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News Feature

Nine percent growth rate can be achieved: Mukherjee

Finance Minister Pranab Mukherjee said the country will be able to achieve over 9 percent growth rate this fiscal, despite the global economic downturn of 2008-09.

Replying to a debate on the 2011-12 budget proposals in the Lok Sabha, Mukherjee said: "This year, we will achieve a 9 percent growth of the GDP (gross domestic product). After all, the taste of the pudding is in eating."

Noting that the economic crisis began 2008-09 and the nation had achieved a 9 percent growth in the first quarter of that fiscal, Mukherjee said the growth rate in the last quarter of that year had come down to as low as 5.8 percent.

"It was the responsibility of the government to take action - as other nations - to sustain growth domestically, though it was not possible at that point of time. Next year, we achieved 8 percent growth," he said.

Pointing out that the government's major objective was to bring economy to a higher growth rate, Mukherjee asserted: "We can do it. We have been able to do it."

He also observed that the finance minister "has a role in sustaining broad-based growth, control inflation and ensure inclusive growth."

http://economictimes.indiatimes.com/news/economy/indicators/nine-percent-growth-rate-can-be-achieved-mukherjee/articleshow/7678712.cms

January industrial output up 3.7% y-o-y

Industrial growth slowed to 3.7 per cent in January, 2011, compared to 16.8 per cent expansion in the year-ago period, dragged down by the poor performance of the manufacturing sector, particularly capital goods.

However, growth in factory output in January, as measured in terms of the Index of Industrial Production (IIP), was better than the 2.53 per cent expansion (revised upward from 1.6 per cent) witnessed in the previous month.

Industrial output growth during the April-January period this fiscal stood at 8.3 per cent vis-a-vis the corresponding period of the previous year. In contrast, industrial output expanded by 9.5 per cent year-on-year in April-January, 2009-10, official data released here today shows.

In January, manufacturing growth plummeted to 3.3 per cent from 17.9 per cent a year ago.

The capital goods sector contracted by 18.6 per cent in the month under review. The sector had posted a robust growth of 57.9 per cent in January, 2010.

However, production in the consumer non-durables segment grew by 6.9 per cent during the month under review. It had contracted by 7 per cent in the same period a year ago.

Mining growth also plummeted to 1.6 per cent in the month under review from 15.3 per cent in the comparable month of 2010. Electricity generation output rose by 10.5 per cent in January, compared to 5.6 per cent growth in the same month last year.

On the whole, 14 out of 17 industry groups achieved positive growth in the first month of 2011.

http://economictimes.indiatimes.com/news/economy/indicators/january-industrial-output-up-37-y-o-y/articleshow/7677785.cms

IIP grows 3.7%, but investment a concern

The country's factory output expanded at a better-than-expected 3.7% in January, but a hint of decline in investment had analysts reworking their growth forecasts for the economy ahead of possible increase in interest rates.

Industrial growth measured by the index of industrial production (IIP) remained subdued due to base effect, or the impact of the high 16.8% expansion in the year ago period. A slowdown in manufacturing sector that comprises almost 80% of the index also impacted the output growth figure.

"Industry has clearly not been a winner," said Madan Sabnavis, chief economist at rating agency CARE.

"The government forecast of 8.8% growth in manufacturing this year may be difficult to achieve," he said. Manufacturing expanded by a modest 3.3% compared with 17.9% in the year-ago period.

Planning Commission deputy chairman Montek Singh Ahluwalia said industrial slowdown in the last 2-3 months was a matter of concern. "We should watch it," Mr Ahluwalia said.

"I believe that the key to recovery is going to be strong investment performance in coming year and also good infrastructure performance," he added.

Finance minister Pranab Mukherjee , however, said the economy was on course to achieve its growth targets.

"We can and we shall (achieve 9% GDP growth)," Mukherjee said in the Lok Sabha.

"In the year which is coming to an end (GDP growth) is 8.6%. Therefore, if I project that my GDP growth will be 9% (next year), the figure is credible," he said.

Economists agree that the growth momentum is intact despite a harsh monetary policy environment created by seven interest rate increases in the current fiscal year.

http://economictimes.indiatimes.com/news/economy/indicators/iip-grows-37-but-investment-a-concern/articleshow/7683103.cms

Overseas Investment

Forex reserves rise $1.8 b to $302.59 b

The country's foreign exchange reserves have gone up by $1.807 billion to $302.593 billion for the week ended March 4, according to the Weekly Statistical Bulletin released by the Reserve Bank of India.

The reserves have gone up for the third consecutive week. In the earlier week ended February 25, forex reserves increased by $158 million to $300.786 billion.

In the week under consideration, foreign currency assets increased by $1.548 billion to $272.964 billion. The increase in reserves is mainly on account of currency revaluation. Foreign currency assets expressed in US dollar terms include the effect of appreciation or depreciation of non-US currencies such as the euro, sterling and yen, held in reserves.

The euro had gained against the dollar leading to reserves denominated in euro being re-valued at from $1.384 at the beginning of the week to higher levels. The euro moved up $1.388 on March 4.

The country's reserve position at the IMF also increased by $12 million to $2.282 billion. Gold reserves also increased by $219 million to $22.143 billion, while SDRs went up $28 million to $5.204 billion.

http://www.thehindubusinessline.com/industry-and-economy/banking/article1529407.ece

RBI agrees for limited flexibility in pricing of convertible instruments

The Reserve Bank of India has agreed to give companies limited flexibility in pricing of convertible instruments for raising funds overseas, a move that experts say will improve foreign direct investment (FDI) flows into the country.

The current FDI policy says the price at which a convertible instrument is to be swapped for equity shares should be locked at the time of issue. Companies say this rule denies them the benefit of getting better conversion terms if their business does well. "The RBI has agreed to some flexibility in pricing of FDI-compliant convertible instruments," an official with the department of industrial policy & promotion (DIPP) said.

http://articles.economictimes.indiatimes.com/2011-03-10/news/28675428_1_convertible-instruments-pricing-equity-shares

Govt may decide on FDI in retail soon: Scindia

The government is expected to take a decision on liberalising foreign direct investment (FDI) in thepolitically sensitive multi-brand retail sector soon.

"We are soon going to take a decision on FDI in multi brand retail. We are in consultations with other five-six ministries," Minister of State for Commerce and Industry Jyotiraditya Scindia today said.

At present, 51 per cent FDI is allowed in single-brand retail, while foreign investment is prohibited in multi-brand retail. However, 100 per cent FDI is permitted in the wholesale cash-and-carry segment.

Many domestic retailers, as well as international chains like Wal-Mart , Tesco , Carrefour and Metro have been lobbying with the government here to open up the sector further, including allowing FDI is multi-brand segment.

The industry ministry is in the process of evaluating the comments, which it has received on its discussion paper on liberalising FDI in multi-brand retail and defence sector.

"We are also in a process to make a consensus paper," Scindia said on the sidelines of the inauguration of the four-day international food and hospitality fair Aahar 2011.

http://economictimes.indiatimes.com/news/economy/indicators/govt-may-decide-on-fdi-in-retail-soon-scindia/articleshow/7673514.cms

Mining sector FDI at $729 mn from Apr 07 - Dec10

The mining sector of the country received foreign direct investment (FDI) worth USD 728.77 million between April, 2007, and December last year, Mines Minister Dinsha Patel informed the Lok Sabha.

The inflows of FDI were the highest in 2007-08, at USD 444.26 million, and in the last fiscal, it touched USD 174.4 million.

FDI inflows were the lowest in 2008-09 at 34.22 million. The mining sector received USD 75.90 million in FDI till the end of December of the current fiscal, Patel said.

During the April-December period of the current fiscal, Bangalore received the highest FDI of 31.75 million, followed by Mumbai, at USD 28.28 million.

The mining sector was opened for 100 cent FDI from February 10, 2006. During 2006-07, the country received FDI worth USD 6.62 million in the mining sector.

The Indian mining sector was opened up to FDI in 1993 after the announcement of the New Mineral Policy . In January, 1997, it was further liberalised to permit FDI up to 50 per cent in mining projects and up to 74 per cent in services incidental to mining.

http://economictimes.indiatimes.com/news/economy/finance/mining-sector-fdi-at-729-mn-from-apr-07--dec10/articleshow/7679306.cms

Trade News

Energy, oil top list of thrust areas for tie-ups with Brazil

The Commerce and Industry Minister, Mr Anand Sharma, said that the India-Brazil bilateral trade would increase to $10 billion in the next few years from $7.73 billion in 2010.

He said in a statement after his meeting with Mr Antonio Patriota, Minister of External Relations, Brazil, here.

Priority sectors

Meanwhile, both countries agreed to set up a CEOs Forum and identified the priority sectors – energy, oil, tourism, pharma, value-added manufacturing, mining and agro-processing. Mr Sharma expressed satisfaction regarding the signing of an Air Service Agreement between India and Brazil.

He said there is vast potential for cooperation between the two countries in SMEs, IT, science and technology, engineering, energy, infrastructure and nuclear power.

In the bilateral meeting, Mr Sharma raised the issue of Brazil's imposition of anti-dumping duties on Indian products such as PET Films (polyethylene terephthalate), jute yarn, jute bags, nitrile rubber (NBR) and stainless steel. He pointed out that currently, no anti-dumping duty has been imposed by India on import of any items from Brazil. Mr Sharma also raised the issue of flexibility in business visas.

Mr Sharma also highlighted a proposal for organizing "India Show" in Sao Paulo in March, 2011. The proposed occasion will serve an ideal platform for a number of Indian and Latin American entrepreneurs / companies to explore and discuss business opportunities and tie- ups in trade and investment, he added.

http://www.thehindubusinessline.com/industry-and-economy/government-and policy/article1520608.ece

Sectoral News

Exports cross $200-bn mark in April-Feb, beat govt estimate

Maintaining a steady growth momentum, India's merchandise exports touched $208.2 billion in the April-February period of the current financial year, already exceeding the government's target of $200 billion for the entire financial year.

In February, exports rose 49.8 per cent to $23.60 billion, while imports rose to $31.70 billion, up 21.2 per cent over the same period last year. The trade deficit in February rose marginally to (-)8.1 billion from (-)8 billion in January.

"The balance of trade is expected to be somewhere between $105-115 billion for the financial year," Commerce Secretary Rahul Khullar said, while releasing the initial estimates. The figures are subject to change once the official data is released on April 1.

Khullar also said exports for 2010-2011 would be in the range of $230-235 billion, while imports are expected to cross $350 billion.

"In exports, we can see that the basket is getting increasingly dominated by petroleum products, gems and jewellery, chemicals and engineering goods. In the next three to five years, India needs to capitalise on these sectors," Khullar said.

During April-February, 2010, exports of gems and jewellery, engineering products, petroleum, readymade garments, pharmaceuticals, plastics and carpets, fared well. Exports of engineering goods soared by a whopping 81 per cent to $52.7 billion in the April-February period. Carpet exports from India are set to surpass $1 billion for the first time, Khullar said.

Products which recorded a cumulative rise in imports in the first 11 months of the current financial year were oil, gems & jewellery, gold & silver, fertilisers, machinery, electronic goods, chemicals and coal.

"The current account deficit is going to be 2.5-2.8 per cent of GDP. A lot of it will depend on net services and remittances, which might be impacted due to the influx of workers from the Middle East (West Asia)," Khullar said. The government had recently raised serious concerns over the rising current account deficit.

The ministry of commerce and industry had floated a discussion paper which sought an effective mechanism to accelerate exports and raise their worth to $450 billion by 2014. The government had also offered a plethora of benefits to boost exports in Budget 2011-12, including a refund mechanism for service tax, creation of leather clusters across the country, reduction of duties, excise duty cut

and a cut in transaction costs.

http://www.business-standard.com/india/news/exports-cross-200-bn-mark-in-april-feb-beat-govt-estimate/428133/

Indians plug into high-end gadgets

Indian consumers are lapping up high-end electronics, mobiles and durables like never before. Not afraid to shell out the moolah, consumers are going all out for top-of-the-line products available.

Leading the pack are smartphones, tablets, highdefinition televisions, frostfree refrigerators and split air-conditioners which have grown as much as 80% annually. So while sales of flatpanel televisions registered an 84% growth, split air-conditioners (AC) grew by 62% and smartphones grew by 40% last year.

Durable majors like LG , Samsung and Godrej are now drawing around 40% of their overall turnover from these premium products.

Even handset manufacturers like Nokia have upped their ante with a slew of launches in the high-end price range of Rs 15,000 and above to tap this market which grew 40% last year.

Industry players say today's consumers are flexible on their budgets and with the increasing penetration of modern retail these products have got the desired push.

"Premium categories are leading the segments linked with early technology adoption and higher disposable incomes of Indians , which is helped by their propensity to spend," said R Zutshi, deputy MD, Samsung India.

The Korean durable major clocked a growth of 90% in flat panel televisions in 2010 and is expecting 100% growth this year, driven by the growth in high-definition (HD), LED and the 3D segments. This year flat panel TVs are expected to double and touch the 5 million unit mark. HD televisions currently constitute 15-20 % to the overall sales of flat panel televisions.

http://economictimes.indiatimes.com/tech/hardware/indians-plug-into-high-end-gadgets/articleshow/7668840.cms

38.3 L mobile users opt for MNP

The number of subscribers opting for mobile number portability (MNP) has more than doubled in less than a month, data released by the telecom regulator revealed.

By February-end, around 38.33 lakh people had opted for MNP, a service that allows subscribers to switch service providers but retain their original cellphone number, Telecom Regulatory Authority of India said on Wednesday.

Till February 5, about 17.11 lakh subscribers had

put in requests for changing their mobile service provider. However, the MNP impact has been limited, given that only a fraction of the 771 million mobile subscribers have so far opted for MNP.

http://articles.economictimes.indiatimes.com/2011-03-10/news/28675512_1_mobile-number-portability-mnp-mobile-subscribers

Vegetables production up by over 5 pc in 2010-11: Govt

India's vegetables production is estimated to have increased by over five per cent to 14.1 crore tonnes in 2010-11, Parliament was informed today.

The country's vegetables production was 13.3 crore tonnes in 2009-10, Minister of State for Agriculture Arun Yadav said in a written reply to Lok Sabha.

Cultivation of major vegetables including onion, potato, brinjal, cabbage, cauliflower, peas and okra saw a rise during the period, he said.

Giving details, he said onion production rose by over 6 per cent to 1.29 crore tonnes during 2010-11, against 1.22 crore tonnes a year ago.

http://articles.economictimes.indiatimes.com/2011-03-08/news/28668444_1_onion-production-vegetables-pc

Silver at 31-year peak

Gold climbed, approaching a record, as unrest spreads in West Asia, driving demand for precious metals. Silver reached a 31-year peak. Immediate-delivery bullion gained 0.5% to $1,437.85 an ounce at 2:07 pm Singapore time. Silver was steady after rising as high as $36.38 an ounce, partly driven by data showing a rebound in US jobs.

http://www.financialexpress.com/news/silver-at-31year-peak/759149/

India gold hits record

India gold struck another record high on Monday following firm overseas markets and a weaker rupee, driving traders away from physical market awaiting for bargains, dealers said. The moast-active gold for April delivery on the MCX was trading 0.54% higher at R21,211 per 10 gm at 2:16 pm, after hitting a record of R 21,247.

http://www.financialexpress.com/news/india-gold-hits-record/759151/

Cement despatches to log 5-7% growth in February

Cement despatches grew marginally in January this year by 1.4% year-on-year (y-o-y) and is expected to rise 5%-7% y-o-y in February, according to experts. This upturn comes after 3% y-o-y decline in December and 6% in November last year.

The initial set of numbers indicate a mixed performance of despatches for the sector, where ACC registered an impressive performance with a strong 17% growth in despatches, whereas

UltraTech Cement and Ambuja Cement's despatches grew in the range of 4% - 5%. According to industry players, the increase in cement off-take is on account of a pick-up in the infrastructure activity. However, experts are of the view that demand from government projects has been slow and the rise in cement despatch during the month is due to re-stocking.

This, experts feel is due to the rise in cement prices by R20–60 per bag in the past two months and possibility of further price hikes in the coming weeks.

"In terms of demand, dealers have confirmed that the cement offtake is picking up except in the southern region. In Maharashtra the key concern of poor availability of river sand has been resolved to a great extent with supply of river sand coming in from Karnataka, Gujarat and Maharashtra itself," a Sharekhan report adds.

Over the past two months, cement prices have grown by 8%-25% per bag across regions, with rise in all India average prices by 16% in the last two months.

"On a y-o-y basis, however, all-India average prices have grown by only 9%, trailing cost increases. Key cost items such as coal and freight have risen sharply," said J Radhakrishnan, an analyst with IIFL, in his report.

Experts have, however, maintained their negative stance on the sector as the key concern remains in terms of oversupply due to capacity addition and increasing input costs.

http://www.financialexpress.com/news/cement-despatches-to-log-57-growth-in-february/759073/0

Agri exports gain pace, rise 10% to R24,119 cr

After a slow start in the initial months of the fiscal year, India's exports of agricultural and processed food products are set to increase significantly despite a decline in shipments of basmati rice, a key export item.

According to the latest data from Agricultural and Processed Food Products Exports Development Authority (Apeda), during April-November 2010, total volume of exports increased by close to 10% to R24,119 crore from R21,979 crore reported over the same period in the previous year.

This increase has been possible because of significant growth in exports of pulses, guar gum and meat products. However basmati rice exports declined by 12.27% in value terms during first eight months of the current fiscal.

"We have received reports of basmati rice exports picking up during last two months. Exports started on a slower pace as there was huge inventories with importers from the previous year's stocks," Apeda chairman Asit Tripathy told.

Total exports from the Apeda basket went up to R34,686 crore in 2009-10 from R 34,450 crore in

2008-09. This was despite the government continuing to ban export of non-basmati rice, which used to contribute around R7,000 crore to Apeda's export kitty.

During April-November 2010, pulses exports saw the highest rise, increasing 217% to R585 crore from R184 crore in the year-ago period. Guar gum exports during the period went up by 139% to R1,446 crore from R603 crore in the previous fiscal. Meat products recorded a more modest 43% rise to R5,337 crore from R3,737 crore.

"Emphasis on adherence to quality standards, geographical proximity and growing contract farming are the main factors leading to rise in export of fruits and vegetables and meat products," Tripathy said.

He added that rising investment in cold storage facilities in Maharashtra and Gujarat and the upward trend in contract farming helped the country export fresh fruits and vegetables to West Asian countries. "Geographical proximity to the Gulf region is also helping the exports," he said.

Demand for certain items like prepared and preserved gherkins and cucumbers has almost doubled in the West Asian countries in the last two years. Even banana exports are looking good now because of strong demand from the Gulf region, he said. West Asian countries, which have traditionally sourced bananas from Philippines, have been gradually shifting their focus towards India because of improved quality and price advantage.

http://www.financialexpress.com/news/agri-exports-gain-pace-rise-10-to-r24-119-cr/760314/0

India is world's seventh largest passenger vehicles market

With passenger vehicle sales expected at 2.5 million in FY11, the country's market for such vehicles is the world's seventh largest, larger than markets such as the UK, France and Spain by volume.

India has been one of the few markets globally to buck the recessionary trend and recorded a strong 25.6% volume growth in FY10. The growth momentum continues to be on track with first 11 months of FY11 registering a growth of 29.8% over the corresponding period in the previous year. Strong economic growth, rising disposable income levels, favorable demographics, easy financing environment and relatively low car penetration have been the prominent growth drivers for the industry, said Icra in its latest findings. It is estimated that by FY2016, the Indian passenger vehicle market will touch 4.85 million in annual sales, representing a 10.8% CAGR over the next five years.

While at the one end, the growing domestic market is attracting foreign OEMs, on the other, established players are positioning themselves as strong contenders to offer low-cost car manufacturing capabilities to the world. So far, most foreign car makers, barring Hyundai, have focused on the sedan and premium segment cars,

shying away from the highly competitive small-car segment; with these players now launching small-cars that too designed keeping in mind specifically the Indian consumer, the small-car segment, which has so far been dominated by three players commanding over 80% of the volumes is likely to see increase in competitive intensity. Some of the newly-launched models have had good initial response and have been aggressively priced, indicating new entrants' strategy to grab market share while sacrificing profitability.

Large established incumbents in the Indian passenger vehicle market derive strength from their low-cost manufacturing capabilities (especially in the small-car segment), strong brand recognition and wide distribution & servicing reach, something which can be difficult to replicate, the report said. While the incumbents will have these competitive advantage over newer entrants, these are likely to diminish in the long run as new players with global experience gain brand recognition and expand their network and product offerings. Superior small car portfolio, a wide distribution and service network and competitive pricing on the back of locally sourced auto components are going to be the key factors in determining the success of a foreign OEM in the Indian market.

While competitive pressures are likely to intensify, it is strongly believed that strong GDP growth, rising disposable income levels, easy availability of finance and more particularly Indian consumers' aspiration to own cars, especially given the state of public transport, would ensure that the industry will experience strong growth in the foreseeable future.

http://www.financialexpress.com/news/india-is-worlds-seventh-largest-passenger-vehicles-market/761394/0

News Round-Up

Indian economy expected to reach $6 trillion by 2020

Former Indian Space Research Organisation (ISRO)) chairman Dr. K Kasturirangan has said that the Indian economy is expected to reach $six trillion by 2020 if India sustains a nine per cent GDP growth.

He said that the size of Indian economy would

Kasturirangan, who is presently a member of the Planning Commission , said: "If the present expectations which are reasonable and realistic, fructify, India is poised to become a world power. If we maintain the present rate of growth of GDP at around nine per cent, by the end of the present decade, 2020, this economy is expected to approach $six trillion, with per capita GDP crossing $4,500 from the present $1,500."

"If all goes well," the economy could even grow to 9-10 $trillion and per capita income could rise to in excess of $6,000 by 2025," he added in his Graduation Day address at Kumaraguru College of Technology in Coimbatore.

http://economictimes.indiatimes.com/news/economy/indicators/indian-economy-expected-to-reach-6-trillion-by-2020/articleshow/7652438.cms

India Inc to increase salary 12.9%: Study

Employees in India are expected to see a salary hike of 12.9% this year, among the highest in the world, as industries are benefiting from the country's robust economic growth, according to Aon Hewitt.

Led by engineering services sector, the projected jump of 12.9% in salaries for this year is higher than the actual increase of 11.7% seen in 2010. Global HR consultancy group Aon Hewitt said India is likely to see the highest pay hike in the Asia-Pacific region.

http://www.financialexpress.com/news/india-inc-to-increase-salary-12.9-study/759641/

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