

Weekly Economic Bulletin

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News Feature

Industrial production to accelerate to 10 pc in 2008-09: CMIE

The slowdown in the industrial growth is a short-term phenomenon and the country is expected to record a 10 per cent growth in industrial production during FY09 as against of 8.3 per cent in the previous fiscal, Centre for Monitoring Indian Economy (CMIE) has said.

"We expect growth in industrial production to accelerate to 10 per cent in 2008-09 compared to the 8.3 per cent growth recorded in 2007-08," CMIE said in its latest report.

The key contributors to this growth would be sectors like machinery, chemicals and transport, CMIE said.

"The recent trends reflected in the Index of Industrial Production (IIP) have raised anxieties of a slowdown in industrial activity," CMIE said.

This, combined with the simultaneous rise in inflation implied that the country was facing some kind of stagflation. But this was not likely to occur, CMIE said.

"We believe that industrial growth has slowed because of capacity constraints and inflation is high because demand is high," the report said.

Industry has been increasing capacities since 2005-06, but the pace of this increase was evidently low compared to the pace at which demand has been growing, the report said.

"The industry is creating fresh capacities at an aggressive pace and, as these new capacities get commissioned, supplies would increase to meet the soaring demand. As a result, we believe that the current slowdown seen in the IIP numbers is a short-term phenomenon that would be reversed by the middle of 2008-09," the report said.

<http://economictimes.indiatimes.com/articleshow/3321915.cms>

Exports up 23.5% in June

India's exports grew by 23.5 per cent in June 2008 to 14.66 billion dollars, compared to 11.87 billion dollars in the same month last year.

Imports during the month grew by 25.9 percent to 24.45 billion dollars from 19.42 billion dollars, leaving a trade deficit of 9.78 billion dollars, according to official data released.

Exports during the April-June period of the current fiscal increased by 22.3 per cent to 42.84 billion dollars from 35.03 billion dollars.

Imports for the first quarter went up by a huge 29.7 per cent to 73.27 billion dollars from 56.50 billion dollars. The trade gap for the period widened to 30.42 billion dollars against 21.47 billion dollars.

<http://www.financialexpress.com/news/Exports-up-23.5-imports-widen-trade-deficit/343394/>

Overseas Investment

Daiichi Sankyo deal among 24 FDI proposals cleared

Japanese drug maker Daiichi Sankyo's plan to acquire shareholding in Ranbaxy through equity and warrants, was among the 24 FDI proposals cleared by the Government.

An official release issued said that Daiichi Sankyo's proposal to purchase and subscribe to the equity shares of the two Indian companies and issue of warrants has been approved.

When contacted, a senior Government official said that the proposal pertained to acquisition of shareholding in Ranbaxy and Ranbaxy-controlled Zenotech.

"The proposal attracts Press Note 1 as Daiichi Sankyo has two ventures in India – a wholly-owned subsidiary and Unisankyo," the official said, adding that the proposal involves an FDI inflow of Rs 104.63 crore.

<http://www.thehindubusinessline.com/2008/08/05/stories/2008080551541200.htm>

India 2020 eyeing US \$ 50mn investments in growth firms

Mauritius-based private equity fund, India 2020, plans to invest up to USD 50 mn in around five to six rapidly growing and mainly unlisted companies by this year-end, a top company official said.

The Rs 500 crore India 2020 fund is sponsored by Lighthouse Funds, a global private equity firm with operations in the US and India.

"We are in talks with several growth-stage companies and are confident of sealing about half-a-dozen deals by this year-end. The cumulative investment will be around USD 50 million," Lighthouse's Managing Partner, Mukund Krishnaswami said.

The fund focuses on rapidly expanding small and medium-sized companies.

"We will be investing across sectors such as financial services, education, logistics, light manufacturing and food processing companies. Our investments will mostly be in unlisted companies," Krishnaswami said.

The private equity major has already sealed six deals so far cumulatively worth Rs 100 crore. The six companies it has invested in are Arihant Domestic Appliances, Imperial Spirits, Obelia Hotels (Beacon Hotels and Resorts), Shaily Engineering Plastics, Unibic Biscuits India and Words Infocomm.

"We have also done two follow-on investments in Imperial Spirits and Unibic Biscuits India," Krishnaswami said.

Investments will be made in companies typically with a turnover in the range of Rs 20-100 crore and growing at a rapid pace of 50-100 per cent YoY, he said.

http://economictimes.indiatimes.com/News/Economy/Infrastructure/India_2020_eyeing_US_50mn_investments_in_growth_firms/articleshow/3320615.cms

Trade News

India-Oman non-oil trade may cross \$2 bn

Non-oil bilateral trade between India and Oman is likely to cross the \$2-bn mark by the end of this year, according to India's Ambassador to Oman Anil Wadhwa.

"Non-oil bilateral trade in the first quarter of 2008 registered an impressive growth of 35-40 per cent and is poised to cross the magical \$2-bn mark by the year end," Wadhwa said while addressing the third meeting of the India-Oman Business Forum over the weekend.

The forum was launched in February this year at the ambassador's initiative to boost trade between the two countries. This time, the theme of the meeting was 'Infrastructure'.

"Total trade during the year 2007, including Omani LNG (liquefied natural gas) exports, stood at \$1.8 bn, up by 98 per cent as compared to the figure of previous year," a statement issued by the Indian embassy in Oman following the meeting, quoted Wadhwa as saying.

He also underscored the "amazing coincidence that infrastructure, real estate and construction sectors had been a major engine of economic growth in both India and Oman".

Chief executive of Oman Tourism Development Company Wael Ahmed Al Lawati, speaking on the occasion, shed light on a slew of projects in Oman worth billions of dollars.

He urged discerning entrepreneurs from India to look at the opportunities seriously.

Rajeev Singh, a partner in consultancy firm Ernst & Young Oman, spoke about the various aspects of Islamic finance.

He said that the fact that Islamic finance was sized at \$500 bn, and was expected to attain a staggering figure of \$1 trillion by 2016, made it too big a corpus to be ignored by India for long.

http://economictimes.indiatimes.com/News/Economy/Foreign_Trade/India-Oman_non-oil_trade_may_cross_2_bn/articleshow/3323662.cms

Now, India-Brazil partnership high on pharma tie-ups

India and Brazil have joined hands to promote business interest between the two countries in the pharma sector. “Brazil and India together can herald the next era for the pharmaceutical and healthcare sector” was the general sentiment that was echoed at the India Brazil Seminar on Health and Medication organized by CII.

José Gomes Temporão, minister of health, Brazil said, “There is a need to develop links between the two countries in the health sectors as a lot had to be gained through this exchange of knowledge, skills and technology.” He identified health policies, sanitary regulations, traditional medicines and production of medicines and medical equipments as potential areas of cooperation between India and Brazil.

<http://www.financialexpress.com/news/Now-IndiaBrazil-partnership-high-on-pharma-tieups/341548/>

Sectoral News

India among world's top 15 automakers: UNIDO report

With a burgeoning auto industry to boast of, India has made it to the top 15 automakers of the world and occupies the fourth position in the leading developing countries' category of motor vehicle manufacturers, a UNIDO report has said.

According to the UNIDO International Yearbook of Industrial Statistics 2008, India ranks 12th in the list of world's top 15 automakers, which is led by Japan followed by the US and Germany.

Other countries making it to list are Mexico, France, Korea, UK, Canada, Spain, Iran, Sweden, Brazil, Italy and Indonesia.

In the leading developing countries category, India ranks fourth. The list is topped by Mexico, followed by Korea, Iran. Brazil holds the fifth position followed by Indonesia, Turkey, Argentina, Thailand, Singapore, China, China (Taiwan Province), Malaysia, UAE and Columbia.

India also figures among the world's top 15 producers of chemicals and chemical products, electrical machinery and apparatus, basic metals (iron and steel, non-ferrous metals), coke, refined petroleum products, nuclear fuel, non-metallic mineral products (glass and glass products, cement, lime and plaster, ceramic products), machinery and equipment, leather, leather products and footwear and textiles, the report said.

<http://businessstandard.com/india/storypage.php?tp=on&autono=43961>

Leather exports up 13.67% at \$3.47 bn

Export of leather and leather products from the country touched \$3.47 billion (Rs 14,000 crore) in 2008-09 up 13.67% in dollar terms and 1.13% in rupee terms, according to the data released by the Council for Leather Exports (CLE).

The major items of export earnings are: finished leather: \$766.93 million (\$724.00 million), leather footwear: \$1163.82 million (\$974.33 million), footwear components: \$266.11 million (219.84 million), leather garments: \$343.99 million (\$309.91 million), leather goods: \$784.95 million (\$706.28 million), saddlery and harness: \$105.81 million (82.33 million), and non-leather footwear: \$45.90 million (\$42.74 million).

Export of footwear, footwear component and non-leather footwear, that constituted 42.44% of total exports, increased from \$1236.91 million to \$1475.83 million, registering a growth of 19.32%. In dollar terms, leather footwear alone has grown by 19.45%, footwear components 21.05% and non-leather footwear 7.39%. Leather garments, constituting 9.89% of the export basket, increased by 11%, saddlery and harness (3.04%) by 28.53%, leather goods (22.57%) by 11.14% and finished leather (22.05%) by 5.93%.

According to CLE, 10 countries accounted for 75.41% of India's leather and leather products exports in 2008-09. Germany with a share of 14.05% lead the G10 followed by Italy 13.78%, the United Kingdom 11.91%, the United States 8.82%, Hong Kong 7.70%, Spain 6.10%, France 5.64%, the Netherlands 3.84%, UAE 2.14% and Australia 1.43%.

Southern regions with an earning of \$1398.49 million contributed 40.22% to the leather and products export basket. It is followed by the western region: \$695.63 million and 20%, eastern region: \$517 million and 14.89%, northern region: \$377.21 million and 10.85%, and central region: \$99.69 million and 2.87%.

<http://www.financialexpress.com/news/Leather-exports-up-13.67-at-3.47-bn/344197/>

Revenue from spice exports surges 28%

Spices exports registered a 28 per cent increase in revenue in the first quarter of the financial year as total shipment increased by 23 per cent to 148,550 tonnes, compared to 121,180 tonnes in the same period last year. Total export earnings have gone up to Rs 1,375 crore (\$329.60 million) as against Rs 1073.50 crore (\$260.57 million) last year.

Cumin exports showed a sharp increase to 15,000 tonnes, up 280 per cent from last year's 3,950 tonnes. Correspondingly, revenue increased 253 per cent to Rs 145.81 crore from Rs 39.50 crore.

Exports of other seeds including mustard, aniseed, bishops weed, dill seed, poppy seed had a big leap at 6,750 tonnes, up 337 per cent from 1,545 tonnes. Revenue jumped 409 per cent to Rs 23 crore from Rs 4.52 crore. Export of garlic showed a 108 per cent increase to 385 tonnes at Rs 1.05 crore against 185 tonnes valued at Rs 92.53 lakh last year.

Chilli exports witnessed a slowdown, though there was a 16 per cent increase in volume. A total of 67,000 tonnes of chilli worth Rs 333.52 crore was shipped in the first quarter.

Export of coriander registered a 53 per cent increase in volume and 166 per cent increase in value at 10,000 tonnes and Rs 62.48 crore. Forty per cent of the year's target of 25,000 tonnes has already been met.

<http://www.business-standard.com/india/storypage.php?leftnm=0&autono=329832>

Coffee exports rise 6 per cent till July

Coffee exports have surged by six per cent to 1.50 lakh tons in the first seven months of this year, according to the Coffee Board.

The total provisional exports of coffee, including re-exports, in the first seven months of 2008 stood at 1.50 lakh tons, compared to 1.42 lakh tons in the year-ago period.

"The surge in exports can mainly be attributed to the incentives given by the Commerce Ministry, which helped exporters offset, to some extent, the rise in inland and overseas transport costs," Coffee Exporters Association President Ramesh Rajah said.

The provisional re-export of coffee has almost doubled to 14,597 tons from 7,528 tons, pushing up the country's total coffee exports to reach the 1.50 lakh ton mark till July-end. The provisional exports of coffee have inched up to 1.36 lakh tons from 1.34 lakh tons between January and July this year, the Board said.

Re-exports of coffee refer to the imported coffee components, which get exported after value addition in the country.

http://economictimes.indiatimes.com/News/Economy/Foreign_Trade/Coffee_exports_rise_6_per_cent_till_July/articleshow/3315163.cms

Gems & jewellery exports poised to grow 15-20%

India's gems and jewellery exports are expected to grow by 15-20% in the current financial year, according to the Gem and Jewellery Export Promotion Council's (GJEPC) estimates.

"Every year it has been growing around that rate. This year also it will grow by 15-20%," chairman of the GJEPC Sanjay Kothari told.

Mr Kothari attributed the high commodity prices and global economic slowdown to the sluggish business, but he expects that the international trade show in India would help boost interest. The overall exports of gems and jewellery for the first quarter between April and June 2008 was at Rs 21,602 crore, up 22.7% from the previous year's Rs 18,050 crore.

The overall exports of cut and polished diamonds was Rs 15,402 crore for the April-June quarter, revealing a 31% growth from the comparable period last year. Imports of rough diamonds was at Rs 13,172 crore, up 27.6%.

The rise in exports of cut and polished diamonds was attributed to the increase in trading activities of cut and polished diamonds. This was due to the reduction of import duty on cut and polished diamonds and other inputs.

http://economictimes.indiatimes.com/News/Economy/Foreign_Trade/Gems_jewellery_exports_poised_to_grow_15-20/articleshow/3303862.cms

Indian biotech firms aid global players in drug discovery

Indian biotechnology firms are steadily moving up the value chain by offering research and development (R&D) services for global pharma companies to aid drug discovery and manufacture.

Companies are offering services in drug discovery and validation based on pathway analysis (that is, analysis of how toxic or radioactive substances reach humans), genomics (study of gene sequences in living organisms), proteomics (large-scale study of proteins) and translational research (clinical investigation with human patients or volunteers).

“These specialised teams are led by scientists of Indian origin, who have returned from the West following long stints in this field. They have set up their own companies or have joined existing firms here,” said Joseph Manoj Victor, senior research analyst-healthcare, Frost and Sullivan.

Earlier, Indian biotech companies only provided low-level R&D services in drug discovery. The preclinical and clinical services were offered at 40 to 60 per cent of the cost incurred in western countries.

Pharma companies across the world, which are suffering from a research drought, see these India-based services as complementing their outsourcing model. They are, therefore, entering into partnerships, involving significant cost arbitrage and quick turnaround time.

“The opportunities provided by the Indian biotech companies have compelled global pharma firms to take the partnerships to the next level. They sign co-development agreements, under which the Indian companies will take a drug through the pre-clinical and clinical development stages, and will be paid on milestones achieved and will also be given a share of revenues,” Victor said.

“Co-development agreements are leading to interesting models,” said Kiran Mazumdar-Shaw, chairman and managing director, Biocon group. “Today, global pharma firms seek partnerships with companies in India and China based on intellectual property (IP) sharing, which involves carving-up markets and sharing licensing revenue.”

<http://www.business-standard.com/india/storypage.php?leftnm=1&autono=329976>

Software technology exports to grow 32 pc to Rs 1,100 cr: STPI

Software and services exports from Chandigarh region are expected to grow by 32 per cent to Rs 1,100 crore with STPI units contributing Rs 900 crore and special economic zones adding Rs 200 crore in 2008-09, Software Technology Parks of India has said.

In 2007-08, the software and service industry in the region touched Rs 822.27 crore exports, against Rs 560.76 crore in 2006-07, STPI Joint Director Ajay Srivastava said.

Apart from earning precious foreign exchange, software industry in the region has also given direct employment to 10,000 professionals.

The region attracted many new start-ups and the number of IT/ITeS units had increased from 145 in 2002-03 to 253 in 2007-08, and is expected to cross 300 by the end of 2008-09.

STPI estimates 25 new units to come up in the market taking total exports to over Rs 1,500 crores by 2009-10.

STPI would honour the top performing IT/ITES companies at an award function on August 7.

The upcoming mega IT event e-Revolution 2008 will bring together the best brains from around the country to interact with local talent, as a part of the evolution of Chandigarh Capital Region as the major destination for ICT industry.

http://economictimes.indiatimes.com/News/Economy/Foreign_Trade/Software_technology_exports_to_grow_32_pc_to_Rs_1100_cr_STPI/articleshow/3321229.cms

Coir export increases to Rs 12,963.90 lakh in Apr-June

Export of coir and related products during April to June this year touched 45,038 tons valued at Rs 12,963.90 lakh.

According to provisional figures released by Coir Board, the export registered an increase in quantity and value at 3,272 tons (7.83 per cent) and Rs 253.30 lakh (1.99 per cent) respectively, over the actual export of 41,766 tons valued at Rs 12,710.60 lakh during the corresponding period last year.

During April-June 2008, export of the semi-finished item, viz Coir yarn, recorded a decrease of 17 per cent in quantity and a decrease of 21 per cent in terms of value, against the previous year.

In the said period, about 45,038 tons of various coir products, including mats, pith, yarn, geo-textiles, fibre valued at Rs 12,963.9 lakh were exported, against 41,766 tons valued at Rs 12,710.6 lakh during the previous year.

http://economictimes.indiatimes.com/News/Economy/Foreign_Trade/Coir_export_in_creases_to_Rs_1296390_lakh_in_Apr-June/articleshow/3306054.cms

News Round – Up

India second best country for business investment: Survey

India is the second best country for business investment, a new survey of American corporate executives shows.

Conducted by Development Counsellors International every three years, the "Winning Strategies in Economic Development Marketing" survey has tracked trends in economic development since its inception in 1996.

This is the first year respondents were asked to rank the business favourability of the world's 25 largest countries (based on GDP).

Of the 281 corporate executives who responded, 53.1 per cent named China as the most favourable country followed by India (45.1 per cent), Mexico (30.1 per cent), Britain (25.4 per cent) and Canada (22 per cent).

The corporate decision-makers who named India as the best for investment cited the country's labour force - including its supply, skill level and cost 65 per cent of the time as the reason for their positive perceptions.

India's "growing economy/business opportunities" and "low overall/operating costs" were named 38 per cent and 18 per cent of the time, respectively. The survey also polled the executives about the best US states for business.

<http://businessstandard.com/india/storypage.php?tp=on&autono=43758>

PEs, VCs shifting to non-IT sectors, says study

Bio-technology, film production and education are among the five emerging sectors expected to attract an investment of \$8.5 billion from private equity and venture capital funds in the next five years, a study has said.

The other key sectors identified by the private equity (PE) and venture capital (VC) funds are clean technologies and logistics, according to the Assocham-Deloitte study.

PEs and VCs are shifting to non-IT areas, where regulatory mechanism is disappearing, it said.

"VCs and PEs which for long has been choosing IT for investment purposes, have found huge investment opportunities in above listed areas as regulatory regime in them is gradually disappearing," Assocham President Sajjan Jindal said.

The Life Sciences sector has been attracting specialist Venture Capitalists from global and local funds.

A US-based life sciences fund has recently invested about \$20 million in a Hyderabad-based pharma company, the study added.

"It is anticipated that the Biotechnology and Life Sciences would alone attract about \$1.5 billion investments from VCs and PEs by 2012," Jindal said.

"Clean technology is another area which would attract PEs and VCs," he said. As per the study PEs and VCs would be able to garner an investment of \$3.5 billion in cleantech areas.

In logistics, VCs are expected to invest in excess of \$2 billion in India's maritime infrastructure and logistics, he said.

<http://businessstandard.com/india/storypage.php?tp=on&autono=44010>