Ministry of External Affairs
Government of India
Monthly Economic Analysis
Fortune 2010

January 2010

Contents

Recent Trends in Indian Economy

Industrial Production

The data on the industrial production shows initial indications of improvement. The overall index of industrial production after registering a growth of 10.3 percent in October 2009 witnessed an even higher growth of 11.7 percent in November 2009.

Further the classifications of the industrial production shows the manufacturing and mining sectors register growths of 12.7 percent and 10.0 percent respectively in November 2009. Growth in the electricity sector was also seen to grow by 3.3 percent compared to the growth recorded in the previous year.

Core Infrastructure

The overall index of six core infrastructure industries registered a growth of 6.0 percent in December 2009, which was 5.3 percentage higher than the growth recorded in the same month of previous year.

The crude oil production after registering negative growth for five consecutive months, witnessed a growth of 1.1 percent in December 09. Once again cement and finished steel segments were best performers, with respective growths of 11.0 percent and 9.6 percent.

The coal and petroleum sectors remained laggards. The growth in coal production was 2.5 percent in December 09 much lower than the growth of 11.2 percent in the same month of previous year. Similarly petroleum refinery segment registered 0.9 percent growth in December 2009 as against a high growth of 3.0 percent recorded in corresponding month of 08.

Inflation

The skyrocketing food prices resulted into flaring of overall inflation, this continues to be a major concern. The rate of inflation increased by almost 2 percentage, from 5.5 percent in November 09 to 7.3 percent in December 09. This was also higher than the inflation rate of 6.2 percent recorded in December 2008.

In December 2009 the inflation rate for three broad segments – primary articles, fuel lubricants and light and manufactured products was 14.9 percent, 4.3 percent and 5.2 percent respectively.

Monetary Indicators

The broad money supply expanded by 10.9 percent during the April-December period of 2009-10. The corresponding growth during the previous fiscal was 12.4 percent.

The aggregate deposits increased by 9.8 percent during April-December period of 2009-10. The growth during the first three quarters of 2008-09 was 11.7 percent. (calculated from March end upto the December)

The bank credit went by 7.0 percent over the period April to December 2009-10, while the growth in corresponding period of the last fiscal was 12.1 percent.

Stock Market Trends

High investment activity was seen in the stock market after the economic fundamentals gained strength. The stock market remained bullish in the month of December 09 with BSE Sensex closing at over 17k points by month end.

Fiscal Trends

The gross tax revenue collections during the period April-December 2009-10 amounted to Rs 4, 16, 094 crore a drop by 2.5 percent from Rs 4, 26,795 crore revenue collections over the same period last fiscal. While income from the direct sources of tax revenue, i.e. income and corporate tax increased however, collections from indirect sources witnessed a fall. Over the period, April-December 2009-10 the growth in revenue from income tax was 12.2 percent and in case of corporate tax it was 16.8 percent.

Growth in the custom duty, excise duty and service tax collections, on the other hand, was negative 29.2 percent, (-) 18.2 percent and (-) 5.9 percent respectively.

The revenue receipts of the government witnessed a marginal increase, from Rs 3, 75,937 crore in April-December 2008-09 to Rs 3, 89,271 crore during the same period this financial year. With an additional expenditure of Rs 1,10, 324 crore during the period April-December 2009-10 vis-à-vis same period last year, the total expenditure saw an increase of 18.5 percent. The resultant fiscal deficit over the corresponding period was Rs 3, 09, 980 crore.

Foreign Trade

The growth in the merchandise exports sector turned positive in November 2009 after a thirteen-month period of decline. The growth recoded in December 2009 was relatively lower than the growth seen in the previous month. In December 2009 the exports registered a growth of 9.3 percent, as against the growth of 18.2 percent registered in November 2009.

The imports also registered a positive growth after being in the negative territory for straight eleven months of 2009 since January . The imports grew by 27.2 percent in December 2009. Oil imports grew by 42.8 percent, while non-oil imports increased by 22.4 percent.

Foreign Investments

Foreign direct investment of USD 1.7 billion was received in November 2009 as against the inflows of USD 2.3 billion in the previous month. There was a decline in the portfolio investments as well in November 09 vis-à-vis inflows in the previous month. The cumulative investment inflows over the period April-November 2009-10 amounted to USD 47.1 billion.

Foreign Exchange Reserves

The forex reserves accumulated in November 2009 was USD 286.7 billion. Last year the reserves had fallen to USD 247.6 billion in the same month.

Exchange Rate

The rupee witnessed slight appreciation in the month of January 2010 vis-à-vis the USD. The Rupee Dollar exchange rate which averaged Rs 46.6/USD in the month of December 2009 was at Rs 45.9/USD in January 2010.

Lead Stories of the Month

Happy New Decade, India

India's Deciding Decade. The 10 years can end with India becoming a different country, where mass prosperity is taken for granted. Or it can become a country where much changes radically—but many problems persist.

The Indian Express-Indicus Analytics study on how India will look in 2020 has a remarkable finding: even if no reforms happen, India's GDP can grow at an average annual rate of 9.6% for the next 10 years.

Nine per cent growth for 10 years with no reforms—that's how well-placed India is as 2010 begins.

But if there are no reforms, and growth is 9%-plus, more than 250 million people, of a total population of 1.3 billion-plus, will still be very poor in 2020. And not even 100 million Indians will be graduates or post-graduates.

With rapid reform, these bad numbers can change dramatically. So 2010-2020 is the deciding decade because India starts it with the most advantageous conditions it's ever had in its post-Independence history to effect a real paradigm shift.

PM projects 10% growth in 2 years

India can achieve double-digit growth in the next two years, Prime Minister Manmohan Singh said, while projecting around 7% growth for the current fiscal.
"We hope to achieve this year a growth rate of around 7%, which is one of the fastest in the world. We are equally optimistic that we can return to and sustain an annual growth rate of 9-10% in a couple of years," he said.

Speaking at the Pravasi Bharatiya Divas Finance Minister Pranab Mukherjee projected a more robust growth rate of 7.75% for 2009-10. The economy grew at 6.7% in 2008-09, as compared to a 9%-plus growth in the previous three years. He said the stimulus measures have started paying dividends, as the Indian economy grew 7.9% in July-September. The country fiscal deficit, though, is expected to widen to 6.8% of the gross domestic product as a result of these stimulus measures.

The prime minister urged Indians living abroad to look at long-term investments in India and help the government to accelerate growth and social development. "Oversees Indians, however, while being good savers tend to be somewhat conservative investors. Most remittances are placed in bank deposits. Foreign direct investment in India by overseas Indians is low and far short of potential," Singh said.

The finance minister stressed despite the economic slowdown that struck India last year, the country recorded 8.6% average annual growth rate in the last five years. He promised continuation of the economic reforms started in early 1990s. The government is planning a major overhaul of the direct and indirect taxation regime with announcing its intent to introduce the Direct Taxes Code and the Goods and Service Tax. Prime Minister Manmohan Singh also argued that India would clock 9-10% growth.

'India can top China's growth by 2014'

The Indian economy could surpass China's growth rate sooner than expected, most probably by 2014, chief economic advisor in the finance ministry Kaushik Basu said. He also saw the economy bouncing back to 9% growth next fiscal, while expansion this year would be 7.5% plus.

Basu said there was no case at the moment for monetary tightening—including hiking interest rates—and that the government was yet to decide on the timing of rolling back fiscal sops. "India crossing China's growth rate in the next four to five years is not impossibility. It is within the realm of possibility," Basu said at a seminar organised by Ficci.

India's relatively large young population will help raise its savings rate to over 40% of GDP from 38%, thereby hastening growth, Basu said. "The high savings rate will trigger a period of sustained economic expansion. Savings rates (are) unlike stock market indices. Once you are there, you don't fluctuate. (The savings rate) is likely to cross 40%," he said.

Basu said the economy will grow at 7.5% plus in the current fiscal on the back of the stronger growth projected in the fourth quarter. The economy grew 7.9% in the July-September quarter, higher than 6.1% in the preceding quarter.

India can become 3rd largest economy by 2012: PwC

The US financial crisis may have expedited a shift in global economic power. According to a report by global consultancy firm pricewaterhouseCoopers (PwC), India could become the world's third largest economy by purchasing power parity (PPP), overtaking Japan in 2012.

This would be almost 20 years ahead of Goldman Sachs' projection of 2032 in its BRIC (Brazil, Russia, India, China) report.

India is also expected to grow faster than China after 2020. China, which was projected to become the world's largest economy by 2041, now looks set to achieve the distinction sometime around 2020, the PwC report said.

Davos meet: India, China steal the show

Curtains came down on the WEF meeting after five days of intense debate on rebuilding the global economy by world leaders and corporate honchos.

About 2,500 participants, including CEOs of almost all the Fortune 1,000 companies, and government heads discussed and brainstormed the future of the global economy after its worst recession since the World War II.

The 95-member strong Indian delegation at the centrally- heated Congress Centre, nestled in the snow-laden Alps, included Road Transport Minister Kamal Nath, Commerce and Industry Minister Anand Sharma and Planning Commission Deputy Chairman Montek Singh Ahluwalia.

Captains of Indian industry Vijay Mallaya, Rahul Bajaj, K P Singh, Chanda Kochhar, O P Bhatt, Sunil Bharti Mittal and Anand Mahindra spoke on how the emerging economies put up a better show, while the rich countries crumbled under the weight of the financial meltdown.

"India is now being seen as a land of opportunities.

There is an interest in India. India's growth drivers are really more fundamental and advantageous (than in the rich nations)," said ICICI Bank's MD & CEO Chanda Kochhar.

Moody’s forecasts robust 8.3% growth

Global ratings firm Moody’s has said the Indian economy will grow at an accelerated pace of 8.3% in 2010 from 7.5% in 2009.

Since private demand is becoming a bigger driver of growth, there is case for gradually withdrawing the stimulus, indicated Moody’s. This, it says, is necessary to ensure that inflation does not become a problem as capacity utilisation continues to rise and private investment picks up.

It expects consumer demand to remain strong even if stimulus is withdrawn as improved labour market conditions would support household confidence. It has noted that consumer confidence has translated into surging consumer sales as reflected in the strong growth in consumer goods and automobile output.

Per capita income grew 13% in 2008-09

Revised estimates of national income reveal that India’s per capita income grew by 13.3 per cent to Rs 40,141 in 2008-09, against the revised estimate of Rs 35,430 for 2007-08.

An earlier estimate had stated that the per capita income for 2008-09 had grown by 12.6 per cent on an annual basis to Rs 37,490, against the old estimate of Rs 33,283 for the same period.

However, according to the revised estimates, saving as a percentage of the gross domestic product (GDP) declined to 32.5 per cent during 2008-09 compared to 36.4 per cent in 2007-08.

However, the growth in GDP stood at 6.7 per cent for 2008-09 by both the old and the new methods.

The revised estimates of national income that took into account the 2004-05 prices were announced by the government. The new series of national income factored in the change of base year to 2004-05 from 1999-2000.

According to the estimates, gross domestic savings at current prices (2008-09) is estimated to constitute 32.5 per cent of GDP (at market prices) at Rs 18,11,585 crore in 2008-09, against 36.4 per cent in 2007-08.

Moreover, the rate of gross domestic capital formation at current prices is 34.9 per cent in 2008-09 at Rs 19,44,328 crore, as against 37.7 per cent in 2007-08.

The new series, besides the shifting of the base year, incorporates improvement in coverage as recommended by the System of National Accounts of the United Nations, World Bank and the International Monetary Fund.

Moreover, the new series takes into account the latest available results of long-term surveys by the National Sample Survey Organisation.

India topped project finance deals in 2009

SBI Caps heads global loan chart; power sector dominates.

A study ranked India on top in the global project finance market in 2009, ahead of Australia, Spain and the US.

The study, by Project Finance International (PFI), a source of global project finance intelligence and a Thomson Reuters publication, said the main market for project finance (PF) in 2009 was the domestic Indian market, which raised $30 billion (Rs 1.38 lakh crore), accounting for 21.5 per cent of the global project finance market. This was up from $19 billion in 2008.

Also, for the first time, investment bank SBI Capital Markets, a subsidiary of State Bank of India, topped the global loan chart, ahead of top French, British and US banks. Three French banks followed: Calyon, BNP Paribas and Societe Generale.

“The global project finance market was propped up in 2009 by government-linked projects such as social infrastructure and renewables and by the fact that 20 per cent of the market is in India, which surged to become the biggest and busiest market last year, toppling Australia from the previous year’ top position,” said PFI in its study.

India Inc investments rising by more than 50% a year

India's leading industrial houses had been making heavy investments over the last three years. The rate of growth of their investments for the last three financial years had been in excess of 50% and their aggregate investment numbers more than doubled in the three-year phase.

A study of the investment growth of top 25 industrial houses, chosen according to sales numbers, shows the growth rate increased from 56.1% in 2007-08 to 58.1% in 2008-09. In absolute terms, the investment steadily increased from Rs 1.11 lakh crore in 2006-07 to Rs 2.73 lakh crore in 2008-09.

Thanks to the sustained investment growth, the share of investments in proportion to group assets also went up. The investment-to-assets ratio increased from 23.49% in

Robust industrial production in Nov bolsters revival

Bearing out a strong recovery of the economy, industrial production grew at a faster-than-expected 11.7% in November from a year earlier. An upturn in demand for consumer durables like two-wheelers and TVs primarily drove the expansion, the biggest in two years, although on a low base.

Some analysts reckon that the high growth in factory output would prompt RBI to tighten the monetary policy coming up for review on Jan 29, by raising the cash reserve ratio. A minority also believes RBI could raise policy rates by 25 basis points. But there are others who think the government's view against using monetary policy tools at this juncture would prevail.
The central bank is apparently waiting for the December numbers of wholesale price inflation, due shortly, to take a final call.

The benchmark 10-year bond yield rose to 7.81%, a 15-month high it reached recently. The latest data on industrial output growth, measured on the index of industrial production (IIP), not only dwarfed the low 2.5% growth reported in November 2008, when the economy was hit by the global crisis, but also outdid the robust October figure of 10.34%. The official data showed that between April and November 2009, industrial output expanded 7.6%, almost double the growth in the year-ago period.

Exports rise 9% in December

The government said exports rose for the second successive month in December. The statement came a day before the government unveils a package of incentives for exporters in sectors that continue to face pressure.

Commerce and Industry Minister Anand Sharma told on the sidelines of the Bancon conference that exports from India were estimated at $14.6 billion (around Rs 66,035 crore) in December 2009, which was 9.4 per cent higher than the level in November.

The minister said there was an increase on a year-on-year basis, too, but he did not disclose the extent of the rise.

Sharma said the growth in December was driven by sectors such as pharmaceuticals, engineering and auto components, while leather, handicrafts and apparel continued to be affected by the lower demand in the developed markets.

Industrial growth at 2-yr high on durable stimulus

Backed by government stimulus measures and a low base effect, growth in industrial output touched a two-year high in November 2009. The index of industrial production (IIP) grew 11.7 per cent, primarily due to growth in manufacturing (12.68 per cent in November as against 2.7 per cent last year), fuelling a debate on withdrawal of fiscal and monetary stimulus measures.

Consumer durables, a sub-index of manufacturing, grew 37.3 per cent and capital goods posted 12.2 per cent growth in November 2009, as against 0.3 per cent and 0.5 per cent, respectively, in the corresponding period in 2008.

Consumer goods grew 11.06 per cent. Consumer non-durables showed deceleration of 3.14 per cent as against 12.4 per cent in November 2008. Mining and electricity also posted a growth of 9.97 per cent and 3.28 per cent, respectively, as against 0.7 per cent and 2.6 per cent last year. Basic and intermediate goods continued to post robust growth of 5.98 per cent and 19.37 per cent, respectively.

Planning Commission Deputy Chairman Montek Singh Ahluwalia said the growth in IIP in the current fiscal would be more than that achieved in the previous financial year.

"The IIP numbers indicate that the economy is out of the woods and both investment and consumption are on a recovery path," Planning Commission member Saumitra Chaudhary said.

Overall, IIP grew a meagre 2.5 per cent during the corresponding month in 2008 and 10.35 per cent in October 2009. The cumulative IIP growth rate for April-November 2009 stands at 7.6 per cent as against 4.1 per cent in the corresponding period of 2008-09.

Economists see the numbers more as an impact of government measures and low base effect.

Core sector output for December up 6%

India's core sector, which comprises six key infrastructure industries, grew 6 per cent in December, compared with 5.3 per cent growth in the previous month. The growth, signifying a recovery in industrial manufacturing, was primarily led by an increase in the production of finished steel, cement and electricity last month.

The core sector growth stood at 0.7 per cent in December 2008, due to the economic slowdown.

The sector, which accounts for 26.7 per cent of the Index of Industrial Production (IIP), grew 4.8 per cent in April-December period in the current financial year, against 3.2 per cent in the corresponding period of 2008-09, showed official data released by the commerce and industry ministry.

“The data are on expected lines. We can expect double-digit growth in IIP numbers… The core data alone do not signify much and the recovery in the economy is more visible in IIP and other data,” said D K Joshi, principal economist at Crisil, a ratings agency.

Finished steel output and electricity grew 9.6 per cent and 5.4 per cent, respectively, against a drop of 8 per cent and growth of 1.5 per cent, respectively, in the same month last year.

Crude oil production grew by 1.1 per cent, against a fall of 0.3 per cent in December 2008. Coal and cement output grew 2.5 per cent and 11 per cent, respectively. In the corresponding month of 2008, coal and cement recorded growth of 11.2 and 11.6 per cent, respectively.

Only petroleum refinery products grew marginally by 0.9 per cent in December 2009, against 3 per cent growth in the same month last financial year.
In the April-December period, the output of crude oil and petroleum refinery products fell by 1 per cent each, compared with a 0.5 per cent decline in the year-ago period.

While coal and cement rose by 8.3 per cent and 11 per cent, respectively, electricity and finished steel also posted moderate growth of 6 per cent and 3.6 per cent, respectively, in the nine-month period.

Forex reserves swell 11% in 2009

The country's foreign exchange reserves have gone up by 11% to $283 billion between January and December 2009, after witnessing an 8% fall in 2008 to $254 billion. During 2009, forex reserves increased $29 billion on the back of large inflows into the stock market of just over $17 billion during the year and despite some moderate intervention by the central bank to check the rupee’s appreciation. The bigger capital flows have resulted in the Indian currency strengthening by 4.4% during the current year taking the rupee to 46.62 against the dollar. The rupee has bounced back by almost 13% after touching a record low of 52.185 in March 2009.

“The fairly large capital inflows into the economy have boosted the reserves. The RBI has also signalled that it is comfortable with the pace of capital inflows thus far and hence it hasn't intervened much in the foreign markets,” noted Shubhada Rao, chief economist with Yes Bank.

Approximately, $13 billion was added to the reserves during August-October and much of this is believed to be due to the revaluation of non-dollar assets in the reserves such as the euro, the pound and the yuan.

Forex reserves up $22 million; rupee falls

The country's foreign exchange reserves have risen $22 million to $283.5 billion in the week ended 1 January, 2009, the Reserve Bank of India (RBI) said in its weekly statistical supplement.

While foreign currency assets fell $85 million to $258.6 billion, gold reserves rose $110 million to $18.3 billion, the bank said.

Special drawing rights with the International Monetary Fund fell $3 million to $5.2 billion, while its reserves with the IMF were unchanged at $1.4 billion.

Total reserves jumped $28.3 billion in the past year, the bank said. Assets comprise of overseas currencies, gold and special drawing rights with the IMF.

The liquidity in the money markets was comfortable and the overnight rates were steady. The overnight call rate was seen in a range of 3.20-3.40%.

FIIs inflow at Rs 3,700 crore in first week of new year

Overseas investors infused a net Rs 3,700 crore into the stock market in the first trading week of the New Year, reflecting an impressive start for the decade after record inflows in the last year.

Foreign institutional investors (FIIs) were gross buyers of shares worth Rs 13,738.80 crore, while they sold equities worth Rs 10,000 crore, resulting in a net investment of Rs 3,738.70 crore, as per the data available with capital market regulator Securities & Exchange Board of India (Sebi).

FIIs poured in a record Rs 83,400 crore in the domestic equities in 2009. FIIs were the net investor of Rs 4,417.90 crore in debt instruments, according to the Sebi data.

Interestingly, Sensex grew by 0.43% to close at 17,540.29 points during the period under review. Sensex registered an impressive gain of over 81% last year.

FIIs investment of Rs 83,400 crore in 2009 was the highest inflow in the country in rupee terms in a single year and came a year after overseas investors pulled out over Rs 50,000 crore.

Foreign fund flows push shares 81% in 2009

Indian shares are no longer cheap after recording their biggest annual rise since 1991, investment strategists overseeing the country's top performing equity funds for 2009 said.

Indian shares rose 81% in 2009, driven by a flood of foreign funds, stretching 12 months forward price to earnings multiple of India's benchmark index to nearly 17 times, one of the most expensive in Asia.

"Markets are not cheap any longer... the earnings has come on the back of substantial fiscal and monetary stimulus," Sankaran Naren, equities chief investment officer at ICICI Prudential Asset Management said 'International valuations are cheap compared to Indian markets'.

"In large caps, stocks are pretty fairly valued, so one does not see pure value picks there. However, in midcaps, there are some value picks," Rajat Jain, chief investment officer of Principal Pnb Mutual Fund, overseeing Rs 8,000 crore of funds said.

FIIs head for small & mid-cap stocks

The year 2010 has started off on a positive note for Indian equities, especially in terms of attracting inflows from overseas investors. In the first 15 days of the year, foreign institutional investors (FII) have net purchased Indian equities worth Rs 8,191.6 crore or $1.8 billion, close to the average monthly inflow of Rs 9,852.18 crore witnessed in the past six months. During 2009, FIIs had net purchased equities worth Rs 83,400 crore, the highest so far in a single calendar year.

However, it has been seen that many of the overseas investors are heading towards small-and mid-cap stocks rather than large-cap stocks. During the first two weeks of January, the BSE small-cap and mid-cap indices have clearly managed to outperform the 30-share Sensex. The small-cap index had generated a return of 7.33%, while the BSE mid-cap index climbed 4.95%, compared with Bombay Stock Exchange Sensex's marginal gain of 0.51%.

"After a long time, we are seeing excitement back in mid and small-cap stocks," said Ramdeo Agarwal, MD, Motilal Oswal Securities, adding, "Since large-cap stocks are looking expensive after last year's record rally, there is some selling coming up and the interest is shifting towards mid-cap counters. We believe the activity in mid-cap counters will really pick up from here".

FIIs raise a toast to India, infuse $1.6 bn

Portfolio investors have pumped in a net $1.6 billion into Indian equities within six trading sessions in the new calendar, raising hopes that many overseas fund managers may increase their allocations to India in 2010.

According to foreign portfolio managers, Fidelity, Halbis and Jardine Fleming Asset Management were among the large portfolio investors in India in 2009. Some of the other long-only funds that are bullish on India at the moment, and are planning to increase their allocations for this region include Capital International, Eton Park, Halbis and T Rowe Price.

A significant number of hedge funds too are said to have increased their India exposure.

With many of these players seeing a sharp improvement in their performance in the past quarter, inflows into their schemes have shot up.

“The allocation for India is increasing ,” says Manisha Girotra, MD and chairperson, UBS India. “Sectoral funds have also started allocating to India. Investors are coming in with a fatter wallet,” she says.

The global view is that there won’t be a double dip in the US and that developed markets are on a steady path to recovery. A greater risk appetite, the underlying recovery in India, and likely earnings upgrades here should help sustain flows to India in the near term.

Forex kitty up $899 m, touches $285 bn

Foreign exchange reserves rose $899 million to touch $285.1 billion during the week ended January 15, largely on account of revaluation of non-dollar assets in reserves. The latest figures released by the Reserve Bank of India (RBI) indicate that the total foreign exchange reserves comprising foreign currency assets, gold and special drawing rights (SDR — reserves currency with the International Monetary Fund) rose $853 million reflecting valuation gains in non-dollar assets. The value of SDR and the reserve capital with the IMF rose $36 million and $10 million, respectively, during the week.

Govt to relax FDI norms

The government of India proposes to ease the norms for foreign direct investment (FDI) approval.

At present, projects worth more than Rs 600 crore require the final approval of the Cabinet Committee on Economic Affairs (CCEA). The department of industrial policy and promotion (DIPP) has proposed that this ceiling be raised to anywhere between Rs 1,000 crore and Rs 1,500 crore.

The new norms are likely to be notified after the introduction of a consolidated FDI policy framework on April 1 this year. Projects below the threshold would get their final approval from the finance minister after they have been cleared by the Foreign Investment Promotion Board (FIPB).

Last month, Commerce and Industry Minister Anand Sharma unveiled a draft consolidation of the FDI policy. It aimed to bring greater clarity by replacing all 177 press notes outlining the guidelines and making it investor-friendly. The draft guidelines were released for stakeholders' consultation till January 31. It would be finalised by March 31. The new policy would then be subjected to inter-ministerial review after every six months.

FDI inflows increased to $27 billion in 2008-09 from $3.2 billion in 2004-05. During the period April-September 2009-10, FDI inflows reached $15 billion. The government has set a target of achieving $50 billion annual FDI by 2012 and $100 billion by 2017.

Revival in capital inflows gathers momentum

The revival in capital flows, which started in financial year 2009-10 and gathered momentum in the second quarter, has remained buoyant even in the third quarter, according to the second-quarter macroeconomic and monetary development report released by the Reserve Bank of India (RBI).

Net inward Foreign Direct Investment (FDI) continued to remain upbeat during the second quarter of 2009-10, reflecting relatively better growth prospects for the economy.

In the April-November period, FDI value increased marginally to $25 billion (Rs 1,13,750 crore) from $23.3 billion (Rs 1,06,015 crore) in the corresponding period last year.
Portfolio investments, too, continued their upward trend, mainly due to the revival in Foreign Institutional Investment (FII) inflows since the first quarter of 2009-10.

In the period from April 2009 to January 15, 2010, net FII inflows increased to $24.7 billion (Rs 1,12,385 crore) compared to an outflow of $12.1 billion (Rs 55,055 crore) in the same period last financial year.

Inflows under portfolio investment were led by large purchases of equities by FIIs in the Indian stock market and revival in net inflows under American Depository Receipts (ADRs) and Global Depository Receipts (GDRs) due to resurgence in stock prices of Indian companies.

The value of ADRs and GDRs nearly tripled to $3.1 billion in April-November 2009 compared to $1.1 billion in the corresponding period last year.

"The better than expected macroeconomic performance of India during 2009-10 and positive sentiments of global investors about India's growth prospects are the factors primarily responsible for sustained capital inflows during the year so far," the report said.

During the first half of 2009-10, net capital flows were high, mainly driven by foreign investment inflows, particularly reflecting the turnaround in FII inflows. In banking capital, net inflows under NRI deposits remained high.

Net inward FDI into India remained buoyant during April-September 2009 as compared to the level in the same period in 2008. During this period, FDI was channelled mainly into the manufacturing sector, followed by communication services and real estate sector.

Easier FDI rules for Indian arms of foreign firms

The government has decided to allow Indian arms of foreign firms to use internal accruals for reinvestment in downstream sectors, provided they are reckoned as debt and comply with relevant external commercial borrowing (ECB) norms. The new regime would let these firms, owned or controlled by foreign companies, to bring in additional capital without breaching the foreign direct investment (FDI) caps, as the reinvested funds are not treated as equity capital, official sources told.

The move would greatly ease the cash flow of foreign companies present in India and enable them to compete with local firms on a level-playing field.

Currently, FDI caps in key sectors impede the downstream investment plans of companies incorporated in India as wholly owned or majority-owned by foreign firms. Downstream investment refers to either fresh investment or acquisition by foreign-owned Indian holding company in a project of "different activity" which may or may not belong to the same group.

India, Russia to set up $600-million aircraft JV

India and Russia are to invest $600 million to set up a joint venture (JV) to produce a medium lift transport aircraft for their armed forces.

While Bangalore based state-owned Hindustan Aeronautics Limited (HAL) will fork out $300 million, Russia's United Aircraft Cooperation (UAC) will invest a similar amount for the joint venture which will start rolling out the aircraft by 2017.

Voice of Russia radio said the joint venture coming up with fifty-fifty equity would develop the aircraft at Aviastar-SP plant based in Ulyanovsk city on Volga.

The Indian Air Force is expected to order at least 35 and Russian Air Force as many as 100 medium lift transport aircraft.

In its basic configuration the new transport aircraft will have a payload capacity of 18.5 tonne of cargo and can fly up to a a distance of 2500 km in any climatic conditions.

The aircraft is being designed to also operate from high altitude mountain airstrips, according to information posted on UAC website. India hopes that the new medium lift transport aircraft will replace its ageing fleet of 104 AN-32 aircraft.

India, Indonesia to double trade value by 2013

After achieving the bilateral trade target of $10 billion in 2009, Indonesia and India are looking to double the value of trade between the two countries by 2013. Presently, Indonesia is India's second largest export market in the Asean (Association of Southeast Asian Nations) region.

“The bilateral trade account between India and Indonesia has shown a significant increase. In 2006, the trade value was $5.5 billion, then increased to $8.7 billion in 2008, and in 2009, the total trade value increased by 20 per cent to $10.55 billion. So it has passed the target. We are now aiming to double the value trade in the next three years,” Indonesia's ambassador to India Andi M Ghalib said. Ghalib, who was speaking at an interactive session at the Merchants' Chamber of Commerce, said that the recently signed free trade agreement (FTA) between India and the Asean would act as a further shot in the arm for bilateral business.

“With an expanding economy and increasingly favourable investment climate, Indonesia stands as a key economic entity in the Asean region. We need much more from India in the IT, education and healthcare sectors. There is optimism about the potential that exists between the two countries,” he said.

India, Japan to jointly develop solar city

India and Japan would jointly develop a city in India as “solar city”. An agreement was reached at a meeting of New and Renewable Energy minister Farooq Abdullah with the Japanese minister for Internal Affairs and Communications Kazuhiro Haraguchi.

The government has, till now, given its in-principle approval to 34 cities in the country to be developed as solar cities.

A solar city is one in which the government tries to reduce the demand for conventional energy by 10 per cent in five years through energy efficiency measures and generation from solar power projects.

Luxembourg keen to boost trade with India

To stimulate trade and investment between India and Luxembourg, the minister of economy and trade of the Grand-Duchy of Luxembourg, Jeannot Krecké will hold a meeting with representatives of Indian companies. Companies from different sectors in Luxembourg will also join the meeting. The provisions of the double taxation avoidance agreement signed between India and Luxembourg in June 2008 will be applicable in India from April 1, this year.

Jean-Claude Knebeler, director of foreign trade, ministry of the economy and foreign trade, Luxembourg said, "The government of Luxembourg has taken several steps to further broaden its relationship with India, especially to promote trade and investment between the two countries".

"Luxembourg has a lot to offer, especially in terms of an attractive business and legal framework. Our bilateral trade has tripled from 2002 to 2007 reaching a peak of 52 million euros. India is of major interest to our companies who are eager to find new business partners," added Knebeler. With the GDP growing by an average of 5%, Luxembourg has a wide range of business sectors, particularly steel, chemical, plastics and synthetic materials, engineering, mechanical construction, industrial machinery, processing of ferrous and non-ferrous metals, car industry, precision instruments, electronic supplies and glass production.

India, Finland sign revised double taxation pact

India and Finland signed a revised agreement for avoidance of double taxation and prevention of fiscal evasion with regard to tax on income.

According to the revised agreement, withholding tax rates on dividends have been reduced from 15 per cent to 10 per cent. On royalties and fees for technical services, the rate has been reduced from 15 or 10 per cent to a uniform rate of 10 per cent.

“Lowering of withholding tax will promote greater investments, flow of technology and technical services between the two countries,” the finance ministry said in a statement. The double taxation avoidance agreement, or DTAA, was signed by Central Board of Direct Taxes Chairman S S N Moorthy on behalf of the central government and Terhi Hakala, the Ambassador of Finland to India. The agreement will come into force after internal processes in both the countries are completed.

India, B'Desh sign pacts in trade, infrastructure

In her first visit to India after clinching power at Dhaka with a massive mandate in 2009, Bangladesh Premier Sheikh Hasina held a wide-ranging discussion with the UPA government as both sides clinch key agreements on infrastructure, transport, trade and other issues.

Before the meeting with Prime Minister Manmohan Singh, Hasina held crucial meetings with Finance Minister Pranab Mukherjee and External Affairs Minister S M Krishna separately. While Krishna came out of the meeting and said combating terrorism would be the main agenda of the two governments, Mukherjee expressed his happiness over the “successful” meeting and said, “We will ensure that more and more goods and services from Bangladesh come to India.”

The two countries signed three agreements related to security. They will offer mutual legal assistance on criminal matters, sentenced persons would be transferred to their homeland (India will get access to many Ulfa rebels currently behind bars in Dhaka) and the two countries will combat international terrorism, organised crime and illegal drug trafficking.

India agrees to cede 17,000 acres to Bangladesh

At last India has decided to settle some of its dues with history with Bangladesh, by agreeing in principle to cede control over some 17,000 acres of territory as part of a larger, comprehensive agreement, in which the remaining tiny part of the 4,096 km-long boundary will be demarcated, while several pockets of adverse possessions and enclaves claimed by both sides are likely to be settled on an “as-is-where-is” basis.

The decision to settle the matter is believed to have been taken at the highest political levels in India, on the eve of Bangladeshi Prime Minister Sheikh Hasina’s visit to India earlier this week, and is in keeping with Prime Minister Manmohan Singh’s view that small disagreements cannot be allowed to come in the way of a dynamic relationship with Delhi’s eastern neighbour.

Home Secretary GK Pillai confirmed that India, during the home secretary-level talks in Dhaka in early December had offered such a comprehensive agreement to Dhaka – demarcating the remaining 6.1 km of the 4,096-km long boundary, plus settling the matter of adverse possessions and enclaves — and had received a positive response from the Bangladeshi government.

India holds as many as 111 enclaves or tiny bits of land within Bangladesh territory, amounting to some 17,000 acres since the partition of the subcontinent in 1947 (initially held by Pakistan, and after 1971, with Bangladesh), while Bangladesh holds some 51 enclaves amounting to about 7,000 acres in India.

Malaysia woos India to invest in realty sector

In order to attract more foreign direct investments (FDI) into its real estate sector, Malaysia is making all efforts to garner major investments from countries like Singapore, UK, Korea and India. The Malaysian government’s Foreign Investment Committee (FIC) has recently announced a comprehensive deregulation of investment guidelines to facilitate smooth inflow of investments into the country. As part of its India investments initiative, the Malaysian government, for the first time, is holding property expo in Chennai from January 22-24. The expo will be inaugurated by Malaysian Prime Minister Mohd Najib Tun Razak, said Kumar Tharmalingam, member, board of governors, Malaysia Property Incorporated (MPI).

“The most important aspect in purchasing Malaysian real estate is the land law system that allows for transparency and enforceability of ownership. Foreigners also have no impediment to buying freehold Malaysian real estate and to sell when the need arises without restriction,” Tharmalingam said.

In 2008, Indian investors were the fourth largest in residential property investments in Malaysia after Singapore, UK and Korea. The locations of choice were Kuala Lumpur, Penang and Johor with a price range of $150,000-$300,000.

India, Korea to ink three key MoUs

India and South Korea will sign three memoranda of understanding on techno-economic cooperation, information technology and space cooperation during the visit of South Korean president Lee Myung-bak as chief guest for India's Republic Day celebrations.

An upgrade to a strategic partnership is also on the cards during President Lee's visit, sources said, with Seoul seeking to establish relations with "new nations" like India, ASEAN and Central Asia – beyond nations like the US, China, Japan and Russia, the building blocks of Lee's 'New Asia Initiative'- while India seeks to reinvent ties with East Asian powerhouses like Japan and Korea.

President Lee will, however, not visit the site of the Posco steel plant in Orissa's Jagatsinghpur district, where Korea's largest steel-maker has been trying to build an integrated steel factory and port at Paradip, even though Prime Minister Manmohan Singh personally intervened to push central and state authorities to allow Posco to acquire the land earlier this month.

India, S Korea agree to double trade, talk N-deal

In the wake of the Comprehensive Economic Partnership Agreement, Prime Minister Manmohan Singh and South Korean President Lee Myung-bak agreed to double bilateral trade between the two countries to $30 billion by 2014 and begin negotiations on a civilian nuclear agreement.

Mr Singh and Mr Lee held discussions on a wide range of issues with both sides agreeing to raise the partnership to a strategic level.

"Considering that the Korea-India partnership is a factor for peace and stability in Asia, Mr Lee and Mr Singh agreed to enhance bilateral relations to a strategic partnership," a joint statement issued after the discussions between the two leaders said.

Mr Lee, speaking at a business meet, noted that South Korea was the ninth country with which India now has a strategic partnership and called the elevation of ties a significant development for bilateral relations.'' Mr Singh said that India was committed to ties with South Korea. We are committed to developing a robust and comprehensive framework for strategic engagement with Korea,'' he said.

Biotech sector

Biotech sector may double to $5 bn by 2011

India's biotechnology sector is set to become a $10 billion industry by 2015, CMD of Biocon Ltd, Kiran Mazumdar-Shaw said today. She expects the industry to grow to $5 billion by next year. In 2008-09 it was $2.51 billion.

“India’s biotechnology industry is at an inflexion point, and has attained a critical mass, Mazumdar-Shaw said. It now has a platform from where it can leapfrog and deliver exponential growth, she said. India is also becoming the vaccine capital.

India is today becoming the vaccine capital. Bio-manufacturing offers a huge potential and there are indications many global contract manufacturers announced they will be shifting their base from Europe to Asia. I think India will be a beneficiary of that strategy,” Kiran added. Clinical trials, agri-biotech and bio-fuels are becoming opportunities. There are a lot of growth drivers and trigger points which, she said, will deliver in the next five years.

Biocon explores investment in Malaysia

Biocon Limited, the country’s second largest biotechnology firm has signed a Memorandum of Understanding (MoU) with Malaysia’s Biotechnology Corporation (BiotechCorp) to explore collaboration and potential investment in Malaysia’s biotechnology industry.

Biocon is in talks with BiotechCorp to manufacture biopharmaceutical products and formulation, within Malaysia’s Nusajaya, Iskandar Malaysia, in the biotech park called the Bio-XCell Ecosystem.
Biocon is also developing biotechnology infrastructure in the Bio-XCell Ecosystem Project. BiotechCorp is the lead development agency for the biotech industry in Malaysia and acts as a central contact point providing support, facilitation and advisory services for biotech and life sciences companies in Malaysia.

Kiran Mazumdar-Shaw, chairman and managing director, Biocon said, “The company is keen to explore Malaysia as a destination for our expansion. Malaysia and the Bio-XCell Ecosystem in Iskandar Malaysia are attractive propositions.”

Biocon develops and manufactures biopharmaceutical products for various medical needs, including cancer, diabetes and inflammatory diseases. In the third quarter of the ongoing fiscal, Biocon posted three times growth in its net profit to Rs 81 crore as compared to the corresponding quarter of last year.

The company is also furthering its own research for oral insulin and has filed an US IND application, which when approved gives the company approval to start human trials, a major step prior to commercialising the product.

Retail

Global tie-ups, private labels to be buzzwords in retail this year

Tie-ups with international retailers and brands, emphasis on profitable growth and increased focus on private labels are set to be key trends in the Indian retail sector in 2010, say retailers and consultants.

Though foreign direct investment in single-brand retailing and cash-and-carry ventures are allowed along with franchising and licensing pacts as of now, 2009 saw most of the foreign retailers focusing on manage the business in their home countries, where they were seeing declining sales.

“In 2010, a lot of international retailers and brands are most likely to look at India as global markets have stabilised and the Indian economy has proved to be better than most other countries. These factors give a lot of confidence for them to invest in India,” said Arvind Singhal, chairman of Technopak Advisors, a business consultancy.

Wal-Mart has set up its first unit in the country and Tesco, the UK’s largest retailer, is providing back-end support to Tata’s hypermarket Star Bazaar, Carrefour is said to be talking Kishore Biyani’s Future Group for a possible tie-up.

Industry sources said a number of international brands are also holding talks with Future Group, Reliance Retail and Spencer’s Retail for tie-ups.

Devangshu Dutta, chief executive of business consultancy Third Eyesight, believes franchising and licensing agreements could be a major avenue used by overseas brands to enter the country.
“Our research shows that 45 per cent of fashion and lifestyle brands, which have entered India in the recent past, have used this route because it gives a quick entry and allows tie-ups with partners who have good real estate capabilities,” Dutta says.

Auto Sector

Siam brings more cheer to Expo with sales figures

Higher discounts, new models and lower base have helped the passenger vehicle industry to register high double-digit growth in December, thereby continuing the growth momentum of the last eight-nine months. This comes at a time when the Motown is buzzing with several new launches and concept cars at the 10th Auto Expo. According to the Society of Indian Automobile Manufacturers (Siam), sales of passenger vehicles jumped by 49.9% in December 2009 at 1,49,097 units compared with 99,440 units in the corresponding month in 2008.

The cumulative sales of passenger vehicles between April and December last year went up by 23.8% at 13,67,986 units against 11,04,999 during the same period in the preceding year, the third highest growth worldwide.

“In fact, in the passenger vehicle segment, India was the third highest growing market in the world after China and Germany in 2009,” Pawan Goenka, president, Siam, said, adding that sales in 2009 were also boosted by new launches totalling 11, the highest in recent years.

While India’s passenger vehicle sales went up by 18%, China registered a growth of 42%, propelled by a tax cut on cars announced in January 2009. Germany registered a growth of 25% growth, buoyed by the incentives given for buying new vehicles in exchange of old ones.

Higher volumes set to drive auto results in Q4

Following Bajaj Auto, which recorded a 189% growth in net profit, other auto companies in commercial vehicles and four and two wheeler segments are also expected to witness topline and bottomline growth for the third quarter ended December 31, 2009, on the back of higher volumes.

Easing liquidity conditions, new launches in all vehicle segments, attractive discounts and bumper sales during the festive season are major reasons for appreciable growth in the third quarter, market watchers said.
Finance has started returning to the auto sector, and to a larger extent, in the passenger vehicle segment, due to larger ticket size and lower defaults. Banks and financial institutions have reduced interest rates by almost 350-400 basis points in the last six to eight months, said Vaishali Jajoo and Shreya Gaunekar at Mumbai-based brokerage Angel Securities in their latest report. Commercial vehicles (CV) disbursements are also improving, they said. Auto giants like Maruti Suzuki, Tata Motors, Mahindra & Mahindra (M&M), TVS and Hero Honda witnessed robust volume growth in the period. The quarterly volumes of Tata Motors, including CVs and passenger cars, jumped 65.1% to 161,212 units while Maruti's surged 48.8% to 2.58 lakh units and volumes of M&M climbed 63.3% to 1.16 lakh units.

On the two-wheeler front, the volumes of Hero Honda increased 29.6% to 11.11 lakh units while TVS Motors reported a growth of 21.9% at 3.72 lakh units. In FY09, the two-wheeler segment registered 2.6% year-on-year growth, albeit on a low base. The growth story continued, with the top three two-wheeler makers (Bajaj Auto results already out) estimated to have registered 39.5% year-on-year growth in Q3 FY10, aided by robust growth in the motorcycles segment. The auto index registered a 14% jump during the quarter versus the 2% rise in the Sensex. Sentiment for auto stocks had turned positive in the current fiscal on easing concerns over lower volume growth, following the various stimuli announced by the government and the Reserve Bank to arrest the declining volumes of the industry.

Auto industry growth to accelerate 10-12% in '10

The Indian auto sector is likely to witness an overall growth of 10%-12% in sales during 2010 and a faster recovery in expected in passenger vehicle (PV) volumes—of 12%-14%—compared with 5%-6% for the commercial vehicle (CV) segment. The positive outlook for demand could result in a sharp increase in capex plans, which could offset the positive impact on credit profiles of higher volumes and lower inventories, said Fitch Ratings.

The trend should fall in line with the improvement in the domestic economic environment and improved availability of credit. Although domestic sales volumes are expected to recover, exports are likely to remain an area of concern due to the slowdown in global automotive markets and the expiry of scrappage incentives for replacing older vehicles (as were offered for PVs in 2009). PV sales began to improve from June 2009 and CVs from October 2009.

The PV rebound has been supported by an improving liquidity scenario and restoration of consumer confidence; modest growth in industrial production, together with the government stimulus, has brought about stability in CV sales, though at lower levels than for PVs.

Domestic CV sales grew by 22.3% during April-December 2009 compared with same period in 2008, building on the recovery in demand beginning Q4 09. However, growth trends have distinctly varied within the CV segment - depending on the tonnage capacity and end-use, as light commercial vehicles (LCVs) have been able to maintain their ground while medium and heavy commercial vehicles (M&HCVs) continued to face pressure due to the decline in industrial output.

The M&HCV segment is now stabilising with the higher industrial production, while the LCV segment is showing a more rapid recovery. Fitch expects the full-year 2010 numbers to reveal moderate growth in the range of 5%-6% for domestic sales, with the first few months being driven by regulatory guidelines pertaining to fiscal benefits and less stringent emission norms.

FMCG

FMCG industry eyes 15% growth this year

The Rs 86,000-crore FMCG industry is expected to witness a lot of action in 2010. With the economy showing signs of revival, the industry is expected to register a 15% growth in 2010 as compared to the previous year.

“The industry will witness a spate of acquisitions & mergers in the 2010. There will be a renewed focus on rural consumers too,” said an analyst based in Mumbai. The country’s FMCG industry registered a 12% growth in 2009 despite the economic downturn. The captains of the FMCG sector are optimistic about the industry’s performance in the New Year. Godrej Group chairman Adi Godrej said, “With 8% GDP growth and GST implementation, we feel it will be a great year for the FMCG sector in India. The focus area for the Godrej Group will be on FMCG business in 2010.”

Sops for food processing industry

The food processing industry in India is all set for a robust growth with the Centre today announcing a series of new initiatives. This includes a separate policy at the state level, thrust on contract farming and making the sector tax-free.

Inaugurating Baba Ram Dev’s mega food park at Haridwar, Union Minister for Food Processing Industries Subodh Kant Sahay said the Centre would launch efforts to set up at least one mega food park in each state.

Stating that the sector was growing at 14 per cent, Sahay said the Centre had also decided to keep the food processing industry out of the tax net. “We have decided not to levy any tax on the industry,” he said.

For the further growth of the sector, he asked all the states not to levy VAT more than four per cent on the food processing industry. He said the industry would soon become the backbone of the country.

Sahay also asked all the states to come out with a separate food processing policy in order to attract investments in the rural sector and assured all support from his ministry.

In lighter vein, he also urged Baba Ramdev to invite Planning Commission Deputy Chairman Montek Singh Ahluwalia to Haridwar for showing the working of the food processing industry which he said would help his ministry in getting more budgetary support.

Rs 1-lakh cr investments in food processing by 2015, says Sahai

The Union food processing ministry has set a target of attracting investments to the tune of Rs 1 lakh crore in the sector by 2015.

Subodh Kant Sahai, union food processing minister, said: “We are expecting investments of Rs 1 lakh crore in the next five years. We are planning to increase food processing to 20% of the total fruits and vegetable produced in the country.”

According to him, food processing has grown by 10% in India while value-added products have grown by 10-15% in the last five years.

We are looking at a growth of 35% in value-added production by 2015, Sahai said.

Top 8 FMCG companies may see 23% growth in net profit

FMCG companies are expected to log a healthy performance during the December quarter on the back of strong volume growth. Mid-sized FMCG companies such as Godrej Consumer Products (GCPL), Dabur, Marico and Nestle are likely to continue their outperformance over sector biggies HUL and ITC.

An average of total estimates of ETIG and three other broking analysts for leading eight FMCG companies points to a strong 23% increase in net profits during the December quarter against the corresponding quarter in the previous year. FMCG companies are expected to log an average growth of 15% in revenues. These estimates don’t show any visible impact of a poor monsoon on the quarterly performance of FMCG companies.

On an aggregate level, the net profit margin for a group of companies studied is likely to increase by 110 bps to 16.4% YoY. Most companies are likely to witness expansion in their profit margins. This is largely so because of lower raw material costs over the same period last year. Ad spend is likely to remain high for most companies, as companies have aggressively chased volumes through spending on more ground level (below-the-line) marketing activities.

Farm exports surge 40% in three years

The country's farm product exports in value terms have surged by about 40% to over Rs 80,600 crore in the last three years, with foodgrain, oilmeals and fruits and vegetables witnessing maximum demand in the overseas market.

“The value of exports of the agricultural products has increased by about 40% during the last three years,” a government statement said.

The official data showed the country's farm exports stood at Rs 80,613.01 crore in the 2008-09 fiscal, compared with Rs 57,376.67 crore in the 2006-07 fiscal.

The sale of foodgrain in the overseas market jumped to Rs 15,089.80 crore from Rs 7,670.51 crore, while oilmeals shipment rose to Rs 10,269.24 crore from Rs 5,504.32 crore. Export of fruits and vegetables increased to Rs 4,399.04 crore from Rs 2,960.50 crore in the review period.

Among other commodities, the export of tobacco and spices also witnessed a sharp rise in the last three years. Tobacco shipments rose to Rs 3457.79 crore from Rs 1685.16 crore, while spices export went up to Rs 6338.13 crore from Rs 3,157.89 crore.

Export of tea and coffee rose marginally at Rs 2,687.63 crore and Rs 2,255.76 crore, respectively in the last three years.

Interestingly, agri-product export rose significantly by over 29% during 2007-08 from previous year. Comparatively, the shipments in 2008-09 grew by only 8.66%, the data showed.

Tourism

Foreign tourist arrivals to rise 25%

Foreign tourist arrivals in India in the peak tourism season of 2009-10 is set to witness a growth of 25 per cent over the same period of 2008-09.

After battling a phase of slowdown which began from the second half of 2008-09, the economy is on the recovery track, bringing cheer to the travel and tourism industry in the country.

The peak tourism season in the country begins from November and continues up to February. The tour operators have witnessed a 20 per cent jump in bookings in the months of November and December 2009.

Vijay Thakur, president, Indian Association of Tour Operators (IATO), “India is set to witness a growth of 25 per cent in the peak tourism season of 2009-10 in terms of foreign tourist arrivals. The growth in inbound tourist arrivals to the country would come on the back of the revival in the economy.”

To give a further boost to the tourist arrivals, IATO has drawn up plans to hold roadshows in USA, UK, European Union nations and Australia in 2010 to hard sell India as a tourist hub.

India has targeted to attract 10 million foreign tourists by 2010, almost double the figure which the country achieved in 2008. The country recorded foreign tourist arrivals of 5.37 million in 2008 and earned foreign exchange worth Rs 50,730 crore.

Telecom

Indian telcos follow global peers, tap mobile apps biz for growth

Indian telcos are joining communication majors such as Vodafone, AT&T and France Telecom in a bid to capitalise on the global boom in the mobile applications space.Mobile operator Aircel, along with software major Infosys, will unveil the country’s first mobile application store.

The concept involves allowing independent software developers to produce a range of applications for Aircel’s customers on a revenue sharing basis. Here, Infosys will provide the IT backbone and software kits that will allow developers to come up with products and services targeting the ‘desi’ user. Globally, developers also sell their applications (called apps) for a one-time fee or even offer it for free as increased usage of their apps drives advertisers to their products and solutions.

In mid-2009, Bharti Airtel became the first Indian telco to have an independent developers community to develop applications and services for the over 120-million customers across its mobile, landline, internet, IPTV and DTH services. Over 1,000 developers have signed up for the Airtel Open Developers Community, on the lines of such communities owing allegiance to global technology firms such as Apple, Google and Nokia.

Executives with Airtel said that the telco, along with IT major IBM, was on track to launch its app stores in 2010. Airtel provides the software development kit, the main set of tools needed to write applications, to AODC members and also trains them to build applications across the three screens — PC, mobile and TV. Airtel has also roped in over 100 companies — including Infosys, Indiagames, Mobile2Win, Versa, Symbiotic, Pyro, Hungama and OnMobile amongst others — to develop solutions on its IBM-built

The moves by Bharti and Aircel are seen as a tacit recognition from mobile operators that the future of mobile technology is in the hands of independent developers who can gauge market needs. It also emphasises the fact that operators are positioned to drive apps, since they understand their consumers better and have far greater insight into their usage. Additionally, the apps developed by the Bharti and Aircel platforms will be independent of handsets.

India may have 100 mn broadband connections in 5 years: Pitroda

Hoping that the newly launched video telephony, by BSNL and Sai Info Systems (SIS), will boost demand for broadband connection, Sam Pitroda, advisor to Prime Minister on public information, infrastructure and innovations, expects the number to hit 100 million in next five years.

Unveiling the Video Phone services in Gujarat for commercial use, Pitroda said, "It took 50 years for video telephony to move out of laboratories into market. However this new step in telecom holds the key behind a big jump in broadband connections in India. At present, the number of broadband connection is less than 10 million, but services like video telephony is bound to generate fresh demand for the broadband service. We hope to have 100 million broadband connections in India next 3-5 years."

Being offered by state-owned telecom operator BSNL in association with Ahmedabad-based IT solution provider SIS, the video telephony services will require land line telephone as well as broadband connections. With the help of a separate device, the service will allow subscribers to make video calls at Rs 2 per minute.

"We will begin offering video telephony services in association with SIS from January 22, 2010 while the connections will be offered from February 1, 2010 onwards. Initially, the service will be available to BSNL customers in Gujarat and by April, 2010, customers across the country will be able to avail the service. While the audio call will cost subscribers Rs 0.40 per minute, video calls can be made at Rs 2 per minute," said SK Bhandari, principal general manager, BSNL.

The video phone service will be available in wire line as well as wireless medium on IP. According to Vijay Mandora, director of SIS, a wide range of phone equipment from simple to high end models will be introduced in the market.

"The service is expected to revolutionize the telecom sector and take it to the next level. Globally with video phones have become an integral part of life. The service will be provided and marketed by SIS while the connectivity for the service will be provided by BSNL. BSNL will also market it as another value added service to its large broadband customer base," said Mandora, director, SIS.

Telcos add 19.1 million new users in December 2009

The Indian mobile service providers added a record 19.10 million users in December 2009, higher than 17.6 million added in November. This is also the highest monthly growth recorded by any telecom market ever globally.

Tata Teleservices led the December additions with over 3 million new users beating Bharti Airtel for the fifth consecutive time to maintain the leading position in terms of monthly subscriber additions. Bharti Airtel added 2.85 million users, according to figures released by sector regulator, Trai.

"Tata Tele has shown outstanding performance in past few months because of its operation structure, quality of service and the coverage. It will continue to add such high numbers in the coming months also," AUSPI secretary general S C Khanna said.
However, Bharti Airtel is still the largest operator in the country with over 118 million subscribers on its network, while Tata Teleservices has about 57 million users on both CDMA and GSM platforms. The total number of mobile phone users in the country now stands at 525.15 million compared with 506.04 million in November.
Reliance Communications lost the second position to Bharti Airtel by just a few millions. It added 2.8 million users in December. Reliance Communications now has a total subscriber base of 94 million.

Idea Cellular, which had recorded its best performance in November by adding over 2.5 million users added just 1.7 million users in December, taking its total subscriber base to 58 million.

Vodafone Essar maintained its consistent performance by adding close to 2.7 million users in December. The operator is now serving over 91 million users.
Aircel followed Idea Cellular to add 1.6 million users in December taking its total subscriber base to 31 million. Sistema Shyam, a new entrant in the CDMA space, added 0.4 million users in December.

Uninor, which recently launched its GSM services, added 1.2 million subscribers. Uninor, the telecom venture of realty major Unitech Group and Norway's Telenor, launched its services last month in seven circles. State-owned telcos MTNL and BSNL together added over 2 million users in December. The operators now have a subscriber base of 4.8 million and 62.8 million, respectively.

Coir

Coir exports back on track

Coir exports seem to be back on track with trade moving into the positive territory in the last two months.

Coir exports have been in depressed for most of 2009 with sales of traditional items like rugs, carpets and mats recording a decline. Exports were sustained by the liberal import of coir fibre and curled coir by China and Korea , which in turn were hurting the domestic manufacturing industry.

Figures provided by the state-run Coir Board for the first eight months of the 2009-10 financial year show that exports have eclipsed the performance of the same period of last fiscal.

The important factor has been the turnaround in the export of rugs, carpets and mats, board sources said.

Exports during April-November stood at 152,505 tonne valued at Rs 478.30 crore as against 124,250 tonne valued at Rs 410.48 crore during the same period of 2008-09. The increase in volume was estimated to be around 22.74%, while the rise in value was estimated to be around 16.52%. Exports of coir mats have increased by 28% in volume and 20% in value during November, while during the month of October the increase recorded was 10% in volume and 5% in value.

Cumulatively for the first eight months, export of mats have moved into the positive territory by recording an increase of 9% in value while exports in volume terms was almost the same as last financial year. Similarly, rugs and carpets have also recorded an increase during the eight months helping the overall exports to record a significant rise.

Cement

Cement units to add 43 mt capacity by March 2011

The 234 million tonne per annum (mtpa) Indian cement industry, which witnessed a double digit despatch growth in December 2009 and an overall growth thanks to infrastructure and real estate projects, is set to add 43.2 mtpa capacity during the next 15 months (January 2010 to March 2011).

South India, which has already started feeling the heat of oversupply, will add the maximum capacity of 17.6 million tonne during that period. The next in line is the northern region, which will add 9.6 mt. The western, central and eastern regions will add 9 mt, 3 mt and 4 mt, respectively.

The industry, which is growing at the rate of 8-10%, is currently witnessing price hike in the southern and western regions. Industry sources say with small producers increasing capacity multifold and new players entering the southern and western markets, pricing discipline is tough to emerge.

Cement despatches grow 11% in Dec

Record highest growth of 12.78% sequentially as demand from infrastructure, housing rises.The 240-million-tonne domestic cement industry has returned to double-digit growth on the back of rising demand, as peak consumption season sets in.

The despatches in December were the largest so far in the current financial year at 17.74 million tonnes. With this, the industry has recorded the highest sequential growth rate at 12.78 per cent, whereas on the year-on-year (y-o-y) basis, after a gap of three months since August last year, the growth was in double digits at 10.8 per cent.

The offtake during December was higher than the industry production of 17.51 million tonnes. Industry analysts said inventories helped fulfill the demand for the building material.

The northern, eastern and central regions of the country did well. Infrastructure demand, especially from roads and power projects, fuelled demand.

Real Estate

2010 to be a good year for realty, says Credai

Confederation of Real Estate Developers' Associations of India (CREDAI) is hopeful of a positive year for the India real estate industry in 2010 and the market is expected to return to the 2007-08 level. Given the right opportunity and supportive policies, the real estate sector too would prove effective in driving the country's GDP growth. Infrastructure development is an area which will play a vital role as increased connectivity in terms of roads, rail and communication will lead to development in real estate. Development of other asset classes like warehousing, logistics, tourism and hospitality would also boost real estate activity.

Kumar Gera, chairman, CREDAI, said: "This year would be crucial for the housing industry given the government's concern over the massive housing needs of the people, especially in the urban areas. Supportive policies to encourage and aid the housing requirements of all sections are expected to propel the development in the real estate and allied sectors as well. Affordable housing would be a key factor in driving the sector and CREDAI has already started working on progressive solutions in this area for effective and customised implementation as suited to the Indian situation through NATCON 2010. Also, focus on tier II and tier III cities besides metros will help widen market and generate demand."

Information technology

Global IT spend to grow 8.1% to $1.6 trn this year: Forrester

While IT spend in the third quarter of calendar year (CY) 2009 was still down from the same period in 2008, tech purchases in CYQ4 2009 are likely to go up slightly from Q4 2008 levels, said research firm Forrester. In a report 'US and Global IT Market Outlook: Q4 2009' Forrester Research vice-president and principal analyst Andrew H Bartels forecasts that global IT spending will rise 8.1% in 2010 to more than $1.6 trillion while US IT spending will grow 6.6% in 2010 to $568 billion.

“In 2010, US business investment in technology goods will grow by 6.6% in Q1, 6.3% in Q2, 9.6% in Q3, and 8.6% in Q4 — more than twice as large as the nominal GDP growth rates of 2.6%, 3.4%, 3.4%, and 3% for the same quarters. The tech boom that started in the late 2007 and early 2008 will be back on track,” Bartel said. This would largely be on the back of easing of the credit crunch that are allowing companies to end their capital investment freezes, opening the path to revived investments in 2010 in computer and communications software and licensed software. Also, the fall of dollar since March 2009 has helped vendors report better revenues and this is expected to continue in 2010 as the dollar slides further.

With regard to sector growth, hardware and software will lead the charge. Measured in dollars, global purchases of computer equipment will be up 8.2%, communications equipment buying will rise by 7.6%, software spending will increase by 9.7%, purchases of IT consulting and systems integration services will grow 6.8% and IT outsourcing services will be 7.1 % higher. Europe will be the strongest performing region. The strongest growth in 2010 will be in Western and Central Europe, where tech purchases will rise by 11.2%, boosted by the dollar’s decline against the euro. IT purchases Asia Pacific by 7.8%, and Latin America by 7.7%. The weakest market will be Eastern Europe, the Middle East, and Africa, rising by just 2.4%.

IT, ITeS mkt to revive in 2010, to grow 15%: IDC

After witnessing a slowdown in demand over the last year, the domestic IT and ITeS market is expected to revive in 2010 and witness a growth rate of 15% to touch the Rs 1,20,666-crore revenue mark. According to market research firm IDC, the market is expected to grow at a rate of 5.4% in 2009 and record revenues of Rs 1,04,906 crore.

The domestic IT market (excluding domestic ITeS) is expected to register a marginal growth of 2.8%, to report revenues of Rs 95,268 crore. The domestic ITeS market is expected to grow at 40.8% to report revenues of Rs 9,638 crore.

“The changes that began last year would take concrete shape in 2010. As the economy recovers, both consumers and enterprises would demand services and solutions that allow them to do more with less. The key business concerns through 2010 will be business model innovation, improved productivity, faster return on investment and cost savings,” said IDC India country manager Kapil Dev Singh.

External Sector: Foreign Trade April-September 2009

Region/Country	Export		
	US $ million		% change
	2008-09	2009-2010	2009-2010
World	108668.8	76673.4	-29.4
Africa	6305.2	4876.7	-22.7
Egypt	754.3	537.0	-28.8
Ghana	224.2	162.5	-27.6
Kenya	516.1	385.0	-25.4
Mauritius	152.0	95.3	-37.3
Nigeria	723.9	632.0	-12.7
South Africa	844.9	636.2	-24.7
America	15090.3	11079.3	-26.6
Brazil	942.7	574.3	-39.1
Canada	724.9	529.5	-26.9
USA	11612.4	8640.2	-25.6
Asia (excl. Middle East)	24724.7	19763.3	-20.1
Bangladesh	1427.7	1001.5	-29.9
China	4868.2	3881.4	-20.3
Hong Kong	3791.1	3465.2	-8.6
Indonesia	1265.5	1290.2	2.0
Japan	1576.5	980.8	-37.8
Korea DPR (North)	274.4	26.4	-90.4
Korea Republic (South)	1100.8	741.8	-32.6
Malaysia	1529.9	1306.8	-14.6
Nepal	537.3	419.9	-21.9
Pakistan	776.9	791.0	1.8
Philippines	429.9	331.8	-22.8
Singapore	2852.6	2542.3	-10.9
Sri Lanka	932.0	649.3	-30.3
Taiwan (Taipei)	578.2	258.1	-55.4
Thailand	1225.1	757.8	-38.1
Viet Nam	882.0	687.0	-22.1
Middle East	18001.1	14226.5	-21.0
Iran	706.5	777.7	10.1
Israel	930.4	594.3	-36.1
Kuwait	430.5	377.7	-12.3
Oman	404.9	369.0	-8.9
Saudi Arabia	2303.2	1461.1	-36.6
Syria	193.5	173.4	-10.4
UAE	11705.3	9387.1	-19.8
Yemen	272.6	194.3	-28.7

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

Region/Country	**Import**		
	US $ million		**% change**
	2008-09	**2009-2010**	**2009-2010**
World	184982.7	124295.5	-32.8
Africa	6060.8	4350.2	-28.2
Algeria	74.4	10.5	-85.8
Angola	6.1	2.4	-61.5
Egypt	197.5	119.8	-39.4
Libya	0.4	9.3	2301.3
Nigeria	58.1	46.2	-20.5
South Africa	3504.4	2637.4	-24.7
America	13362.2	9837.3	-26.4
Brazil	569.1	916.0	61.0
Canada	1181.0	903.5	-23.5
Chile	984.2	309.0	-68.6
Mexico	381.8	151.9	-60.2
USA	9666.7	7139.7	-26.1
Asia (excl. Middle East)	43748.3	34769.1	-20.5
China	18716.3	14794.8	-21.0
Hong Kong	3400.8	1624.8	-52.2
Indonesia	3207.9	3796.7	18.4
Japan	4063.2	3105.5	-23.6
Korea Republic (South)	4363.1	3359.1	-23.0
Malaysia	1958.6	1619.3	-17.3
Singapore	2962.2	2247.0	-24.1
Taiwan (Taipei)	1499.8	1055.3	-29.6
Thailand	1404.5	1307.3	-6.9
Middle East	14298.8	7609.3	-46.8
Iran	790.9	507.7	-35.8

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