

**Monthly Economic Analysis
Fortune 2009
April 2009**

Contents

1.	<p>Recent Trends in Indian Economy</p> <ul style="list-style-type: none"> • <i>Industrial Growth</i> • <i>Core sector</i> • <i>Wholesale price index</i> • <i>Monetary indicators</i> • <i>Stock market</i> • <i>Fiscal management</i> • <i>Trade</i> • <i>Foreign direct investments</i> • <i>Foreign Exchange Reserves</i> • <i>Exchange rate</i> 	Page 2-3
2.	<p>Lead Stories of the Month</p> <ul style="list-style-type: none"> • <i>India among top 5 developing nations: UN</i> • <i>Mauritius replaces US as India's biggest investment partner</i> • <i>Australia for expanding ties with India</i> • <i>Japan looking at India as investment destination</i> • <i>Egypt seeks stronger trade ties with India</i> • <i>Vehicle sales: On fast track mode</i> • <i>At 33%, SEZ units beat export slump</i> • <i>FIIIs, funds can invest in IDRs, says Sebi</i> • <i>Indo-Mauritius trade bonding with the best</i> • <i>Steel output, sales back in positive territory in Q1</i> • <i>Drug firms may exceed growth targets</i> • <i>FMCG set to record double-digit growth despite recession</i> • <i>Indian wellness services market to grow at 30-35% in 5 yrs</i> • <i>Organic farming beats recession</i> • <i>India Feb iron ore exports up 16.8% yr/yr</i> • <i>India emerging as global business power: ISB survey</i> • <i>Indian investors most optimistic in Asia-Pac</i> • <i>March factory output seen up 10% on month: Macquarie</i> <ul style="list-style-type: none"> • <i>\$30 bn FDI expected in 2009-10</i> • <i>Telecom industry marked the highest subscriber addition</i> • <i>Indian BPO revenue to double by 2010: Gartner</i> • <i>India gem, jewellery exports up 1.45 pct in FY09</i> 	Page 4-22

	<ul style="list-style-type: none"> • <i>India lead indicator index points to rebound: UBS</i> • <i>Overseas investors' inflows turn positive</i> • <i>India-Russia trade to touch \$10 bn by 2010: officials</i> • <i>Cheers for auto sector as sales grow in April</i> • <i>Apparel exports cross \$10 bn despite slowdown</i> • <i>Wireless user base grows 10% in Oct-Dec</i> 	
3.	Foreign Trade Statistics	Page 23-25

Recent Trends in Indian Economy

Industrial Growth

The latest figures available for the month of February indicate a negative growth of 1.2 percent in industrial production. This is the second consecutive month of deceleration in industrial activity. The growth rate was 9.5 percent in February last year. While both manufacturing and mining sectors witnessed a decline by 1.6 percent and 1.4 percent respectively, the electricity segment grew by 0.7 percent.

Core sector

The core sector growth failed to recover in the month of February and was a tad lower than the growth seen in the previous month. The six infrastructure sectors together recorded a growth of 1.4 percent in February 09 relative to 1.8 percent growth in January 09. Once again it was crude petroleum sector which bucked the trend and witnessed negative growth.

Wholesale price index

Inflation rate was 1.2 percent in March 2009. The corresponding figure last year was 7.5 percent. Inflation in case of primary articles, fuel power light and lubricants and manufactured products was 5.3 percent, (-) 7.4 percent and 2.2 percent respectively.

Monetary indicators

The broad money supply registered a growth of 15.9 percent over the ten months ending February 2008-09. The corresponding figure last year was 17 percent.

The aggregate deposits expanded by 16.9 percent in April-February 2008-09 (y-t-d). The relative growth in the same period last year was 18.2 percent.

The bank credit growth over the period April-February 2008-09 was 13 percent compared to 16.8 percent increase seen over the same period last year.

Stock market

In March 2009 the sensex remained below 10k mark and the sentiment by and large remained bearish.

Fiscal management

The gross tax collections in the year 2008-09 were Rs 609705 crore, registering a marginal increase of 2.8 percent over last year. The revenue from corporation tax and income tax, increased by 10.8 percent and 7.2 percent respectively, while revenue collection from indirect taxes (custom and union excise duty) witnessed a fall.

Trade

The impact of the crisis has been the worst on India's external sector. The exports continued to be in the negative territory for the sixth consecutive month. In March 2009, the exports witnessed even a steeper plunge, recording a negative 33.3 percent growth. The imports declined by 34 percent, with the decline in oil imports being 58 percent and in non oil imports being 18.9 percent. The total trade for the fiscal 2008-09 was USD 456.4 billion.

Foreign direct investments

The foreign direct investment inflows in the month of February 09 were USD 1.5 billion, much lower than USD 5.7 billion inflows received in the same month last year. The total foreign investment inflow during the year 2008-09 was USD 21.3 billion. The corresponding figure last year was USD 61.8 billion.

Foreign Exchange Reserves

The forex reserves went up to USD 251.9 billion in March 09, registering an increase of USD 2.6 billion over last month.

Exchange rate

The rupee continued to remain under pressure and the rupee dollar exchange rate was Rs 50.1 in the month of April 09. The pound sterling also witnessed slight depreciation, rising to Rs 73.5/£ in April from Rs 72.9/£ in March 09.

Lead Stories of the Month

India among top 5 developing nations: UN

India ranks among the top five developing countries in production of six major industrial items, including textiles, motor vehicles, chemicals and basic metals, according to a UN agency UNIDO.

In four out of the six industrial products - textiles, chemicals and chemical products, basic metals and electrical machinery and apparatus - India figures at number two only behind China.

India's annual growth rate of manufacturing value added (MVA) has risen from 6.9 per cent in the period 2000-2005 to 12.3 per cent between 2005 and 2007, according to the year book of the United Nations Industrial Development Organisation (UNIDO).

It found that the share of MVA in India's gross domestic product (GDP) has risen to 14.8 per cent in 2006 from 13.8 per cent in 2001.

UNIDO found that the developing countries now produced almost 30 per cent of the world MVA compared to 16 per cent in 1990.

"The increasing share of developing world vis-à-vis industrialised countries is also explained by the shift of location of manufacturing, especially assembling of final products from industrialised countries to developing countries," the UNIDO said.

Mauritius replaces US as India's biggest investment partner

Despite the global financial crisis, inflow of foreign capital to the country has increased sharply in 2008. The aggregate inflow of foreign direct investment (FDI) has more than doubled in 2008 — up 113.3% from Rs 65,495 crore in 2007 to 139,725 crore last year.

Interestingly, capital inflow from the US, which has suffered most from the financial crisis, has increased 107.3% last year against a rise of only 9.6% in the previous year.

The US' share in India's total FDI inflows, however, has declined further in 2008 as the total FDI inflow has grown at a higher rate.

The share of US in India's total FDI inflow, for that matter, has been declining steadily over the years. From about 11.5% in 2000, US' share in India's total FDI inflow has come down to only 5.4% last year.

The fall in the US' share in our aggregate FDI kitty has led to a major change in the order of India's investment partners. Mauritius has become India's biggest investment partner in the new millennium, replacing the US.

Its share in India's aggregate FDI inflow has increased dramatically from about 19% in 2000 to 43.7% last year. Mauritius accounted for about half of India's total FDI inflow in 2007.

But then Mauritius is not an isolated example. Unlike in the past, when India had to depend largely on the US for capital inflow, the new millennium has witnessed a drastic change in the sources of foreign funds.

The liberalisation has improved India's rating abroad and investors all over the world are now keen to invest in India.

As a result, India has witnessed a massive change in the order of her investment partners too in the recent years.

Singapore, which had a less than 1% share in India's FDI kitty in 2000, for example, has become the second-biggest source of FDI in 2008.

As much as 11.3% of the total FDI inflow in 2008 was accounted for by Singapore. In actual terms, the total capital inflow from Singapore grew by a huge 170.6% in 2008 over the previous year.

But more surprising has been the performance of Cyprus. Cyprus was a near non-entity in 2000 having just about Rs 3.1 crore worth of FDI approvals under its kitty — less than 0.1% of India's total approved FDI.

In 2008 it accounted for 4.2% of our total FDI approvals. Actual inflow from Cyprus has increased 164% last year from Rs 2,204 crore in 2007 to Rs 5,825 crore in 2008.

There are a number of new entrants as well. Israel, Thailand, Saudi Arabia and South Africa, whose names did not appear in the FDI list prior to economic liberalisation, have gone on to increase their stake steadily over the years.

India strong pillar of growth, we'll continue to invest: Standard Chartered Bank

Bullish on the India growth story, Standard Chartered Bank, the largest foreign lender in the country, said it would continue to invest here despite global economic downturn.

"India is a strong pillar of growth... we have been investing every year on capital, new branches, systems improvement, product launches, hiring more people every year. So on every facet we have been investing and the trend would continue," Standard Chartered Asia CEO Jaspal Bindra told.

The intent is to grow the market share, he said, adding, "we want to grow at the rate we have been growing for the last two years."

Besides, the bank also looking at inorganic route to grow its business expressed interest in taking over the Asian business of the Royal Bank of Scotland, which is selling retail and commercial assets in the region, including Indian operations.

Australia for expanding ties with India

Besides mining, agriculture, education and services, which were some of the core areas of bilateral trade and investment between India and Australia at present, Australia was keen to focus on other potential areas of business like food and beverages business, automotive sector, aerospace industry etc, informed Micheal Carter, Counsellor Commercial, Australian Trade Commission.

“India happens to be the fourth largest export destination for Australia, it is a very important strategic partner for trade, but the current export import activity between the two countries is largely confined to mining and mining resources, education, services, agriculture, and more of a resource-based relationship which can be widened. There is a lot of scope for business and possible collaboration in the areas of food and beverages particularly wine, travel and tourism,” he said.

Australia's exports to India was worth around 12 billion Australian dollars last fiscal.

There is a need to widen the export-import portfolio through sectors like aerospace, travel and tourism, wine and beverages industry. A lot of Australian wine exporters were particularly robust about investing in India as it was seen as the next growth market, Carter pointed out.

Japan looking at India as investment destination

Japanese investors are increasingly looking at India as an investment destination, for business partners and the momentum is set to grow, according to Mr Arjun G. Asrani, Former Ambassador of India to Japan.

Addressing the Indo-Japan Chamber of Commerce and Industry, Mr Asrani said that the numbers of investors and the diversity of areas in which they wish to invest had substantially increased. Earlier, automotive industries dominated most of the investments but now investors were looking at pharmaceuticals and healthcare, telecommunications, steel, logistics and financial services. In the context of the global slowdown, the relatively better performing Indian economy is attractive. Japan considers this an ideal opportunity to ‘pick good bargains,’ he said. Mr Asrani felt that Japanese businesses were also increasingly flexible in their approach business relationships with their Indian counterparts. They have understood the advantage of having a local partner who can address issues such as government liaison, labour and compliance while the Japanese partner could go on with the job of manufacturing. Economic relations between Japan and India had gone through its share of ups and downs over the last five decades. But in recent years the relationship has gained strength based on the experience and is bound to grow, he said.

Egypt seeks stronger trade ties with India

Preferential treatment in trade, investment and technology transfer, information exchange about regulatory measures in financial markets and sharing of expertise and human capital are considered important factors for boosting trade between India and Egypt, said Egypt's ambassador to India Mohamed Higazy.

Speaking at a meeting organised by Merchants' Chamber of Commerce, Mr Higazy said his country is keen to accelerate joint cooperation in the fields of space technology, IT, biotechnology and alternative energies, as have been outlined by its president Mohamed Hosni Mubarak during his visit to New Delhi in mid-November, 2008.

Last year, about 1-lakh tourists from India visited the land of the Pharaohs. The number is expected to double this year. With Egypt growing by over 7% and India growing beyond that level, efforts should be made from both sides to double Indo-Egypt trade in two years from the existing \$4 billion, said Mr Higazy.

India is the fourth largest trading partner of Egypt, followed by Italy, the US, and Saudi Arabia. By the end of 2008, Egypt's exports to India recorded \$2.2 billion and India's exports to Egypt at \$1.8 billion. As for the entire Arab world, its trade with India quadrupled from \$8 billion in 2000 to \$70 billion in 2007-08.

Indian investments in that country exceeds \$2.2 billion in 2008. With no problem in getting land and for having a regulated financial system in place, many Indian companies are opting Egypt as an investment destination, which is the gateway to the Arab world, Africa and Mediterranean region, said the ambassador.

MCC president Anupam Shah, while making an observation on prospect of Indo-Egypt collaboration in trade and investments, said there are huge scopes to increase the collaboration in food processing industry and in agriculture.

These two areas may be included while talking about free trade agreement (FTA) between the two countries, he suggested. The FTA dialogue between the two nations, which is at primary stage, revolves around areas like chemicals & petro-chemicals, drugs & vaccines, communication & IT, iron & steel, building materials, automotive and its components.

Vehicle sales: On fast track mode

Vehicle sales numbers for March reinforce the wave of optimism that followed sales numbers for the first two months of 2009.

March numbers released by companies showed a six per cent growth compared with the same month last year and two per cent cumulative growth for the year ended 2008-09, with commercial vehicles remaining the sole segment yet to participate in this tentative recovery.

Passenger cars

Drawing strong support from the A2 and A3 segments (mainly A-Star and Swift D'zire), Maruti Suzuki clocked a 13 per cent growth in passenger vehicles sales in March 2009. It sold 792,167 vehicles in its silver jubilee year, taking the growth for 2008-09 to 3.6 per cent over last year.

The company's sales included exports of 70,023 units for the year, up 32.1 per cent. Growth in export was mainly led by A-Star, launched in Europe during the year. Interestingly, sales of older brands such as Maruti 800, Omni and Versa, which the company plans to phase out by 2011, posted a 29 per cent and 13 per cent dip in sales this year.

For Mahindra & Mahindra, with Xylo's bookings crossing 12,000 units and Scorpio sales crossing the two lakh mark, the year saw a 11 per cent growth in March, though its total sales for the entire year fell one per cent when compared to 2007-08.

Helped by accelerated depreciation benefits, excise duty and price cuts, sales of UVs registered a 30 per cent growth for the year. The three-wheeler space, where M&M has managed to increase its market share from 9 per cent to 13 per cent, has grown 30 per cent this year.

The farm equipment division aided by the amalgamation of Punjab Tractors, has expanded 21 per cent. The export picture was, however, bad in the UV and tractors segment, where numbers shrank 31 per cent and 19 per cent respectively for the fiscal.

Two Wheelers

The picture for two wheeler majors was mixed. While Hero Honda and TVS Motors reported a 10 per cent and 4 per cent growth in March 2009, Bajaj reported a 13 per cent fall in sales.

Hero Honda's mix of urban and rural sales and a host of new launches helped the company post a robust growth of 12 per cent for the financial year 2008-09. Similarly, TVS Motors closed the year with a 3 per cent growth. Backed by the launch of Scooty Streak, it has registered a 44 per cent growth in its scooterette sales and 25 per cent increase in exports in March, though motorcycle sales dipped 8 per cent.

Despite recording 25 per cent cumulative growth in exports, sales of Bajaj Motors have fallen 10 per cent for 2008-09. Performance of the company both in the two-wheelers and three-wheelers has been muted in spite of its new launches.

Outlook

With the year closing on a mixed note for the companies, all eyes are on whether the recent recovery in sales numbers will continue. Some portion of the first quarter sales can be attributed to customers deferring their buying in 2008, anticipating excise duty cuts.

It is doubtful if recent cuts in interest rates are as yet to filter down to vehicle loans. Dealers say that they are yet to see a substantial loosening of bank credit to the automobile segment. They point out that March was driven more by cash sales than those financed by credit.

Hopes are up that once credit to the sector resumes significantly, demand for passenger vehicles will sustain growth.

At 33%, SEZ units beat export slump

Exports from special economic zones (SEZs) rose 33% during the year to end-March 2009, far outpacing the country's overall exports growth of just 4%, figures from the commerce department showed.

According to the data, exports from such tax-free manufacturing hubs totalled Rs 89,000 crore (\$18.16 billion) last year—or, 10.76% of total exports—up from Rs 66,637 crore (\$13.60 billion) a year before.

India's total goods exports are estimated at \$168.80 billion in 2008-09, up from \$162 billion in the previous fiscal year. Overall exports have been hit by a steep drop in global trade volumes because of a recession in most developed economies.

“One reason why SEZ exports have fared better than overall exports is that most exporters in the zones are manufacturers. Manufacturing exporters seem to have handled the demand slowdown better than trading exporters,” said a commerce department official.

Superior infrastructure in the zones also helped exporters cut costs and remain competitive, the official added.

FIs, funds can invest in IDRs, says Sebi

Market regulator Securities Exchange Board of India (Sebi) has permitted foreign institutional investors and mutual funds to invest in Indian Depository Receipts (IDRs).

The move to widen the investor base will increase liquidity for IDRs that will be issued in India. Initially when IDRs were introduced, the government allowed only Indian citizens to invest.

Further, the board of Sebi also decided to permit the issue of depository receipts by custodians on behalf of issuers, and demat holding of IDRs.

Just like American Depository Receipts (ADRs), where Indian companies raise resources from overseas market, IDRs would enable foreign firms to do the same from Indian markets.

ADRs or IDRs are derivative instruments, that is, they derive their value from the shares deposited with the custodian.

Basically, the foreign company will deposit shares with a custodian, who in turn will issue depository receipts based on these shares. The receipts are issued based on the ratio of how many shares equal a single depository receipt.

Indo-Mauritius trade bonding with the best

Mauritius and India have historical ties, common culture and values. At a time when economic slowdown has made most developed/developing markets an unattractive proposition, Mauritius offers plethora of foreign trade opportunities for Indian businesses. At the ET Indo-Mauritius Trade and Investment Seminar organised by The Economic Times, in association with HSBC, a delegation which comprised various senior people from India as well as Mauritius discussed the potential of trade relations between the two countries.

The panel comprising Rama Krishna Sithanen, vice prime minister and minister of finance and economic development, Mauritius, Bhiguraj Singh, senior vice-president, trade and supply chain, HSBC India, Couldip Basanta Lala, founder director, International Financial Services Limited, Naina Lal Kidwai, group general manager and country head of the HSBC group of companies in India, N Shridhar, CFO, Future Capital Holdings Ltd, Russell Parera, chief executive officer, KPMG India and Sandeep Uppal, chief executive officer, HSBC Mauritius put forth their views on the synergies between India and Mauritius that can be leveraged to derive mutual benefits.

Naina Lal Kidwai, group general manager and country head for HSBC group companies in India, the moderator for the session, kicked off the discussion by posing the question: 'How easy is to set up a business in Mauritius?' to the panelists.

Responding to the question, Couldip Basanta Lala, founder director, International Financial Services said, "You need 3-10 working days to acquire a business licence in Mauritius, depending upon the completeness of information. A prospective businessman has to produce all the relevant documents along with a business plan.

These are further passed onto the FSC for a global business licence. In the case of a fund management license, there is additional regulatory requirement and you can apply on one stop shop basis." He added that professionals have an experience of inbound investments into India. For fund managers as well as promoters, all inward funds go through Mauritius. The existing management companies are already experienced with the knowledge of making outbound investments as well.

Steel output, sales back in positive territory in Q1

The steel industry staged a smart recovery in the three months to March-end on account of a revival in demand from the automobile, rural infrastructure and housing sectors, at a time when the world's major steel-producing countries are facing a steep fall in output.

Steel production and consumption grew at 1.2% and 3.8%, respectively, in the January-March quarter over the same period last year, after turning in dismal figures in the previous quarter when production and consumption slipped 7.8% and 13.6%, respectively.

The recovery in steel production has been aided by the improved sales performance of steel companies. The fourth quarter saw most of the large steel companies such as SAIL, Tata Steel, Essar and JSW operating at full capacity. Lower steel production in the quarter to December-end was attributed to lower demand and output cuts. While the country's largest steel producer, SAIL, registered a modest 4% growth in sales to 15.3 lakh tonnes in March over the same month last year, another PSU Rashtriya Ispat Nigam Ltd reported a 16.81% growth in sales.

SAIL witnessed a huge increase in sales of long steel products, used in construction activities, in the past few months. The firm's monthly sales of long products have risen sharply to 50,000 tonnes in 2008-09 against 5,000 tonnes in 2006-07, reflecting a huge increase in demand from rural construction.

Tata Steel has beaten expectations with a phenomenal 45% growth in sales in March, capping a great year that saw its production of saleable steel reaching an all-time high of 5.375 million tonnes. Private steel maker JSW reported an 11% increase in production during Q4 of 2008-09. The company's sales grew 4.4% to 4.5 lakh tonnes in March and 17.4% in the January-March quarter.

Drug firms may exceed growth targets

Despite forex losses and currency fluctuations impacting profitability, leading Indian drug companies such as Cipla, Sun Pharma, Dr Reddy's Laboratories and Wockhardt are likely to exceed revenue growth targets set for financial year 2008-09.

Dr Reddy's Laboratories, which is celebrating its 25th year of inception, had targeted 25 per cent growth in revenues for 2008-09. In the first three quarters, the Rs 5,000-crore company recorded revenue growth of 25 per cent, 30 per cent and 49 per cent respectively, despite heavy losses in the first quarter.

According to analysts, the company is likely to have a good showing in the last quarter with about 20 per cent growth, thanks to good revenues from sumatriptan succinate, an authorised generic version of GlaxoSmithKline (GSK)'s Imitrex. The company launched the product in November last year, with exclusive sales opportunity for six months.

"The Indian companies would continue to benefit on the top line front from the 25 per cent rupee depreciation as compared to the last quarter of the previous year. On the operating front, margins are expected to contract for most companies," said a Angel Broking analysis, led by analyst Sarabjit Kaur Nagra.

Another company that has performed beyond expectations is Sun Pharmaceutical Industries, India's largest drug company in terms of market capitalisation. Sun Pharma

gave a guidance of 18-20 per cent growth in revenues for 2008-09, but it has already recorded 50 per cent growth in net sales to Rs 3,137.9 crore for the first nine months, from Rs 2099.4 crore in the same period in 2007-08. Net profit was also up at Rs 1422.9 crore, up by 86 per cent, compared to the same period last year.

Analysts feel Sun Pharma's performance in the fourth quarter will be affected due to diminishing sales for pantoprazole and production issues with Caraco, its US subsidiary. "Sun Pharma numbers should see sequential moderation, as sales of pantoprazol have come down and Caraco base business continues to decline," said a CLSA report.

"In the first nine months, we have exceeded our guidance with basic business, without considering one-time opportunity revenues and other additional income," said a Sun Pharma spokesperson.

According to a Religare Hichens Harrison earning estimate, second largest domestic drug maker Cipla's March quarter sales are expected to go up by over 23 per cent to Rs 1,383.1 crore on year on year basis and profit after tax to grow by 60.2 per cent to Rs 253.3 crore on year on year basis.

Total sales for Cipla grew 26.4 per cent to Rs 3,785 crore for the nine months, but PAT was down by 1.2 per cent to Rs 521 crore, impacted by currency fluctuation losses. Motilal Oswal estimates Cipla's revenues to grow 22 per cent in the fourth quarter of 2008-09. Analyst firm Prabhudas Lilladher had estimated Cipla's revenues to grow 24 per cent, with a 9.3 per cent growth in net profit for 2008-09. Angel Broking's estimate was an overall 10.4 per cent growth in PAT for Cipla for 2008-09.

Lupin Ltd, another top five Indian drug company, also had better than industry average performance in the first nine months. The company, which was growing at over 30 per cent in the last four years, maintained 38 per cent growth in turnover and 49 per cent growth in profits in the first nine months of 2008-09. "We should continue that momentum in this quarter. We anticipate to grow by at least 25 per cent in the next year," said Kamal K Sharma, managing director, Lupin.

FMCG set to record double-digit growth despite recession

Despite the economic recession, the Rs 86,000-crore Indian FMCG industry is expected to register a double-digit value growth in the last quarter of 2008-09. The industry is expected to register a value growth of 14 % in Q4 as compared to the corresponding period last year. "We expect the industry to register 16 to 17 % value growth for the financial year 2008-2009. There's no clear trend for margins as different companies will post different margins depending upon the commodity prices," said Akhil Kejriwal, an analyst with Enam Securities.

So far the economic recession has not impacted the India FMCG industry and the Industry captains are quite optimistic about the industry's performance in Q4. Adi Godrej, chairman of the Godrej Group, said, "I think there will be a strong growth both by value and volumes

in Q4 FY09. I think the margins will also improve in Q4. The industry is doing well despite the economic recession.”

According to Amit Burman, vice chairman of Dabur India, the Indian FMCG industry will register a double-digit growth in value in Q4. “I think the industry will post 12 to 15% value growth in Q4. I expect a lot of growth coming from rural India. I think the FMCG industry has not seen the recession because of value-for money products,” he said. Echoing similar sentiments, Harsh Mariwala, chairman of Marico Ltd said, “I think the results will be pretty good in the last quarter of FY 09.”

However, industry analysts predict the Indian FMCG industry will register lower sales growth of 12.8% y-o-y in Q4 FY09 vis-à-vis previous quarter due to muted growth in Hindustan Unilever (HUL) and ITC. Price cuts in many categories across the sector is another reason for the predicted decline. “While volume growth is likely to be strong for most categories, it is expected to decelerate for discretionary categories. Lower input costs will result in margin expansion, leading to 18.3% y-o-y growth in operating profit for the FMCG industry,” said an industry analyst based in Mumbai.

Indian wellness services market to grow at 30-35% in 5 yrs

Notwithstanding the current economic slowdown, the Rs 11,000-crore Indian wellness services market is expected to grow at about 30-35 per cent for the next five years on the back of rising consumerism, globalisation and changing lifestyles, according to a study.

According to a FICCI-Ernst and Young study titled 'Wellness-Exploring the Untapped Potential', the wellness services market, presently estimated at Rs 11,000 crore, would sustain an annual growth rate of about 30-35 per cent for the next five years.

The report classified wellness industry into seven core segments of allopathy, alternative therapies, beauty, counseling, fitness/slimming, nutrition and rejuvenation. While rejuvenation services such as spas, alternative therapies, ayurveda treatments and beauty services are expected to grow by as much as 30 per cent, fitness comprising gyms and slimming centers are expected to grow by more than 25 per cent, the study said.

“Given the favourable demand and supply dynamics, wellness presents strong business potential,” Ernst and Young Partner (Advisory Services) Mr Farokh Balsara said.

Organic farming beats recession

Export of organic spices to Europe is seen withstanding the recessionary pressures and growing, while exports to US market have slowed a bit, traders said.

“Turning organic seems to have helped spice farmers resist the recessionary pressure in pepper, coffee and cashew, while cocoa has tanked a little due to lower demand for chocolates,” Shiny George of Indian Organic Farmers’ Producer Company Ltd (IOFPCL) told.

Her organisation, which exports nearly 100 tonne of cocoa to Switzerland-based chocolate manufacturer Chocolate Stella SA , is under pressure to settle for a value that is nearly 5-8% lower than the contract entered in 2007-08.

IOFPCL is farmers' collective formed in 2004 to promote the cultivation and export of organic produce. Shiny foresees more pressure from buyers on price, while the volume could grow given the small size of the market. "The most interesting part is that if we can show an improvement in quality, the buyers are willing to pay more even in a recessionary market," Shiny added. Coffee and cashew exports to Europe, particularly Germany, is growing and offer good scope for Indian farmers, she said.

Thomas Chacko of Peermade Development Society feels that the market for organic spices would continue to grow at 15% annually. "The per capita consumption of spices is very nominal to be affected by a slowdown. It will continue to grow and the prices will move according to the quality of the commodity," he said. Cocoa is under pressure due to higher per capita consumption when compared to spices, he added.

India Feb iron ore exports up 16.8% yr/yr

India's February iron ore exports rose 16.8 per cent to 12.63 million tonnes from 10.81 million tonnes a year earlier, the Federation of Indian Mineral Industries (FIMI) said.

In April 2008 to February, the first 11 months of the 2008/09-year, exports were at 91.65 million tonnes, up from 90.48 million tonnes a year earlier, FIMI data showed. The data is provisional, FIMI said in a statement.

India emerging as global business power: ISB survey

With foreign assets growing by more than 100 per cent annually in recent years, Indian multinational enterprises (MNEs) have become significant investors in global business markets and India is rapidly staking a claim to being a true global business power, according to a survey of Indian MNEs investing outside India.

The survey done by the Indian School of Business (ISB) and the Vale Columbia Center on Sustainable International Investment (VCCI) was released at Columbia University in New York.

According to an ISB press release, the survey is part of a long-term study of the rapid global expansion of MNEs from emerging markets, in particular from the so-called BRIC countries — Brazil, Russia, India and China. It establishes a baseline against which subsequent developments can be measured.

The survey identifies 24 large multinationals and ranks them on the basis of their foreign assets. These 24 companies are among the largest outward investors from India and, in 2006, they jointly accounted for \$15.3 billion in foreign assets, 60,000 in employees

abroad, \$12.7 billion in foreign sales and 441 foreign affiliates (branches, subsidiaries, etc) in 75 countries.

The leading company on the list of 24 was the state-controlled Oil and Natural Gas Corporation (ONGC), which accounted for 31 per cent of the foreign assets on the list. It was followed by the conglomerate Tata Group, accounting for a further 27 per cent. The Tata Group – which includes Tata Steel, Tata Chemicals, Tata Consultancy Services (IT), Tata Motors and Tata Communications (telecoms), among other companies – had the largest number of employees abroad, just under 25,000.

Although the ranking by foreign assets draws on 2006 data, the ISB said the report goes beyond it to provide information about large Indian investments in 2007 as well. The largest brownfield investment through a merger or acquisition targeting an existing company in 2007 was the Tata Steel acquisition of Corus Group (UK) for about \$ 12.7 billion, while the largest greenfield investment was by GAIL, formerly the Gas Authority of India Limited, which invested \$4.2 billion in petrochemicals in Saudi Arabia. The foreign assets of India's top MNEs could have doubled in 2007, given the large increases in outward investment in that year. Outward M&A deals alone surged to nearly \$ 25 billion in 2007.

Indian firms (like their Chinese counterparts) are seeking natural resources abroad, as well as leveraging India's special edge in information technology and pharmaceuticals.

Indian investors most optimistic in Asia-Pac

Investor sentiment in India has improved significantly in the first quarter of 2009, according to a survey conducted by Dutch financial services firm ING.

India's score in the ING Investor Dashboard Sentiment Index jumped 75% over the previous quarter (October-December 2008) with more than half of those surveyed in the country saying that their household financial situation will improve in the next quarter.

The survey, which tracks investor sentiment and behaviour of mass affluent investors each quarter from 13 Asia Pacific markets, revealed that India's index moved up from 76 in Q4 of 2008 to 133 in Q1 of 2009, representing a move from pessimistic to optimistic zone. The survey showed investors in India were the most optimistic in Asia.

Indian investors are also much more confident about their job security compared to other markets with around 64% Indians saying that the global economic crisis did not have any negative impact on their jobs and gave a positive outlook for the second quarter of this calendar year.

March factory output seen up 10% on month: Macquarie

India's industrial production may have risen 10 per cent on a monthly basis in March as the effects of a recent spate of fiscal and monetary measures started showing up, Macquarie Research said in a note.

Asia's third-biggest economy's export basket was not heavily dependent on electronic and automotive shipments which has helped cushion the impact on the sector, economist Rajeev Malik wrote in a recent note.

"Some industries (motor vehicles, cement and steel) are already showing signs of increased activity, though India's structurally broad industrial base suggests that industrial production will need a bit more time for the year-over-year growth rates to be firmly in the black, and rising," it said.

Industrial output fell 1.2 percent in February from a year earlier, but January's initially reported fall was revised to a rise of 0.4 percent, government data showed on April 9. March numbers are due on May 12.

Macquarie said local banks have more room to cut their lending rates, which should boost economic activity, though the central bank appeared to be nearing a monetary easing cycle.

The Reserve Bank of India cut its key lending rate by 425 basis points since mid-October 2008, as part of its measures to insulate the economy from a deepening global financial crisis.

He expects the domestic economy to start recovering from mid-year, but sees political uncertainty over the outcome of an ongoing federal election as a concern.

\$30 bn FDI expected in 2009-10

Global investors are expected to remain positive on India and bring USD 30 billion foreign direct investment into the world's second-fastest growing economy in 2009-10 even when the world economy is facing a severe credit squeeze.

India is estimated to have received FDI of USD 27.5 billion in 2008-09, up from USD 24.57 billion in the previous year.

"The overall outlook (for 2009-10) remains positive," Joint Secretary in the Department of Industrial Policy and Promotion Gopal Krishna told on the sidelines of a function organised by Booz & Company and AMCHAM in New Delhi.

However, inflows in March 2009 declined to USD 2.5 billion from USD 4.44 billion in the same month last year.

Though the cumulative increase for 2008-09 is small, it is considered a positive development, given the fact that the global financial crisis is the worst.

Gopal Krishna said if reinvestment by foreign corporations is taken into account, FDI for 2008-09 was USD 37.5 billion. This is expected to go up to USD 40 billion in the current fiscal, he said.

Telecom industry marked the highest subscriber addition

Buoyed by the entry of new telecom players and entry of Reliance Communications in the GSM space, the Indian telecom industry clocked the highest subscriber addition in a month by adding 15.87 million subscribers in March, 2009. According to the latest data released by the Telecom Regulatory Authority of India, (Trai) while the wireless (GSM, CDMA and WLL (Fixed)) segment witnessed addition of 15.64 million users, the wireline segment saw an increase for the first time in two years by adding 2.3 lakh to its subscriber base

At the end of March the wireless subscriber base stood at 391.76 million as compared to 376.12 million in the previous month of the year. The wireline subscriber base grew to 37.96 million as compared to 37.73 million in February 2009. On a year-on-year basis however the wireline segment witnessed a decline of 3.7 per cent from 39.42 million in March, 2008.

This growth has lead to a further increase in the total telecom teledensity (number of people having a telephone connection per 100) to 36.98 per cent at the end of March 2009 from 35.65 per cent in February this year.

The broadband penetration in the country is also witnessing a steady increase as the total broadband subscriber base crossed the 6 million mark to reach 6.22 million by the end of March, 2009 as compared to 5.85 million by the end of February,2009.

With its foray in the GSM space Reliance Communications led the subscriber growth in the wireless segment with the addition of 3.02 million subscribers in March to take its wireless subscriber base to 72.66 million.

In the wireless segment Bharti Airtel led the subscriber growth with the addition of 2.73 million subscribers in December to take its wireless subscriber base to 82.9 million. State-owned Bharat Sanchar Nigam Ltd (BSNL) came in second with a total of 2.9 million subscribers resulting in a subscriber base of 52.14 million. Meanwhile Bharti Airtel and Vodafone Essar added 2.8 million customers each to take their subscriber base to 93.92 million and 68.76 million respectively. Tata TeleServices added about 1.25 million subscribers to about 35.12 million subscribers.

Indian BPO revenue to double by 2010: Gartner

Fear of US protectionist stance towards business due to the economic turmoil notwithstanding, a recent Gartner report says the business process outsourcing (BPO) market share of Indian vendors is expected to nearly double by 2010.

By the end of 2008, the top 20 India-centric BPO providers accounted for \$4 billion in revenue, representing 5% of the \$80 billion revenue of the top 150 BPO vendors. This is a significant leap considering just six years ago in 2002 there were few, if any, India-centric vendors in the top 150 BPOs worldwide.

North America has been the most successful sales location for Indian BPO providers, where the top-20 India-centric BPO providers generate about \$2.2 billion in revenue. Western Europe showed strong growth, mostly in the UK, and accounted for \$1.4 billion in revenue for the top 20 Indian BPO providers in 2008.

The report also says that Indian BPO providers have proved to be stiff competition to western BPO providers. Further, analysts expect increase in revenue to be evident in the coming days, accelerated because of the economic pressures that are leading to demand for low-cost BPO.

From a vertical-market perspective, Indian BPO providers also had more success in telecommunications, manufacturing, insurance and banking than in government and retail, however going forward, analysts believe that government and retail will play an important role in the growth of Indian BPO.

“We are expecting that by 2010, the market share of Indian vendors will become something around 10%. Retail, government and services, would become major contributor to this growth, apart from existing major verticals such as banking and financial, manufacturing, telecom, utility,” commented Arup Roy, senior research Analyst at Gartner.

“Indian BPO providers are swiftly evolving to balance exposure to vertical industries, currency and legislation issues,” he added.

“North America will continue to be the major provider, however, Eastern Europe is also seen as a potential location,” commented Arup. Analysts at Gartner feels that contact centers and analytics services will likely to see the highest growth.

“It is highly likely that many new competitors will emerge from India during the next few years.

India gem, jewellery exports up 1.45 pct in FY09

India's gem and jewellery exports rose 1.45 per cent to \$21 billion in FY09, despite falling 18.88 per cent in the second half of the fiscal, hit by the slowdown in the US, an industry body said.

The modest rise in exports was mainly due to increase in exports of gold jewellery, The Gem & Jewellery Export Promotion Council (GJEPC) said in a statement.

Gold jewellery exports rose 23.64 per cent in FY09 to \$6.86 billion, the statement said. India's polished diamond exports fell 8.24 per cent to \$13.02 billion in the fiscal, GJEPC added.

India lead indicator index points to rebound: UBS

UBS's lead economic indicator has climbed for three consecutive months pointing to a strong recovery in industrial activity by June 2009, it said.

Philip Wyatt, an economist at the bank, said the rebound in the index is likely to be sustainable because there was a low degree of excess capacity and levels of private sector debt and non-performing loans were moderate.

Growth in Asia's third-biggest economy is expected to drop to a seven-year low of 6 percent in 2009/10 and its Reserve Bank of India (RBI) governor Duvvuri Subbarao said and its short and medium-term growth outlook was "mixed" for now.

UBS said the key variables which have boosted its lead indicator index was the government bond yield spread, real (M1) money supply and a revival in foreign capital inflows.

"Our base-case scenario is for the Indian economy and corporate earnings to bottom out by the second half of 2009/10 and for full recovery in 2010/11," it said.

"So we are positive on the Indian stock market on a 12 month view with overweight recommendation for: autos, metals, banks, real estate and conglomerates."

Overseas investors' inflows turn positive

Foreign Institutional Investors (FIIs) have turned net buyers in the Indian markets in 2009. Consistent inflows from FIIs, especially in April, have resulted in net inflows of Rs 530 crore on a year-to-date basis, according to data available with the SEBI.

FII flows turned net positive this week from being negative a week ago. April alone saw the Indian markets receive net inflows of Rs 6,682 crore from FIIs. This influx reversed the entire outflow of Rs 6,151 crore in the three months to March 2009.

This sudden arrival of foreign funds was perhaps a key reason for the strong rally witnessed by the Sensex in the current month. Even as the Indian stock market continues to lag a number of global indices in 2009, April has a different story to tell.

The Sensex has been the top performing index among leading global indices this month, with smart returns of 17.5 per cent (in dollar terms) till date.

India-Russia trade to touch \$10 bn by 2010: officials

Bilateral trade between India and Russia is expected to increase from \$7 billion in 2008 to \$10 billion by the end of next year and will grow further when the comprehensive trade pact is signed, according to officials.

"Judging the way trade has grown in the last 3-4 years, it (\$10 billion target) will be certainly achieved by 2010," Trade Commissioner of the Russian Federation to India E A Korshunov told.

Both the countries will be able to enhance bilateral trade to USD 10 billion despite delay in signing the Comprehensive Economic Cooperation Agreement (CECA).

The agreement, which will facilitate free trade in goods and services between the two countries, would be signed after Russia's membership in the World Trade Organisation is approved by the multilateral organisation, Commerce Ministry Joint Secretary Neeraj Kumar Gupta said.

"The issue is on the table. The moment they access the WTO, we can start our negotiations on the CECA," Gupta added.

On trade between the two countries, Korshunov said it has increased by 30 per cent in the first quarter of 2009 (calendar year) despite global economic downturn.

Cheers for auto sector as sales grow in April

Auto makers in India, led by car market leader Maruti Suzuki and the biggest two-wheeler maker Hero Honda, posted impressive sales growth rates in April, bringing back cheers to the beleaguered sector.

Continuing to benefit from the government's stimulus packages announced in December 2008 and January this year, Maruti Suzuki, Hyundai Motor, Honda Sael Cars, Mahindra & Mahindra, Hero Honda, TVS and India Yamaha Motor saw robust rise in their sales in April.

Maruti Suzuki India reported a 15.09 per cent increase in sales in April at 71,748 vehicles against 62,336 units in the same month last year. In the domestic market, MSI's sales grew by 8.93 per cent to 64,857 units against 59,539 units in April last year, while exports surged by over two-fold to 6,891 units against 2,797 units last year.

The country's second-largest carmaker, Hyundai Motor India, also saw its sales going upwards by 10.9 per cent to 44,371 units against 40,000 units in the same month last year. Its domestic sales grew by 3.5 per cent to 22,247 units compared to 21,501 units in the same month last year.

The Indian auto industry had suffered badly last year due to lack of retail finance and high interest rates. The situation started improving after the government announced two stimulus packages in December and January, respectively.

Apparel exports cross \$10 bn despite slowdown

India's garment exports stood at \$10.13 billion in 2008-09, growing by a moderate 4.6 per cent over the previous fiscal despite demand erosion in the US and European economies, reeling under recession.

Apparel exports were \$9.68 billion in 2007-08.

The business confidence would continue to remain low key during the first quarter of the current fiscal, Apparel Export Promotion Council (AEPC) said.

The council had set a target of \$11.6 billion in 2008-09. "We are happy that garment exports have crossed \$10 billion-mark for the first time," AEPC chairman Rakesh Vaid said in a statement.

Wireless user base grows 10% in Oct-Dec

India, the world's fastest growing wireless market, added 31.58 million subscribers in the wireless segment in the third quarter ended December last fiscal, a growth of 10% over the previous quarter.

During the quarter, the subscriber base for wireless services has increased to 346.89 million from 315.31 million in the previous quarter, telecom regulator Trai said.

Telecom operators earned Rs 39,408 crore revenue in the quarter, posting an increase of 6% over the Q2. The Adjusted Gross Revenue, or AGR, for Q3 was also up 6% at Rs 28,940 crore, it said. Operators have earned less average income per user in both GSM and CDMA segments. The all-India blended ARPU per month has dropped by 45% to Rs 220 in the quarter over preceding quarter.

CDMA operators' ARPU is down to Rs 111 from Rs 122 for the quarter ended December 2008. ARPU for post-paid service has shown a decline of 4.2% to 559 in December 2008 while that of prepaid service has gone up by 1.6% to Rs 190.

The total subscriber base of the wireline and wireless services reached 384.79 million in the said period, a growth of 8.80% over the previous quarter, Trai said.

The tele-density (number of phones per 100 people) is 33.23 as on December 2008. The subscriber base of wireline service decreased to 37.90 million in the third quarter from 38.35 million in the preceding quarter last fiscal.

Rural wireline user base decreased by 2.46% to 10.68 million in the quarter, whereas the rural subscriber base rose by 2.38% to 93.15 million. The number of PCOs has also decreased by 4.32% to 5.98 million. Internet subscriber base in the quarter reached 12.85 million, registering a growth of 12.24%. BSNL was the top Internet service provider in the country, with more than 50% of the total subscriber base.

Broadband subscriber base surged by 12.65% to 5.52 million in the third quarter, Trai said. The AGR of PSU telecom units is Rs 8,321 crore while that of the private sector is Rs 20,619 crore, it added.



External Sector: Foreign Trade April-November

Region/Country	Export		
	US \$ million		% change
	2007-08	2008-09	2008-09
World	100648.6	118496.2	17.7
Africa	9157.1	10233.2	11.8
Egypt	842.1	1223.1	45.2
Ghana	587.7	400.6	-31.8
Kenya	880.5	1015.8	15.4
Mauritius	701.0	865.9	23.5
Nigeria	685.4	873.5	27.4
South Africa	1621.9	1388.0	-14.4
America	17846.1	19703.7	10.4
Brazil	1446.2	2211.8	52.9
Canada	809.9	894.6	10.5
USA	13693.1	14074.9	2.8
Asia (excl. Middle East)	30213.8	35419.3	17.2
Bangladesh	1432.2	1759.1	22.8
China	5920.3	5221.2	-11.8
Hong Kong	3952.1	4497.9	13.8
Indonesia	1160.3	1746.2	50.5
Japan	2165.8	2036.6	-6.0
Korea DPR (North)	511.5	880.6	72.2
Korea Republic (South)	1514.5	2489.1	64.3
Malaysia	1416.8	1871.4	32.1
Nepal	869.4	1047.8	20.5
Pakistan	1015.3	979.8	-3.5
Philippines	399.6	496.8	24.3
Singapore	4475.0	6001.0	34.1
Sri Lanka	1699.8	1832.1	7.8
Taiwan (Taipei)	1135.5	1263.2	11.2
Thailand	1142.4	1336.4	17.0
Viet Nam	760.1	997.4	31.2
Middle East	18039.4	23193.5	28.6
Iran	1549.3	1759.5	13.6
Israel	1043.1	1052.4	0.9
Kuwait	418.4	556.1	32.9
Oman	592.1	552.9	-6.6
Saudi Arabia	2183.2	3847.1	76.2
Syria	544.1	238.7	-56.1
UAE	10094.1	13317.2	31.9

Yemen	755.6	595.2	-21.2
Europe	24354.0	28395.9	16.6
Belgium	2716.5	3234.2	19.1
France	1599.8	1874.0	17.1
Germany	3229.7	3878.3	20.1
Italy	2493.4	2548.0	2.2
Netherlands	3158.5	4269.7	35.2
Russia	580.3	735.4	26.7
Spain	1411.0	1824.5	29.3
Turkey	1124.1	1082.2	-3.7
UK	4391.7	4284.6	-2.4
Oceania	899.1	1123.9	25.0
Australia	765.3	885.3	15.7

Region/Country	Import		
	US \$ million		% change
	2007-08	2008-09	2008-09
World	153346.0	208384.4	35.9
Africa	13730.5	19226.0	40.0
Algeria	781.7	991.9	26.9
Angola	751.9	883.0	17.4
Egypt	1309.2	1393.3	6.4
Libya	1072.2	592.4	-44.7
Nigeria	4906.9	7835.1	59.7
South Africa	2490.8	3558.4	42.9
America	14363.3	21474.4	49.5
Brazil	664.2	861.4	29.7
Canada	1280.4	1489.1	16.3
Chile	1228.7	1028.2	-16.3
Mexico	729.6	1165.5	59.7
USA	9091.4	12375.7	36.1
Asia (excl. Middle East)	45533.5	57115.3	25.4
China	17832.2	20894.7	17.2
Hong Kong	1888.2	3945.7	109.0
Indonesia	3121.6	4420.9	41.6
Japan	4152.4	5108.2	23.0
Korea Republic (South)	3768.4	5772.1	53.2
Malaysia	3967.4	5228.9	31.8
Singapore	5110.4	5113.7	0.1
Taiwan (Taipei)	1673.8	1843.1	10.0
Thailand	1572.2	1863.2	18.5

Middle East	39528.7	61473.2	55.5
Iran	6698.9	9570.6	42.9
Iraq	3899.6	6579.6	68.7
Israel	1006.8	1544.5	53.4
Kuwait	4049.5	7407.5	82.9
Oman	536.1	863.8	61.1
Qatar	1486.8	2464.4	65.7
Saudi Arabia	11440.2	16195.9	41.6
UAE	8380.7	13679.2	63.2
Yemen	1162.2	608.5	-47.6
Europe	34114.2	41783.8	22.5
Belgium	3431.2	4541.5	32.4
Finland	615.2	561.2	-8.8
France	1705.3	1853.3	8.7
Germany	6064.4	7050.2	16.3
Italy	2474.8	3035.6	22.7
Netherlands	1082.1	1141.9	5.5
Norway	664.8	801.9	20.6
Russia	1637.1	3244.0	98.2
Spain	625.7	689.9	10.3
Sweden	1356.1	1238.9	-8.6
Switzerland	7439.2	8754.0	17.7
Turkey	1012.1	1139.2	12.6
UK	3420.1	3880.0	13.4
Oceania	5906.0	7108.7	20.4
Australia	5543.8	6650.5	20.0
