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News Feature

Pranab asks Indian diaspora to be part of economic growth

President Pranab Mukherjee asked the 25 million-strong Indian diaspora to invest in Indian companies and set up new ventures to become partners in achieving economic growth rate of above eight per cent.

In his valedictory address at the Pravasi Bhartiya Divas, in which over 2000 delegates from over 40 countries took part here, he said stock markets returns in India are among the highest in the world and asked NRIs to invest in them.

He said the country has managed to grow at a rate above eight per cent.

"Due to the slowdown in the global economy and other factors, the growth rates have declined, from 8.4 per cent in 2010-11 to 6.5 per cent in 2011-12, and further to 5.4 per cent in the first half of 2012-13.

"However, as India's economy has demonstrated its ability to weather external shocks in the past, I am hopeful that this resilient character of the economy will help to reverse this short-term deceleration and bring economic growth back to the level of 8 to 9 per cent. You too can become partners in the progress of the nation," he said.

According to Mukherjee, for the accelerated growth of the economy, investment level has to increase.

"A revival of the high investment rate in the country is a must for the economy to regain its 8 per cent plus growth levels. You all could help in the process by investing in Indian companies and establishing new ventures.

"The yield of Indian equity markets is amongst the highest in the world and many of the most famous companies have established business here or seeking to do so," he said.

He highlighted one of his key initiatives as finance minister by opening the country's capital market for Qualified Foreign Investors (QFIs).

"Initially, we permitted QFIs to invest in Indian mutual funds and on January 1, 2012, in a far-reaching decision, we opened the doors for them to directly invest in Indian equities," he said.

Mukherjee said India has also set up a friendly regime to enable Indians abroad to remit

money to the country.

NRIs can deposit money in the country under the Non Resident External Rupee account, Non Resident Ordinary Rupee account and Foreign Currency Non Resident account banks schemes, he said.

http://www.financialexpress.com/news/pranab-asks-indian-diaspora-to-be-part-of-economic-growth/1056953/0

Credit Suisse forecasts GDP to grow by 6.9% in 2013-14

A report by Credit Suisse says that economy has bottomed and will see atleast a moderate recovery over the course of 2013. As per the report, there are three reasons for this optimism.

Firstly, the government reforms will provide a boost to business confidence, encouraging some companies to increase capital spending. Secondly, the weaker rupee should boost net exports.

Finally though the RBI has been slow to cut the repo rates, the market interest rates have fallen by 100 basis points over the last one year.

This with the diminishing lagged effects of the previous rate rises should support investment and durables consumption in the economy.

With all this in mind and following the release of the mildly disappointing September quarter GDP numbers Credit Suisse has made a small further downward adjustment to the 2012/13 GDP growth forecast to 5.7% from 5.9%, while opting to leave our 2013/14 forecast at 6.9% (the consensus is at 5.5% and 6.5% respectively).

http://articles.economictimes.indiatimes.com/2013-01-09/news/36237853_1_gdp-numbers-credit-suisse-repo-rates

Overseas Investment

FDI policy made more friendly, rational: Anand Sharma

Seeking to encourage foreign direct investment (FDI) into the country, the policy has been made more friendly, rational and simple, Union Minister for Commerce and Industry Anand Sharma said.

Addressing the delegates at a session on 'India's

Growth: Greater Opportunities', he said investment limit has been raised from Rs 600 crore to Rs 1,200 crore for projects that need cabinet approval.

At present, the national investment rate is around 33-34 per cent and by the end of 12th Plan, the aim was to increase this to 36 per cent, he said.

Market diversification was India's strategic decision, he said, adding the country had successfully found new markets in Africa and other neighbouring countries.

Union Minister for Urban Development and Parliamentary Affairs, Kamal Nath said India faces an infrastructure deficit more so in the area of urban infrastructure.

Today, around 430 million people are residing in cities and in the next decade this would go up to 600 million.

Similarly, at present there are 53 cities in India and in the next 10 years, it would increase to 72 with a population of one million in each city. Hence, there was need to rapidly develop infrastructure.

Montek Singh Ahluwalia, Deputy Chairman of the Planning Commission, said India faces a challenge on the current account and fiscal deficit fronts.

Encouraging long term FDI flows would be more fruitful as the Government had decided to borrow as little as possible, he said.

With the approval of Kochi Metro, the city will experience easier and faster movement of commuters and be an example of how infrastructure can be developed in smaller cities as well, he said.

Kerala Industries Minister P K Kunhalikutty urged the Indian diaspora to explore the vast investment opportunities in the state.

FICCI President and Country Head India Director HSBC Asia Pacific Naina Lal Kidwai said India received USD 80 billion as remittances from the Indian diaspora in 2012.

"We have continued to receive considerable remittances from the Indian Diaspora which is our underlying strength. In 2012. we received USD 80 billion leaving China behind with USD 76 billion," she said.

http://www.financialexpress.com/news/fdi-policy-made-more-friendly-rational-anand-sharma/1056428/0

Mass grocery, apparel most favoured segments for FDI: Study

Mass grocery and apparel are the two most favoured segments for foreign direct investment in multi-brand retail, according to a study by Deloitte Touche Tohmatsu India.

The study, titled Indian Retail Market-Opening More Doors, which comes at time when the country has opened its doors to FDI in retail, says each policy condition is expected to have different implications on various retail sub-segments.

"A policy condition might have a low impact in one segment but could be a major stumbling block for another segment. Mass grocery and apparel are two of the fastest growing organised retail segments in India today. In both these segments, there are large domestic retailers who could be potential joint venture partners for foreign retailers," Gaurav Gupta, Senior Director, Deloitte Touche Tohmatsu India, said in a statement.

He said foreign retailers could enter India by forming a joint venture company that could have multi-brand retail stores. "Alternatively, the foreign investor may also consider acquiring 51 per cent stake in the existing business set-up of the potential Indian joint venture partner," he added.

The report stated that the fact that mass grocery retailers already source many products directly from producers or food processing units was an advantage for this segment. But to meet sourcing guidelines and have better margins, foreign retailers would need to cultivate relationships with local manufacturers, it added.

http://www.thehindubusinessline.com/industry-and-economy/marketing/mass-grocery-apparel-most-favoured-segments-for-fdi-study/article4298756.ece?homepage=true&ref=wl_home

Government approves 14 FDI proposals worth over Rs 1,300 cr

The government said it has approved 14 FDI proposals worth about Rs 1,311 crore including that of Hindustan Port Ltd.

"Based on the recommendations of FIPB in its meeting held on December 21, government has approved 14 proposals of foreign direct investment amounting to Rs 1,310.60 crore approximately," the Finance Ministry said in a statement.

The proposal of Mumbai-based Hindustan Port Ltd to induct foreign funds worth Rs 440 crore for investment in downstream companies was among those cleared by FIPB.

The Foreign Investment Promotion Board, headed by Economic Affairs Secretary Arvind Mayaram, has also allowed pharma firm Aanhaneya Lifecare to raise funds worth Rs 405 crore through issue of foreign currency convertible bonds.

Besides, the board has allowed Bangalore-based Syngene International to induct foreign equity of Rs 125 crore.

US-based Gavis Pharma LLC can also invest Rs 73.75 crore in an Indian company engaged in the business of manufacture of injectable products.

Other major proposals which were approved by the FIPB include Excedo Reality Fund-I to accept NRI investment worth Rs 210 crore, and that of Punjab-based pharma company Saurav Chemicals Ltd to issue fresh equity shares valued Rs 14.85 crore to foreign company.

Other proposals approved include that of Ordain HealthCare Global for acquisition of manufacturing facility for its group pharma company and that of Arshiya International to issue warrants.

FIPB has deferred six and rejected three proposals. The proposals which were deferred include that of Mahindra & Mahindra Ltd to provide service support for radar systems and defence electronic systems.

Those rejected include proposal of Mumbai-based Fullife Healthcare for induction of foreign equity.

http://articles.economictimes.indiatimes.com/2013-01-11/news/36279741_1_fdi-proposals-foreign-equity-support-for-radar-systems

Trade News

3 working groups set up to boost trade with China

India and China have set up a working group to consider co-operation over five years in various strategic sectors, including investment, a senior Government official said.The working group is

among the three set up to boost bilateral trade. “The working group will look at investment of Chinese companies in Special Economic Zones and National Investment and Manufacturing Zones. It is looking at larger participation. We are looking at China, Japan and Korea not only for trade in goods, but services and investments, too. These two aspects will be handled by the two working groups.

The contact points have been nominated and they are likely to meet in February,” said Asit Tripathy, Joint Secretary, Ministry of Commerce. The working group on trade statistics anomalies has been set up to see how the Chinese side values trade at $27 billion, while India pegs it at $40 billion during 2010-11. Tripathy said this sub-group would examine the modalities employed by both sides to calculate trade.

http://www.thehindubusinessline.com/todays-paper/tp-economy/3-working-groups-set-up-to-boost-trade-with-china/article4295643.ece

India, Australia discussing free trade agreement: Australian diplomat

India and Australia are currently discussing a free trade agreement between the two countries, a senior Australian diplomat said.

"Discussion on FTA has been happening over the last couple of years. That is still continuing...", Australian Trade Commissioner and Consul Commercial, Michael Carter said.

He said the trade relations between the two countries has been growing steadily and in the last five years trade has "doubled" to reach Australian 20 billion dollars.

"The forecast for the next couple of years is we are planning to double that figure to Australian 40 billion dollars...", he told.

Noting that Mahindra and Mahindra and IT giant Infosys were some of the major investors in his country, Australian Consul General David Holly said, "the total Indian investments made in Australia till last year was Australian 11 billion dollars".

"We have seen quite a significant number of (Indian) investments in Australia".

http://articles.economictimes.indiatimes.com/2013-01-11/news/36279867_1_australian-trade-commissioner-julia-gillard-australian-prime-minister

India, Mauritius to meet next month to review tax treaty

India and Mauritius will meet next month in the capital to review the bilateral Double Taxation Avoidance Convention (DTAC) which seeks to prevent misuse of the provisions of the near three-decade old treaty.

During his meeting with Mauritius Prime Minister Navinchandra Ramgoolam at Port Louis, Commerce and Industry Minister Anand Sharma expressed hope the two nations will be able to move forward on the issue at the Joint Working Group (JWG) meeting.

"He (Sharma) expressed the hope that the Joint Working Group on Double Taxation Avoidance Convention (DTAC), which is scheduled to meet in February, 2013, would be able to take the deliberations forward," an official release said.

An official said India is likely to press for changes in the treaty so that information regarding source based taxation of capital gains could be shared between the tax authorities.

India will also pitch for incorporating benefit limitation clauses in the agreement with a view to prevent 'treaty abuse'.

Dates will be finalised soon, the official added. The JWG comprising members from the two sides was constituted in 2006 to put in place adequate safeguards to prevent misuse of the DTAC.

Eight rounds of discussions have taken place so far. India has said that it is making consistent efforts to find mutually acceptable solution for addressing the concerns.

The DTAC, notified in 1983, provides for taxation of capital gains arising from alienation of shares only in the country of residence of the investor.

http://articles.economictimes.indiatimes.com/2013-01-09/news/36237685_1_review-tax-treaty-dtac-india-and-mauritius

India eyes increased access for energy companies in Bhutan

India will push for increased access of energy companies in Bhutan during the forthcoming visit of the external affairs minister to Bhutan next week.

The move is aimed at countering China that of late has increased its presence in the neighbouring country.

Several Indian companies are already present in Bhutan undertaking feasibility studies for Hydel power projects.

India is also concerned that presence of Chinese companies especially in the power sector could increase the prospects of such entities making backdoor entry into India's critical infra sector.

According to officials, external affairs minister Salman Khurshid will be on a two day visit to Bhutan from January 14 accompanied by senior offcials. Topping the agenda besides increased trade and investments, other issues of regional and international interests will be discussed.

With an eye towards Chinese moves, India has already injected some Rs 10,000 crore into Bhutan’s 10th five-year plan and is building multiple economic leverages into existing close bilateral relationship.

At present, practically, India is the only country to have major footprint in Bhutan's hydropower sector. But as a policy matter, "Now we have decided to open up our hydropower sector at global level. Being situated at strategic location encircled with large economies and a liberalized FDI policy in hand, Bhutan is now keen and ready to expand its hydropower horizon to ensure best possible global level utilization of its potential," according to Consul General of Bhutan Dasho Tsering Wangda.

http://www.financialexpress.com/news/india-eyes-increased-access-for-energy-companies-in-bhutan/1056214/0

Canada seeks comprehensive economic pact with India

Canada wants an "ambitious" Comprehensive Economic Partnership Agreement (CEPA) with India, Canadian High Commissioner to India Stewart Beck said.

Addressing a seminar, the envoy said the agreement should ensure maximum movement of people apart from giving the best possible rates for Canadian goods. He added that Canada could also bring capital to India. The envoy hoped that the foreign investment agreement would help both countries. "This is something which will also help Indian investments in Canada," the envoy said.

In the field of education, Beck said the number of student visas issued to Indians had touched 13,000 last year from 3,000 in 2008.

http://www.thehindubusinessline.com/news/canada-seeks-comprehensive-economic-pact-with-india/article4306916.ece

Sectoral News

Pharmaceutical industry would grow at 19% in 2013: Morgan Stanley

According to a latest report by Morgan Stanley, Indian pharmaceutical industry would grow at 19% in 2013.

"We expect the intellectual property investments in the past few years to start bearing fruits in US and EU markets in FY13. There will be new drug launches, new drug filings and Phase II clinic trials throughout the year", said Samir Baisiwala, senior analyst with Morgan Stanley in his report. Also other markets such as Japan and other emerging markets could be other growth areas

However, he further mentions that stock selection would be critical. Earnings momentum, IP expressions and reasonable valuations should be the critical stock picking criterias.

http://economictimes.indiatimes.com/news/news-by-industry/healthcare/biotech/pharmaceuticals/pharmaceutical-industry-would-grow-at-19-in-2013-morgan stanley/articleshow/17971236.cms

Telecom sector gross revenue up 0.8% in Sept quarter: TRAI

The telecom sector has recorded gross revenue at Rs 52,937.32 crore during the quarter ended September 2012, an increase of 0.80% over the previous quarter at Rs 52,512.10 crore, according to data released by the Telecom Regulatory Authority of India (TRAI).

Adjusted gross revenue declined by 0.07% to Rs 35,473.16 crore during the September quarter from Rs 35,499.01 crore reported during the quarter ended June 2012.

The government's earning from the telecom sector in terms of licence fee also dipped 1.97% to Rs 2,884.16 crore during the July-September quarter, as against Rs 2,941.02 crore earned during the April-June quarter this fiscal year.

The Government also earned less spectrum charges during the September quarter at Rs 1,287.21 crore compared with Rs 1,292.06 crore reported during the quarter ending June 2012.

However, gross revenue has gone up by 6% during the July-September 2012 quarter compared to the same period last year.

Adjusted gross revenue has also increased 6.01% if compared year-on-year basis. Government has earned 9.83% more revenue from spectrum fees and 3.91% more licence fee during the July-September 2012 quarter compared to July-September 2011 quarter.

However, operators gross revenue (excluding revenues of ILD, NLD and ISPs, VSAT) declined by 0.61% during the quarter ended September 2012 to Rs 39661.37 crore, while adjusted gross revenue (excluding revenues of ILD, NLD and ISPs, VSAT) slightly increased by 0.14% to Rs 27773.79 crore during the quarter under review, according to TRAI data.

The average revenue per user (ARPU) for GSM service dipped 0.45% to Rs 95.05 in July-September 2012 quarter from Rs 95.47 in April-June 2012 quarter. ARPU for CDMA service increased by 3.80% from Rs 74.91 in quarter ended June to Rs 77.76 during the quarter ended September 2012.

http://www.business-standard.com/india/news/telecom-sector-gross-revenue08-in-sept-quarter-trai/202462/on

India Ratings revises outlook for Indian cement manufacturers

India Ratings has revised its outlook for Indian cement manufacturers to stable to negative for 2013 from negative in 2012, driven by limited downside risk for demand. The agency expects credit profiles of large cement companies with superior cost position and pan-India presence to remain stable in 2013; however, smaller companies with unfavourable cost structure and regional concentrations are likely to be under pressure.

Large integrated players, who are among the top five in the country (in terms of production capacity), are likely to have median EBITDA margins in the range of 23% to 24% in 2013, comparable to the FY12 levels. However, smaller or partially-integrated players are likely to exhibit margins ranging from 17%-19%, lower than the median margins observed for such companies in FY12.

With credit growth of the housing sector at 13% and that of the commercial real estate sector (CRE) at 4% till November 2012, India Ratings expects the cement demand to grow between 5%-8% yoy in 2013. Cement production volume in 2012 was mainly driven by a relatively robust activity in housing and commercial real estate.

From September 2010 to March 2012, the average growth in credit to the housing sector was around 15% and around 16% in commercial real estate.

In India Ratings' assessment before April 2010, the cement demand growth showed a positive correlation (0.33-0.55) with credit growth to infrastructure, construction and roads sector, with a lag of three to six months. However, after April 2010, the demand growth has shown a positive correlation (0.3-0.5) with credit growth of housing and CRE sector, with a lag of six to nine months.

The agency expects capacity additions to be moderated in the medium term (5%-7% of total capacity) as the Indian cement industry has already witnessed large capacity additions between FY08-FY11 in anticipation of demand. Capacity additions were moderate at 5% of total capacity in FY12.

Capacity utilisations were at around 71% in FY12, in line with India Ratings' expectations. With moderate capacity additions and stable demand growth, India Ratings expects capacity utilisations in FY13 to be around FY12 levels. The agency expects utilisation to improve significantly only by FY15. However, South Indian companies are likely to face pressure on capacity utilisations due to over supply in the region.

The agency expects consolidation in the cement industry in the medium-to-long-term with significant M&A activities in the sector. Consolidation targets are more likely to be the companies which either have access to resource (raw material and power/fuel) or have proximity to relatively underserved markets.

http://articles.economictimes.indiatimes.com/2013-01-10/news/36258518_1_capacity-additions-indian-cement-cement-demand

India Ratings projects stable outlook for auto sector

Projecting a stable outlook for the domestic auto sector this year, ratings agency India Ratings said it expects a muted growth in both passenger and commercial vehicles segments due to structural weaknesses and over-capacity among other factors.

"Our outlook for the auto sector is stable. The growth will continue to be there but it will be muted as compared to previous years," India Ratings Director Corporate, Deep N Mukherjee, said.

He said there are some early signs of structural

weaknesses in the passenger vehicle segment adding, "there are also some early signs of building of some over capacity in passenger's vehicle segment as well."

The volume growth in the passenger vehicles is estimated to be around 8-9 per cent which will be largely driven by the utility vehicles, which are expected to clock a growth of 30-35 per cent in the year, India Ratings said.

The cars and vans are likely to clock lower growth rates of around 2-3 per cent and 0.5-1.5 per cent respectively, it said adding volume growth in UVs is likely to be significantly lower than that in 2012 due to an expected increase in diesel prices during the year.

According to the agency, low demand coupled with a capacity overhang in passenger vehicles and intensifying competition is likely to reduce industry's operating margins on an average by around 0.5-1.0 per cent for the commercial vehicle segment and 1.5-2 per cent for the passenger vehicle.

Similarly, light commercial vehicles are likely to drive the overall volumes in the commercial vehicle space with the segment expected to post 13-15 per cent growth in the overall growth of 10-11 per cent for the CV segment.

The domestic volume growth in the medium and heavy commercial vehicle is likely to be negative at 6-9 per cent in the eventuality of industrial activities remaining at their current level, the agency said.

http://articles.economictimes.indiatimes.com/2013-01-08/news/36216664_1_volume-growth-passenger-vehicles-stable-outlook

News Round-Up

India Inc's biz confidence up for 2nd consecutive qtr: D&B

Notwithstanding the challenges on macroeconomic front, India Inc's business confidence witnessed an improvement for the second consecutive quarter, owing to the government's reforms push and easing inflation, says research firm Dun & Bradstreet (D&B).

For the first quarter of this calender year, the

Dun & Bradstreet Composite Business Optimism Index stood at 146.8, registering an increase of 4.3% compared to 140.8, clocked in the fourth quarter (October-December) 2012.

In the fourth quarter of 2012, the Index stood at 140.8, up 3.4% from the July-September 2012.

However, on a year-on-year basis, the optimism for the coming three months still represent a decline of 6% compared to corresponding quarter last year, the report said.

"D&B Optimism Index for the first quarter of 2013 reveals that India Inc continues to show signs of optimism, despite the prevailing challenges on macroeconomic front," Dun & Bradstreet India President and CEO Kaushal Sampat said.

D&B further said business optimism for the first quarter of 2013 stood at a seven-quarter high for three critical parameters like -- volume of sales, net profit and new orders.

Sampat further said "the stressed position on fiscal and current account, weakening consumer demand and sluggishness in investment activity continue to signal upside risks going ahead."

The gradual build-up in optimism comes on the back of the government reform initiatives, expectations of an easing of inflationary pressures, hopes of a repo rate cut by RBI and moderating global crude oil prices, the report said.

Currently, inflation levels are above the Reserve Bank's comfort zone of 5—5.5%, inflation is showing some signs of easing in recent months, which in turn is likely to prompt the Reserve Bank of India to lower interest rates in the January 29 meeting.

The government has recently taken a number of reform initiatives such as opening the multi--brand retail and aviation sectors to FDI, hiking diesel prices and capping the number of subsidised LPG cylinders.

Besides, the government has also decided to raise the FDI cap in insurance from 26 to 49% and allowing foreign investment in pension.

For calculating the composite BOI, each of the six parameters, net sales, net profits, selling prices, new orders, inventories and employee levels, is assigned a weight.

The parameter weights are then applied to

these ratios and the results aggregated to arrive at the Composite Business Optimism Index.

http://www.business-standard.com/india/news/india-incs-biz-confidencefor-2nd-consecutive-qtr-db/202285/on

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