

# Weekly Economic Bulletin

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## News Feature

### At \$7 bn, India's eighth largest IPO market

Indian companies raised \$7.23 billion from the domestic capital markets in 2006, making the country the eighth largest issuer of equity capital in the world.

According to the latest Ernst & Young report, Chinese companies raised a whopping \$56.6 billion — the highest amount in 2006. China was followed by US companies with total proceeds of \$34.1 billion, and Russian companies with \$18 billion in raising funds. Worldwide, IPO activity in 2006 raised total capital of \$246 billion.

Of the total funds raised in India, energy companies accounted for half the funds. Reliance Petroleum's \$1.8-billion issue ranked number 17 in the top 20 IPOs in the world, the report said. Even in the current year, Indian IPOs continue to surge in numbers, with mega issues like DLF and ICICI Bank hitting the market.

The report expects continued strength in the real estate and energy sectors. The strength of India's economy, stock market, corporate profits, energy sector, and record flows of private equity have fuelled the IPO issues in 2006 and 2007, the report said.

[http://economictimes.indiatimes.com/Markets/Stocks/IPOs/At 7 bn Indias eighth largest IPO market/articleshow/2137675.cms](http://economictimes.indiatimes.com/Markets/Stocks/IPOs/At_7_bn_Indias_eighth_largest_IPO_market/articleshow/2137675.cms) April IIP at 11-yr high of 13.6%

### India to drive E&M biz to \$2 trillion

India has emerged as the fastest growing market in the world for spends in entertainment and media for the next five years, and along with China, the key driver to push the global entertainment and media industry to \$2 trillion by 2011, finds a study by PricewaterhouseCoopers.

Led by India and China, E&M spending in Bric will continue to grow at double-digit annual rates during the next five years and will account for 24% of global E&M growth during the next five years.

Economic expansion and a surging entertainment and media market are driving significant growth in Brazil, Russia, India and China (BRIC), finds PwC's eighth annual global media and entertainment outlook and forecast released in New York recently. Spending in the Bric countries will increase by a 14.7%, expanding from \$127 billion in 2006 to \$251.5 billion in 2011. That gain will be nearly three times the projected 5.5% compound annual increase for the rest of the world. Though the US still remains the largest market, it's also one of the slowest growing.

[http://economictimes.indiatimes.com/India\\_to\\_drive EM\\_biz\\_to\\_2\\_trillion/articleshow/2145965.cms](http://economictimes.indiatimes.com/India_to_drive_EM_biz_to_2_trillion/articleshow/2145965.cms)

### 4 Indian majors in IT 100

Indian majors like Bharti Airtel, TCS, Infosys and Satyam Technologies have found place in the Information Technology 100, BusinessWeek's ranking of the top tech performers in the world.

Amazon.Com has vaulted from No 23 in 2006 to the No 1 spot this year. The report appears in BusinessWeek's July 2 issue.

Bharti Airtel has been ranked 14, ahead of the likes of Nokia, Google, IBM and Oracle.

TCS is placed at number 23, Infosys at 30 while Satyam Computers is 73rd in the ranking.

BusinessWeek prepared the top 100 list with financial data from Standard & Poor's Compustat, that has information on over 28,000 publicly traded companies. The magazine then trimmed this universe to information-technology companies. To qualify, companies had to have revenues of at least USD 300 million.

[http://www.financialexpress.com/latest\\_full\\_story.php?content\\_id=168154](http://www.financialexpress.com/latest_full_story.php?content_id=168154)

## **Overseas investment**

### **Drop plans for a new FDI regulator**

Yet another review of India's foreign direct investment (FDI) policy is on the cards. The review, according to government sources, will try to "further simplify the policy which is already very liberal" and remove 'overlapping' of the relevant norms noted by the authorities in certain areas. A thinking is also there as to whether a new mechanism should be set up to monitor post-approval compliance of the foreign investor with the FDI policy and take remedial action whenever required.

This is wholly avoidable as this will merely add another layer to the bureaucracy that already engages itself in largely redundant regulatory oversight of FDI inflows.

Apparently, sections of the government, especially the finance ministry which comprises the Foreign Investment Promotion Board (FIPB), feel that FIPB's and RBI's current job of screening FDI proposals prior to letting entry won't suffice to fully implement the law.

"If we condone violations after the approvals are given, then the credibility of the law suffers," a ministry official told ET, adding that the choice is between doing away with regulations that can't be implemented and strictly enforcing them. A third option is shutting the doors to FDI in areas prone to violations but this has been ruled out.

[http://economictimes.indiatimes.com/News/Economy/Drop\\_plans\\_for\\_a\\_new\\_FDI\\_regulator/articleshow/2135225.cms](http://economictimes.indiatimes.com/News/Economy/Drop_plans_for_a_new_FDI_regulator/articleshow/2135225.cms)

### **FDI gates to open wider, PN 1 to be pruned**

The government is planning to further liberalise the FDI regime by exempting several sectors from the mandatory requirements under Press Note 1 (PN 1). Advertising, hospitality, franchisee operations and several other services could be kept out of the purview of PN 1, which bars

multinationals in existing joint ventures from setting up another venture in a similar line of business without a no-objection from the Indian JV partner.

The move is expected to remove a major irritant in sectors such as advertising, hotel, agro processing and franchising. "Business dynamics of these sectors are unique and a regulation like PN 1 acts as an unnecessary hurdle," a government source said. The department of industrial policy and promotion has circulated a note on this as a part of an overall review of FDI regulations, the source added. At present, mining and IT are exempted from PN 1. He pointed out that since the country's advertising industry was dominated by foreign players, such a regulation did not make sense.

Interestingly, in the advertising sector, in a particular case, a partner had to get Foreign Investment Promotion Board (FIPB) clearance related to PN 1 when the parent of one agency took over the parent of another agency globally. Similarly, foreign tieups are the norm in the country's hotel industry, which is grappling with a huge gap between demand and supply.

[http://economictimes.indiatimes.com/FDI\\_gates\\_to\\_open\\_wider\\_PN\\_1\\_to\\_be\\_pruned/articleshow/2140265.cms](http://economictimes.indiatimes.com/FDI_gates_to_open_wider_PN_1_to_be_pruned/articleshow/2140265.cms)

### **Time ripe for increasing FDI in textile sector**

With systemic changes in the form of policies and structural changes within the industry having taken a shape, the Government perceives that the time is ripe for India's textile sector to attract higher FDI.

Sensing the mood in the industry and the factors that would be supportive to promoting greater FDI, the Centre has initiated 'one-to-one' effort with some foreign companies for starting their ventures in India, especially in the textile machinery industry, according to Mr J.N. Singh, Textile Commissioner.

Speaking to newsmen, Mr Singh said that a few overseas firms including Ahlstrom, a Finnish company, have been showing interest in investing in Indian textile ventures, though their interests are largely in textile manufacture.

The Government is of the opinion that once a few big overseas players enter the Indian market, it would trigger the momentum for more players to come and set up shop, he added.

Unlike China where the bulk of its investment in textiles came from Chinese entrepreneurs settled in other countries, immigrant Indians are mostly [professionals](#).

<http://www.blonnet.com/2007/06/19/stories/2007061904451000.htm>

### **Drug firm Aptuit to invest \$100 mn in India**

Global contract drug development firm Aptuit Inc and Hyderabad-based Laurus Labs Limited announced the formation of a contract drug development company, Aptuit Laurus, in India.

"The company will combine Aptuit's global offerings in drug development with Laurus' R and D and manufacturing expertise and newly built state-of-the-art facilities to provide established and

emerging pharmaceutical companies with integrated services, technologies and manufacturing capabilities that span the entire drug development lifecycle," an Aptuit statement said.

Aptuit Inc plans to invest over USD 100 million over the next four years to build upon Aptuit Laurus' development, manufacturing and informatics capabilities, it said.

The new entity will use the trade name Aptuit Laurus, and will be based in Hyderabad with additional facilities in Vishakhapatnam and Bangalore.

[http://www.financialexpress.com/latest\\_full\\_story.php?content\\_id=167478](http://www.financialexpress.com/latest_full_story.php?content_id=167478)

## **Trade News**

### **India-Bangladesh set to 'look-forward'**

India and Bangladesh will resume official level dialogue after two years on forging closer economic cooperation and discuss a range of issues that have either come up at the political level or held in abeyance.

Foreign Secretary Shivshankar Menon arrived Dhaka for talks, ground for which was prepared in April when Bangladesh Chief Advisor Fakhruddin Ahmed met Prime Minister Manmohan Singh on the sidelines of the 14th South Asian Association for Regional Cooperation (SAARC).

Bangladesh Foreign Secretary Touhid Hossain, who will lead his country's team to the talks, said he looked forward to "a process of constructive and forward-looking engagement" with his counterpart.

High on the agenda is a memorandum of understanding (MOU) aimed at removing non-tariff barriers in bilateral trade. This would come towards the end of Menon's three-day visit.

[http://economictimes.indiatimes.com/News/Economy/Foreign\\_Trade/India-Bangladesh\\_set\\_to\\_look-forward/articleshow/2146116.cms](http://economictimes.indiatimes.com/News/Economy/Foreign_Trade/India-Bangladesh_set_to_look-forward/articleshow/2146116.cms)

### **India, Canada target \$20-b trade in 5 years**

India and Canada have resolved to work towards \$20-billion target of trade in goods and services within five years. The target was set by the India-Canada CEOs Roundtable held at its first meeting in New Delhi last March, by seizing the opportunity of current buoyant trends in goods and services trade, the Union Minister of Commerce & Industry, Mr Kamal Nath, said in Montreal.

An official release issued here said that taking part in the meeting along with the Prime Minister of Quebec, Mr Jean Charest, Mr Nath said that in the last few months, Indian investment in Canada has picked up substantially. Last February, the Aditya Birla group company Hindalco acquired Novelis for around \$6 billion. In April, the Essar Group acquired Algoma Steel for \$1.7 billion. Last year, the Tata group acquired Teleglobe, a telecom company, and Birlas Minacs Worldwide, a business process outsourcing firm.

The Minister said this trend is likely to continue and that "more Canadian companies will invest in India, to exploit the synergies that exist between the two sides."

<http://www.blonnet.com/2007/06/19/stories/2007061904461000.htm>

### **Pacts with Iceland, Brunei**

The Government gave its approval for signing the Bilateral Investment Promotion and Protection Agreement (BIPPA) with Iceland and Brunei. The agreements are aimed at increasing investments between the countries, the Union Information and Broadcasting Minister, Mr P.R. Dasmunsi, told reporters after a meeting of the Union Cabinet in the Capital. He added that both the agreements would be for a period of 10 years.

<http://www.blonnet.com/2007/06/22/stories/2007062205151000.htm>

### **India, UK trade ties stronger than ever**

Stating that the India success story was "very much here to stay", Sir Michael Arthur, the British High Commissioner to India, said that "India and UK are now engaged in one of the most profitable and significant bilateral trade and investment partnerships".

Speaking at an interactive session on 'India-UK Business Relations', organised by the Indian Chamber of Commerce, Sir Michael said -India will over the next five years create one in every four of all new jobs in the world, "and by 2020, an extra 200 million jobs — more than America, Europe and China combined".

Noting India's growth in various sectors, he said it was heartening that "today the ties that bind Britain and India together are becoming stronger than ever and the mutual cooperation is at such a heightened level". According to him, while UK was the third largest inward investor in India since 1991, India has emerged as the third largest foreign investor in terms of projects, second only to the US and Japan. Some 500 Indian companies are now working in Britain.

Besides manufacturing, some of the key areas of future cooperation between the two countries, according to the envoy now on a farewell visit to Kolkata (he is taking over as UK's Ambassador to Germany), were financial services, information technology, biotechnology and agro-business, especially infrastructure like cold chains, cited as one of the UK's areas of strength.

<http://www.blonnet.com/2007/06/21/stories/2007062104811100.htm>

### **Pact with US in aviation**

The United States Trade and Development Agency has signed a memorandum of understanding (MoU) with the Ministry of Civil Aviation to set up the US-India Aviation Cooperation Programme.

The programme would see the public sector agencies of both the US and India partner with the US industry to identify and support India's civil aviation sector modernisation priorities including air service quality, airport efficiency, flight security and air-space management.

The agreement also seeks to promote enhanced safety, operational efficiency and system capacity in the Indian aviation sector as well as facilitate and coordinate aviation industry training and technical ties between the US and India.

<http://www.blonnet.com/2007/06/23/stories/2007062304531000.htm>

### **Indian cotton exports outdo US in China**

Indian cotton exports are outperforming the US cotton in China, says the latest report of the United States Department of Agriculture (USDA).

"Since becoming a significant exporter last year, with cheaper freight rates and lower cost of production, India has consistently under-priced US cotton to Far East ports like China. That price differential swelled to a high of 32 dollar per bale in January 2007," the report said.

The large exportable surpluses and low prices have turned India into a major exporter, the report said.

The cotton exports of India have jumped nearly 25 per cent in 2006-07, with an estimated 62 per cent going to China, it said.

India's cotton production has almost doubled in the past five years and its cotton exports have also risen sharply in the past few years, the report added.

[http://www.financialexpress.com/latest\\_full\\_story.php?content\\_id=167793](http://www.financialexpress.com/latest_full_story.php?content_id=167793)

### **Pharma exports to surpass retail sales**

Pharma exports from the country are set to over take domestic retail sales in the current fiscal. While exports in 2006-07 were Rs 24,600 crore and domestic retail sales were Rs 27,903 crore, exports are expected to forge ahead on the back of a projected 30% growth this fiscal.

According to the Indian Pharmaceutical Alliance (IPA), the gap between exports and domestic retail sales will only grow in the future. In fact, by 2012 the size of exports will almost double at Rs 112,275 crore growing at 35% against domestic retail market of Rs 58,607 crore with a stable growth of 16%.

"Export growth is driven by growing dependence on generics across the world to contain health expenditure, acceptance of Indian generic drugs, aggressive expansion of Indian companies in international markets and entry of smaller companies into exports," IPA secretary general D G Shah told ET.

Export growth will be driven by the increasing number of patented drugs going off patent. Between now and 2012, drugs worth \$100 billion will lose patent protection. Overseas takeover

such as Merck buyout by Mylan will also accelerate sourcing of bulk drugs and formulations from India.

[http://economictimes.indiatimes.com/Pharma\\_exports\\_to\\_surpass\\_retail\\_sales/articleshow/2140285.cms](http://economictimes.indiatimes.com/Pharma_exports_to_surpass_retail_sales/articleshow/2140285.cms)

## **Sectoral News**

### **Textile industry to witness 16% growth**

The Indian textile industry, which has accelerated to an annual growth of 9-10 per cent, is expected to grow at a rate of 16 per cent in value terms and reach a level of USD 115 billion by 2012, Union Minister of State for Textiles E V K S Elangovan said today.

This growth can be fuelled by both exports as well as a rise in domestic consumption, resulting in India's share in the global textile and clothing trade moving up from the current three per cent to seven per cent by 2012, Elangovan said, while inaugurating an International Conference on Advances in Textiles, Machinery, Non-woven and Technical textiles, here.

The global trade of textile and clothing products was set to double from USD 353 billion in 2002 to USD 655 billion by 2010, growing at the rate of eight per cent, he said.

The Indian textile exports have increased from USD 12.45 billion in 2002-03 to USD 17.85 billion in 2005-06 and are estimated at USD 19.24 billion dollars in 2006-07

[http://www.financialexpress.com/latest\\_full\\_story.php?content\\_id=167477](http://www.financialexpress.com/latest_full_story.php?content_id=167477)

### **Higher allocation for power, infrastructure**

To create quality industrial infrastructure and promote development, Punjab Finance Minister Manpreet Singh Badal, while presenting his maiden budget, said the state government had made an allocation of Rs 28.30 crore for it, higher than the allocation of Rs 33 lakh last year.

This is despite the promised Rs 100 crore industrial subsidy being shifted to the non-Plan part of the budget.

For the existing industrial focal points he has allocated Rs 10 crore and Rs 14 crore for the creation of new industrial focal points.

He said the state government planned to make Punjab a power surplus state by the end of the Eleventh Plan. This year, the outlay for energy has increased from Rs 924 crore in 2006-07 to Rs 1062 crore.

He said the second phase of the Lehra Mohabat Thermal plant would be commissioned in the current year. Badal also enhanced the allocations for civil aviation from Rs 89 lakh last year to Rs 33.78 crore this year. He proposed Rs. 25 crore for expanding the Amritsar International Airport and Sahnewal Flying Club.

An allocation was made for acquisition of land for a flying academy near Talwandi Sao. He added that upgrading Patiala Aviation Club was planned, with an allocation of Rs 4 crore.

[http://www.business-standard.com/common/storypage\\_c.php?leftnm=10&autono=288632](http://www.business-standard.com/common/storypage_c.php?leftnm=10&autono=288632)

### **India top retail investment hot spot**

As consumer tastes veer towards western-style luxury goods and retail concepts, three nations — India, China and Russia — have emerged as the most attractive markets for retail investment. Furthermore, retailers are now marching into smaller cities after testing the larger ones, as per global consulting firm AT Kearney's annual Global Retail Development Index (GRDI), a study of retail investment attractiveness among 30 emerging markets.

India and Russia continue to occupy the top two slots of this retail development through 2007 as they have since the last three years. "India, being at the top of retail development, validates the level of activity and enthusiasm we have seen in the marketplace.

We anticipate seeing another year of major investments and new retail concepts changing the rapidly evolving organised retail landscape in India, projecting deeper penetration in the Tier 2 and 3 cities," says Hemant Kalbag, principal, consumer industries and retail practice, AT Kearney India.

This was revealed by the findings of the sixth annual GRDI. The GRDI focuses on opportunities for mass merchant and food retailers, which are typically the bellwether for modern retailing concepts in a country.

[http://economictimes.indiatimes.com/India\\_top\\_retail\\_investment\\_hot\\_spot/articleshow/2140138.cms](http://economictimes.indiatimes.com/India_top_retail_investment_hot_spot/articleshow/2140138.cms)

### **Luxury car sales hit the fast track**

Some people will never tire of saying that a car is just a mode of transport. But scores of people in India are expressing themselves by splurging on expensive cars. The country overtook Japan this year as the most fertile breeding ground of billionaires in Asia.

While specific figures are hard to get — the number of imported cars segmented according to their class is difficult to track — ebullient estimates say the size of the luxury car market in India can be as big as 3,000 a year and growing at 30 per cent annually.

Italy's Automobili Lamborghini started selling its super luxury cars through Exclusive Motors situated in New Delhi's Ashok Hotel in the middle of 2006.

According to Rahul Grover, deputy general manager, Exclusive Motors, about a dozen cars were sold by the dealership last year. An equal number arrived again this year, of which only two remain unsold.

While the number may not boggle the mind, the price tag is another story.

Gallardo, the cheapest Lamborghini in India, costs Rs 2 crore, while Murcielago costs Rs 3 crore. One can buy up to 100 Hyundai Santros for the same amount.

[http://www.business-standard.com/common/storypage\\_c.php?leftnm=10&autono=288758](http://www.business-standard.com/common/storypage_c.php?leftnm=10&autono=288758)

### **ITC Foods aims for 25% market share**

ITC Foods, a division of the ITC Limited, aims to pick up a 25 percent share in Orissa's snacks market.

In order to achieve the target, the company launched its new snacks brand 'Bingo' in the state market. This marks the company's foray into the fast growing branded snacks segment.

"We are foraying into a new but fast growing snacks segment of the state", R Venkateswar Rao , Branch Manager of ITC told the media. Earlier, the company had launched biscuits, ready-to-eat and confectionary business.

Encouraged by the market response it launched the new range.

Currently, the company sells atta, salt and spices under Aashirvad brand along with its brands Candyman and Mintofresh.

While the size of the national branded snacks market size is approximately Rs.2000 crore, the fingers snacks segment was the main segment.

However, the size of the organised snacks market in Orissa was small at an estimated Rs.12 crore. The share of the potato chips was about Rs.7 crore while cheese balls accounted for the remaining Rs.5 crore, he pointed out.

Though there was predominance of the unorganised sector in the state, the organised sector was slowly picking up.

[http://www.business-standard.com/common/storypage\\_c.php?m=10&autono=288752](http://www.business-standard.com/common/storypage_c.php?m=10&autono=288752)

### **ICICI to modify products for rural economy**

Country's largest private lender ICICI Bank is planning to bring changes in its products to make them suitable for the rural areas--its new-targeted sector for widening reach.

The bank, which has already established its hold both in the agricultural and non-agricultural sector in the rural areas, would modify certain urban products to suit the requirements of the farming community, ICICI Bank Senior General Manager Rajiv Sabharwal said.

Sabharwal, who is in Coimbatore to give a briefing on the bank's follow-on public issue which opened yesterday, said the lender was looking at financing of pre and post harvest activities,

equipment, crop finance, insurance and savings, so that it could tap huge opportunities existing in the sector.

[http://www.financialexpress.com/latest\\_full\\_story.php?content\\_id=167692](http://www.financialexpress.com/latest_full_story.php?content_id=167692)

## **News Round – Up**

### **Inflation rate down to 4.28% on cheaper food items**

The annual wholesale price index-based inflation rose 4.28 per cent during the week ended June 9, lower than the previous week's increase of 4.80 per cent.

The sharp drop in the year-on-year inflation level during the latest reported week — a 58-week low — was mainly on account of a fall in prices of primary articles and fuel items, according to data released by the Ministry of Commerce and Industry here.

Compared to the corresponding period a year ago, headline inflation declined by more than a percentage point during the latest reported week. Inflation was measured at 5.29 per cent in the week ended June 10 last year.

Inflation in the case of the primary articles' group continued to fall for the fifth consecutive month, while that in the fuel group slipped into the negative zone. Lower inflation in foodgrains, fruits and vegetables, eggs, meat and fish and some other food articles pulled down the overall inflation in the case of primary articles to 7.58 per cent, from 8.20 per cent during the preceding week.

Inflation in the fuel group dropped to a negative 1.23 per cent, from 0.56 per cent in the week ended June 2. This is the lowest inflation in the fuel group since February 6, 1999, according to the Centre for Monitoring Indian Economy (CMIE). The negative inflation came mainly on account of the high base-effect. The Union Government had hiked the retail prices of petrol and diesel in June 2006, which were subsequently cut in February and March 2007. Hence, the current prices of these products are ruling below their year-ago levels, causing negative inflation in the fuel group.

<http://www.blonnet.com/2007/06/23/stories/2007062300231400.htm>

### **Small, medium units bullish on economic growth: Survey**

Small and Medium Enterprises (SMEs) in India are optimistic about the economic growth in the country. Around 79 per cent of SMEs are expecting economic growth to accelerate in India, says an HSBC Asia-Pacific Small Business Confidence Survey.

India emerged as the most optimistic country in the survey, which was conducted in nine countries in the Asia Pacific and included Hong Kong, Singapore, Taiwan, Korea, Malaysia, Australia, Indonesia and China. Around 1,800 SMEs were surveyed in the first quarter of 2007. The SMEs surveyed in India had an annual sales turnover of less than \$11 million. Notably, while 36 per cent of the SMEs in India said they would make more investments in their business this year, 64 per cent said that they had no such plans.

Mr Puneet Chaddha, Head, Commercial Banking, India HSBC, said: "SME investments were mainly for increasing capacity or hiring new talent. What is significant is that SMEs are not cutting down their production."

He added that this did not imply that there would be a slowdown in credit demand as SMEs mainly require loans for their working capital needs.

<http://www.blonnet.com/2007/06/22/stories/2007062205270600.htm>