Monthly Economic Analysis

Fortune 2010

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Contents

Recent Trends in Indian Economy

Industrial Growth

July 2010 overall industrial growth numbers continued on the path of buoyancy. The high growth in the overall industrial output was solely on account of the heavyweight manufacturing sector. The other two sectors also remained in the positive zone in July and during the period from April – July 2010. However, the growth in output was lower than the growth seen in the corresponding period of previous year (FY10). Going by the use-based classification we see a huge rise in the production of capital goods which rose by 63 percent in July 2010 as compared to the rise of 1.7 percent in the same month of previous year. The growth in the consumer goods output swelled only on account the durables segment.

The industry segments that registered a sizable increase in output were food products, cotton textiles, jute products, paper products, rubber and plastic products, petroleum, coal and tar, metal products and among the capital goods were the machinery and equipment, transport equipment and parts.

Core Sector Growth

The growth momentum of the six core infrastructure industries was maintained with the increase in petroleum products (crude petroleum and petroleum refinery). Production in coal and power remained positive, however, the growth numbers were not higher than the previous year. The two segments that were found in the negative territory were cement and finished steel.

Trends in Inflation

The moderation in overall inflation could be observed in July 2010, 10 percent in July from 11 percent in the previous month. However, inflation was found to be much higher when compared with the inflation recorded in July last year and may require more time and steps by the government to cool down to targeted levels. The prices of items / article groups that fueled the overall price to rise to such levels were the food and non-food articles (primary goods), fuel products, beverages, textiles, wood, rubber, chemicals, basic metals, machinery and transport equipments.

Monetary Indicators

The broad money supply rose by 3.4 percent over the period from April to July 2010-11, this was lower than the M3 recorded in same period of previous year. The aggregate deposits was also seen to expand slowly by 3.3 percent during the period from April to July of the current fiscal as compared to the expansion of 6.2 percent during the same period of 2009-10. The bank credit rose by 3.5 percent calculated in July over April 2010.

Fiscal Management

The total revenue of the government stepped up sharply this year with more than twofold increase, from the Rs 105378 crores up to July 2009-10 to Rs 238524 crores up to the month of July of current fiscal . Consequently, the magnitude of fiscal deficit has contracted by almost 43 percent during this period of 2010-11 over the previous year.

According to RBI, government acquired higher than anticipated revenue in July from the auction of 3G and BWG and revenue from taxes helped the holding back of fiscal deficit within the targeted level of 5.5 %.

The buoyancy in tax collection in July has been on account of impressive collection in the direct and indirect taxes. However, in growth terms the indirect tax was observed to be much higher as compared to the growth in direct taxes.

Stock Market Trends

The indices continue to swing between 16 K to 17K points. In July 2010 it rose to the level of 17.5 K points and currently in September 2010 we saw the Indian stock market rise to the level of 20 K points again.

Foreign Trade

The overall merchandise exports slowed to 13 percent in the fourth month (July) of the present fiscal as compared to the 30 plus percent growth registered in the previous month of this year. It is early for any comment on the trend without the trade numbers of August and September.

Foreign Investment

The total foreign investment swelled to 10.8 billion up to July on the back of inflows in the portfolio investment category. High investment activity by the FIIs was witnessed during the month, this high inflows is what has led to increased portfolio investments (USD 9.1 billion). FDI received during the month was only USD 1.7 billion.

Foreign Exchange Reserves

Further increase in the forex reserves has been witnessed; this has been observed to rise from USD 275 billion to USD 284 billion and enough to cover 11 months of imports.

Lead Stories of the Month

Exports up 13% to $16.24 bn in July

India's exports rose in July, for the ninth month in a row, by 13.2 per cent to USD 16.24 billion, Commerce Secretary Rahul Khullar said.

Imports too rose by 34.3 per cent to USD 29.17 billion, taking the trade gap for the month to USD 12.93 billion, he added.

Overseas shipments in April-July this fiscal aggregated at USD 68.63 billion, up 30.1 per cent over the same period last year. Imports during the April-July period this fiscal were at USD 112 billion, up by 33.3 per cent over the year-ago period.

Growth has peaked, signal macro indicators

After growing at a fast clip for nearly nine months, Corporate India seems to have taken a breather in the first quarter of 2010-11. Companies in the CNX-500 index (excluding banks, financial institutions and oil refineries) notched up a year-on-year growth in net sales of about 14 per cent while adjusted profits were almost flat (up by about 1.5 per cent).

Given the robust demand, this does not mean any slowdown yet. But certain signs emanating from the economy indicate that growth may have peaked out. Adding credence to this line of thought is that growth this year has to be on a higher base.

Besides, the central bank has also begun to hike policy rates, signalling an exit from the days of easy money. Finally, with the European crisis and the Chinese slowdown, the global 'recovery' supporting growth has become uncertain too.

New series of IIP data expected by year-end

The government is likely to come out with more representative data on industrial production by this year-end by adding nearly 150 new items and deleting the obsolete ones from the index.

"Some remaining work is going on...most probably the new IIP (Index of Industrial Production) series with the base year 2004-05 (will be out) by the end of this year," a senior industry ministry official said.

Currently, around 350 items are in the IIP basket to calculate the monthly industrial production figure. The new series would be more representative and would constitute around 500 items, the official added.

The new IIP series would reflect industrial scenario better than the base of 1993-94 used currently.

IIP data is often criticised for not catching up with the times and provide archaic figures compared to the ones provided by other agencies like Centre for Monitoring Indian Economy (CMIE).

India M&A deals this year near $50-bn; treble from '09 level

India Inc seems to have regained its deal-making appetite with merger and acquisitions so far this year nearing the $50 billion level-already over three times the total for entire 2009.
There were M&A deals worth about $16 billion in 2009, down from close to $40 billion in 2008.

Indicating that deal valuations are also witnessing a revival in line with the recovery in stock markets and overall economy, the value of M&A deal has risen despite a decline in the number of transactions.

According to data compiled by research firm VCCEdge, the M&A deal value rose nearly five-times to $5.4 billion in July 2010 alone, from $1.1 billion in July 2009.

So far in 2010, that is between January and July, the cumulative M&A deal value has touched $49.7 billion, as compared to $16.3 billion in the whole of 2009, VCCEdge said in its monthly deal report.

There have been 411 M&A deals so far this year, down from 453 deals seen in 2009, the report noted. July also saw fewer deals at 42, as compared to 47 in July 2009.

Core sector, export growth cloud July IIP outlook

The six infrastructure industries grew 3.9% in July, marginally higher than in June, but the contraction in steel and cement production has raised doubts about the overall industrial output growth, which slowed to a 13-month low in June.

“It is difficult to predict the IIP figures for July because of the mixed data so far,” said Sonal Verma, an economist with Nomura Holdings, giving a range of 7%-9% industrial growth for July.

Industrial output growth had dropped to 7.1% in June and the mixed performance of core sector and sharply lower exports growth in July seem to suggest that it is unlikely to bounce back to double-digit levels soon.

The headline core sector growth in July is better than the 11-month low of 3.6% for June, but strong double-digit growth in crude and petroleum refining has masked an otherwise poor set of numbers, data released showed. Cement and steel production has contracted by 0.2% and 0.9%, respectively from a year ago while production of electricity was up 3.8%, almost same as June.

The six core industries — crude oil, petroleum refining, coal, electricity, cement and finished steel — have a combined 26.7% weight in the index of industrial production, or IIP, and are considered an advance indicator of industrial activity. The industrial growth numbers for July will be released on September 10.

The exports growth has also moderated sharply to 13.2% in July from over 30% in the months before, further clouding the outlook for the industrial sector.

India's factory output up on strong order book

Making a strong case for the central bank to continue with the accelerated pace in the normalisation of key policy rates, the purchasing managers index (PMI) for the month of July showed a reading of 57.6, higher than 57.3 in the month before. A reading of 50 or above on the HSBC PMI shows an expansion in the industrial activity. With an expansion in July, the factory output has shown an expansion for the sixteenth consecutive month.

"The economy has given another leg up in July as new orders continued to pour in," said Frederic Neumann, a Hong Kong-based economist at HSBC Holdings."The central bank will need to apply the brakes more forcefully and dampen demand with further interest-rate hikes," he added.

The Reserve Bank of India has hiked the key interest rates four times since mid March in an attempt to anchor the headline inflation which has been staying in double-digit territory since February. The food price inflation, which has been staying double-digit territory for more than eighteen months, fell to 9.67% in the second week of July on account of high base effect and expectations of a good kharif harvest.

GDP poised to grow by 9.2 per cent in FY 11: CMIE

The Indian economy is poised to return to the nine per cent growth trajectory in FY 11, the Centre for Monitoring Indian Economy (CMIE) said in its monthly review in Mumbai.

"The boom in economic activities is likely to continue in the remaining three-quarters of FY 11. As a result, we project a 9.2 per cent growth in real GDP in fiscal 2010-11," the CMIE report said.

Between FY 06 and FY 08, the economy clocked an above nine per cent growth. The global liquidity crisis had derailed the growth to 6.7 per cent in FY 09 and 7.4 per cent in FY 10.

However, during the quarter ended March 2010, the economy grew by an impressive 8.6 per cent, thanks to a spurt in growth in the manufacturing sector at 16.3 per cent, mining and quarrying at 14 per cent and trade, hotel, transport and communication at 12.4 per cent.

"We project that the three broad sectors of the economy will improve their performance in FY 11. The industrial sector, including construction is projected to grow by 9.6 per cent this year, as compared to 9.2 per cent in FY 10," CMIE said.

The services sector is also projected to expand by 10 per cent in FY 11 as compared to 8.6 per cent in FY 10. The trade and transport segment will lead to this growth.

Economists give thumbs up to 8.6% GDP growth in Q1

The economy may have expanded at close to 9% in the three months to June, its fastest pace in more than two years, driven by high industrial growth and increased private investments.

A poll of six senior economists revealed that the economy may have surpassed the 8.6% growth rate, recorded in the three months to March. The official growth figures for first fiscal quarter ended June will be released.

“We expect GDP growth to be 8.8% for the first quarter of the fiscal 2010,” said Mridul Saggar, chief economist at Kotak Institutional Securities. “Mining and manufacturing would stand out with growth rates of around 12%. Agriculture will grow at 2.6% and most services will do well with the exception of the social and personal services,” he said.

The government has already factored in high growth in the first quarter. The chief economic adviser to the finance ministry, Kaushik Basu, had forecast that the economy would grow at close to 9% in the first quarter, although it would ease to 8.4% in the full fiscal year. The government expects the economy to grow by 8.5% in the current fiscal, after growing at 7.4% in 2009-10.

Other economists surveyed were equally optimistic. “We have a slightly more optimistic view and expect GDP to grow by 8.9% in the first quarter,” said Saugata Bhattacharya, senior vice-president and economist at private sector lender Axis Bank.

The Reserve Bank of India has pegged the real GDP growth in the first quarter of 2010-11 at 8.7%, up from its earlier forecast of 8.1%.

July manufacturing up on new orders, better exports: Survey

India’s manufacturing grew at a strong rate in July, helped by a pickup in new orders and better export demand, a private survey showed, but there was no commensurate pick up in hiring in the month.

The HSBC Markit Purchasing Managers' Index, or PMI, went up marginally to 57.6 in July from 57.3 in June, marking 16th consecutive month of expansion in manufacturing.

The expansion comes even as China's PMI dropped for the first time in over a year to 51.2 in July, official data released showed.

"India is on a roll. The economy was given another leg up in July as new orders continued to pour in. Even the export sector appears to be holding up well, despite worries over cooling demand abroad," said Frederic Neumann, co-head of Asian Economics Research at HSBC.

On the cue, India's largest car manufacturer Maruti Suzuki reported a 29.2% surge in sales July from a year ago, substantiating the strong consumer demand. Tata Motors, the biggest automobile company, reported a 41% jump in car sales in July.

India FY11 GDP seen at 8.4 pct: RBI survey

India's gross domestic product (GDP) may grow 8.4 percent in the 2010/11 year, a central bank quarterly survey of economists showed, raising their forecast from 8.2 percent in the last survey. For 2010/11, economists have assigned a 38.7 percent probability to 8.0-8.4 percent range for GDP growth, the Reserve Bank of India said.

The result does not reflect the views of the central bank. The bank polled 26 economists for the survey which included macro-economic parameters like GDP, inflation, interest rates, money supply and credit growth. In its first quarter monetary statement last month, the RBI said it projected a real GDP growth for 2010/11 at 8.5 percent and kept its baseline projection for wholesale price inflation (WPI) for March 2011 at 6 percent.

The median forecast for WPI inflation in the first quarter of 2010/11 is at 10.4 percent, according to RBI's survey, higher than 9.5 percent in the previous survey. The forecasters have assigned highest 25.8 per cent chance that it will fall in 6.0-6.9 per cent in end-March 2010-11, it added. Economists cut their forecasts for broad money (M3) growth to 17.9 percent in 2010-11 from 18.5 earlier.

Bank credit is predicted to grow at the rate of 20 percent compared with its previous forecast of 19.8 percent, the survey showed. Central government fiscal deficit is seen at 5.2 percent of GDP in the FY2011, as against its previous forecast of 5.6 percent, according to the survey.

GDP growth in the April-June 2011 quarter is seen at 8.7 percent up from 8.1 percent in the last survey. For the July-September quarter, GDP growth is placed at 8.2 percent, compared with 8.3 percent in the last quarterly survey.

Total investment in infra projects higher at 53%: RBI study

Total investment in infrastructure projects was higher at 53 per cent of the cost of all projects in FY10 as against 45 per cent in FY09, according to a study on corporate investments by the Reserve Bank of India.

At Rs 2,95,805 crore, the total investment in the infrastructure sector, including power and telecom, represented more than half of the cost of all projects.

In FY09, total investment in the infrastructure sector was 45 per cent (or Rs 1,49,940 crore).

Led by rise in large-sized projects, the total envisaged cost of projects sanctioned assistance by banks/ financial institutions in 2009-10 at Rs 5,56,011 crore surpassed the previous high of Rs 3,33,039 crore in 2008-09.

Referring to the recent improvement in business sentiments on the back of improved outlook on demand conditions, the study said this indicates that investment in 2010-11 can be maintained around previous year's level given the continued thrust on infrastructure by the government.

“Outlook for demand continues to be a significant factor driving investment intentions….With industrial output exhibiting strong acceleration, particularly in recent months, there has been a significant revival in credit demand. With inventory cycle turning and order books picking up, the business sentiments have also improved,” said the study.

In FY10, the top five sectors that attracted robust investments include power (Rs 1,68,326 crore), telecom (Rs 1,17,689 crore), metal and metal products (Rs 1,12,732 crore), construction (Rs 47,636 crore) and mining and quarrying (Rs 14,009 crore).

Investment in the infrastructure sector in recent years was largely led by high value projects in power and telecom.

Indian manufacturers optimistic about biz growth: KPMG

Indian manufacturers are optimistic about growth in business activities in the year ahead, with output and new orders expected to see considerable increase, a survey by KPMG International said.

As per the global business outlook survey, businesses are ready to start investing again as healthy optimism, which was recorded earlier in the year, holds firm.

Manufacturers in India hold a more optimistic business outlook for the year ahead in the latest June survey, as compared to the February survey.

"With net balances of 57.9, Indian manufacturing output and new orders are both set to rise markedly. Expectations for these variables are the highest since July 2008," the survey stated.

The survey works on a net balance basis, with the percentage of respondents who are pessimistic about their company's outlook in 12 months' time getting deducted from the percentage that feels optimistic about the future.

Revenues of manufacturers are forecast to grow sharply in the next 12 months, pursuant to the growth in manufacturing output and rise in new orders.

"The latest Indian survey data is notable for the way in which confidence is oozing through the manufacturing sector. India has set its sights on becoming a global manufacturing hub and seems well on its way to achieving this aim," KPMG India Advisory Head Richard Rekhy said.

"Productivity is improving, as is quality, with a large number of Indian manufacturers now holding their own in terms of quality comparisons with their Asian competitors," Rekhy added.

However, with input costs expected to increase much faster than charges, companies anticipate a slower rise in profits (49.7) than revenues (61.9), the survey revealed.

India to become world's fastest growing economy by 2013-15: Morgan Stanley

The two hands to produce count for more than that one mouth to feed, after all. Driven by a sterling demographic dividend, continuing structural reform and globalisation, India is poised to accelerate its growth rate to 9-9.5% over 2013-15, even as China will cool down to a more sedate 9% by 2012 and to 8% by 2015. So finds a new report by Morgan Stanley, authored by Chetan Ahya (managing director for Asia and India economist, who writes a monthly column for ET) and Tanvee Gupta.

India has one of the lowest median ages among the major economies. When an economy prospers, first its death rate and then, its birth rate falls. As this trend proceeds, there is a big bulge in the working age population while the non-working population (the young and the old) shrink as a share of the population. The lowering of the dependent (non-working) population to working age population ratio has twin effects.

One, it allows people to save a large proportion of their income, raising the country's rate of savings; two, it boosts the number of people who work and contribute to growth. Thanks to structural reform, the additional hands available for work find work. Even with stagnant per capita output, the sheer increase in the number of workers would raise GDP growth. With reform pushing up productivity per worker, GDP would rise even faster.

Globalisation gives additional job opportunities, additional capital to augment rising domestic savings and additional know-how. With this happy combination, the report expects India to become the world's fastest-growing economy. The government's chief economic advisor Kaushik Basu has been forecasting such a development as well.

FDI in multi-brand retail likely to pare prices: Crisil

With most retailers favouring the idea of throwing open the sector to foreign direct investment in multi-brand retail, a recent research by the research agency Crisil says that the entry of FDI in multi-brand retail has the potential to bring down prices of perishable goods like fruits and vegetables over the long term. It adds that an efficient supply chain will enable large retailers to source fruits and vegetables directly from co-operatives, lowering annual wastage amounting to around Rs 63,000 crore.

Nagarajan Narasimhan, director, Crisil Research, said: “The wastage in the supply chain and commission to trade intermediaries inflate the final price paid by Indian consumers. They shell out almost 2-2.5 times the price a farmer gets as compared to 1-1.5 times in developed markets where penetration of organised retail is much higher.”

The research estimates the entire investment to set up the supply-chain infrastructure for fruits and vegetables would be close to Rs 65,000 crore over the medium term. This estimate takes into consideration the number of cold storage facilities and refrigerated trucks that would be required for handling of perishable goods.

Govt projects Rs 1 lakh-cr investment in food processing

The Union Ministry of Food Processing Industries has projected investments to the tune of Rs 1 lakh crore during the 12th Plan Period to increase the country's food processing capacities. While Rs 10,000 crore is expected to come from Government agencies and venture capital firms, the remaining amount would come from entrepreneurs. “The country is able to process only 10 per cent of all the food produced by it. The Government is attempting to increase this capacity by another 10 percentage points. In order to achieve this, we need investments of Rs 1 lakh crore,” Mr K. Rajeswara Rao, Joint Secretary (Union Ministry of Food Processing), said.

Addressing the inaugural of national workshop on executive development programmes in food processing at National Institute for Micro, Small and Medium Enterprises (NIMSME) here on Friday, he said the country lost Rs 55,000 crore annually because of lack of sufficient food processing facilities. “If we could increase our processing capacities to 20 per cent, we could save Rs 10,000 crore. Besides, the industry gives a return of about 20 per cent to entrepreneurs,” he said.

Realty check! FDI grows 80 times in 5 years

It’s not Indians alone who are monitoring the real estate market here. Foreign direct investment (FDI) in India’s booming real estate and housing market jumped 80 times between 2005 and 2010.

Figures show that in 2005, FDI in real estate was a mere Rs 171 crore. That soared to Rs 13,586 crore in 2009-10. In April and May this year, Rs 737 crore in FDI was pumped into the sector.

Technically speaking, the Foreign Exchange Management Act or FEMA, prohibits foreign investment in real estate and construction of farm houses. However, the definition of ‘‘real estate business does not include development of townships, construction of residential or commercial premises, roads or bridges, educational institutions, recreational facilities, city and regional level infrastructure’’.

More and more money is being pumped into India’s housing sector from abroad. And this, despite the recent downturn. Since 2005, foreign direct investment (FDI) worth Rs 37,986 crore has come into the housing sector in India, including Rs 13,586 crores already this year.

It is no surprise that the largest number of building projects where FDI is in play are in the country’s commercial capital, Mumbai. Of the total 1,614 projects in which foreign investors have put in money since 2005, 422 were cleared by the Reserve Bank of India’s Mumbai office, followed closely by 316 in Delhi. Other big cities like Bangalore (225 projects), Hyderabad (105 projects) and Chennai (68 projects) also enjoyed considerable attention of foreign real estate developers.

Interestingly, given the booming property market across the country, FDIs are not confined to metros and big cities alone. Thus since 2005, various real estate projects have been given a green signal by RBI’s offices in Bhopal, Kanpur, Kochi, Jaipur and Panaji, amongst other places. The largest FDI in the last five years remains in the construction of a technology park at Bandra Kurla Complex in Mumbai. In this case, $372 million has been brought in through a foreign collaborator based in Mauritius.

Although the FDI has come from as many 34 countries and destinations as diverse as the Netherlands, USA, Saudi Arabia and even Sudan, data available shows that in last five years the largest number of foreign collaborators working with Indian real estate firms were based in Mauritius.

Govt likely to allow 100% FDI in ARCs

The government may allow higher foreign investment in asset reconstruction companies (ARCs) that buy distressed loans of banks and make money by recovering them. The proposal is aimed at addressing the capital constraints faced by ARCs, which has impaired their ability to scale up business. Foreign direct investment, or FDI, in ARCs may be increased to 100% from 49% at present.

The finance ministry and the central bank will work together to make regulatory changes in the law relating to security and reconstruction of financial assets, also known as SARFESI Act, to facilitate this increase in limit. “The proposal (for raising foreign equity up to 100%) is being discussed with RBI. Given that there is a rise in non-performing assets of banks, foreign investment will help resurrect some of these potentially viable distressed assets,” said a finance ministry official.

ARCs typically set up a trust to raise money from qualified institutional buyers (QIB) to buy distressed assets from banks and in turn issue security receipts (SR), or certificates of share in the distressed asset.

FIIs inflow crosses $10-bn mark; June investment at $3.5 bn

Furtherer reposing their faith in the India growth story, overseas fund houses pumped a whopping Rs 16,600 crore (USD 3.5 billion) into the domestic stock market in June, taking their total investment so far this year to over Rs 47,690 crore (USD 10.4 billion).

An analysis of the data available with capital markets watchdog Sebi shows that foreign institutional investors (FIIs) were gross buyers of domestic equities worth Rs 60,687 crore, while they sold shares worth Rs 44,070 crore, resulting in a net inflow of Rs 16,617 crore in June.

Significantly, a persistent inflow of overseas money also helped the BSE benchmark Sensex to regain the psychological 18,000-level last month, after struggling to scale the same for 30 long months.

Though the Sensex could not sustain the 18,000 level for long and ended July at 17,841.74, analysts believe that the inflow will continue in the coming months and that benchmark will scale new highs.

Meanwhile, total net investment by overseas investors so far in 2010 stands at Rs 47,694 crore (USD 10.4 billion).
"FIIs are confident about the emerging markets and India is one of the most favourite destinations for them. In the coming days also, we see a good amount of funds coming in here and that may help the key indices to hit fresh highs," SMC Capitals Equity Head Jagannadham Thunuguntla said.

FIIs play a significant role in the domestic equity markets and their movement (inflow as well as outflow) causes fluctuation in benchmark indices. In June and July alone, FIIs made a net investment of Rs 27,125 crore, Sebi data show.

"India is one of the most profitable markets for FIIs and they will continue to park their money here in the coming days as well," CNI Research Chairman and Managing Director Kishore P Ostwal said.

Retailers body pitches for FDI in non-food segment

The Retailers Association of India (RAI) will write to the government asking it to allow foreign direct investment (FDI) in non-food retail. According to the body, the move poses no concerns as it does with the food retail. FDI in non-food retail would mean the entry of large lifestyle and fashion brands into the country. The body will write to the government by August-end.

Currently, 100% FDI is permitted in wholesale cash-and-carry business subject to certain end-sale limitations and restrictions. At present, FDI in retail trading is prohibited although an exception for FDI up to 51%, with government approval, is permitted in single-brand retail. But no FDI is permitted in multi-brand retail on the argument that it would adversely impact the large unorganised retail sector, and mom-and-pop stores will not be able to stand up to the challenges that FDI in this sector may pose.

RAI chief executive officer K Rajagopalan said, “We will soon be presenting the paper to the government suggesting the pros of allowing FDI in non-food retail and also asking them to speed up the process.” He believes that to understand the nuances involved in allowing 100% FDI for food retail might take a lot of time, non-food retail should see a fast pace discussion. The body comprises some of the key retailers. The governing board includes Kishore Biyani of Pantaloons Retail, BS Nagesh of Shoppers' Stop, Noel Tata, MD of Tata International, Vinay Nadkarni of Globus Stores, Sumantra Banerjee of RPG Retail, Vikram Bakshi of McDonalds India (North & East) among others.

Colombia looks for Indian investments

Business process outsourcing (BPO), information technology, biofuel, hospitality, packing and agro chemical would be some of the key areas where Colombia would look for Indian investments, according to a senior official from the Embassy of Colombia.

“We have vast resources of coking coal and we are inviting Indian companies to invest in our country. We are also open to investment in mines either by way of mergers, acquisition, or joint venture with Indian companies.

“This apart, BPO, IT, biofuel, hospitality, packing and agro chemical will be the key areas of focus,” said Mr Alejandro Pelaez, First Secretary (Commercial), Embassy of Colombia.

Colombia would look at importing machinery and tools for its food processing, mining and agri-business segments from India, Mr Pelaez said, while talking at an inter-active session on India-Colombia bilateral trade organised by the Merchants' Chamber of Commerce.

The Kalyani Group was scouting for a coking coal mine in Colombia, he said.

“They are looking for a coking coal mine in the Andean region; they are conducting a research on the available reserves in various locations,” he added.

The bilateral trade between the two countries grew by about 109 per cent at $813 million in 2009-10, against $388 million during 2008-09. India's main exports to Colombia were motorcycles, auto parts, organic chemicals, pharmaceuticals and threads and cotton textiles.

Colombia's exports to India jumped to $449 million in 2009-10, from $17 million in 2008-09. Oil, coal, sugar, candies, wood, furniture, petrochemicals, iron and nickel were the key products of export from Colombia into India, according to Mr Juan Alfredo Pinto Saavedra, Colombian Ambassador.

India lends Bangladesh $1 billion as ties warm

India is giving Bangladesh a billion-dollar soft loan, the biggest credit package New Delhi has ever given to any nation, officials said Saturday, highlighting warming ties between the neighbours.

Relations between the South Asian neighbours chilled between 2001 and 2006 when Bangladesh was ruled by an Islamist-allied government and New Delhi regularly accused Dhaka of harbouring Indian insurgents and fostering militancy.

"It's the largest line of credit the government of India has extended to any country," Deepak Mittal, a spokesman for the Indian embassy in Dhaka, said.

The line of credit also marked the single largest loan Bangladesh has received from any nation, development bank or donor agencies, Dhaka's Economic Relations Division secretary Mosharraf Hossain Bhuiyan said.

Indian Finance Minister Pranab Mukherjee was due to arrive in Dhaka to attend the official signing for the loan.

The money will be used by impoverished Bangladesh to modernise its railway and build other transport and infrastructure.

"The terms of credit are very favourable to Dhaka. The interest rate is just 1.75 per cent and will be paid back in 20 years," Bhuiyan said.

Indian officials said Mukherjee's planned presence for the signing of the deal underscored the importance that New Delhi attaches to building better relations with Bangladesh.
The line of credit was announced by Indian Prime Minister Manmohan Singh during his Bangladeshi counterpart Sheikh Hasina's "pathbreaking" visit to New Delhi in January.

It was Hasina's first visit to India since her secular Awami League party was swept back to power with a massive victory in January 2009.

Canada, India to tie up for making films in 2011

Canada will be signing a film and new media co-production treaty with India at the 12th edition of the International Indian Film Academy Awards (IIFA) scheduled to be held in Toronto in 2011. This will help Indian filmmakers get access to the North American country's scenic locales, including British Columbia (BC).

“At some point this fiscal, we are expecting our office to be opened in Mumbai — the home for Bollywood. What we are trying to do initially is to take Bollywood filmmakers for location-scouting trips to BC,” Pratap Raju, managing director (technology, research and innovation), British Columbia International Trade and Investment Representative Office told.

BC, which has the same time zone as Hollywood, is the third-largest film television centre in North America, after Los Angeles and New York.

Every year, about 300 productions, including feature films, television series (dramatic, documentary and lifestyle/reality), television projects and animated series are shot in this Canadian province. BC has more than 600 digital media companies, which generate $2.3 billion in annual sales and employ about 16,000 people.

Bangladesh opens new land port in eastern frontier with India

Bangladesh opened a land port with upgraded status in its eastern Akhaura frontier with Tripura for enhanced trade connectivity with India.
Shipping minister Shahjahan Khan inaugurated the upgraded Akhaura Landport saying it will pave the way for increased exports of Bangladeshi products to seven north-eastern states in India.

"This port will play a role in cutting our trade deficit with India, even if it is to only some extent, and the government will do everything that is needed to develop the export-oriented port," Khan said.

Shipping ministry officials said at least 10 trucks will carry goods within 250 yards from the zero point of the border connecting Akhaura land port with Agartala, in Tripura.

Bangladesh has 14 such land ports with India with the western Benapole being the biggest one.

The officials said Bangladesh exported around 442,955 tonnes of products and imported just 557 tonnes through the Akhaura Port in last fiscal.

The exports through the port includes fish, cement, battery, furniture, glass, plastic items, soybean oil and tiles.

Imports include bamboo, turmeric, watches, ginger, marble slabs, fish, leather, textiles, machinery and fruits.

Foreign minister Dipu Moni earlier said the proposed connectivity will link the two countries at different points, including the Akhaura-Agartala routes as proposed by India.

India-Latin America trade could touch $30 bn by 2012

India's trade with Latin America, which increased to $17.2 billion in 2009 from $2.1 billion in 2000, could go up to $30 billion by 2012, given the positive changes in the market and the favourable mindset of the country towards India.

"While, India's exports to the region have increased from $1.2 billion in 2000 to $7.5 billion in 2009, the target should be $15 billion by 2012," recommends R Vishwanathan, ambassador to Argentina, Uruguay and Paraguay.

Latin America, which is a large market of 20 countries, 550 million people, $4 trillion of GDP, $7300 per capita income, $692 billion of exports and $642 billion imports-2009 figures, contributes to India's food and energy security, with its supply of edible oil and crude petroleum. It is also an important source of supply of minerals to India.

In a study "Business with Latin America" authored by Vishwanathan has suggested that just as the Preferential Trade Agreements with Mercosur and Chile have given a boost to trade, India should consider signing a PTA with Mexico.

Mercosur is becoming a global powerhouse in agriculture with its large production and surplus for exports, vast fertile land area, advanced technologies and best practices. Indian companies should acquire farmland in the region to source edible oil, pulses, sugar and biofuels.

Talking from Buneos Aires, Vishwanathan said that, "The new Latin American market has come out of the past curses of instability, unpredictability and cycles of booms and busts. The Indian businessmen need not waste time reading the history of the region and should look at the current and future scenario which is promising. The study has been sent to ministry of external affairs, ministry of commerce all the export promotion councils and trade and industry bodies."

India is the favoured offshoring location for British firms

India is the overwhelming favourite destination for offshoring by British companies, according to a joint study published over the week-end by the Chartered Institute of Personnel and Development and KPMG.

In their annual Labour Market Outlook, the firms found that one in 10 British firms were looking to offshore work outside the UK, and that 65 per cent of those were planning to offshore to India in the 12 months to June 2011. That compares to just 36 per cent to China, and 29 per cent to Eastern Europe.

As expected, the largest chunk of jobs being moved to India and elsewhere is in the IT sector. Four in 10 IT companies plan to relocate jobs to other countries, but other sectors are playing a growing and significant role.

Nineteen per cent of financial, insurance and real estate companies are planning to relocate jobs, representing a significant trend shift, the survey of 598 human resource professionals in the UK found.

“The surprising element in all of this is the wide range of sectors in which jobs – and highly skilled jobs are being moved abroad,” said Mr Gerwyn Davies, public policy adviser to the CIPD. The figures lend weight to recent fears of a skills shortage in the UK, despite high levels of unemployment, suggesting that firms have no alternative to going abroad to find needed skills.

Free trade pact with Malaysia likely by year-end, says Khullar

The Government said it is hopeful of closing a free trade agreement with Malaysia by the end of this year.

“We are hopeful of closing a free trade agreement with Malaysia by the end of this year as Malaysia is eager on it,” Dr Rahul Khullar, Commerce Secretary, told reporters.

EU trade pact

On the India-EU trade pact, under negotiations for the last three years, he said talks were in the final leg but some issues remain.

“We are trying to wrap it up quickly. We are dealing with 27 countries and there are vast conflicting interests, then elections in EU also took time to settle,” he said, adding that the negotiations have taken more time than the two sides had expected.

India-China trade USD 32 bn in 6 months; Eco wing in offing

Government has decided to set up an economic wing in its diplomatic mission in Beijing in the next six months, signifying the growing financial clout of China which is set to become India's largest trading partner by this year-end.

This also comes close on the heels of China overtaking Japan as the world's second largest economy.

The economic wing is expected to be in place by next six months and will have eight posts, including one counsellor, who will be appointed by the Department of Economic Affairs, sources told.

The counsellor will be assisted by one Chinese-speaking Foreign Services Official, who will be appointed by the Ministry of External Affairs.

The objective of such a wing was to attract investments from China and coordinate with various ministries and departments in Chinese government such as Finance and Planning Commission.

Argentina, India to take up agri exports issues

Agriculture minister of Argentina Julian Dominguez would visit New Delhi to strengthen bilateral trade between the two countries. Apart from meeting his counterpart, agriculture minister Sharad Pawar, discussing export of soy oil, pulses and food processing technologies, Dominguez is expected to ink three major agreements during the visit.

India has replaced China as the biggest importer of Argentine soybean oil after April when Beijing banned Argentine soybean oil imports in retaliation for anti-dumping probes on products ranging from elevators to textiles.

Talking from Buenos Aires, Indian ambassador to Argentina Rengaraj Viswanathan said, “There is a huge demand of edible oils in India and Argentina has a surplus production. Hence, chances of India becoming the main buyer of Argentine soybean oil are high.”

It is to be noted that soy oil imports stood at 20,00,000 tonne in 2002, rising to 80,00,000 tonne in 2009 and 17,00,000 million tonne in 2010. India is expected to import 1,70,00,000 tonne soy oil by 2021.

“If China continued to restrict shipments, Argentina can sell its soybean oil to India,” Argentine President Cristina Fernández de Kirchner told Chinese executives at the Shanghai World Exhibition last month.

Beijing in May told companies, including grain trader Cofco, that buyers should seek Brazilian and US supplies. China, too, has an excellent soy crop and has increased significantly its soy-oil processing capacity.

“The trade between us needs to be equal and beneficial to both sides” the Argentine leader had responded to a question in Shanghai. “We are now selling soybeans and soybean oil to India”. According to MEA officials, leaders from agriculture, communications, information technology, farm machinery and food processing sectors would visit Argentina in September to deepen bilateral trade.

Indian IT firms top Europe survey

Cognizant first, TCS third, Infosys fourth in Performance and Satisfaction study.

Indian information technology (IT) service providers Cognizant, TCS and Infosys have topped the latest ranking of service providers in Europe, in a survey done by EquaTerra, an IT advisory service provider.

In the Performance and Satisfaction (SPPS) study by EquaTerra for 2009-10, Cognizant has captured the first position, with a 79 per cent score. TCS and Infosys have taken the third and fourth position, with 75 per cent and 74 per cent scores, respectively. The second place was taken by US company Compuctacenter, with 78 per cent.

The study evaluates client satisfaction by surveying over 2,000 client relationships from 750 top IT spending organisations across Europe, covering 12 countries. The ranking covers 25 IT service providers in all. Cognizant topped the rankings in seven of the eight parameters the study focused on. These include Relationship Management (actively managing the relationship at the operational and strategic levels), Innovation (actively identifying innovation opportunities), Transition (completing the transition successfully on time and budget and with the required functionality), Quality (meeting the service levels as set out in the Service Level Agreement), Price (charging for services in line with current market price) and Risk (shouldering reasonable commercial risk and making necessary investments to reduce it).

Jef Loos, director, EquaTerra, said this ranking, based on two-thirds of all IT deals in Europe, gives a near-accurate evaluation of client satisfaction. “We choose the clients and do cross-reference where the same client is serviced by more than one IT service provider,” Loos said.

He further said, “Cognizant had not one dissatisfied client, which makes the company the best performer among the top 25 IT outsourcing service providers that we evaluated.”

Apart from Cognizant, TCS and Infosys, the other major IT companies to appear in the top 25 list are Wipro (15), Mahindra Satyam (17) and HCL (18).

Handicraft exports up by 19 pc in July

India's handicraft exports grew by 19 per cent to over USD 120 million in July on the back of increasing demand for the Christmas season.

According to the Export Promotion for Handicrafts (EPCH), handicraft exports stood at USD 101 million in July 2009.

"The growth is attributed to the Christmas orders mainly from the US and European markets which start from June," EPCH Chairman Raj Malhotra said.

The council is optimistic of over 10 per cent growth in 2010-11 compared to the last fiscal. The exporters are pinning hope on demand from major markets like the US.

"Besides, we are planning to increase the number of international trade fairs which are held in various countries to 47 from 33 in the fiscal," Malhotra said.

The US and EU together account for 70 per cent of the country's handicraft exports.

Among items that registered maximum growth were immitation jewellery which grew by 37 per cent, shawls as artwares 30 per cent, woodwares 25 per cent, miscellaneous handicrafts 20 per cent and artmetal wares 17 per cent.

The sector, which was hit hard due to global economic recession, turned positive in September 2009 registering an over 165 per cent growth.

Moradabad, Jaipur, Saharanpur and Jodhpur are the major handicraft hubs catering to global markets.

'Organised retailing will scale $637-billion level'

Dr Karthik Sridhar, Assistant Prof. in Marketing, Ashland University, Ohio, the US, has said that organised retailing has found widespread acceptance in India, which is the 5 th largest retail destination globally.

Addressing a meeting on the topic Tackling Issues in Retail Sustenance at the Kerala Management Association here, he pointed out that the growth in the sector touched $350 billion in 2009 and is projected to reach $637 billion by 2015.

He cited urbanisation of consumers, the increase in the disposable income of consumers and the interest of global retail giants in the Indian retail market as the reasons for the growth.

The cost involved, increased competition among organised retail chains and evolving consumer preferences are some of the challenges faced by retail outlets.

Brand distinction, consumer identification and promotions are the few other points he touched upon to ensure retail sustenance. BureauMr V. Sathyanarayanan, President, KMA, welcomed the audience and introduced the Chief Guest. Mr P.Premchand, Honorary Secretary, KMA, proposed vote of thanks.

Auto sales at record 1,237,461 units in july

New launches and penetration ensure surge across segments

On the back of strong demand for passenger cars and two-wheelers, the Indian automobile industry posted its highest monthly sales at 1,237,461 units last month. The previous high was 1,226,944 units in March.

According to data released by the Society of Indian Automobile Manufacturers (Siam) today, sales grew 31.5 per cent in July compared to 941,070 units sold during the corresponding period last year.

Vishnu Mathur, director general, Siam, informed: "The growth was mainly due to good growth in the passenger car segment, scooters and mopeds, as new model launches, penetration into rural markets and availability of finances continue to boost sales."

Passenger car sales registered a rise of around 40 per cent at 158,764 units last month from the 115,084 sold in July 2009.

While market leader Maruti Suzuki's domestic sales grew by 26.8 per cent to 76,111 units in July, Hyundai Motor India recorded a growth of 24.2 per cent at 28,811 units. Tata Motors' rose by 69.3 per cent to 24,613 units.

Mathur said total two-wheeler sales in July, at 938,514 units, were an all-time high, surpassing the previous record of 936,555 in May.

Sales were up 30.4 per cent over the 719,656 units in July 2009.

Motorcycle sales during July went up by 30.1 per cent to 710,621 units, compared to 546,233 units in the year-ago period. Hero Honda, largest in the segment, posted a growth rate of 13.96 per cent in July sales, at 389,795 units. Bajaj Auto saw sales rise by 76 per cent to 192,138 units and Chennai-based TVS Motor Company by 37.5 per cent to 43,888 units.

Honda Motorcycle & Scooter India (HMSI) saw its bike sales jumping by 43.3 per cent to 55,540 units. In the scooter segment, sales jumped by 35.65 per cent to 167,195 units against 123,259 units in the year-ago period.

Growth in commercial vehicles was likewise, with sales last month up by 37 per cent to 51,481 units from 37,580 units in the year-ago period. Light commercial vehicle sales surged 25.3 per cent in July to 26,912 units from 21,481 units.

Medium and heavy commercial vehicle sales increased by 52.6 per cent to 24,569 units, compared to 16,099 in the same month last year.

Sales numbers for three-wheelers were up 25.4 per cent at 45,373 units, compared to 36,171 during July.

India allows upto 200,000 tonne sugar for exports

India has allowed export of 150,000 tonnes to 200,000 tonnes of sugar that was imported by millers but could not be shifted out of the port due to a shortage of railway wagons, Agriculture Minister Sharad Pawar said.

"We had requested the railways to give priority to fertilisers to help farmers in planting. But mills started complaining that sugar at the port was getting spoilt," Pawar told reporters. He said India's ban on export of sugar and wheat would continue, at least for the time being.

Earlier this week, sources said the world's top consumer and second-largest sugar producer might export 320,000 tonnes of the sweetener to Pakistan, its first shipment to the neighbouring country in two years, as local output was set to rise after higher cane planting and good monsoon rains.

Indian millers had asked the government to allow exports of about 750,000 tonnes of imported sugar, which has piled up at a key port due to a shortage of railway wagons.

India had imported large quantities of sugar last year and the beginning of 2010 as local output had fallen sharply after last year's drought.

This year, monsoon rainfall has improved significantly and India's sugar output in 2010/11 is likely to rise to about 25 million tonnes from 18.8 million tonnes in the year to September 2010.

Engineering sector sees robust order flow in Q1

The Indian engineering sector is geared for growth. Several macro trends indicate accelerated order intake and execution this fiscal and the 2012 fiscal.

The growth will be led by a pick-up in capital expenditure in the power sector. Revenue growth is also seeing a recovery for engineering procurement construction (EPC) companies, after the sluggishness in the first nine months of fiscal 2010.

Experts say that for the quarter-ended June 2010, engineering major L&T sprang a positive surprise on margins and order flow guidance. Fueled by 63% year-on-year growth in order intake of Rs 15,626 crore during the quarter, L&T has an order backlog of Rs 107,800 crore. This provides it an earnings potential for three years. The management has guided for 25% year-on-year increase in order inflow, to end this fiscal with a backlog of Rs 140,000 crore.

“The target is achievable, based on huge ordering planned in roads, power, BTG bulk tender, infrastructure, fertilizer and defense sectors in which L&T has a large market share and superior execution capabilities,” says Chirag Muchhala, an analyst with Jaypee Research.

Another player, Crompton Greaves' consolidated order intake grew 35% year-on-year in the quarter. Order backlog grew 8% y-o-y to Rs 6,800 crore. Its standalone order intake rose 53% y-o-y. Going ahead, the management is confident of maintaining consolidated margins at 14% for the full year. It has guided growth of 15% in the domestic market and 5% growth in the international markets. Similarly, Pune-based Thermax also reported strong numbers, both in terms of top line and bottom line. Experts say that strong growth in fresh orders last fiscal helped the company grow 49% year-on-year in revenues.

An Edelweiss report said Thermax continued to witness strong traction in orders, with new order growth at 72% year-on-year, to Rs 1,730 crore. This was led by a large order of Rs 580 crore for the combined cycle gas project. Orders from the energy segment stood at Rs 1,530 crore for the quarter. Environment segment orders were at Rs 210 crore.

On longer execution period, as the company takes on large size boilers and EPC contracts, MS Unnikrishnan, MD, company, said: “We are not taking too many large orders. There is a mix of small and medium orders along with the large orders to mitigate the risk.”

India is top exporter of petro products in Asia

India is now the largest petroleum products exporter in Asia, surpassing South Korea.

According to the data compiled by oil and metal information provider Platts, India's gross exports currently average 1 million barrels a day, inching past South Korea which exports 0.9 million barrels a day.

With the commissioning of a new refinery by Reliance Industries at Jamnagar and Essar Oil increasing refinery output at Vadinar, India overtook South Korea by mid-2009 and has since then consistently maintained the lead position.

India's average petroleum products export grew from 0.77 million barrels a day in January 2009 to one million barrels a day in August 2009. In the current year, the average oil products export from India stands at 1.07 million while South Korea exports average 0.88 million.

In fact, India's refining capacity at 3.69 million barrels a day is the third largest in Asia after China and Japan, which have a refining capacity of 9.6 million bpd and 4.64 bpd respectively. Platts' compilation is based on the data from individual countries.

“Both Reliance Industries' Jamnagar and Essar's Vadinar refineries contribute more than 90 per cent of the petroleum products exports while the rest is by public sector oil companies,” said Ms Vandana Hari, Asia Editorial Director, Platts.

“Public sector companies, which are obliged to serve the domestic market adding refinery capacity, will help private players to free up more capacity for exports,” she said.

According to her, petroleum products exports from India holds great potential as both RIL and Essar have high complexity refineries which make products that meet Euro IV and Euro V standards. Europe, the US and Africa are identified major markets for Indian refiners.

Growing demand

The growing overseas demand for petroleum products from India is reflected in export volume growth of Reliance and Essar. RIL exported 32.8 million tonnes of refined products last fiscal against about 22.6 million tonnes for the previous period, fetching revenue of $20.9 billion (Rs 1,10,176 crore).

RIL's export volume grew by 45 per cent last fiscal while it grew 82 per cent last quarter to 9.5 million tonnes.

The new Reliance Petroleum refinery in the Special Economic Zone (SEZ) at Jamnagar, which is designed to be export-oriented, is estimated to be exporting more than 80 per cent of its total output.

Essar's Vadinar refinery has a total current throughput capacity of 14 million tonnes a year. Of the total production, about 30 per cent is exported while more than sixty per cent of refined products are sold to public sector oil marketing companies.

Coir export volume rises by 65% in July

The country's coir exports grew by 65% to 24,809 tonne in July compared to 20,874 tonne in the same month last year, the Coir Board said.

In value terms, coir exports were Rs 60.43 crore in July compared to Rs 66 crore in July 2009, according to the board.

Coir, the outer coating of skin that encircles the conch of coconut, is used to make rope, mattresses, rugs and carpets among others.

Exports of coirs in the first four months of the current fiscal stood at 120,712 tonne, valued at Rs 264 crore, as against 72,913 tonne amounting Rs 226.33 crore in the corresponding period of the last fiscal.

India, the largest coir exporter in the world, has exported around $70 million coir products in 2009.

Coir product making is an important cottage industry contributing significantly to the economy of the major coconut growing states such as Kerala, Tamil Nadu and Andhra Pradesh.

India and Sri Lanka are two major coir producers in the world as both countries account for more than 90% of the 3,50,000 tonne global production of coir.

Spices export jump to over Rs 2k cr in Apr- Jul, 2010

Export of spices in April-July period this fiscal increased by 17 per cent to over Rs 2,084 crore over the same period last year but in volume terms the growth was just over 12 per cent, mainly on spurt in garlic and ginger shipments.

Total shipments of spices in April-July 2010 was 193,875 tonnes as against 172,510 tonnes compared to the year ago period, according to the Spices Board data.

In value terms, the spices export from the country jumped 17.4 per cent to Rs 2,084.96 crore during the period as compare to Rs 1,775.38 crore in the same period last year.

The surge in spices exports were mainly driven by a whopping 12 fold increase in garlic shipment to 10,975 tonnes during the four months of the current fiscal as against 855 tonnes in the same period last year.

During the period, ginger shipments registered over two-fold growth to 3,025 tonnes as compared to 1,325 tonnes during April-July 2009.

India had exported spices worth Rs 5,560.5 crore in the 2009-10, up five per cent over the previous fiscal. In volume terms exports were 5.02 lakh tonnes in the last fiscal.

Spices Board Chairman V J Kurien had said earlier that India was targeting exports of 5.25 lakh tonnes of spices, valued at Rs 6,000 crore in the current fiscal.

Auto component sector to see 4-fold growth by 2020

The Indian auto component industry expects to grow by over four-fold to $113 billion by 2020 as there have been projections of a similar jump in car manufacturing in the country in the next decade, said Automotive Component Manufacturers' Association.

The total passenger car production in the country will jump four times to reach 9 million cars in the next ten years, the industry body said in its forecast report. Although a major chunk of this will come from the fast growing domestic market, exports are likely to form around 35% of the total market by 2020.
"India would be among the top-five vehicle producing countries in the world by 2020," said ACMA executive director Vinnie Mehta.

Indian component industry is expected to clock a total revenue of $25 billion in the current fiscal. Given high growth projections, the local component industry is looking to invest $35 billion over the next decade.

Production of two-wheelers and three-wheelers are expected to double to 2.2 crore units by 2015 and reach three crore units by 2020 driven by current low penetration levels, expanding rural sales and growth in exports. Commercial vehicles production is forecast to cross the 22 lakh-units mark in the same period.

ACMA also said the local component industry would create an additional employment for over 10 lakh people in the next decade. To meet the increased requirement of skilled hands the government has decided to set up a dedicated skill development body for the auto industry to train 25 million people in the next decade. The Automobile Skill Development Council — under the umbrella of the National Skill Development Council (NSDC) — is expected to be established soon, a government official said.

India maritime industry a huge lure: E&Y

With 13 major ports, around 200 non-major ports and a coastline of 7,500 kilometres, India offers huge opportunities for the maritime industry, global consultancy firm Ernst & Young (E&Y) and industry chamber Ficci, said in a joint report on ports and shipping.

"Indian ports are now witnessing unprecedented interest both from strategic buyers, including international liners, terminal operators and captive players, as well as financial suitors, including banks and infrastructure funds," the report said.
According to the report, to leverage this opportunity and to ensure optimum utilisation of the coastline, the Government of India (GoI) is encouraging more private-sector participation in ports' development, the report said.

"By establishing a direct link between performance and profitability, privatisation motivates private entrepreneurs to improve their return on investment and provides them with an incentive to continuously improve their efficiency," E&Y's Partner-Infrastructure Practice Sushi Shyamal said.

Moreover, the increasing trend of western countries moving their manufacturing functions to low-cost countries, and the likely prospect of India emerging as a manufacturing outsourcing hub, is expected to contribute to the growth of the country's marine industry, the report said.

Jewellery sector sees growth path ahead

August glittered for India’s gems and jewellery sector, with demand from domestic as well as foreign markets rising sharply ahead of the festival season. Indications of revival in the global economy ensured robust jewellery demand in the US market. Experts believe the trend will continue for the rest of the financial year, on stable gold prices and positive global economic indicators.

“Demand from the Americas have rebounded, with the 40 per cent growth we have witnessed in jewellery sales there,” said Mehul Choksi, chairman of Gitanjali Gems, which runs a chain of 130 retail shops in the world’s largest jewellery consuming market, contributing 13 per cent of the company’s turnover.

In the first quarter of the current financial year, a majority of jewellery companies reported robust growth in their sales and net profit.

The resilience of the jewellery industry, one of the country’s leading foreign exchange earners, was seen over the last year, when it continued with plans of penetrating newer markets. As a consequence, India is undeniably the US’ largest supplier of jewellery, with that country importing 25 per cent of its gold and diamond jewellery from here. India’s diamond share in the world market also witnessed an increase in this period in value terms, increasing from 60 per cent to 70 per cent, said Vasant

Mehta, chairman of the apex trade body, Gems & Jewellery Export Promotion Council (GJEPC).

According to GJEPC, India's cut and polished diamond exports reported 74 per cent rise in rupee terms to Rs 27,149.7 crore during the first quarter of the current financial year. In dollar terms, the growth was even higher, at 85.4 per cent, to $5,946.6 million. Every 9 out of 11 diamonds worldwide are processed in India.

India imports rough diamonds and gold bars from abroad to process in local units. Total import of rough diamonds showed a 54.3 per cent growth in rupee terms at Rs 14,265.9 crore, while the same in dollar terms rose sharply by 63.1 per cent to $3,102 million. Imports of gold bars, however, declined 36 per cent in rupee terms to Rs 5,206.8 crore and 31.8 per cent in dollar terms to $1,136.6 million in the quarter ended June. Analyst attribute this to a dramatic increase in scrap gold availability from local sources, as consumers booked profit on every price spurt.

"Jewellery sales started recovering since April and continued until now. But demand, especially from the US, Europe and Asian countries grew faster than expected on stabilisation of gold prices and beginning of buying seasons," said Vishal Doshi, Group Executive Director of Shrenuj & Company Ltd.

In India, post-monsoon seasonal demand begins with the onset of the festival season, which is starting with Raksha Bandhan on August 24, followed by the Ganapati festival on September 11 and continues until May next year.

European and Asian markets, including India, China, Hong Kong and Vietnam, have also emerged as major contributors to growth in jewellery sales. Retailers and stockists have booked raw material to full capacity in anticipation of high orders during the ongoing India International Jewellery Show, a five-day global exhibition currently being held in Mumbai. Last year, Indian jewellers contracted around Rs 3,000 crore worth of jewellery supplies during the exhibition and this is estimated to rise to around Rs 4,000 crore this year.

PC reach doubles in 3 years: Intel

PC penetration in India has doubled in the last three years and desirability continues to be on the upswing among the urban population, said a study.

Now, one in every four urban household has a personal computer.

The study by Intel and IMRB revealed that PC penetration has increased from 19 per cent to 38 per cent across SEC A, B and C in India over the last three years. The study also said PC desirability is on the rise across all sections, and by over 100 per cent in SEC C.

The study, India Urban Consumer Segment Nationwide Study 2009-2010, was conducted across 82 cities sampling over 19,000 households.

“This is an exciting time for the Indian PC market and our study reiterates the same. We have always believed that the personal computer is a multi-functional device that consumers can use to work, learn and play. Most importantly it helps people to take full advantage of today’s technological advances and prepare for tomorrow’s challenges,” said R Sivakumar, managing director, sales & marketing, Intel South Asia.

“The jump is across user profiles, socio-economic segments as well as town classes,” said Prakash Bagri, director of marketing for Intel South Asia.

The study said more and more first-time buyers are buying notebooks. In 2009 the percentage of non-owners opting for notebooks has doubled to a whopping 31 per cent while those opting for a desktop PC stayed relatively flat at 44 per cent.

Top 20 BPOs' export rev at $6 bn: Survey

The combined export earnings of the top 20 Indian BPO firms grew by 15 per cent to touch USD 6.1 billion in the 2009-10 fiscal, according to a survey.

Though marginally lower than the growth of 17 per cent achieved in the 2008-09 fiscal, export revenue of the top 20 BPO firms grew twice as fast as that of the top 20 IT firms, which witnessed an increase by 7.8 per cent during the same period, according to the annual Dataquest Top 20 survey conducted by CyberMedia, South Asia's largest speciality publisher.

Export revenue of the oldest BPO firm, Genpact, grew by 12 per cent to Rs 4,592 crore (excluding IT revenues), the survey report said. Genpact's BPO business earned the maximum export revenue out of all the Indian BPO firms and was ranked No. 1 in the list.

The BPO division of TCS, ranked No. 2 by Dataquest, grew by a whopping 73 per cent to Rs 3,142 crore to close the gap with Genpact. The recent acquisition of Citigroup's captive subsidiary by TCS drove the company's high growth.

After TCS BPO, the other fastest growing companies were 3i InfoTech, which saw export revenue grow by 49 per cent to Rs 779 crore, Cognizant BPO (28 per cent growth to Rs 858 crore), Aegis BPO (23 per cent to Rs 1,919 crore) and 24/7 Customer (18 per cent to Rs 660 crore), it said.

Eleven of the Dataquest Top 20 BPO exports firms recorded double-digit growth, while four registered negative growth.

The rest grew between four to nine per cent.

External Sector: Foreign Trade April-March 2010

Region/Country	Export		
	US $ million		% change
	2008-09	2009-2010	2009-2010
World	183091.3	178258.8	-2.6
Africa	11396.8	10626.5	-6.8
Egypt	1304.0	1206.2	-7.5
Ghana	421.6	386.0	-8.4
Kenya	890.4	866.1	-2.7
Mauritius	273.1	216.4	-20.7
Nigeria	1489.9	1307.9	-12.2
South Africa	1452.1	1405.3	-3.2
America	26971.5	24657.1	-8.6
Brazil	1542.7	1502.9	-2.6
Canada	1356.1	1122.1	-17.3
USA	20854.8	19082.8	-8.5
Asia (excl. Middle East)	43617.4	46561.4	6.7
Bangladesh	2386.2	2362.7	-1.0
China	9184.1	11442.5	24.6
Hong Kong	6594.5	7866.7	19.3
Indonesia	1920.2	2310.9	20.3
Japan	2789.7	2384.1	-14.5
Korea DPR (North)	299.7	137.3	-54.2
Korea Republic (South)	1807.3	1918.1	6.1
Malaysia	3324.7	2509.6	-24.5
Nepal	982.5	1272.7	29.5
Pakistan	1353.0	1564.9	15.7
Philippines	711.1	743.0	4.5
Singapore	4743.6	4862.4	2.5
Sri Lanka	1641.6	1617.7	-1.5
Taiwan (Taipei)	852.9	730.2	-14.4
Thailand	1863.5	1669.0	-10.4
Viet Nam	1725.4	1823.0	5.7
Middle East	29980.0	29493.1	-1.6
Iran	1487.1	1665.5	12.0
Israel	1396.0	1350.7	-3.2
Kuwait	747.9	779.6	4.2
Oman	711.2	776.7	9.2
Saudi Arabia	3696.6	2941.4	-20.4
Syria	360.9	343.7	-4.8
UAE	19293.8	19688.8	2.0
Yemen	401.4	370.0	-7.8

Europe	38912.8	33604.2	-13.6
Belgium	4408.9	3436.9	-22.0
France	2884.4	2654.8	-8.0
Germany	6343.0	5376.1	-15.2
Italy	3780.2	3388.5	-10.4
Netherlands	3277.7	2875.1	-12.3
Russia	1070.5	976.9	-8.7
Spain	2351.2	2024.9	-13.9
Turkey	1373.5	1469.7	7.0
UK	6327.4	5895.1	-6.8
Oceania	1744.8	1644.7	-5.7
Australia	1429.4	1354.7	-5.2

Region/Country	**Import**		
	US $ million		**% change**
	2008-09	**2009-2010**	**2009-2010**
World	299310.9	286114.5	-4.4
Africa	10059.8	9285.9	-7.7
Algeria	107.4	28.2	-73.8
Angola	8.7	6.4	-27.0
Egypt	560.8	308.6	-45.0
Libya	0.5	9.8	2026.4
Nigeria	80.0	87.0	8.7
South Africa	5400.5	5589.3	3.5
America	24615.2	23460.6	-4.7
Brazil	1140.6	2350.2	106.0
Canada	2450.1	2042.4	-16.6
Chile	1451.3	1096.1	-24.5
Mexico	790.2	332.7	-57.9
USA	17654.8	16442.6	-6.9
Asia (excl. Middle East)	78291.3	75109.7	-4.1
China	31918.6	30444.7	-4.6
Hong Kong	6426.4	4716.9	-26.6
Indonesia	6579.4	8339.1	26.7
Japan	7416.2	6661.9	-10.2
Korea Republic (South)	8012.6	7411.9	-7.5
Malaysia	3788.4	3564.0	-5.9
Singapore	5470.6	4720.8	-13.7
Taiwan (Taipei)	2399.8	2444.4	1.9
Thailand	2504.1	2827.6	12.9
Middle East	21300.1	20245.5	-5.0
Iran	1116.9	1197.2	7.2
Iraq	48.4	45.6	-5.8

Israel	2045.1	1860.0	-9.0
Kuwait	391.6	336.7	-14.0
Oman	577.8	567.1	-1.9
Qatar	595.6	534.7	-10.2
Saudi Arabia	1580.7	1690.6	7.0
UAE	13032.0	12916.9	-0.9
Yemen	9.3	12.5	33.5
Europe	60691.6	57695.2	-4.9
Belgium	5462.9	5994.6	9.7
Finland	1213.8	1004.1	-17.3
France	4590.5	4123.4	-10.2
Germany	11948.0	10277.7	-14.0
Italy	4257.3	3847.2	-9.6
Netherlands	1866.8	1549.7	-17.0
Norway	1055.2	630.2	-40.3
Russia	4029.9	2896.5	-28.1
Spain	1007.5	1072.9	6.5
Sweden	1930.8	1567.5	-18.8
Switzerland	11475.3	14407.8	25.6
Turkey	649.5	547.1	-15.8
UK	5698.2	4345.3	-23.7
Oceania	11579.4	12578.4	8.6
Australia	10879.9	11950.1	9.8
