

**Monthly Economic Analysis  
Fortune 2010**

**February 2010**

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## **Recent Trends in Indian Economy**

### **Industrial Production**

The industrial growth numbers for December 2009 shows further improvement in the industrial output, the rise in industrial production was to the tune of 17.6 percent vis-à-vis the weak growth seen in the previous months of 2009. The growth in the corresponding month of previous year was negative.

Output in the three main industries namely mining, manufacturing and electricity was seen to rise by 10.7 percent, 19.3 percent and 5.4 percent respectively in December 2009 compared to the 2.2 percent, -0.6 percent and 1.6 percent growth seen in the previous year.

Going by use based classification we saw betterment in the growth recorded by the basic, intermediate and capital goods. The basic goods grew by 7.7 percent (2.0 percent), intermediate by 22.7 percent ( -8.9 percent ) and coal by 13.2 percent ( 6.6 percent) .

The growth of 13.2 percent in the consumer goods category was mainly seen coming from the consumer durables segment, the growth in consumer durables was on account of increase in sales during the festive season.

Among the seventeen industry segments, growth mainly picked up in ten industry sectors namely cotton textiles that grew by 7.6 per cent, wool, silk and manmade fibres by 24.5 percent , textile products by 14.5 percent, wood products by 10.4 percent, paper by 4.4 percent, basic chemicals by 5.8 percent, rubber, plastic , petroleum and coal products by 21.6 percent, metal products by 12.2 percent, machinery equipment by 44.8 percent and transport equipment by 83.4 percent. Only two industry sectors were found trapped in the negative territory during the month.

### **Core Infrastructure**

The growth numbers in the six core industry sectors reflect the impact of stimulus packages announced by the government through the year. Growth in the overall core infrastructure sector increased from 3.8 percent in October 2009 to 9.4 percent in January 2010, this was compared to the low growth from 0 to 2 percent growth attained during the corresponding months of previous year. In January 2010 acceleration in growth was seen in all the six core industry sectors.

### **Inflation**

The steady rise in the price index suggests inflation heading double digits. The inflation rate computed in January 2010 was 8.6 percent, this was higher than the inflation rate of 5.0 percent recorded in the same month of 2009. Food inflation was already on the rise and now, the overall inflation is joined by rising prices of non food articles, fuel power and lubricants and some of the articles of manufactured items.

The CPI index also shows rise in the price index of CPI-industrial workers, UNME, Agricultural and Rural labourers

### **Monetary Indicators**

The broad money supply rose by 12.1 percent during the period April to January of 2009-10. The growth was however marginally low compared to the growth of 12.7 percent growth registered during the same period in 2008-09.

Over the period April-January 2009-10 the expansion of aggregate deposits is around 12 percent corresponding to the growth of 14.7 percent during the same period last year.

The bank credit disbursal secured a growth of 9.1 percent over the period April-January in 2009-10 marking a marginal decline from 11.7 percent during the corresponding period of last financial year.

### **Stock Market Trends**

Monthly trends of the indices (Nifty and Sensex) show indications of some stability in the stock market as a result of improvement in the economic fundamentals. The BSE Sensex rose from 17200 points in November 2009 to 17500 points by the end of December 2009, and Nifty increased from 5122 points in end of November 2009 to 5232 points by December end 2009, rising by 2.1 percent.

### **Fiscal Trends**

With an increase of almost 17% the total expenditure incurred by the government augmented from Rs 671079 crore during the period April-January 2008-09 to Rs 783994 crore in the current fiscal. In case of the revenue receipts of the government the figures are also showing an increase of 5% during the same period. As a result, the fiscal deficit increased moderately at the rate of 33 percent and went up from Rs 262815 crore to Rs 349538 crore during the period April-January 2009-10.

Overall revenue from the tax sources was observed to turn negative in January 2009, mainly on account of weak collections in the indirect tax category during the month. Growth came only from the category of direct taxes where collections from the corporation sources rose by 16.5 percent as against 1.9 percent and collections from the income tax sources recorded 13.3 percent increase in January 2010 in contrast to 5.4 percent in the same month of previous year.

### **Foreign Trade**

Growth in the Indian merchandise exports turned positive since November 2009. January 2010 recorded a growth of 11.5 percent in exports, calculated in USD terms

compared to the negative growth of 16 percent in the corresponding month of 2009. Imports too were seen to post positive growth from December 2009 onwards.

### **Foreign Investments**

Foreign direct investment accumulated during the April-December period of 2009-10 was USD 26.5 billion this was USD 2 billion higher than what was received previously. Portfolio investments were USD 23.6 billion, compared to negative USD 11 billion in the previous year. The rise in the portfolio investments was particularly on account of rise in the FII investments.

### **Foreign Exchange Reserves**

Country's reserves is maintained at above USD 280 billion. In December 2009 the forex stood at USD 283.5 billion, rising from USD 251 billion in April 2009. The forex at USD 283 billion this was slightly lesser than USD 286 billion level attained in the previous month of the 2009.

### **Exchange Rate**

From December 2009 to February 2010 Indian Rupee was observed to trade at an average of 46 against the USD. However, Rupee value against Euro became weaker again by 7 percent from December 2009 to February 2010.

## **Lead Stories of the Month**

### **Pranab babu has delivered one of the best Budgets in recent times**

It is true that expectations were low, but they have been well exceeded. This has been one of the best Budgets in recent times. The finance minister has not only managed to move on the path of fiscal prudence, but has also done enough to sustain the growth momentum.

The fiscal deficit for the next year is budgeted at 5.5% of GDP, which is a fairly comfortable figure for a developing economy like India. About Rs 66,000 crore of non-revenue, non-recurring receipts by way of disinvestment and 3G auctions have helped the finance minister to refrain from aggressive tax increases. A modest 2% hike in excise duty was already expected and will be taken in stride by the industry.

The most important impetus, however, will come from lower income tax incidence at the individual level. Savings of Rs 51,500 for a taxable income of Rs 8 lakh per annum and a further possible saving of Rs 6,000 in tax from investment in tax-free bonds, will leave a higher disposable surplus with the households. That will help the consumption story to continue and drive demand growth for fast-moving consumer goods (FMCG), auto, housing, etc. That will have a cascading impact on other sectors as well.

Companies affected by MAT increase will understandably oppose it. But to my mind, it is a right step in moving towards lower exemptions and greater equity amongst tax payers. There are concerns about inflation. What affects the aam aadmi is food inflation which is not much impacted by the Budget provisions and is expected to cool off with better crop yields and other measures.

The Budget pegs expenditure growth at 8% over FY10, lagging nominal GDP. Tax collections are expected to grow by 18% overall. The key challenge for the government is to ensure that actual expenditure remains within budgeted limits.

### **Core sector grows 9.4% in Jan**

India's core sector, comprising six key infrastructure industries, grew 9.4 per cent in January 2010, compared with 6 per cent in the previous month and 2.2 per cent in January 2009. The growth, signifying recovery in industrial manufacturing, was primarily led by an increase in the production of crude oil, electricity and finished steel last month.

The sector, which accounts for 26.7 per cent of the Index of Industrial Production (IIP), will help in clocking double digit industrial growth for second month in a row. "The data is on expected lines. We can definitely expect double-digit growth in IIP numbers for January. While the core data fluctuates a lot, it will surely push the industrial growth higher," said DK Joshi, principal economist at research and ratings agency Crisil India.

IIP grew 16.8 per cent last December when the core sector had shown a 6 per cent growth.

Cumulatively, the core sector grew 5.4 per cent in the April 2009-January 2010 period, against 3 per cent in the corresponding period of 2008-09, according to the data released by the commerce and industry ministry.

Crude oil production grew 9.7 per cent in January compared to a drop of 8.1 per cent in the same month last fiscal. Electricity and finished steel grew 5.6 per cent and 16.2 per cent, respectively, in January 2010 compared with 1.8 per cent and 3.2 per cent, respectively, in January 2009.

Production of petroleum products registered a growth of 3.8 per cent in January as compared to a drop of 1.3 per cent in the same month last year. Output of coal and cement grew 6 per cent and 12.4 per cent, respectively, last month as compared to a growth of 6.7 per cent and 3.2 per cent in the corresponding month last year.

In the April-January period, the output of petroleum refinery products dropped 0.5 per cent while coal output grew 8.2 per cent. Crude oil production was recorded down 0.1 per cent. Production of electricity, cement and finished steel grew 6.1 per cent, 11.2 per cent and 4.9 per cent, respectively, in the 10 months ended January 2010.

### **India Feb manufacturing growth at 20-month high: PMI**

India's manufacturing industry in February grew at its fastest pace in 20 months, expanding for the third month thanks to expanding output Budget 2010: What it means for the economy and new orders, a survey showed.

The HSBC Markit Purchasing Managers' Index, based on a survey of 500 companies, rose to 58.5 in February, its strongest reading since June 2008, from 57.7 in January.

A reading above 50 means activity is expanding. "At 58.5, the headline index is consistent with ongoing double-digit gains in industrial production which in turn is likely to mean that spare capacity is being eaten into rapidly," said Robert Prior-Wandesforde, Senior Asian Economist at HSBC.

"Although the output prices balance surprisingly dropped back in February, while remaining consistent with price gains, there is more and more evidence of emerging supply-side constraints in labour and product markets."

The new orders index rose to 64.0 from January's 62.9. "While new export orders grew less strongly in February than January this didn't prevent the overall new orders series from hitting a high in the current upturn," said Prior-Wandesforde. "The same was also true of output growth, which has rarely shown such strength since the series began in April 2005."

In the 2010/11 federal budget released, the government said it expected Asia's third-biggest economy to grow faster than the 7.2 percent it forecast for this fiscal year ending on March 31. It sees growth accelerating to 8.5 percent in the 2010/11 fiscal year.

### **India Inc hails Mamata's rail budget**

India Inc has reacted positively to the Railway Budget, as freight and passenger fares were left unchanged. Industry lobbies were also enthused over possible private sector investment in railways.

“The decision to invite private expertise and resources for deployment in new line development, manufacturing of rolling stock, port connectivity, mine connectivity and multi-layer parking facilities would go a long way in modernising the railway system. Implementation of these projects in a public-private partnership would help in improving the effectiveness of railway services,” said Harsh Pati Singhania, president, Federation of Indian Chambers of Commerce and Industry.

Industry also welcomed the reduction of freight rate on kerosene and foodgrain as an anti-inflationary measure.

Industry chambers said a roadmap to meet short, medium and long-term targets as set out in the Vision 2020 document will help in raising the activity of the railways in passenger handling capacity.

“The Railway Budget 2010-11 carries the agenda forward from the last budget and has made the most encouraging announcements in terms of involvement of the private sector in the development of railways, particularly in the Vision 2020 document,” said Chandrajit Banerjee, director general, Confederation of Indian Industry.

Moreover, industry chambers maintained that Banerjee had clearly demarcated between economically viable projects and socially desirable projects, saying the latter were equally important if the overarching objective of inclusive growth had to be attained.

Banerjee's announcement to set up a Special Task Force to implement and expedite project clearance to encourage investment also found acceptance within the industry.

### **Survey indicates strong revival in manufacturing**

The HSBC Markit Purchasing Managers Index (PMI), one of the most reliable indices tracking the health of the manufacturing sector, climbed to its highest level in one-and-half years to 57.6 in January, 2010. The index had stood at 55.6 in December 2009.

“Any lingering concern that India's manufacturing recovery was tailing off should be put off. A second consecutive rise in PMI has taken the series to a new cycle high

consistent on double digit rise in industrial production,” said Robert Prior Wandesforde, Senior Asian economist, HSBC.

The positive results come against the backdrop of Reserve Bank of India’s (RBI’s) decision to start tightening monetary policy by raising the cash reserve ratio 75 basis points. The central bank also expressed confidence in the robust rate of growth in industrial output.

According to latest government data, industrial output as measured by the index of industrial production (IIP) grew at a robust rate of 11.7 per cent in November.

Within the disaggregated data, the new export orders index showed a more than 5 point jump, the highest since October 2007.

“Production and new orders have both increased for ten straight months...domestic and foreign demand rose considerably since December. The improvement in external demand was noticeable, although total new business growth continued to increase at a rate above export orders,” said the report.

### **Economic growth gathers pace**

The Indian economy is quite clearly well past the worst as the Edelweiss-ET NOW Lead Indicator Index (EELII) has indicated for the month of February. The index has held above the 100-mark for the third month in a row, crossing the 100-mark for the first time in December 2009.

The value of the index was at 110 for February, a marginal increase over the January value of 108, but sharply higher than the year-ago number of 76 in February 2009. A value of 100 on the EELII suggests that non-agriculture GDP is growing 9% year-on-year.

The increase in the EELII from a trough of 73 in March 2009 has been very sharp, driven largely by the benefits of low interest rates, easier availability of capital, the increase in government expenditure and also the general improvement in business and consumer confidence. The EELII is a composite weighted average index of a number of macro-variables that typically exhibit a strong predictive ability of core trends in the Indian economy.

“The strong growth was a broad-based one with contribution from almost all sub-sectors under industry and services. The second tranche of disbursement of Pay Commission-related arrears by the government largely explains the larger-than-expected growth in non-agriculture GDP,” said Siddhartha Sanyal, senior economist at Edelweiss Securities.

Growth in the agricultural sector escaped the impact of a record rainfall deficiency during the southwest monsoon this year, according to the preliminary GDP estimates for the second quarter of the current financial year. Edelweiss believes that there is a

possibility of either a significant downward revision in the agriculture GDP number for this period or a much lower GDP figure in the third quarter. However, given the strong pick-up in core growth trends in the economy, Edelweiss believes overall GDP growth in the current financial year will ultimately be within a range of 6.75-7%.

### **India to grow fastest at 8.5% in 2013-14-Economic Survey 2009-10**

A positive outlook has overtaken the pessimism of last year, with the government now expecting a double-digit growth in Gross Domestic Product (GDP) within the next four years. The Economic Survey 2009-10 sees India growing the fastest by 2013-14, provided it is able to overcome infrastructure and bureaucratic constraints.

It has predicted 8.5 per cent growth for 2010-11 and 9 per cent for 2011-12. With this confidence, the Survey also sees a “scope for a gradual rollback” of stimulus measures. “The broad-based nature of the recovery creates scope for a gradual rollback, in due course, of some of the measures undertaken over the last 15-18 months, as part of the policy response to the global slowdown, so as to put the economy back on to the growth path of 9 per cent per annum,” it says.

The optimism for next year comes from a revival in exports, manufacturing, infrastructure and investment and private consumption demand along with a favourable capital market.

The Survey notes with concern that for the emerging economies, which are already on the path to recovery, there are challenges emanating from increased capital flows with ramifications for monetary growth, inflation and exchange rate uncertainty, along with policy implications for the capital account.

It says the real turnaround in the domestic economy came in the second quarter of 2009-10, when the economy grew by 7.9 per cent. The recovery came despite a 0.2 per cent decline in agricultural output since manufacturing growth more than doubled to 8.9 per cent in 2009-10 from 3.2 per cent in 2008-09. Besides, there has been a recovery in the growth rate of gross fixed capital formation, which had declined significantly in 2008-09.

### **India Inc on cusp of new investment cycle**

India’s economy may be entering a new investment cycle going by expansion plans across industry sectors, a move that could create more jobs, boost demand for machinery and supporting infrastructure, and portend a strong pick-up in the growth momentum in the years ahead.

A raft of companies across industries such as cement, paper, tyre, paints, automobiles and consumer durables have in the past three months announced capacity expansion plans totalling around Rs 50,000 crore over the next 2-5 years, and many more are in the process of firming up plans. The sharp rebound in business activity after the 2008/09 economic slowdown has allowed manufacturing firms to revive some of their

pending investments, with rising demand giving companies confidence to expand capacity afresh.

Industrial production grew 16.8% year-on-year in December, the fastest in almost two decades.

“It is just the beginning of the next round of investment. We have got indications from companies in sectors such as infrastructure, power, telecom and steel regarding their intentions to increase their capex,” says Jimmy Tata, group head and head of corporate banking at HDFC Bank.

Adds Ajay Arora, partner with Ernst & Young: “Capex build-up has definitely picked up, but companies are being a bit cautious, which may therefore result in a phased build-up of capacity across several sectors.”

### **Exports up 11.5% in Jan to \$14 bn**

The country’s merchandise exports have reached \$14.34 billion (about Rs 66,680 crore) in January, up 11.5 per cent from \$12.86 per cent (nearly Rs 59,800 crore) in the same month a year ago, even as Commerce and Industry Minister Anand Sharma has recommended a “cautious” exit from export sops.

“Exports have again registered growth in January as some of the sectors did exceedingly well ... However, a cautious withdrawal would help and reassure the industry. Any abrupt changes would undermine the confidence and robust recovery,” Sharma told reporters.

The official foreign trade data, including the import figures, would be released on March 2. Preliminary data had earlier put the export growth for January at 8 per cent. Among the sectors that posted growth were agricultural products, tea, coffee, basmati rice, marine products, gems and jewellery, drugs, petroleum products and plastics, while textiles, jute, handicrafts, engineering goods and leather remained sluggish, Sharma added.

### **Exports from SEZs cross Rs 150k crore in Apr-Dec**

Exports from SEZs across the country have crossed the Rs 150,000-crore mark in the first nine months of the current financial year, compared to Rs 99,600 crore in 2008-09, registering a growth of 127% over the same period last year.

According to LB Singhal, director-general, Export Promotion Council for EOUs & SEZs, said SEZ exports between April 1, 2009 and December 31, 2009 amount to Rs 151,785.49 crore, while exports from SEZs in the corresponding period last year, that is between April 1, 2008 and December 31, 2008, amounted to Rs 66,638 crore. Therefore, in spite of the global economic slowdown, SEZ exports have registered a growth of 127% in the first 9 months of the current fiscal.

Singhal also added that total direct employment in SEZs as on December 31, 2009 stands at 490,358, while the total employment as on December 31, 2008 was 336,333. SEZs have thus created an additional direct employment for 154,025 people this year.

Talking about investment, Singhal said the total investment in SEZs as on December 31, 2009 is Rs 128,385 crore, compared to figure of Rs 101,906 crore for the period ended December 31, 2008—recording an additional investment of Rs 26,479 crore made during the said period in the current fiscal.

According to Singhal, owing to the encouraging per-formances of exports, investments and employment generation, SEZs are becoming successful in achieving their stated objectives, though they still have a long way to go.

### **Business Confidence Index at two-year-high**

Business confidence in India continued to improve and touched a two-year high in January, according to the latest National Council of Applied Economic Research (NCAER) - MasterCard Worldwide Index of Business Confidence.

The Business Confidence Index (BCI) rating of 153.8 points for January 2010, compared to the October 2009 rating of 143.7 points and July 2009 rating of 118.6 points, is also the highest rating since January 2008 (154 points).

“The latest NCAER-MasterCard Worldwide Index of Business Confidence study has captured the upbeat economic climate in India,” said T V Seshadri, vice- president and country general manager, South Asia, MasterCard Worldwide.

“The performance of the index points to a robust recovery. The growth in the non-agricultural side of the economy has been sustained since October and the performance has been good across the board,” said Shashanka Bhide, senior fellow and survey head at NCAER.

The survey, based on 542 responses received in December, measures business confidence on four indicators: Overall economic conditions expected after six months, expected financial position of the firm after six months, investment climate compared to six months back and capacity utilisation level. All four indicators carry equal weight.

### **Highlights of economic review by PM's council**

Following are the highlights of a review of the Indian economy conducted by the Prime Minister's Economic Advisory Council headed by C Rangarajan:

- India's growth pegged at 7.2 per cent for this fiscal
- Economy to grow 8.2 per cent and 9 per cent over next two years
- Agriculture output to decline 0.2 per cent this fiscal
- Industrial production to expand 8.6 per cent

- Services sector to grow 8.7 per cent
- Food inflation may also push up general price level in 2010-11
- Risk of rise in international commodity prices
- Estimated investment rate for this fiscal pegged at 36.2 per cent
- Estimated savings rate pegged at 34.0 per cent
- Export recovery slower, projected at \$168.7 billion
- Easily possible to cut fiscal deficit by 1-1.5 per cent in 2010-11
- Service tax coverage must be expanded
- Timely release of food essential to curb price rise
- Timely imports at early signals of shortfall in production also must
- Wheat output will be almost equal and pulses slightly higher than last year
- Summer rice output lower but winter crop better
- But government wheat and rice stocks to be comfortable
- Agriculture and power two main constraints to growth in medium term
- Formulate clear policy on genetically modified crops
- Important to scale up nuclear power generation

### **PM panel pegs growth at over 8% in 2010-11**

The Prime Minister's Economic Advisory Council, or PMEAC, today pegged growth in the next financial year (2010-11) at 8.2 per cent as the agriculture sector is expected to turn around next year. It also predicted that the country would return to 9 per cent growth in 2011-12.

Along with these, the panel pitched for raising duties in the coming Union Budget, as part of the rollback of stimulus measures.

For the current financial year (2009-10), it stuck to the Central Statistical Organisation's advanced growth estimate of 7.2 per cent though added an upward bias to it. "The council expects a bounce-back in agricultural gross domestic product in the next year and maintenance of the desired trend growth of 4 per cent in 2011-12," PMEAC Chairman C Rangarajan said after releasing a review of the economy.

The PM's panel also expected the industrial and services sectors to continue to expand strongly through the next two years. "On this basis, we are making an initial estimate that the economy would grow by 8.2 percent in 2010-11 and by 9 per cent in 2011-12," said Rangarajan.

### **Banking**

#### **RBI simplifies ECB procedure**

In a move that will simplify and speed up external commercial borrowing (ECB) transactions, the Reserve Bank of India (RBI) allowed banks to tweak certain terms without its prior approval.

Accordingly, loan arrangers will be able to make changes in the drawdown or repayment schedules as long as the average maturity of the loan remains the same. The change is applicable for transactions through both approval and automatic routes.

Indian companies are allowed to borrow up to \$500 million a year without prior RBI approval. Any further borrowing needs RBI's approval. Also, changes in currency need not be approved by RBI.

“Designated AD (authorised dealer) Category I banks may allow changes in the currency of borrowing, if so desired by the borrower company, in respect of ECBs availed of both under automatic and approval routes, subject to all other terms and conditions remaining unchanged,” said RBI’s circular. This is used when a borrower wants to shift from a volatile currency to a more stable currency. In addition, RBI approval will not be required if a borrower wishes to switch to another bank as long as he secures a no-objection certificate from the first lender.

This facility is usually used when a borrower wants to switch from a higher interest rate to a lower interest and is unable to reach an agreement with his existing loan arranger.

Banker said the move will simplify the ECB procedure. However, it is unlikely to have an impact on ECB volumes or overhead costs. “Basically, this will smoothen the procedure and make it less time-consuming. RBI has allowed banks to play a greater role in the process,” said Joiel Akilan, chief representative, BBVA. ECB volumes have picked up substantially from a low of \$ 286 million in April. In December 2009, Indian companies borrowed \$1.48 billion from overseas loan markets.

### **Bank credit growth at 14.83% hints at revival**

Outstanding bank credit in the 15 days up to January 29 rose by Rs 20,000 crore, pointing to a revival in credit growth.

The year-on-year growth in credit as of January 29 was 14.83 per cent over the same fortnight last year.

On a year-on-year basis, this is the highest growth recorded since August 14, 2009. In October, the growth rate had plummeted to a 12-year low of 9.75 per cent.

Typically, outstanding bank credit swells during the last fortnight of a quarter and contracts in subsequent weeks.

In the last fortnight, total bank credit grew by a whopping Rs 79,515 crore — the highest fortnightly rise in the financial year so far.

In the following fortnight up to January 15, outstanding credit shrank by Rs 11,898 crore, but bankers were expecting further reversals after the unusually high quarter-end numbers.

“There is good demand for home and auto loans on the retail side. On the corporate side, a lot of sanctions for power projects are getting disbursed now,” said a senior executive of a large public sector bank. He added banks might actually exceed the Reserve Bank of India’s (RBI’s) forecast of 16 per cent credit growth for the year.

RBI had earlier estimated that bank credit would grow by 20 per cent in 2009-10. However, in the wake of dismal credit growth, it had revised its estimates downwards to 16 per cent in two successive monetary policy reviews.

### **Full convertibility roadmap in the works, says RBI**

Reserve Bank of India (RBI) Governor D Subbarao said the central bank would rework the roadmap for making the rupee fully convertible on capital accounts depending on global economic developments.

The bank was not backing away from full convertibility and we were still traversing the roadmap, Subbarao said at the first international research conference organised by RBI here.

The apex bank will be flexible in using capital control tools to achieve full convertibility. RBI has drafted a plan on fuller capital account convertibility. This includes a three-phase plan extending to 2010-11. The roadmap allows greater movement of capital in and out of the local currency, but progress has been limited so far.

The rupee has been convertible on current account since 1994, meaning it can be changed freely into foreign currency for purposes such as trade-related expenses. But, it cannot be converted freely for activities such as acquiring overseas assets.

Fuller convertibility is expected to facilitate rapid growth through higher investment and improved efficiency in the financial sector through greater competition.

Referring to objectives of the monetary policy, the governor said it could not just focus on inflation given growth concerns. The Indian economy needs to look beyond inflation targeting which is basically a supply-side concern.

### **RBI survey upgrades GDP projection at 6.9% in FY10**

The Reserve Bank of India (RBI) released the results of quarterly survey of professional forecasters on major macroeconomic indicators of short- to medium-term economic developments.

Forecasters have revised their real GDP growth rate forecasts upwards to 6.9% in 2009-10 from 6%. They were asked to assign probabilities to the possibility that year-over-year real GDP growth will fall into various ranges. The highest probability of 43.8% has been assigned to growth range of 6.5-6.9% for the year 2009-10. For

2010-11, they have assigned highest probability of 33.8% to 8-8.4% growth range for GDP.

RBI has been conducting the survey on a quarterly basis from the second quarter ended September 2007. The survey is done through a questionnaire responded by 20 forecasters, and in no way reflect the views or forecasts of RBI.

For 2009-10, the forecast for agriculture has been revised upwards from (-) 1.4% to (-) 0.9%. For the industry, the forecasts have been revised significantly upwards from 6.3% to 8.4%, whereas for the services sector, there was modest upward revision from 8.1% in the earlier survey to 8.7% in the current survey.

Meanwhile, the profit growth of corporate sector in 2009-10 has been revised upwards to 11.3% from 10% in the last survey.

Broad money (M3) growth has been revised downwards to 18.3% in 2009-10 from the earlier forecast of 19%. In 2009-10, bank credit is expected to grow at the rate of 15% as against its previous forecast of 17%.

Besides, Central government fiscal deficit is placed at 6.8% of GDP in 2009-10, which is revised downwards from 7% in the last survey. The combined gross fiscal deficit is placed at 10.8% of GDP, revised downwards from 11% in the last survey.

The forecasters expect end period repo rate and reverse repo rate to be at 5% and 3.5%, respectively, in 2009-10, which are same as expected in the last survey.

For the quarter, the real GDP growth in the third quarter of 2009-10 is projected at 6.5%, revised upwards from 5.7% in the last survey. During the fourth quarter of current financial year, the GDP growth is placed at 7.5%.

Forecasters' median estimates for WPI inflation in the fourth quarter of current financial year is at 8.2%, revised upwards from 6.8% in the last survey.

### **Sectoral**

#### **Mega Deals: \$1 billion outsourcing contracts may come to India**

Large outsourcing contracts worth up to \$1 billion look set for a comeback this year, as companies from segments like retail, banking, telecom and utilities, apart from government bodies, seek to cope with renewed demand for their services and also lower their operational expenses.

Outsourcing experts and industry officials told that auto customers too are looking to award large contracts for managing their business and IT systems this year. British Petroleum's IT contract worth \$1.5 billion awarded to Indian vendors TCS, Infosys and Wipro early this year was one such mega deal.

There are several such projects lined up in the country's power sector as well, said Everest Group country head Gaurav Gupta. "Governments in the US and other western markets tend to account for a big chunk of mega deals, but Indian companies are not strong contenders," he said, adding that large deals for Indian companies are typically in the range of \$50-100 million, though some Indian IT services vendors currently have some mega outsourcing contracts in the pipeline.

Meanwhile, the US has seen its share of total contracts awarded steadily decline over the past five years. Europe is seen as the big gainer as the UK, France, Netherlands and Switzerland have brought the overall European tally to reasonable levels. Experts say the resurgence of mega deals may throw open more job opportunities in the sector. "Deal pipeline has picked up and 2010 is certainly a strong year compared with 2009," said Sid Pai, managing director, global sourcing advisory firm TPI.

The latest TPI Index shows that almost \$25 billion worth outsourcing contracts were awarded in the fourth quarter of 2009, up 47% over the third quarter. Each of these three large industry verticals, including financial services, manufacturing and telecom, saw sequential growth of 33%, 76% and 24%, respectively, in the second half of the previous year. In 2009, almost 70% of all broader market contracts were valued at under \$100 million in total contract value worldwide.

### **Media, entertainment industries have much to cheer**

The Union Budget 2010-11 spells good news for the media and entertainment sector. Accredited new agencies in the country have been exempted from service tax. For investment in the digital platform for cable television and headend-in-the-sky (HITS) platform, the government has proposed a concession of 5% on customs duty, with full exemption for importing equipment by cable TV operators.

MK Anand, CEO, UTV Broadcasting said, "Channels like UTV World Movies and UTV Action, will benefit from the clarification issued in respect of custom duty on imported cinematographic films. In the past, the customs authorities had made customs duty applicable on carrier value and license fee. Now with it being clarified we can expect saving us 15-20%. However levy of service tax on intellectual property, would have some cost implications and this remains to be seen."

An analysis from tax and regulatory services firm Ernst & Young states, "Under the current income tax provisions, an ambiguity prevailed on taxability of certain types of income, including royalty and fees for technical services, where intellectual property rights/services were provided from outside India and were utilised in India. It is now sought to be clarified that value of such rights/ services shall be taxable in India so long as the services have been utilised in India, irrespective of whether the non-resident has a residence or place of business or business connection in India or has rendered services in India."

Conversion of companies into LLP (limited liability partnership) has been exempted from capital gains tax. But this may not have any significant impact as the exemption

has been extended only to the small companies having turnover of less than Rs 60 lakh.

For services tax levy, the category of intellectual property rights services specifically excluded copyrights from its ambit. Now copyrights on cinematograph films and sound recordings have been brought under the service tax net.

### **India to receive up to 5.5 mn tourists in 2010**

India hopes to receive up to 5.5 million tourists in 2010, the highest number in any single year. However, tour operators and hoteliers are rueing the missed chance of marketing the first Commonwealth Games in India. They complained that this number could have been higher, with the Games coming up in October.

“How often does a country get to host an event of this scale? Commonwealth Games have not been publicised well abroad. Beijing had started the publicity of the 2008 Olympics Games in 2001. We have started marketing the event only now,” said Vijay Thakur, president of the Indian Association of Tour Operators.

Foreign tourist arrivals rose to 491,000 in January, compared to 422,000 in the year-ago period, and part of this growth is because of a recovery in global economy. Last year, tourist arrivals in India were pretty badly hurt because of the global slowdown.

Industry officials expect no significant spurt due to the Games. Year-on-year growth in arrivals has been much higher in earlier years. In 2004, for example, foreign tourist arrivals were up by over 700,000 to touch 3.46 million.

This year, the arrivals are likely to increase by just about 200,000, based on conservative estimates, and 400,000 based on optimistic projections.

“This year should be much better than the last two years. The positive thing is that conversions (inquires to actual bookings) have improved and people are booking six months in advance, which is a new trend,” added Thakur.

### **Indian IT services will soon see double-digit growth: Gartner**

By mid-2011, the Indian information technology services sector will be back to growth in double-digits, according to research and advisory agency, Gartner.

The sector may not touch the 30-40 per cent growth rates it witnessed before the slowdown, but an register above 20 per cent growth as it nears calendar year 2011, says Partha Iyengar, regional research head and Vice President, Gartner India.

Iyengar says while IT budgets would be flat for some time in 2010, there is a sense of urgency among clients to increase their cost efficiencies and hence a push towards outsourcing and offshoring. “This is also evident in the closure of sale cycles. During the slowdown, deal closure time had gone up by a few months but are now back in the

range of three to five months. For instance, we had a call from a client in Europe who were asking for at least 100 people in the next two months. They wanted to close the deal as soon as possible,” he says.

IT spending, too, is expected to reach \$3.4 trillion in 2010 — a 4.6 per cent increase from 2009, according to a new Gartner report. Although modest, this projected growth represents a significant improvement from 2009, when worldwide IT spending declined 4.6 per cent.

Iyengar says the growth was anticipated. (Software body Nasscom now says the IT industry will grow at 14-17 per cent in FY11). “The key difference during this slowdown and the earlier one is the sense of urgency among clients,” he explains.

Iyengar also feels the demand scenario is not only sustainable but the level for outsourcing will go back to 2008 levels. Deals in the range of \$100-300 million are also back on table for discussion, he says. “Unlike in the previous recession, the decision to outsource was on hold, not the projects. It was just put on hold. Now, these projects have been fast-paddled.”

### **Cement sales up on realty, infra push**

If the production and sales figures of cement companies for January are anything to go by, the industry could see a healthy demand, led by the realty and infrastructure sectors, in the next two months of the current fiscal.

According to official data, all major cement companies witnessed growth in their sales, from 1% to 38%, in January vis-à-vis the same month last year.

“We expect a healthy demand to continue and prices would remain stable for some time,” said Shree Cement managing director HM Bangur whose company saw its sales rise 22.4% to 8.82 mt in January.

JK Lakshmi Cement has recorded a 38% growth in sales to 5.06 lakh tonne in January. The rise was, however, lower for the large companies. India’s largest cement maker ACC has experienced a marginal 1% increase in sales to 1.91 mt in January, while the third-largest Ambuja Cement has recorded a 7.5% rise to 1.75 mt.

“Cement companies in India have witnessed strong volume growth in the first half of the current fiscal on the back of increased government spending on housing, roads, ports and power stations and the momentum continues,” said an analyst, who did not wish to be named.

“Demand and subsequently, production, of cement are picking up but there could be pressure on profit-margins due to increase in inputs and logistics costs,” said Vinod Juneja, managing director of Binani Cement.

## **Auto, retail, FMCG lead growth in sales**

While the sensex earnings growth has been in line with estimates for the third quarter, companies with a strong consumer interface did much better than the rest of the pack registering a robust jump in sales.

Automobiles, retail and FMCG sectors raced ahead of others recording a strong improvement in volumes. While two-wheeler sales surged 60% (year-on-year ) during the quarter, car sales spurted 48% y-o-y.

Sensex companies (except ACC that has not declared results) recorded a 25% jump in sales to Rs 2,10,700 crore and 17.7% growth in net profit to Rs 32,500 crore. Sales growth is driving profitability suggesting resurgent demand, compared with flat sales growth over the previous two quarters, analysts at Citigroup said in a note.

The five major automobile companies — Maruti Suzuki, Hero Honda , Bajaj Auto, M&M and Tata Motors — recorded a staggering 294.7% (y-o-y ) jump in profit after tax to Rs 2572.5 crore. Their earnings before interest tax depreciation and amortisation (EBITDA) grew by an impressive 204.7% to Rs 4343.2 crore.

The volume growth momentum continued for FMCG companies with nine large players reporting a 16% increase in sales and 27% improvement in EBITDA during the quarter.

## **Steel cos' sales jump 30% on auto, durables demand**

Top private steel makers including JSW, Essar and Ispat have begun the year on a strong footing with up to 30% growth in sales volume in January over the year ago period boosted by robust demand from automobile and consumer durable sectors, as per company estimates.

The rise in construction activities, too, fuelled volume growth for the metal, thereby indicating that recovery in demand is broad-based and is gathering pace. After being hit by the economic slowdown that forced some steel producers to cut production in October-December 2008 due to low demand, steel consumption had grown 8% in the first nine months of the year ended December 2009.

“Companies across sectors are re-launching projects that were shelved at least for a year and this has increased demand for the metal. The process of re-stocking inventories is also on a high in anticipation of price hike going forward,” said Jayant Acharya director (sales) at Mumbai-based JSW Steel. Although he declined to comment on JSW’s growth, he added that sales were robust in January. Meanwhile, Ruias-owned Essar Steel posted 20% growth in sales volume in January 2010 said the company’s spokesman.

Ispat Industries sold around 2.5 lakh tonne of steel last month, growing more than 30% over January 2009. “Automobiles and consumer durables witnessed healthy growth, fuelling demand for steel products. Although some price volatility continue to

exist in China, the world's largest producer and consumer of steel, we expect the market to stabilise soon," said Anil Surekha director (finance) at Ispat Industries.

Rise in demand has already started reflecting in increase in metal prices both in India and abroad. Most steel companies increased product prices by up to Rs 2,000/tonne to Rs 33,000-35,000/tonne in the domestic spot market in January in line with international prices but restrained from any price hike this month. Globally, prices have more or less stabilised to \$575-600/tonne after touching a low of \$450/tonne early last year.

Meanwhile, price of steel in China declined marginally in the last few days after moving up 20% since October 2009, as inventories piled up and concerns grew that the government may curb lending to the industry in general.

### **Auto makers post record sales in January**

The new year has brought good news for almost all car manufacturers, with market leader Maruti Suzuki, Hyundai Motors, Tata Motors, Mahindra & Mahindra, General Motors and even Fiat, posting their highest monthly sales since their inception.

Sales of cars, sports utility vehicles (SUVs) and multi utility vehicles (MUVs) from these auto makers and also that of Honda-Siel and Mahindra-Renault together grew 33 per cent to 175,526 units in January against 131,636 units sold in the same month a year ago (see table).

Leading the charts was market leader Maruti Suzuki, which saw a 21 per cent jump — despite a price increase — on the back of additional numbers from the newly-launched Eeco (a utility van) and continued demand for the Ritz, A-Star, Swift and DZire.

This is the second straight month that Maruti set a new monthly sales record since inception, December being the first when sales crossed 100,000 units. Maruti Suzuki chairman R C Bhargava says he expects the trend to continue even if the government withdraws the four percentage point excise concession in phases.

"If the government withdraws half the concession in the Budget, the increase in car prices would range from Rs 5,000 to Rs 15,000. This is not enough to make a dent in sales, especially since interest rates are not going up in the near future. If both these things happened at the same time, there would have been an issue," he says.

Bhargava adds that the January price increase was less than 1 per cent for the buyer because the company had absorbed a large part of the cost increase in making the cars Euro 4 emission norms compliant.

The high January figures were also the result of dealers exhausting inventory in the December surge.

## **Telecom sector's revenue up by 4%**

India's telecom players have set the cash registers ringing for the December quarter with a 4% hike in revenues, bringing cheer to the industry that saw earnings decline sequentially for the preceding two quarters.

The industry notched up Rs 39,756 crore during the quarter ended December 31, helped by a recovery in earnings from both mobile and landline services that have been sliding for the previous six months. Mobile and landline revenues were at Rs 31,100 crore, up 0.5% from September 09, according to the figures submitted by telcos to Trai. On the wireless front, the sector clocked Rs 26564.5 crore, a 0.7% growth, during this period.

The six-month period between July-September 09 has been the first instance in the last five years where the sector's revenues dipped sequentially.

While only four telcos registered a sequential increase revenues in the September 09 quarter, the number has doubled in the three months ended December. This is despite the December 09 period being the first full quarter after massive tariff cuts by all operators. In this period, only Bharti and BSNL amongst the large operators have recorded a fall in mobile revenues on a sequential basis.

Despite the savage price war, the latest industry data on sales may also indicate that the worst may be behind for the country's telecom companies. However, the tariff cuts have resulted in the industry's revenues for the three months leading to December being lower than the March 09 levels. This is despite the addition of 133 million new cellular customers during these nine months.

## **India to have 2 MT surplus aluminium for export by 2013**

The aluminium industry in India may be moving towards overcapacity, since supply is likely to grow in excess of demand going forward. Considering that all aluminium projects would begin commercial production with expanded capacity as planned, there could be at least two million tonnes of additional capacity for exports by 2013.

"India's aluminium production will more than treble to 4.4 million tonnes by mid-2012 with new capacities coming on stream, along with requisite captive power generation capacities," stated a Fitch Ratings report recently.

Vedanta, Hindalco and Nalco together produced 1.5 million tonnes of the metal for the year ended 31 March 2009, a growth of 9 per cent year on year. Though higher cost capacities were shut down (in Vedanta's subsidiaries Balco, Malco and Vedanta Aluminium) to the extent of 0.14 million tonnes, additional capacities from Vedanta Aluminium Ltd in Orissa, along with incremental capacity expansions at Nalco and Hindalco compensated for the loss. For eight months between April and November 2009, total aluminium produced was 0.98 million tonnes, a rise of 16.6 per cent over the corresponding period in the previous year.

“Although demand outlook for aluminium is likely to grow in line with the economy, supply is estimated to grow far in excess of demand, resulting in overcapacity in the domestic market over 2011-2013,” the report added. Large power and housing projects, which use aluminium extensively, depend largely on growth in economy and, thus, spur consumption of the metal.

According to an Icria report, “With sharp increase in capacity over 2010-13, India will start massive export of aluminium. The country could by 2013 be an annual exporter of 2 million tonnes of the metal, assuming the planned capacity expansions become operational as currently envisaged.” It added that the current demand-supply situation for aluminium was largely balanced with consumption in line with existing production, and a relatively small volume of exports.

India’s per capita consumption of aluminium is 1 kg as against 30 kg in the developed world, it stated in the report. “The industry is exploring new application areas and untapped demand potential, which may result in greater preference for aluminium in the future,” Icria added.

### **India 2nd most willing nation to pay premium for safe food: Nielsen**

Indians have become increasingly wary about the food that they buy, thanks to the rising issues concerning the safety of food and the resultant food-borne diseases. According to the Nielsen global online survey, 97% Indians consider safety of food an important factor in deciding where they shop and 73% Indians are confident in the safety of the food that they purchase from their local store.

As per the survey, India along with Ukraine is the second most willing nation to pay a premium for food that is safe (85%). Saudi Arabia and Phillipines lead with 86% votes in their willingness to pay a premium for safe food.

More than six in ten Indians think that the food manufacturer has the main responsibility for providing them with safe food. Around 30% hold the government responsible for providing safe food and only 8% think that the retailer has the main responsibility in providing safe food to them. However, Indians trust the government the most when a food safety scare arises (32%). With 29%, food manufacturers are the second most trusted entity in case of a food safety issue. Over 26% Indians trust media and only 13% trust retailers when they are skeptic about food safety.

### **IT outlook stable in 2010, demand to improve: Fitch**

The outlook for Indian information technology (IT) services sector is stable for 2010, reflecting a gradual improvement in global demand beginning in the second half of 2009, Fitch has said. Concerns for 2010 include currency volatility, imminent salary hikes for employees, US regulatory risks, and the pace of demand recovery.

The rating agency has projected a gradual improvement in quarterly revenue growth this year for major players like TCS, Infosys and Wipro, as an improving global

economy leads to a recovery in client demand for discretionary expenditure and long-term transformational engagements (postponed since 2009) in lieu of cost-reduction projects with near-term paybacks.

IT services revenue growth will also benefit from growth opportunities relating to healthcare, telecom and Internet security along with a demand revival in the banking, financial services and insurance (BFSI) sector. The BFSI sector is the second-largest purchaser of IT services worldwide after the government.

The recently announced third quarter results of IT services companies illustrate continued robust performance. Better capacity utilisation, hiring cutbacks and pay freeze, better negotiations with customers on pricing and increased offshoring have resulted in better-than-expected margins for most of the firms. However, the long-overdue wage hike could put pressure on margins, Fitch has said.

The Indian IT sector has consistently generated positive free cash flow (FCF), resulting in significant cash balances of more than 20% of total assets for large companies, enabling them to weather the slowdown better than most other industries. Consequently, most IT service companies continue to be free of debt or have low leverage and have strong credit protection measures. Cash flow generation continues to be adequate to fund working capital and, in most cases, capex requirements as well.

Fitch expects acquisition activities to continue in 2010, as companies are trying to utilise excess cash to diversify service line mix, expand geographically, and/or add capabilities in targeted vertical markets.

### **Computer sales surf higher on economic revival**

Economic revival, technological developments and right pricing led to overall sales of the Indian personal computer (PC) market touching 1.97 million units during the October-December (fourth) quarter of calendar year 2009 — a 25.7 per cent year-on-year (y-o-y) growth, according to a report by IDC, the research and advisory company.

Desktop PC sales accounted for nearly two-thirds of total PC sales at 1.27 million units, a 14.6 per cent increase over the corresponding quarter last year.

However, on a quarter-on-quarter basis, the sales fell 12.8 per cent due to the seasonality factor. Notebook PC sales grew 52.8 per cent year-on-year, clocking 690,000 units in October-December 2009.

Total India PC shipments grew in each of the four quarters of 2009, after dropping sharply from a peak of 2.26 million units in July-September 2008 to 1.56 million units in October-December 2008. Home PC shipments (both desktops and notebooks) climbed 38 per cent year-on-year (October-December 2009 over October-December 2008).

The IDC report reveals that the growth of 57 per cent year-on-year (October-December 2009 over October-December 2008) in notebook PC shipments to large business (500-999 employees) and very large business (1,000 or more employees) segments was “pleasantly surprising”.

In the overall PC (notebooks and desktops combined) market, HP retained the top spot, with a market share of 16.2 per cent in terms of unit shipments, while Dell and Acer had 13.6 per cent and 10.4 per cent, respectively.

In desktop PC shipments, HP retained top position with a market share of 11.6 per cent, followed by HCL and Acer, respectively, during the fourth quarter of last year. However, it was in the notebook PC shipments that the market witnessed a shake-up, as Dell captured the top spot for the first time, with a market share of 26.3 per cent.

“Dell’s ascent in the India notebook PC market can be attributed to their consistent marketing efforts over the previous quarters. Availability of a wide product portfolio with appealing aesthetics and branding helped Dell connect with ‘Gen X’ buyers – students as well as young executives,” said Sumanta Mukherjee, Lead PC Analyst, IDC India.

“The revival of buying by the large business and very large business segments, which have traditionally been strong segments for Dell, also shored up the vendor’s performance in the quarter ended December 31,” he added.

### **Petrochem region set to attract Rs 163000 cr in 2 yrs**

The proposed Petroleum, Chemicals and Petrochemicals Investment Region (PCPIR) between Visakhapatnam and Kakinada is likely to attract over Rs 1,63,000 crore investment over the next few years, said state chief minister K Rosaiah.

Laying the foundation for a Rs 2,400 crore manganese alloy project being set up by Abhijeet Ferrotech Limited in the Atchutapuram special economic zone, he said the PCPIR would provide direct employment for 500,000 people apart from 700,000 indirect jobs.

The project will also have a 300 Mw integrated power plant.

During former chief minister YS Rajasekhara Reddy’s regime, the Centre gave approval for setting up 103 SEZs in the state. Of these, 73 SEZs have become operational, he said.

Sri Lanka-based Brandix has also started production in the Atchutapuram SEZ. The company currently employs 6,000 people and would create jobs for 60,000 in the coming days, according to the chief minister.

On the occasion, Rosaiah handed over a cheque of Rs 120 crore to 7,867 self-help groups (SHGs). At present there are 933,000 SHGs working in the state.

## **Overseas Investments**

### **FII's put in record money in equity mkt**

Foreign institutional investors (FIIs) made a record investment in the Indian equity market in 2009, surpassing the 2007 inflows, says Economic Survey 2009-10. Even assets under management of the mutual funds industry touched a record high, indicating revival of investor interest in the financial markets.

Net FII investment in the equity market was at Rs 83,424 crore in 2009, compared to net inflow of Rs 71,486 crore in 2007 and net outflow of Rs 52,987 crore in 2008, the Survey says. Even the number of FIIs' registration was the highest at 1,706, compared to 1,594 in 2008. However, net FII investment in the debt market declined to Rs 4,563 crore, from Rs 11,772 crore in 2008.

Record inflow in the equity market also has had an impact on the stock market with the NSE Nifty index rising by 76 per cent during the year, compared to fall of 52 per cent in 2008, the Survey says. Overall market capitalisation of stocks in 2009 at Rs 33,14,447 crore could not touch the peak of Rs 35,22,527 crore in 2007.

In the mutual funds industry, assets under management at Rs 6,65,146 crore surpassed the high of Rs 5,49,936 crore in 2007. Assets under management in 2008 were at Rs 4,13,365 crore. The share of income and debt oriented schemes was 54.2 per cent (47.7 per cent in 2008), for equity schemes it was 26.3 per cent (23.9 per cent).

### **FIPB can now clear FDI of up to Rs 1,200 crore**

The government has allowed the Foreign Investment Promotion Board (FIPB), under the commerce ministry, to clear foreign direct investment (FDI) proposals of up to Rs 1,200 crore.

At present, all project proposals that involve investment of above Rs 600 crore are put up before the Cabinet Committee of Economic Affairs (CCEA) for approval.

Announcing the CCEA decision, Home Minister P Chidambaram said the relaxation would expedite FDI inflow. "The Rs 600-crore cap was fixed in July 1996. Considering the investment requirement and the inflation factors, it has been decided that it should be increased to Rs 1,200 crore," Chidambaram said.

### **Surge of FII interest in debt paper**

The long moribund Indian debt market has sprung to life in 2010. Total investment by foreign institutional investors (FIIs) reached Rs 9,577 crore in just 40 days. This is more than twice the Rs 4,563 crore invested by them in Indian debt paper in entire calendar 2009.

Despite the surge, government officials have said there is no proposal to raise the cap for FII investment in government or corporate debt. The caps for the two sectors are set at \$5 billion and \$15 billion, respectively. Current rules allow the cap to be raised if FII investment crosses 80% of the sectoral caps. Sebi data shows FIIs have exhausted only 50% of their limit in corporate bonds.

The huge surge of interest in Indian debt, especially government paper, follows the robust performance of the Indian economy in 2009-10, despite a high fiscal deficit projected at 6.8% of GDP.

### **FDI inflows rise 10% to \$1.5 bn in Dec 2009**

India received \$1.5 billion foreign direct investment in December 2009, an increase of over 10 per cent over that in the same month of previous year, a government official said. Foreign direct investment was \$1.36 billion in December 2008.

The overseas inflows, however, declined marginally to \$20.9 billion in April-December compared to \$21.15 billion in the corresponding period last year, the official said.

This is the third consecutive month that FDI inflows have posted a healthy year-on-year jump. In October 2009, FDI grew by 56 per cent to \$2.3 billion, while in November it surged by 60 per cent to \$1.74 billion against \$ 1.08 billion in November 2008.

In a move to push FDI inflows further, the Commerce and Industry Ministry has released a draft document that consolidates FDI policy notified through 177 Press Notes so far into a single regulatory framework.

The move is aimed at providing a greater clarity on the existing rules to foreign investors, but will not change the current FDI norms or sector specific caps.

### **Forex kitty swells by \$485 million**

Foreign exchange reserves rose \$485 million to \$279.2 billion during the week ended February 12, largely on account of revaluation of non-dollar assets in reserves.

According to the latest Reserve Bank of India data, of the total foreign exchange reserves, foreign currency assets (FCA) rose by \$521million, while the value of SDR (special drawing rights) and reserves with the IMF dipped by \$28 million and \$8 million, respectively, during the week.

The rise in foreign exchange reserves could be largely due to dollar marginally paring the gains against the euro on news about the bailout of Greece, which ran into fiscal trouble earlier in the month, pointed out a treasury official at a public sector bank.

## **Single document to simplify FDI policy**

In an effort to streamline the FDI (foreign direct investment) procedure, the Centre is planning a simplified single FDI policy document by March 31.

The government will integrate all the varying 170-odd Press Notes into a single document, said commerce minister Anand Sharma on the sidelines of the India International Seafood Show in Chennai.

The government is not in favour of attracting foreign investments in the tobacco industry, Sharma said, adding that a responsible country like India should rather have more investments in new technology-oriented sectors. "Why should we have FDI in tobacco? There is a ban on smoking in public places. We are a responsible country," Sharma said. The government would like to see more FDI in innovation, research and green technologies— the technologies of the future. It has been developing new markets to further exports that have regained momentum during the third quarter after lying in the negative territory for almost about 15 quarters consecutively. "We have developed 41 new markets in Africa, South America and Brazil among other countries. It's by the end of the current financial year that the exports will gain full steam."

When asked about telecom major Bharti Airtel's efforts to acquire the South Africa-based Zain Telecom, he said, "We welcome the Indian corporates to step out and become major multinational corporations. We support any such initiative." On stimulus being continued for exports Sharma said finance minister Pranab Mukherjee was 'sensitive' to the concerns of the export sector.

## **PE investments double in to \$386 million in January**

Private equity investments in India doubled in January 2010 as deals worth over \$386 million were announced amid improving signs of liquidity, a study says.

According to the monthly deal update report of VCEdge, a financial research provider, private equity deal value in India was at \$386 million in January 2010, against \$191 million in January 2009.

The deal volume, however, was virtually unchanged with 25 deals recorded past month, one less than what was registered in the same month last year.

Going forward, there will be reduced valuations and more deals. And there would be a flight for quality as competition to invest in high-quality portfolio companies rise, it said.

A sector wise analysis shows that infrastructure, real estate and telecom were the most targeted sectors for investment with deals worth \$61 million, \$59 million and \$58 million respectively. "Together, they accounted for more than 45% of total private equity deal value during the month," the study stated.

Meanwhile, in terms of deal volume the most active sector was IT/ITeS with five deals in the month, followed by telecom with three deals. Other sectors contributing to the deal volume were real estate, hospitality and Infrastructure accounting for two deals each.

The largest private equity deal in January 2010 was the acquisition of 16% stake in Hyderabad-based Coastal Projects by Barings Private Equity, Sequoia Capital, Fidelity and Deutsche Bank, the report said.

### **M&A activity in India more than doubled to \$3 bn in Jan 2010**

Merger and acquisition activity in the country more than doubled in the first month of 2010 as deals worth nearly USD 3 billion (about Rs 13,950 crore) were announced amid improved signs of liquidity, a study said.

According to the monthly deal report of VC Edge, a financial research provider, the M&A deal value during January 2010 stood at USD 2.8 billion, a whopping 126 per cent rise over the same period last year.

In terms of deal count there was also an upward trend, as there were around 53 deals in the first month of the year, as compared to 32 deals witnessed during a year-ago period, the report added.

Domestic deals were in fervour during January 2010, as there were as many as 29 domestic deals worth USD 2,303 million as compared to 14 transactions worth USD 589 million in January 2009.

Meanwhile, the number of outbound deals more than doubled from 6 in January 2009 to 13 in January 2010. Besides, the average deals size also grew to USD 111.30 million in the first month of 2010 from USD 84.28 million, the report said.

A sector wise analysis shows that telecom, logistics and banking, finance and insurance were the most targeted sectors for investments with deals worth USD 2,180 million, USD 164 million and USD 117 million respectively.

Together, these sectors accounted for more than 85 per cent of total private equity deal value during the month.

### **Trade**

#### **India is top export market for Dubai for second year**

India has topped the list of export markets for Dubai for the second consecutive year with a share of 40.6 per cent at 21.3 billion dirhams (Rs 268.348 billion).

Switzerland comes next as Dubai's second largest export market with a share of 16.6 per cent at 8.7 billion dirhams (Rs 109.6 billion). Saudi Arabia is third, followed by Pakistan and Iran.

Among the most significant goods and products Dubai exports to the aforementioned countries is gold, which again finds the largest market in India.

Dubai's exports of scraps and metals to India value 693.371 million dirhams (Rs 8.32 billion). The Emirate's non-oil direct exports grew at an average rate of 23 per cent in 2009 compared with 2008.

The value of exported goods through all Dubai Customs entries amounted to 52.4 billion dirhams (Rs 629 billion) in 2009 against 42.6 billion dirhams in 2008 (Rs 511.2 billion), while growth rate over the past five years reached 47 per cent.

### **Africa-India economic mission**

Brussels-based international organisation EMRC, in partnership with the International Crops Research Institute for the Semi-Arid Tropics (Icrisat) and the Confederation of Indian Industry, will have its first agricultural economic mission to Hyderabad from February 28 to March 5, 2010.

The mission, comprising 35 delegates from different regions of Africa, is interested in India's high-end agricultural technology and will visit Icrisat on March 2, an Icrisat release said.

### **India-Arab trade to double by '14: Sharma**

India has expressed hope that two-way trade and investment ties between India and the Gulf region will strengthen further, in order to double the bilateral trade turnover from the current \$114 billion to \$230 billion by 2014.

Anand Sharma, minister of commerce & industry, while inaugurating the 2nd India-Arab Investment Projects Conclave, jointly organised by the ministry of external affairs, in association with Ficci, the League of Arab States and the General Union of Chambers of Commerce, Industry & Agriculture, said that based on India's high domestic consumption and demand and a high savings and capital formation rate of 38%, the economy is expected to grow by 7.5% this fiscal.

He added, "But we need to go back to the 9%-plus growth trajectory in order to economically empower our 1.1 billion people."

According to Sharma, the government is determined to accelerate the momentum of growth and this can only be done in partnerships with the Arab world. "We need to look at areas of competitive advantages. The Gulf region has large sovereign funds and India is the right place to invest. Unctad and other multilateral agencies have ranked India as one of the three most attractive investment destinations after China

and the US and the returns from India are the highest amongst the emerging economies,” said the commerce minister.

While delivering his keynote address, Shashi Tharoor, minister of state for external affairs, called for an early conclusion of the India-GCC Free Trade Agreement, which will further boost the economic engagement between India and the Arab world.

He also underlined the need for working on mechanisms to institutionalise the welfare of the Indian expatriate workforce in Arab countries, particularly in the Gulf region.

### **Nigeria invites investment from Gujarat**

Having been the fourth largest source for India's imports of crude petroleum, Nigeria is now inviting companies to make more investments in the African country. Through the '3rd CII-Nigeria India Business & Investment Forum (NIBF2010)', the country is wooing Gujarat firms to set up units in Nigeria.

"Held every alternate year, the forum intends to renew relationship with India. We have good relations with South Africa, Brazil, Egypt and India and tend to work together. Through this forum, we want to invite Gujarat's business community to visit and invest in Nigeria," said Mustafa Bello, executive secretary, Nigeria Investment Promotion Commission (NIPC). The forum is organised by the two countries through Confederation of Indian Industries (CII) and NIPC.

Speaking at the forum, Yatindra Sharma, vice chairman, CII – Gujarat Council and joint managing director KHS Machinery Pvt. Ltd highlighted the rich and ancient relationship shared between the two countries especially with people of Gujarat. "We seek to increase business propositions under this realm which will thereby enlighten progress on worldwide basis," said Sharma.

Talking about the potential of investments, Bello said, "Nigerian government has created various means to improve the fiscal situation and to attract investment in the country. There are huge opportunities of investment in sectors like telecom, IT, mining, agriculture, pharmaceuticals, healthcare, and hospitality."

### **Canada looking to invest in power, farm sectors**

Mr Joseph Caron, Canada's High Commissioner in India, has urged Indian businessmen to invest in Canada's mining sector.

"Tata Steel has already invested in the mining sector in our country but huge opportunities still exist for exploitation of iron ore, nickel and copper available abundantly there," Mr Caron said, addressing members of the Merchants' Chamber of Commerce.

According to a released issued by the chamber, Mr Caron pointed out that Canada had already invested heavily in the development of mines in India.

### *Keen to participate*

Canada, he said, was also interested in investing in the country's agri-business but the "highly-controlled" agriculture market was proving to be a stumbling block.

In the power sector, Canada was interested in participating in mega projects, of capacity ranging from 1600 to 2000 MW, but most power projects being set up in India were in the range of 600 to 700 MW, he said.

### *Scope for cooperation*

Canada and India, he said, were already collaborating extensively in the fields of information and communication technology, sustainable alternative energy and environment technologies and there was scope for mutual cooperation in other areas such as education. The President of the Chamber, Mr S S Beriwal indicated that bilateral trade between the two countries more than doubled to \$3.8 billion (Rs 17,785 crore) in the past five years.

Mr Beriwal also said that trade between the two countries could go up to \$15 billion (Rs 70,207 crore) in next few years once the Comprehensive Economic Partnership Agreement was signed, for which a Joint Study Group was finalising its report, the release added.

### **UAE invites India to be part of diversification**

The United Arab Emirates is moving away from a oil-dependent economy to newer areas with a vision for 2030 and wants India to be part of the transformation.

The diversification will reduce dependence on hydrocarbons (60 per cent) to less than 40 per cent by 2030. The emirate will focus on knowledge-based industry, aerospace, IT among others.

The UAE and India have remained reasonably stable in the global slowdown and are poised to grow, stated Ms Sheikha Lubna Al Qasimi, Minister of Foreign Trade, UAE, in her address to a Business Forum on 'Why UAE', organised by the CII-AP chapter.

Our 7.4 per cent GDP (gross domestic product) in 2008 shows the robust nature of the economy and we intend to cross 8 per cent soon. She urged India to take advantage of the facilities and opportunities unfolding in the seven countries, which constitute the UAE. Abu Dhabi, which comprises 87 per cent of UAE's land area, will be the centre of the transformation story.

The Andhra Pradesh Minister for Industries, Mr Kanna Laxminarayana, in his address, said the FDI inflow from the UAE into the State during April –July (2008-09) was around \$4 billion. The State had also signed a couple of MoUs with RAK for large infrastructure projects.

The Principal Secretary, Industries, Mr Sam Bob, said there were big opportunities for infrastructure companies from AP in the UAE.

With 33 per cent of the population being Indians and over 50 per cent of the workforce also from India, it would be easy to work together. Earlier, the President of the CII-AP Chapter, Mr Y. Harishchandra Prasad, in his welcome address, said there was good scope for collaborations, joint ventures, technology transfers in pharma, biotech, infrastructure and healthcare sectors.

### **India, UK sign joint declaration on nuclear co-operation**

India and the UK signed a joint declaration for civil nuclear cooperation.

The move is expected to offer greater access to British companies in the Indian atomic power sector and foster cooperation between scientific institutions on either side.

The Atomic Energy Commission Chairman, Mr Srikumar Banerjee, and the British High Commissioner, Mr Richard Stagg, signed the Declaration.

“The Declaration will help promotion and facilitation of wide-ranging cooperation in the nuclear field including in nuclear trade and also between scientific institutions of the two countries,” a statement released by the Department of Atomic Energy said.

India and the UK had finalised the text of the joint declaration earlier this month during the Commerce Minister, Mr Anand Sharma's visit to London for the UK-India Joint Economic Trade Committee meet.

UK Trade and Investment, the British government's trade arm, had said that British companies were keen to collaborate with Indian partners in civil nuclear technology.

The UK's nuclear industry, with 19 reactors on 10 sites, currently supplies a fifth of the country's electricity. In September 2008, the British Government had announced a new manufacturing policy focused on the nuclear industry supply chain.

The new manufacturing strategy was aimed at supporting both the UK's domestic new nuclear plant construction programme and the nuclear export markets.

BAE Systems, Rolls Royce and Sheffield Forgemasters are among firms that have a presence in the nuclear value chain. According to the Nuclear Industry Association of the UK, the British nuclear industry can supply 70-80 per cent parts of a new nuclear reactor.

Since September 2008, after the Nuclear Suppliers Group lifted the embargo on India's participation in global nuclear commerce, India has signed civil nuclear cooperation agreements with France, the US, Russia, Kazakhstan, Mongolia, Argentina and Namibia.

India has also finalised a civil nuclear cooperation deal with Canada, which is expected to be signed soon.

### **India expects trade with Hungary to touch \$1bn**

India has mounted a big diplomatic and economic push to strengthen bilateral ties with Hungary with an eye on further improving its ties with the European Union, its largest trading partner. Hungary is set to assume the presidency of the European Union in 2011.

"Hungary's membership to EU (in 2004) has added a significant dimension to our overall relationship. We also look forward to Hungary's Presidency of the EU in 2011 and would be happy to learn of any initiatives that Hungary proposes to take, particularly in the economic area," Commerce and Industry Minister Anand Sharma said at the India-Hungary Joint Commission on Economic Cooperation in Budapest.

Mr Sharma is leading a 23-member high-level business delegation of industry body Ficci to Hungary to boost bilateral cooperation.

The members of the delegation include, Phiroz Adi Vandrevala of TCS, Pramod Bhasin of Genpact, Anil K Mani of Apollo Hospitals Group, Harin Mehta of Sun Pharma. Some of these companies already have a presence in Hungary while other are looking at opportunities for collaborations.

Hungary has been an important trading partner of India with two-way trade growing five folds between 2005 and 2008 to reach \$700 million mark, though it dropped 15% in 2009 due to the global demand slowdown. Both countries are exploring options to boost the bilateral trade to \$1 billion by 2012.

During the interaction, business leaders from the two sides explored areas of cooperation to increase trade and investment in sectors like auto component, port equipment, health, education, electrical machinery besides chemicals and pharmaceuticals.

### **India, Germany discuss trade and investment**

To further enhance their bilateral relations, India and Germany talked about boosting their trade and security cooperation in combating global terrorism.

Prime Minister Manmohan Singh held talks with visiting German president Horst Koehler on a wide range of bilateral and global issues, including the intensification of trade and investment, counter-terror cooperation, climate change and energy security.

Both leaders discussed a proposed accord on counter-terror cooperation and a framework agreement on economic and technological cooperation involving \$500 million, and decided to finalise these in the coming months. The security pact

envisages creating a legal basis and framework for the training of Indians by anti-terror specialists in Germany.

### **India-IAEA accord on safeguards in force**

US President Barack Obama has certified that the Safeguards Agreement between India and the International Atomic Energy Agency (IAEA) on its civilian nuclear facilities has come into force—another step towards full implementation of the Indo-US atomic deal.

A memorandum in this regard was issued to the secretary of state Hillary Clinton, as mandated by the United States-India Nuclear Cooperation Approval and Non-proliferation Enhancement Act regarding the safeguards agreement between India and the Vienna-based global nuclear watchdog IAEA.

Obama also certified that India has filed a declaration of facilities—as mandated by the agreement—that is "not materially inconsistent" with the facilities and schedule described in the Separation Plan presented in the Parliament on May 11, 2006, taking into account the later initiation of safeguards that was anticipated in the Separation Plan.

The Presidential action came amid questions being raised in some quarters about the Obama Administration's commitment to implement the landmark bilateral nuke deal.

Prime Minister Manmohan Singh at a joint conference with Obama on November 24 said the President had assured him of his 'full and complete' commitment to implementation of the Indo-US nuclear deal.

### **India-Brazil trade to double in 4-5 years**

The bilateral trade between India and Brazil would almost double at \$10 billion over the next four-to-five years, according to Mr Marco Brandao, Ambassador of Brazil to India.

"We are hopeful that the bilateral trade between the two countries will increase to \$10 billion in the coming three-to-four years from \$5 billion at present," Mr Brandao said while speaking at an interactive session organised by the Indian Chamber of Commerce.

Commodities such as sugar, biofuel, fertilisers were the key items of trade between the two countries. "There is a good amount of investment happening from Indian corporates in the pharmaceutical sector of Brazil," he said.

Mr Brandao, however, invited Indian companies to invest into hospitality sector ahead of the World Cup in 2014 and Olympics in 2016 in Brazil.

Indian sugar companies have been expanding in Brazil, he observed. "The Indian sugar producer Shree Renuka Sugar has already entered Brazil last year and now they are looking at scaling up their investments," he said.

Shree Renuka in November acquired Brazil's Vale Do Ivaí SA Açúcar e Álcool at a cost of Rs 1,112 crore, which gave the Indian sugar maker ownership of eight sugar mills in Brazil with an aggregate crushing capacity of 35,000 tonne a day.

### **India, Russia working on pact to treble trade to \$20 b by 2015**

India and Russia have agreed to set up a Joint Working Group (JWG) to finalise a general trade agreement shortly, aiming to more than triple the bilateral trade to \$20 billion by 2015.

During the meeting, the Union Commerce and Industry Minister, Mr Anand Sharma, had with the Russian Deputy Prime Minister, Mr Sergei Sobyenin, and the Russian Minister of Industry and Trade, Mr Victor Khrihtenko, both the sides agreed to establish a JWG to work out the general trade agreement so that it can be signed during the visit of the Russian Prime Minister, Mr Vladimir Putin, to India in March.

Two years ago, India and Russia had also decided to explore the feasibility of inking a Comprehensive Economic Cooperation Agreement (CECA), following such a recommendation by a Joint Study Group. Both sides had also decided to set up a Joint Task Force in that regard. But the proposed trade agreement will be general in nature and is not connected to the CECA, the sources said.

Both sides also discussed ways to deepen ties in sectors such as pharmaceuticals, space, metallurgy, aviation and fertilisers, hoping that the enhanced economic engagements in these areas would further boost bilateral co-operation, a statement by the Indian Commerce Ministry said. India-Russia trade in 2008-09 was \$5.42 billion, up 58.7 per cent from \$3.41 billion in the previous year. While Indian exports to Russia were only a little over \$1 billion in 2008-09, Russian exports to India were about \$4.4 billion. The bilateral trade during April-December 2009 was around \$2.19 billion.

The major items of export by India are drugs, pharmaceuticals, fine chemicals, tea, transport equipments, machinery and instruments, coffee, cotton yarn fabrics, made-ups and manufactures of metals.

The major items of import are petroleum, crude and products, fertilisers (manufactured), iron and steel, non-ferrous metals, silver, transport equipments, coal, coke, briquettes, as well as synthetic and reclaimed rubber newsprint.

The cumulative Foreign Direct Investment (FDI) inflows from Russia during 1991-92 (August-March) to 2009-10 (April-December) were \$455.61 million. The major sectors which attracted FDI inflows from Russia include telecommunications, services sector, automobile industry, food processing, hotel and tourism.

## **India, Latvia ink pact to promote investments**

India and Latvia signed a Bilateral Investment Promotion and Protection Agreement aimed at boosting bilateral investment and technology flows between the two countries, by creating favourable conditions for investors.

The pact was signed by the Union Minister for Commerce and Industry, Mr Anand Sharma, and the Latvian Minister of Economics, Mr Artis Kampars.

The agreement includes full repatriability of investment and returns, protection against expropriation and a mutually acceptable definition of 'investment.' The pact also provides for national treatment to investments on a post-establishment basis as well as most favoured national treatment to investments and investors on a post-establishment basis, except for a public purpose and against payment of a fair and equitable compensation.

It has a provision on an elaborate dispute resolution mechanism to settle disputes relating to investments between an investor and the host Government. The dispute resolution mechanism includes recourse to negotiations, domestic dispute resolution mechanism and international arbitration.

The agreement will remain in force for 10 years and thereafter, it shall be deemed to have been automatically extended, unless either country gives to the other country, a written notice of its intention to terminate the agreement, a release said.

## **India, EU free trade pact by end 2010: Envoy**

A far-reaching free trade agreement will be "ready to be signed" between India and the European Union by the end of this year even as child labour and intellectual property rights regime in this country remain sore points, EU ambassador in Chennai Daniele Smadja has said.

"Our mandate is to complete the negotiations for the free trade pact soon, even though intellectual property rights and several other regulatory issues remain to be sorted out by the two sides," the envoy said.

"We are working at resolving them and the agreement will be ready to be signed by end-2010," Smadja said, during his visit to a school at Tiruvottiyur, on the northern outskirts of Chennai that has rehabilitated child labourers.

EU has contributed more than \$250,000 over three years to this programme for 25 deprived communities, steered by an Indian non-government organisation, Arunodhaya. In Tamil Nadu, EU supports six programmes worth nearly \$6 million in assistance.

The EU envoy said European nations were keen to support programmes that ensure sustainable and continued education for such rescued children so that they can grow into responsible adults.

"Having children in school is the only way a country like India can contain child labour and increase exports."

Smadja said the free trade pact would give a major boost to economic ties between India and EU, as Europe is already its largest trade partner with immense opportunity. Two-way trade tops \$75 billion.

### **India, Nepal ink pacts on transport, education**

India has inked four agreements including transport and education with Nepal after discussions between Nepal President Ram Baran Yadav and Prime Minister Manmohan Singh.

Yadav, who is on a four-day state visit, met the Prime Minister at Hyderabad House where they held delegation-level talks for about 50 minutes. He is accompanied by a 27-member delegation including tourism minister Sharad Singh Bhandari and several senior officials.

An agreement on new air service was signed between the two countries besides three memorandums of understandings (MoUs) on development of railway infrastructure at five points along India-Nepal border, development of Nepal Bharat Maitri Polytechnic at Hetauda Makwanpur district and establishment of Nepal Bharat Maitri Sabha Griha, Birgunj. Five new railway lines, once constructed, would provide better access to the Madhes (Terai) region of the Himalayan country.

The Nepal President began his day with a ceremonial welcome at Rashtrapati Bhawan, where he was received by President Pratibha Patil.

### **'Indian companies have scope for scaling up exports to Africa'**

It is possible for India to exploit the potential of engineering exports to Africa, estimated at \$90 billion, and Indian companies should look at exploring the opportunities held out by the African nations, according to EEPC India quoting a report prepared by the Ministry of Commerce.

The report, which takes into account the global imports of various African nations and India's imports and exports to the continent and India's global exports, is of the view that the economies of African countries are in a stage of development and India is in a position to offer appropriate technology at competitive prices.

At a seminar on Export Awareness About Africa organised by EEPC India, Mr Rakesh Shah, the immediate past chairman, expressed the view that India's trade engagement in African should be mutually beneficial and not one-sided.

### *Congo's plea*

Mr Baulmuene N. Francois, Ambassador of the Democratic Republic of Congo in India, urged the Indian companies to participate in projects in that country. The projects could be financed by either government or by any international financial institution, he said.

India, he pointed out, had contributed around \$300 million to Congo for setting up cement plant, development of public transportation and reviving diamond mining. However, the fund was not properly utilised because of the political unrest there.

Since 2006, the Congo Government has initiated measures to attract foreign investments and the country lies in the heart of central Africa sharing its border with nine countries, having large reserves of minerals, particularly diamonds.

The governments of India and Congo would soon sign an agreement on promotion and protection of investment and this would be used as an insurance against all investments to be made by India in Congo, he added.

Mr B.N. Agarwal, Chairman, EEPC India (Eastern Region), pointed out that bilateral trade was showing an upward trend, with Indian exports to Congo having increased from \$4.9 million in 2007-08 to \$15.26 million in 2008-09.

### **South Africa woos Indian tourists**

The South African Tourism Department is bullish that by the year 2012 number of tourists from India will double to 100,000. According to representatives from the tourism department the small cities and event based tourism will be focus areas to increase the tourist arrivals. They also added, on an average a tourist from India spends around Rs 80,000 for 7-10 days in South Africa.

Medha Sampat, country manager, South Africa Tourism, said that unlike other countries South Africa is new to the tourism market. The country has entered five years before and a total tourist arrival of 52,637 till October 2009 as compared to 44,578 in October 2008, an increase of 18.1 per cent.

She said South Africa will focus on bill board, cinema and television promotions and through B2B.

“Our target will be small cities and tier II towns and event based tourism,” Sampath said.

Currently the country is promoting FIFA 2010, 19th Soccer World Cup. Events such as IPL and the many others that we have successfully hosted in the past, augment these figures. And we are confident of a good showing in the year ahead.

According to Sampat, India which was on 12 or 13 three years back on foreign tourist arrival to South Africa, moved to seventh currently by overtaking countries including China and Italy. “While tourist from China to South Africa dropped, India reported a 18 per cent growth.

She added, number of companies taking up incentive tourism also grew. “This segment rose by 50 per cent year on year, more corporate are now looking at South Africa as an incentive package for their performers including employees and dealers.” Apart from which, South Africa is also attracting corporate for business conclave along with adventure tourism.

### External Sector: Foreign Trade April-September 2009

Region/Country	Export		
	US \$ million		% change
	2008-09	2009-2010	2009-2010
World	108668.8	76673.4	-29.4
Africa	6305.2	4876.7	-22.7
Egypt	754.3	537.0	-28.8
Ghana	224.2	162.5	-27.6
Kenya	516.1	385.0	-25.4
Mauritius	152.0	95.3	-37.3
Nigeria	723.9	632.0	-12.7
South Africa	844.9	636.2	-24.7
America	15090.3	11079.3	-26.6
Brazil	942.7	574.3	-39.1
Canada	724.9	529.5	-26.9
USA	11612.4	8640.2	-25.6
Asia (excl. Middle East)	24724.7	19763.3	-20.1
Bangladesh	1427.7	1001.5	-29.9
China	4868.2	3881.4	-20.3
Hong Kong	3791.1	3465.2	-8.6
Indonesia	1265.5	1290.2	2.0
Japan	1576.5	980.8	-37.8
Korea DPR (North)	274.4	26.4	-90.4
Korea Republic (South)	1100.8	741.8	-32.6
Malaysia	1529.9	1306.8	-14.6
Nepal	537.3	419.9	-21.9
Pakistan	776.9	791.0	1.8
Philippines	429.9	331.8	-22.8
Singapore	2852.6	2542.3	-10.9
Sri Lanka	932.0	649.3	-30.3
Taiwan (Taipei)	578.2	258.1	-55.4
Thailand	1225.1	757.8	-38.1
Viet Nam	882.0	687.0	-22.1
Middle East	18001.1	14226.5	-21.0
Iran	706.5	777.7	10.1
Israel	930.4	594.3	-36.1
Kuwait	430.5	377.7	-12.3
Oman	404.9	369.0	-8.9
Saudi Arabia	2303.2	1461.1	-36.6
Syria	193.5	173.4	-10.4
UAE	11705.3	9387.1	-19.8

Yemen	272.6	194.3	-28.7
Europe	22316.2	14917.7	-33.2
Belgium	2710.3	1596.7	-41.1
France	1556.8	1187.1	-23.7
Germany	3450.1	2321.9	-32.7
Italy	2189.2	1435.0	-34.5
Netherlands	1849.4	1325.7	-28.3
Russia	661.1	411.1	-37.8
Spain	1465.8	885.9	-39.6
Turkey	915.0	602.9	-34.1
UK	3575.0	2676.0	-25.1
Oceania	1018.2	756.3	-25.7
Australia	798.5	586.0	-26.6

Region/Country	Import		
	US \$ million		% change
	2008-09	2009-2010	2009-2010
World	184982.7	124295.5	-32.8
Africa	6060.8	4350.2	-28.2
Algeria	74.4	10.5	-85.8
Angola	6.1	2.4	-61.5
Egypt	197.5	119.8	-39.4
Libya	0.4	9.3	2301.3
Nigeria	58.1	46.2	-20.5
South Africa	3504.4	2637.4	-24.7
America	13362.2	9837.3	-26.4
Brazil	569.1	916.0	61.0
Canada	1181.0	903.5	-23.5
Chile	984.2	309.0	-68.6
Mexico	381.8	151.9	-60.2
USA	9666.7	7139.7	-26.1
Asia (excl. Middle East)	43748.3	34769.1	-20.5
China	18716.3	14794.8	-21.0
Hong Kong	3400.8	1624.8	-52.2
Indonesia	3207.9	3796.7	18.4
Japan	4063.2	3105.5	-23.6
Korea Republic (South)	4363.1	3359.1	-23.0
Malaysia	1958.6	1619.3	-17.3
Singapore	2962.2	2247.0	-24.1
Taiwan (Taipei)	1499.8	1055.3	-29.6
Thailand	1404.5	1307.3	-6.9
Middle East	14298.8	7609.3	-46.8

Iran	790.9	507.7	-35.8
Iraq	25.8	20.1	-22.3
Israel	1240.5	788.5	-36.4
Kuwait	270.6	108.1	-60.0
Oman	326.0	261.5	-19.8
Qatar	408.4	211.1	-48.3
Saudi Arabia	954.9	735.9	-22.9
UAE	9097.1	4390.0	-51.7
Yemen	6.4	6.0	-6.7
Europe	36798.7	24456.6	-33.5
Belgium	3733.6	2503.3	-33.0
Finland	650.9	474.8	-27.1
France	2706.7	1330.9	-50.8
Germany	6307.5	4743.2	-24.8
Italy	2612.8	1724.7	-34.0
Netherlands	1120.1	695.2	-37.9
Norway	439.0	340.9	-22.3
Russia	2061.2	1244.1	-39.6
Spain	582.5	540.4	-7.2
Sweden	1094.0	728.7	-33.4
Switzerland	8635.4	5462.3	-36.7
Turkey	410.4	207.5	-49.4
UK	3261.0	2052.5	-37.1
Oceania	6833.3	5184.3	-24.1
Australia	6415.4	4902.0	-23.6