the fiscal 2006-07, clocking a growth of 21%.

Exports for the fiscal year stood at 39,295 units. The car biggie's cumulative sales for the fiscal ending March 2007, were up 20% and stood at 6.74 lakh units as against 5.61 lakh units.

Fellow Japanese major Honda Siel grew its fiscal year sales tally by a little more than 43%. The company sold 61,327 units in the fiscal year 2006-07 as compared to 42,727 units in the fiscal year 2005-06. The company's monthly sales grew by a little less than 39%.

Czech auto maker Skoda Auto's March sales were up 10% while General Motors' sales for the month were up 12% as it sold 4,542 units.

Arch rival Ford's monthly sales were however, down 9% and stood at 5,382 units. The auto-maker's sales for the fiscal year ended March 2007 grew by 45%. Ford sold 41,797 units in 2006-07 as compared to 28,840 units in the fiscal year 2005-06.

http://economictimes.indiatimes.com/Cars_bikes_sales_in_double_digit_lane/articleshow/1848060.cms

Jupiter Bioscience to invest \$5 mn in US plant

Drug maker Jupiter Bioscience Ltd plans to invest \$5 million to set up a unit in the United States as part of its strategy to focus on peptide-based drugs.

Chairman and Managing Director Venkat Kalavakolanu said the company wanted to derive two-thirds of revenue from peptides in three to four years. They constitute about 45 per cent of Jupiter's revenue currently.

There are only five companies that make peptide-based bulk drugs," he said. "We have moved up the value chain from providing basic peptide raw material to making peptide-based drugs."

Jupiter, he said, would aim to grab 15-20 per cent of the nearly \$800-million global market for peptide raw materials in 3 years.

http://www.financialexpress.com/latest_full_story.php?content_id=160074

Hexaware to acquire US IT firm for \$40 mn

Hexaware Technologies, a provider of IT and BPO services, is planning to acquire an IT company in the US or Europe for \$20-40 million (around Rs 85-170 crore).

P K Sridharan, executive director and chief mentor, Hexaware, told Business Standard: "The next acquisition will also be an all-cash deal. Since, we want to penetrate the European markets quickly, an acquisition will make sense. "We are looking for a suitable fit in the enterprise resource planning (ERP) space for verticals such as banking and financial services or transportation domains."

The company is aiming at both acquisitions as well as investments in the infrastructure for fast growth in 2007-08. Hexaware had acquired FocusFrame in 2006 that is specialised in automated testing of ERP and custom applications for an all-cash deal worth of \$34.3 million. With an order book in excess of \$225 million and a run rate of 15 clients additions per quarter, Hexaware seems likely to achieve 23 per cent earnings growth over the next three years.

http://www.businessstandard.com/common/storypage_c.php?leftnm=10&autono=280048

SAIL to invest Rs 11,262 cr for Bhilai plant expansion

Public sector steel major Steel Authority of India (SAIL) has approved a major modernisation and expansion programme for its traditional flagship and highly profitable Bhilai Steel Plant (BSP).

SAIL will invest Rs 11,262 crore to nearly double BSP's annual production capacity to 7 million tonne from the current 3.93 million tonne.

Metallurgical & Engineering Consultants (MECON) will be the consultants for the proposed modernisation and capacity expansion.

SAIL, whose capacity utilisation stood at 114 per cent and which produced 12.6 million tonne of saleable steel during 2006-07, will be installing at BSP a steel melting shop of 4 million tonne capacity, a blast furnace, a coke oven battery and a sinter plant that will be among the biggest in the country. Through the modernisation, BSP will become a 100 per cent continuous casting plant, thereby, raising its productivity and energy efficiency.

To enhance its core competency in long products, BSP envisages installing a universal beam mill of 1 million tonne capacity to produce the longest beams of up to 1.1 metre depth in the country. To meet the growing demand of the Indian Railways, a new universal rail mill of 1.2 million tonne capacity with state-of-art technology will also be installed. Modernisation and expansion of BSP is an integral part of SAIL's growth plan that envisages raising capacity to around 23 million tonne of crude steel by 2010. The SAIL board has already given an in-principle approval to investment proposals for expanding the crude steel capacity of IISCO Steel Plant to 2.5 million tonne, besides the 7 million tonne go-ahead to BSP. In addition, Salem Steel Plant's capacity will be doubled to 350,000 tonne of stainless steel.

http://www.businessstandard.com/common/storypage_c.php?leftnm=10&autono=280055

News Round – Up

India Inc spent \$10 bn to shop abroad in '06

It's not just inward foreign direct investment that is adding up to big numbers. India Inc's overseas purchases has resulted in outbound FDI crossing \$10 billion in 2006 — almost three times the amount spent in the previous year.

According to the latest balance of payments figures, a whopping \$6.5 billion has gone out of the country as FDI in the October-December quarter.

One reason for the increase in numbers is that actual equity investments in respect of deals announced earlier are now taking shape. Besides a couple of high-profile

acquisitions by large corporates, bulk of the FDI outflows are believed to be due to several small-sized deals by Indian entities.

When a company announces an acquisition of an overseas entity, only a portion of the acquisition is funded through equity. The financial closure of a deal takes place a long time after a deal is announced. Besides, the entire equity component is not funded from the acquiring country. Corporates making an acquisition could also fund the equity composition through an overseas entity, which is a subsidiary of the acquiring company.

<http://economictimes.indiatimes.com/India Inc spent 10 bn to shop abroad in 06/articleshow/1876635.cms>

10% growth possible: Montek

India's target of 10 per cent economic expansion looks difficult to achieve but is possible, as the country has a recipe for sustained growth, Planning Commission Deputy Chairman Montek Singh Ahluwalia said.

This feat, however, would not be possible if agriculture was not put on a higher growth path, he said while delivering the convocation address at the Graduation Ceremony of the Indian School of Business.

"The economy is expected to grow at nine per cent over the next five years and we hope it will touch 10 per cent at the end of the five-year period. It requires a lot of hard work to achieve this but it is possible," Ahluwalia said.

Pointing out that India has a recipe for sustained growth in a rapidly globalising world, he said, "our focus now is on inclusive growth and policy changes that will help in doubling the growth rate in agriculture to reach 4 per cent. A sharper focus on improving rural infrastructure is the surest way to achieve this growth rate."

http://www.financialexpress.com/latest_full_story.php?content_id=160412