

Weekly Economic Bulletin

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News Feature

Capital strength: Indians beat MNCs in use of money

Indian FMCG companies seem to be almost thrice as efficient as global heavyweights when it comes to utilisation of capital. An ETIG analysis shows that Indian companies such as Hindustan Lever, Dabur and Marico have an average capital employed figure worth

around three months of yearly sales, while for global majors like P&G, Coke, Pepsi and Ajinomoto it's 8-9 months of annual turnover.

To put it differently, for every rupee invested in the business, Indian companies generate Rs 4 worth of sales against one-and-a-half bucks generated by global biggies.

<http://economictimes.indiatimes.com/articleshow/1838670.cms>

Overseas Investment

Europe is destination next for Indian drug makers

New Delhi: Europe is wooing Indian drug makers to develop new medicines for HIV/AIDS, tuberculosis and malaria with home-grown companies for its \$85bn-a-year pharmaceutical market, the second largest in the world.

At the first meeting of the Indo-EU working group on pharmaceuticals and biotechnology last week, the European Union (EU) told India that it would provide up to 75% of the cost of research as non-repayable grant-in-aid to collaborative research projects.

<http://economictimes.indiatimes.com/articleshow/1855686.cms>

SAP to invest US\$ 1 billion in India

New Delhi: The US\$ 10 billion German software maker SAP will invest US\$ 1 billion over the next five years to expand its operations in India. It also intends to double headcount from the present 2,800 over the same period.

Out of the committed investment, the company will spend about \$40m in boosting R&D activities which it does through SAP Labs India in Bangalore and Gurgaon.

The company also opened a new office in Gurgaon where it will staff 250 people by the end of '06. By the end of this year, SAP expects 20% of the global R&D, services and support to be done out of India.

<http://economictimes.indiatimes.com/articleshow/1844476.cms>

GM lines up US\$ 279.4 million for Pune plant

General Motors, the world's largest car-maker, has finally decided to produce its small car — Chevrolet Spark — at Talegaon, near Pune, in Maharashtra. The company will invest US\$ 279.4 million in setting up a unit to manufacture the vehicle.

The plant, with an initial capacity to make 45,000 cars, will be ready for production by 2009. A memorandum of understanding (MoU) to this effect was signed between the company and the Maharashtra government here today.

Chief Minister Vilasrao Deshmukh, Deputy Chief Minister R R Patil, and Industry Minister Ashok Chavan were present on the occasion.

<http://www.businessstandard.com/common/storypage.php?autono=100466&leftnm=1&subLeft=0&chkFlg=>

Wockhardt tie-up with US co

Wockhardt Hospitals, a leading healthcare provider group, on Monday announced a strategic tie up with US based IndUShealth Inc., a global health care service that links uninsured and self-insured Americans to affordable, high-quality medical care outside the US.

Under the agreement, IndUShealth will coordinate overseas care at Wockhardt Hospitals in India for American patients in need of highly complex medical procedures, a Wockhardt release said.

<http://economictimes.indiatimes.com/articleshow/1832948.cms>

Trade News

Record cotton exports likely this year

Mumbai: Satisfactory rainfall in cotton producing areas has given enough reason to cotton traders in the region to believe that exports will surpass the Cotton Advisory Board's (CAB) estimate of 33 lakh bales by 12-17 lakh bales this season.

"Rainfall in cotton areas, particularly Gujarat, Madhya Pradesh and Maharashtra has been very satisfactory and we expect production in the current season to be around 270 lakh bales and exports at 45-50 lakh bales," East India Cotton Association (EICA) President K F Jhunjhunwala said on the sidelines of an All India Cotton Conference here.

Notably, the CAB has estimated a production of 244 lakh bales for the current season. Though a tad too early to predict, exports in the next season could reach up to 75 lakh bales, Jhunjhunwala said.

<http://www.businessstandard.com/common/storypage.php?autono=100622&leftnm=0&subLeft=0&chkFlg=>

Software, services exports up 32 per cent

New Delhi: Software and services exports, including IT enabled services (ITeS), are estimated to have reached US\$ 6.3 billion in the quarter ended June 2006, an increase of 32.29 per cent compared with the exports in the same period last year, according to data compiled by the Electronics and Computer Software Export Promotion Council (ESC).

As per the ESC's projection, computer software and services exports, including ITeS, will increase to Rs 1,40,000 crore, up by 33 per cent over the previous year's figure of Rs 1,05,000 crore.

<http://www.businessstandard.com/common/storypage.php?autono=100670&leftnm=8&subLeft=0&chkFlg=>

EEPC expects exports to top US\$ 23 billion

Kolkata: Engineering Export Promotion Council (EEPC) has set engineering export target of US\$ 23 billion for 2006-07 against last year's export figure of US\$ 19.18 billion.

The achievement in 2005-06 was even higher than the revised target of \$18.3 billion for the year. Machinery and instruments, transport equipment and manufacturers of metal jointly contributed over 70 per cent of the total export.

The principal items of engineering exports were machine tools, ferro alloys, machine tools, ferro alloys amongst others.

http://www.businessstandard.com/common/storypage_c.php?leftnm=10&autono=100276

Sectoral News

Cement: Still going strong

Cement makers are on a roll. With a strong GDP growth and supply-demand equation working in the industry's favour, the net profit of the top 10 cement companies more than doubled during the quarter ended June 30, '06. Thanks to a 21 per cent jump in average sales realisations and double-digit growth in volumes, the net sales of the sample companies grew 34 per cent y-o-y.

With realisations growing faster than expenses, a major chunk of the increase in revenues fattened the industry's bottomline. The sector's per tonne expenses rose marginally by 5.1% y-o-y during the quarter.

<http://economictimes.indiatimes.com/articleshow/1863303.cms>

Indian Oil to pump in US\$ 2 billion in Nigeria refinery

New Delhi: Indian Oil Corporation (IOC) is readying an investment of \$2 billion in Nigeria for setting up a 6 million tonne per annum refinery in the Edo state. In lieu of this commitment, the state-run oil refiner would negotiate a long-term crude oil supply contract with the Nigerian government, preferably for 12-15 years.

Besides, IOC will also negotiate for equity stakes in producing oil properties in Nigeria.

IOC's chairman and managing director, Sarthak Behuria, is leaving for Nigeria on August 21 to discuss the modalities of this proposal with the Nigerian president, Olusegun Obasanjo, who is also the commander in chief of the Federal Republic of Nigeria.

http://www.financialexpress.com/fe_full_story.php?content_id=136107

Indian IT companies move up the value chain

New Delhi: IT companies in India are finally moving up the value chain. For the 12 months ended June 2006, while the revenue share of plain vanilla services such as development and maintenance has fallen for IT giants, Infosys and TCS, the share of some of the high-margin high-end services such as package implementation and systems integration has increased.

In the case of Infosys, for instance, the share of development and maintenance services in revenues has declined to 51% during the last 12 months ending June 2006, compared to nearly 55% a couple of years back. The revenue share of package implementation, on the other hand, has increased from 15% to 16%. TCS and Wipro, too, have seen a decline in the share of application, maintenance and development (AMD) services during FY'06, with systems integration, package implementation and product development garnering a larger portion of the revenues. AMD services, however, continue to remain the bread and butter of IT companies in India.

<http://economictimes.indiatimes.com/articleshow/1838694.cms>

Fast moving again: FMCG on growth path

Mumbai: The US\$ 10 billion FMCG sector is on the move. After witnessing a strong revival in the previous quarter, the sector is now on the growth trajectory. While Marico Ltd has posted a 42 per cent net profit this quarter, Hindustan Lever is not far behind. India's largest FMCG (fast moving consumer goods) company reported a 35 per cent growth in

Q2 net profit at US\$ 663 million. As for the other major players, ITC Ltd, Tata Tea and Dabur India have also performed well during this quarter.

According to analysts, the sector's growth momentum is continuing this quarter as both urban and rural markets are growing well. "Broadly speaking, it has been a good year for FMCG majors. In terms of profitability, Marico, HLL, ITC have done pretty well while Colgate and GlaxoSmithkline Consumer have reported negative results," they added.

http://www.financialexpress.com/fe_full_story.php?content_id=135890

News Round – Up

Growth in economy is steady: Chidambaram

New Delhi: The Government on Saturday said there was no slowdown in the economy and said the growth momentum is likely to be maintained this fiscal in face of high growth in industry and services sectors.

"There are no indications of a slowdown in the economy in 2006-07. The growth momentum is expected to be continued in the current year," Finance Minister P Chidambaram informed Lok Sabha in a written statement.

Real GDP growth was 8.4 per cent in 2005-06 while agriculture, industry and services sector grew at 3.9 per cent, 8.7 per cent and 10 per cent respectively.

http://www.financialexpress.com/latest_full_story.php?content_id=136349

Fitch upgrades India's rating

Mumbai: Fitch Ratings has upgraded India's long-term foreign and local currency rating to investment grade, taking note of fiscal consolidation at the Centre as well as the state level.

India's long-term foreign and local currency IDRs (issuer default ratings) have been upgraded to 'BBB-' from 'BB+', both with stable outlook.

The short-term foreign currency IDR has been raised to 'F3' from 'B', while the country ceiling has been rated higher at 'BBB-' (BBB minus) from 'BB+'.

http://www.businessstandard.com/common/storypage_c.php?leftnm=10&autono=100116