

Weekly Economic Bulletin

Date: July 25-31, 2006.

Issue No. 171

Contents

- | | | |
|---|--|----------|
| 1 | News Feature <ul style="list-style-type: none">• 'Indian companies have to build nation's brand overseas' | Page 1 |
| 2 | Overseas Investment <ul style="list-style-type: none">• CGS to invest US\$ 15 million in India• Microsoft to invest US\$ 150 million in Pune• UK's Hamleys planning to set up shops here• UK companies seek a piece of agri retail here | Page 1-2 |
| 3 | Trade News <ul style="list-style-type: none">• SEZs exports grow 30 per cent to US\$ 4.7 billion• Kamal Nath calls for doubling exports to \$125 b• STC floats tender to import 4 lakh t wheat• Crude oil imports up 26.6% in June | Page 3-4 |
| 4 | Sectoral News <ul style="list-style-type: none">• It's destination India for textile sourcing• Diamond sector set to grow at 18 per cent this year• Now, India a hub for design outsourcing• Pharma majors think small to hit it big• 'India could emerge as e-publishing hub'• Tatas, Fiat team up to make cars | Page 4-6 |
| 5 | News Round-up <ul style="list-style-type: none">• Super quarter for India Inc• Forex reserves can be better deployed | Page 6 |

News Feature

'Indian companies have to build nation's brand overseas'

India Inc will have a critical role to play in building brand "India" on a global scale.

Marketing guru Kevin Lane Keller said, companies like Tata and Reliance have a strong reputation in India but how they play their cards internationally and capture people's minds would determine India's brand equity.

He cited examples of Samsung and Nokia, which had helped in highlighting their respective countries. "Often the image of a country can be influenced by a strong brand that achieves global leadership," said Keller.

<http://www.businessstandard.com/common/storypage.php?autono=99696&leftnm=1&subLeft=0&chkFlg=>

Overseas Investment

CGS to invest US\$ 15 million in India

Computer Generated Solutions (CGS) Inc, a US\$ 171 million IT services provider, plans to invest US\$ 10 million-US\$ 15 million in India in the next one year.

The company plans to invest this amount in both organic and inorganic growth.

"We have around 60 people working in the software development centre in Hyderabad. We intend to increase this number to about 500 in a year-and-a-half. While we will be adding employees at the existing centre, we are looking at acquiring some Indian companies as well," Michael Wilding, senior vice-president, technology solutions and training, CGS, told mediapersons. The company has invested \$1 million in India so far.

<http://www.businessstandard.com/common/storypage.php?autono=99659&leftnm=8&subLeft=0&chkFlg=>

Microsoft to invest US\$ 150 million in Pune

Microsoft is set to pump in US\$ 150 million in a mega software development centre in Pune, according to Arvind Kumar, IT secretary, government of Maharashtra.

When announced, this will be the single biggest IT investment coming into the city so far. TCS recently announced an investment of Rs 500 crore for Pune.

"This is only the beginning. We are hard selling Maharashtra to every possible MNC," Kumar said on Wednesday. He said the Microsoft investment would be announced soon and that it would be outside the Hinjewadi IT Park.

<http://economictimes.indiatimes.com/articleshow/1815242.cms>

UK's Hamleys planning to set up shops here

One of the world's oldest toy retailers — Hamleys — is planning to enter India. Initially, the UK toy retailer is expected to set up two stores in the country. The retailer which stocks multi branded toys sells a variety of products, including soft toys, movie merchandise, computer & board games, fancy dress and model kits.

The toy retail market in India has remained fragmented even as lifestyle retail kicked off in the country. The organised sector business is primarily rolling out from gift-chains such as Archies apart from departmental stores. Entry of Hamleys would be a significant mark for toy retailing in the country.

<http://economictimes.indiatimes.com/articleshow/1827127.cms>

UK companies seek a piece of agri retail here

UK-based investors and retailers like the rothschild group, waitrose and the Hindujas are looking beyond their initial forays into the Indian farm sector. They are now also exploring opportunities in agri services and infrastructure and they are planning on doing it alone.

The Hinduja group is said to be finalising the details for its agri supply chain logistics business in India. The Rothschilds are looking beyond the joint venture with Bharti and are looking at investing in and establishing food parks across various states in India.

<http://economictimes.indiatimes.com/articleshow/1815077.cms>

Trade News

SEZs exports grow 30 per cent to US\$ 4.7 billion

Exports from special economic zones (SEZs) have grown by 30 per cent to US\$ 4.7 billion in 2005-06, commerce minister Kamal Nath said. He said exports from SEZs have grown from US\$ 3.9 billion in 2004-05 to US\$ 4.7 billion in 2005-06, the growth rate being more than the rate of growth in overall exports.

At present, 28 SEZs are operational in India. Tamil Nadu is at the top with seven. Gujarat has five while West Bengal and Andhra Pradesh have three each. "95 approved SEZs are in pipeline," Nath said.

http://www.financialexpress.com/fe_full_story.php?content_id=135334

Kamal Nath calls for doubling exports to \$125 b

The Union Commerce and Industry Minister, Mr Kamal Nath, today asked exporters to aim at almost doubling the country's exports from \$63 billion in 2003-04 to \$125 billion during the current fiscal, even as the current fiscal export target is set at \$120 billion.

Chairing a review meeting of performance logged during the first quarter with all export promotion councils (EPCs) and commodity boards (CBs) on export targets and performance, he assured that the Government would extend all support to enable exporters to cross the target.

<http://www.thehindubusinessline.com/2006/07/28/stories/2006072803570800.htm>

STC floats tender to import 4 lakh t wheat

Catching the market by surprise, the Union Government on Thursday floated a tender to import four-lakh tonnes of wheat. The State Trading Corporation (STC) will buy it on behalf of the Centre.

The four-lt wheat is in addition to the 35-lakh tonnes of wheat contracted by STC on behalf of the Centre and the tender closes on August 3.

<http://www.thehindubusinessline.com/2006/07/28/stories/2006072803771300.htm>

Crude oil imports up 26.6% in June

Oil imports in June rose by 26.6 per cent year-on-year. According to data compiled by the Petroleum Ministry, crude oil imports last month rose to 9.6 million tonnes compared with 7.58 million tonnes in the corresponding previous period.

Total crude oil imports in the first quarter of the current fiscal rose 14.8 per cent to 26.85 million tonnes, it said. Oil product imports in June were up 22.8 per cent at 1.19 million tonnes.

<http://www.thehindubusinessline.com/2006/07/25/stories/2006072504560900.htm>

Sectoral News

It's destination India for textile sourcing

With textile exports set to grow 25 per cent in 2006-07, India is emerging as a hotspot for sourcing textiles and apparel in the post-quota period. Increased number of buyers are visiting India for direct sourcing, while more vendors are going abroad for direct selling.

“Indian textile exports are doing well, though still behind China. We hope to keep growing at 25% this fiscal,” a textile ministry official told FE.

Keeping with the upbeat mood, Indian textile companies with strong presence in the US and EU markets, are planning to expand capacity and strengthen their retail presence in India to tap the huge potential of the domestic market.

http://www.financialexpress.com/fe_full_story.php?content_id=135206

Diamond sector set to grow at 18 per cent this year

The domestic diamond industry is estimated to grow at 18 per cent on sales of US\$ 14.5 billion this calendar year compared with 19 per cent growth recorded last year, despite volatility in the prices of precious metals (gold and silver) having hit consumer turnout. The sector witnessed growth of 20 per cent in both 2003 and 2004.

“India is the only country in the world which is witnessing double-digit growth – and that too in its first decade of existence,” said Cherie Tandon Saldanha, managing director (India), Diamond Trading Company (DTC) – sales and marketing arm of De Beers Group.

http://businessstandard.com/common/storypage_c.php?leftnm=10&autono=99212

Now, India a hub for design outsourcing

In a small basement office in south Delhi, some 20 designers are busy sketching the outlines of new product lines for global giants — the likes of Whirlpool and Reckitt Benckiser — and, in the process, redesigning the face of outsourcing in India.

“While some of these products are being designed with the Indian consumer in mind, a major chunk is for the global audience,” says a 20-something designer, working on a new washing machine design.

Offshoring of jobs to India — which started off with callcentres and back-office jobs like accounting — has today spread to include high-end product design work and even packaging and graphic designs . As manufacturers look at reducing costs and product development cycles, India is fast emerging as the new-age design board for MNCs.

<http://economictimes.indiatimes.com/articleshow/1798712.cms>

Pharma majors think small to hit it big

Pharma majors are betting big on revenues from ubiquitous local grocers and paan stores in India, who are emerging as the fastest growing channel for over the counter (OTC) products in recent months.

Several smaller companies, with strong brands in their portfolio but unable to invest heavily in distribution channels, find kiranas a far more efficient route to sell. Pharma companies also end up paying higher business margins of 30% to traditional business channel, chemists.

<http://economictimes.indiatimes.com/articleshow/1808911.cms>

'India could emerge as e-publishing hub'

Coimbatore: With several global publishers such as Oxford University Press, Cambridge University Press, Prentice Hall, Macmillan, and Pearson looking to India for outsourcing their e-publishing projects, the country is set to emerge as a hub, according to Mr A. Elangovan, Managing Director of Cadgraf Digitals.

He said that the Indian companies in the e-publishing space are currently working on books and journals for overseas clients. "Their process is completely different from ours. They have well-defined process flow, process control and checks," he said, adding that the industry faced competition from East European countries. "It is no threat at this juncture, because Indian e-publishing houses are able to meet the clients' requirements".

<http://www.thehindubusinessline.com/2006/07/25/stories/2006072504280400.htm>

Tatas, Fiat team up to make cars

Tata Motors and Fiat have scaled up their alliance that was forged last year. The two companies will now undertake joint production of passenger cars, engines and transmission systems in India.

While the memorandum of understanding to establish a 50:50 joint venture was signed today, the shareholder, licensing and other agreements are being finalised.

http://www.businessstandard.com/common/storypage_c.php?leftnm=10&bKeyFlag=BO&autono=99444&chkFlg=

News Round – Up

Super quarter for India Inc

Sales highest in 5 quarters but margins under pressure.

India Inc has put up its best show in recent times in the April-June quarter. While the sales growth rate has touched a five-quarter high, net profit has zoomed to its highest in four quarters.

The performance has been powered by metal, cement, information technology, telecommunication, capital goods, auto ancillary, sugar and chemical firms.

The net sales of 1,023 companies that have announced their quarterly performance so far have risen by 31.7 per cent, and net profit by 29.7 per cent. Strictly comparable figures for the previous four quarters are not available at this point of time.

http://www.businessstandard.com/common/storypage_c.php?leftnm=10&autono=99933

Forex reserves can be better deployed

There has been considerable euphoria among economists and bankers in India over the statement of Mr Lee Kuan Yew, Chairman of Singapore's Government Investment Corporation (GIC), that his organisation had earned an average annual return of 9.5 per cent in US dollars and 8.2 per cent in Singapore dollars since inception in 1981 through a judicious diversification of investments of the city-state's forex reserves. It was the first time that the GIC has publicly commented on its performance. Its reserves swelled to \$128.9 billion in May to become the seventh largest in the world. The US, Europe and Japan account for 45 per cent, 25 per cent and 10 per cent, respectively, of the GIC's assets. The balance is in emerging economies.

<http://www.thehindubusinessline.com/2006/08/17/stories/2006081700381000.htm>