

## Weekly Economic Bulletin

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## News Feature

### India scores 8, China gets 4

The upbeat Indian industry has outsmarted the world's fastest growing economy China, with as many as 8 domestic firms making it to Standard & Poors' list of challengers to leading global blue-chip companies.

Rating agency S&P has included 8 Indian companies in its annual 'Global Challengers List' of 300 firms, while only 4 Chinese firms were included in the list. The list identifies mid-size publicly traded firms that exhibit the strongest growth characteristics. The 2007 list includes companies from 37 countries.

It includes cement maker ACC, Hotel Leela Venture, Jain Irrigation, Lakshmi Machine Works, Marico, Siemens India, besides Tata Group's Titan Industries and Indian Hotels.

"In the Darwinian sense, mid-caps are truly positioned in an evolutionary sweet spot, having survived beyond their start-up phases and offering stability as well as rapid growth opportunities in the future," S&P index strategist Srikant Dash said in a statement.

[http://www.financialexpress.com/latest\\_full\\_story.php?content\\_id=163763](http://www.financialexpress.com/latest_full_story.php?content_id=163763)

## Overseas investment

### FII's bullish on India pump in US\$ 6 billion in calendar 2007

Despite several factors indicating a relative slowdown in the emerging markets, foreign institutional investors (FIIs) continue to be bullish on India. They have pumped in a hefty \$6 billion in equities to date in calendar 2007.

Last year, during the same period, the FIIs' exposure to Indian equities was 25% lower at \$4.5 billion. These investors had invested \$8 billion in the entire calendar 2006.

Market players said an appreciating rupee and a slide at the bourses since April played a key role in the increased inflows from the FIIs.

[http://www.financialexpress.com/fe\\_full\\_story.php?content\\_id=163637](http://www.financialexpress.com/fe_full_story.php?content_id=163637)

### Telecom regulator moots 74% FDI for cable TV operators

The Telecom Regulatory Authority of India has proposed that cable TV operators be allowed to increase their FDI cap from the existing 49 per cent to 74 per cent to bring them at par with the telecom sector.

TRAI told the Government that the FDI levels for the two sectors should be at par because there was a convergence of services beginning to happen.

The telecom regulator said that communication services such as Internet Protocol Television (IPTV) and broadband can be offered by cable TV operators also and, therefore, the FDI level for the two sectors has to be the same to address issues of level playing field. The TRAI move comes within a month of the Government allowing telecom firms to have foreign direct investment of up to 74 per cent.

"It is discriminatory to have non-uniform FDI cap between two types of operators who can offer the same type of service. This needs to be addressed to maintain level playing field. Upward FDI revision would also help in the upgradation of facilities of cable TV for provision of Internet services," said a senior official.

<http://www.blonnet.com/2007/05/14/stories/2007051403530700.htm>

### **Foreign firms allowed to pick 26% stake in pension funds**

Tough opposition from the Left parties notwithstanding, the government has opened a window of opportunity for foreign companies for managing the pension funds of Central and state government employees.

The foreign funds would be allowed to own up to 26 per cent stake in entities that would be set up by state-owned banks, mutual funds and financial institutions to manage the pension funds, sources said.

The Left parties, which have been opposing the New Pension Scheme (NPS), based on contribution by the employees, had been saying that only public sector entities should be entrusted with the task of managing the pension funds.

While the government has conceded this demand, it has allowed for FDI in the entities that will be floated by public sector institutions for the job.

[http://www.business-standard.com/common/storypage\\_c.php?leftnm=10&autono=284225](http://www.business-standard.com/common/storypage_c.php?leftnm=10&autono=284225)

### **J&J to make India R&D hub**

The world's largest manufacturer of healthcare products, Johnson & Johnson, is making India a global hub of its research and development as it looks to ramp up its pharmaceutical business in the country.

The company is investing \$17.5 million in its analytical and pharmaceutical development centre in Mumbai, which conducts early-stage drug development. In a few months, the number of professionals working there will rise from 65 to 150.

"We will develop the centre to make India an important hub of our drug research and development. We are in discussions with Indian companies and R&D institutes for drug

research and clinical development of drug targets," said Paul Stoffels, chairman, research and development, Johnson & Johnson.

Clinical development of drugs will be a focus area for the company's growth in India. According to Stoffels, J&J conducts 15 clinical trials in India. The number will soon double.

The decision comes as yet another endorsement of India's emergence as a critical centre for pharma R&D. Last year, Novartis announced an investment of Rs 500 crore in a centre in Hyderabad that will employ 5,000 scientists.

Pliva recently inaugurated its drug R&D centre in Goa. In March, Astra Zeneca opened a \$15 million process and development laboratory in Bangalore, focused on new chemical entity (NCE) research.

[http://www.businessstandard.com/common/storypage\\_c.php?leftnm=10&autono=284345](http://www.businessstandard.com/common/storypage_c.php?leftnm=10&autono=284345)

## **Trade News**

### **Korea hopeful of trade pact with India by Dec**

South Korea hopes to wrap up a Comprehensive Economic Partnership Agreement (CEPA) with India by December 2007.

The signing of the CEPA, which would encompass trade in goods and services and investment, is expected to add momentum to the growing economic partnership between the two countries.

"The CEPA is well on track. We hope to have it by 2007-end," Mr Paek Young-Sun, South Korea's Ambassador to India, told Business Line

<http://www.thehindubusinessline.com/2007/05/12/stories/2007051205940100.htm>

### **Indo-American chamber signs MoU**

In order to boost trade ties between America and India, the Indo-America Chamber of Commerce (IACC) signed an MoU with the World Trade Center, Rhode Island, an international business development and consulting organisation, to facilitate trade between small and medium entrepreneurs in the two countries.

A thirty-member Indian delegation, headed by Subodh Kant Sahay, food processing minister at the Centre, will be visiting the US for promoting American investment in areas like, textile, food-processing, engineering goods and defence, said S K Jain, regional president, Indo-American Chamber of Commerce.

Speaking on the occasion, Dennis McCarthy, managing director, World Trade Centre, said at present, 13 American companies were interested in investing in India.

"I expect nearly 35 American companies to invest in India in the next one year. Textile, medical equipment, food processing, defence and jewellery designing are the areas in which Indian companies can invest in the US, " he said.

Following the MoU, the IACC logo will be included in all the India Business Programme, the flagship of the two organisations for trade facilitation. Also, IACC members will be given preference in the Business Matching Programme conducted by them.

[http://www.businessstandard.com/common/storypage\\_c.php?leftnm=10&autono=283799](http://www.businessstandard.com/common/storypage_c.php?leftnm=10&autono=283799)

### **Indo-Arab trade to cross 55 bn dlr by 2010**

India and Arab nations are forging stronger trade relations and two-way trade between them, which crossed 24 billion dollar in FY07, is expected to cross 55 billion dollar by 2010.

"The two-way trade of India and Arab League of Nations has jumped by 20 per cent to 24 billion dollars in 2006-07 from 20 billion dollars in 2005-06, the potential for the trade will rise manifold," Secretary General and Chief of Cabinet of League of Arab States, Heshm Youssef said at an Assocham organised conference.

[http://economictimes.indiatimes.com/News/Economy/Foreign\\_Trade/Indo-Arab\\_trade\\_to\\_cross\\_55\\_bn\\_dlr\\_by\\_2010/articleshow/2035372.cms](http://economictimes.indiatimes.com/News/Economy/Foreign_Trade/Indo-Arab_trade_to_cross_55_bn_dlr_by_2010/articleshow/2035372.cms)

## **Sectoral News**

### **Industrial output surges by 12.9% in March**

Industrial production has recorded a growth of 12.9 per cent during March, powered by a 14.1 per cent year-on-year increase in the manufacturing sector.

According to the Index of Industrial Production data released by the Central Statistical Organisation, industry on the whole grew by 11.3 per cent during the fiscal ended March 2007 against the corresponding average of 8.2 per cent for 2005-06.

During March 2007, the index for manufacturing rose by 14.1 per cent (10.1 per cent in March 2006), with the corresponding growth rates at 6.2 per cent (2 per cent) for mining and 7.9 per cent (3.4 per cent) in the case of electricity.

For the full fiscal 2006-07, the manufacturing sector grew by 12.3 per cent ( 9.1 per cent in 2005-06), while mining rose 5.1 per cent (1 per cent) and electricity 7.2 per cent (5.2 per cent). As many as 10 out of 17 industry groups showed double-digit growth during the financial year. These include wood and wood products (29.1 per cent), basic metal and alloy industry (22.8 per cent), transport equipment and parts (14.9 per cent), cotton textiles (14.8 per cent) and machinery other than transport (14 per cent).

<http://www.blonnet.com/2007/05/12/stories/2007051205970100.htm>

## **New aviation plan in a few months**

The government was preparing a plan to make the country's aviation industry better able to deal with global competition by 2020 that would replace the current policy, the aviation minister said.

The Vision 2020 statement would be sent to senior government ministers and should be ready in a couple of months, Praful Patel said at Jet Airways Ltd.'s presentation of its new Boeing 777-300 ER and Airbus 330-200 planes.

"We are coming out with a Vision 2020 statement for aviation, which we will spell out in a couple of months, and a lot of issues, and issues not resolved, will be cleared," Patel said, adding it would help Indian carriers meet competition from foreign airlines.

"It is not going to be a standard mechanical formula ... of course, there will be certain guidelines and we will be doing all these things in a few months."

Patel also said he would talk to the oil minister and state-run oil companies about high jet fuel prices.

[http://www.financialexpress.com/latest\\_full\\_story.php?content\\_id=164122](http://www.financialexpress.com/latest_full_story.php?content_id=164122)

## **FMCG burns bright with 19% Q4 growth**

FMCG sector continues its growth sprint with both the combined net sales and net profits of the leading 10 companies growing at 19% for the quarter ended March'07 over the corresponding quarter of the previous year. The growth bandwagon was led by Marico, Nestle and Godrej Consumer, which reported net sales jumps of 33%, 28% and 27% respectively.

Hindustan Lever (HLL) and Colgate Palmolive both grew at a healthy 14% while Dabur India, GSK CHL and Henkel reported topline growths in the range of 18-20%. P&G Hygiene reported the lowest 9% topline growth, however, it along with Gillette India made an impressive turnaround since last year.

Robust consumer demand across personal care and food categories combined with selective price hikes and a healthy export growth boosted the sector during the quarter. Around one-thirds of HLL's growth came from its soap and detergent division, which grew at 9.5% led by brands like Lux, Lifebuoy and Surf. Dabur's consumer care division grew at around 20% while Marico's Parachute and Value-added hair oil franchise grew at 13% and 17% respectively during the quarter over Q4 FY06. Colgate's toothpaste business grew by 8% during the quarter.

[http://economictimes.indiatimes.com/FMCG\\_burns\\_bright\\_with\\_19\\_Q4\\_growth/articleshow/2036074.cms](http://economictimes.indiatimes.com/FMCG_burns_bright_with_19_Q4_growth/articleshow/2036074.cms)

## **Oil sector drives infrastructure growth**

A turnaround in crude oil output and higher production by refineries pushed the growth of six infrastructure industries to 8.6% in 2006-07 as against 6.2% in the previous year.

The crude production, which had declined 5.3% in 2005-06, increased by 5.6% in 2006-07. Similarly, the output of refineries grew 12.6% in FY07 as compared to 2.4% in 2005-06.

In March 2007, the growth of the core sector was 10% as against 7.1% in the same month last year.

The increase in growth during the last month of 2006-07 was due to better performance of steel, whose production increased by 15%. Besides, electricity grew at 8% and refinery throughput at 13.4%.

[http://www.financialexpress.com/latest\\_full\\_story.php?content\\_id=163981](http://www.financialexpress.com/latest_full_story.php?content_id=163981)

### **Textile exports up 7.67 per cent in 2006-07**

India's textile exports have registered a growth of 7.67 per cent in 2006-07 compared to the previous year, the Rajya Sabha was informed.

"According to provisional data by the Director General of Commercial Intelligence and Statistics (DGCI&S), overall textile exports have grown by 7.67 per cent during 2006-07," Minister of State for Textiles E V K S Elangovan said in a written reply.

[http://www.financialexpress.com/latest\\_full\\_story.php?content\\_id=163666](http://www.financialexpress.com/latest_full_story.php?content_id=163666)

### **IT exports up by 39.05%**

IT exports have touched \$36.65 billion, reporting an growth of 39.05 per cent for the year ended March 2007 as per the estimates of Electronics and Software Export Promotion Council. This includes electronics hardware, software and services.

While exports from computer software and services increased to \$24.27 as against \$16.9 billion in the previous year, registering a growth of 40 per cent, ITES exports rose to \$9.4 billion up from \$6.78 billion recording a growth of 36.67 per cent.

In the electronic hardware category, exports grew by 29.87 per cent to \$2.89 billion as against \$2.17 billion in the previous year.

<http://www.thehindubusinessline.com/2007/05/09/stories/2007050901300400.htm>

## **News Round – Up**

### **Sensex climbs 216 pts, regains 14k level**

Bombay Stock Exchange benchmark Sensex climbed over 215 points to regain the 14,000 level on funds buying, fuelled by firming global markets.

The rally was led by banking sector stocks like State Bank of India and Punjab National Bank stocks.

The 30-share index (Sensex), which had gained early 25 points in the previous session, shot up by 216.03 points at 14,012.19 in the first five minutes of trading largely on the back of a strong rally in index-related stocks.

Similarly, on the wide-based National Stock Exchange, Nifty was up by 74.20 points at 4,150.85.

Stockbrokers said reports of firming global markets enthused the trading sentiments, triggering massive buying by foreign funds.

[http://www.financialexpress.com/latest\\_full\\_story.php?content\\_id=164125](http://www.financialexpress.com/latest_full_story.php?content_id=164125)

### **Government approves US\$ 877.7 million five auto SEZs**

Government has approved setting up of five sector specific special economic zones (SEZ) for automobiles and automobile component manufacturing, envisaging an investment of Rs 3,593.95 crore, Lok Sabha was informed.

In a written reply to the House, Minister of State for Commerce and Industry Jairam Ramesh said the government has given formal approvals for two auto SEZs, one each in Jharkhand and Maharashtra, while it has granted in principle approvals for setting up another three SEZs in Haryana, Maharashtra and West Bengal.

The formally approved SEZ projects include one by two-wheeler major Bajaj Auto Ltd in Aurangabad, Maharashtra, entailing an investment of Rs 200 crore while the other approved auto SEZ would be set up Adityapur Industrial Area Development Authority in Adityapur, Jharkhand, at an investment of Rs 30.58 crore, he said.

[http://www.financialexpress.com/latest\\_full\\_story.php?content\\_id=163552](http://www.financialexpress.com/latest_full_story.php?content_id=163552)