

Weekly Economic Bulletin

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News Feature

India to grow 7% in '10: OECD

The Organisation for Economic Co-operation and Development (OECD) has in its latest report applauded the Indian economy's resilience and has projected a growth rate of 7 per cent in 2010 and 7.5 per cent for 2011. However, it says that India's central bank must tighten its monetary policy fairly soon to contain the rising inflation.

“Given the speed at which inflation has bounced back, monetary policy will need to be tightened fairly soon,” the Paris-based OECD said about India in its Economic Outlook report released. OECD expects headline inflation to be at 5.4 per cent in 2010, while it expects the fiscal deficit to be at 10 per cent in 2009 and 9 per cent in 2010.

The OECD outlook is in line with finance minister Pranab Mukherjee's recent statement that the country could expect to go back to a growth rate of 9-10 per cent in 2012-13 and a 7 per cent growth rate in 2010-11.

More cheer from biz confidence index

Adding to the positive outlook, the business confidence index (BCI) released jointly by NCAER and MasterCard Worldwide also brings good tidings.

The BCI has surged by 21 points in October 2009 over the previous survey in July, primarily due to an increase in industrial activity, which is reflected by the recent rise in the Index of Industrial Production (IIP) in the backdrop of the festival season. Confidence levels are now almost equal with what had been registered in the pre-downturn period.

The recovery of economic growth appears to be more robust in view of the continuing consolidation of business confidence. The current survey has registered improvement in all the four indicators, which include corporate financial condition, investment climate, capacity utilisation and overall economic conditions, compared with the previous quarter.

A majority 67.4 per cent and 68.7 per cent of the respondents surveyed said they expected domestic sales and production levels to increase respectively in the next six months.

<http://economictimes.indiatimes.com/news/economy/indicators/Forex-reserves-up-at-28637-bn/articleshow/5252090.cms>

RBI survey upbeat on corporate profits

The professional forecasters' survey of the Reserve Bank of India is bullish about the corporate sector's profitability in the current financial year.

In the latest survey, the profit growth of the corporate sector in 2009-10 has been revised upwards to 10 per cent from 7.5 per cent in the earlier survey. The survey, however, marginally lowered the corporate sector profit growth for 2010-11 marginally to 14.5 per cent from 15 per cent in the last survey.

However, the survey has notched down the real GDP growth by 50 basis points to 6 per cent.

GDP growth

The RBI, in its second quarter Review of the Monetary Policy, projected a GDP growth of six per cent in 2009-10 with an upside bias by assuming a modest decline in agricultural production and a faster recovery in industrial production. The upward revision comes on the back of a firm recovery in industrial output.

According to the latest Central Statistical Organisation data, industrial production, comprising major sectors such as manufacturing, electricity generation and mining, grew 9.1 per cent in September higher than the 6.03 per cent growth recorded in the same month last year.

Out of the 21 respondents in the ninth round of survey, majority of them assigned a GDP growth range of 6-6.4 per cent for 2009-10 and 7.5-7.9 per cent for 2010-11.

Forecasters' median estimates for Wholesale Price Index based inflation in the third and fourth quarters of current financial year have been revised upwards to 4 (2.5 per cent last survey) and 6.8 per cent (5.4 per cent), respectively. Majority of the forecasters feel that inflation will be in the 6-6.9 per cent range in 2009-10 and 5-5.9 per cent in 2010-11.

<http://www.thehindubusinessline.com/2009/11/17/stories/2009111752010100.htm>

Overseas Investment

India targets \$50-billion FDI by 2012

With economies reviving from the global meltdown, India is targeting annual foreign direct investments worth \$50 billion by 2012. It would double the inflows by 2017. In order to make the investment environment in states more lucrative for prospective overseas investors, the commerce ministry would set up a panel comprising state industrial ministers. The panel would recommend measures to iron out procedural difficulties faced while setting up a business.

Addressing the first-ever meeting of state industry ministers, commerce minister Anand Sharma said, "We felt that foreign direct investment target is doable, provided we put our minds together. Each one of you would be called to play an important role in this." Sharma also proposed to institutionalise the meeting of state industrial ministers by making it an annual feature. He also proposed to have a quarterly dialogue between the state and the Centre to take stock of the industrial and investment scenario in the country.

"Before the ministers meet next time in about a year's time, we will formulate a national policy on manufacturing an investment," Sharma told. In the period between 1991 and March 2009, FDI worth \$158 billion has come in to India. Even during 2008-09, when the global financial crisis squeezed availability of capital, FDI inflows in to India stood at \$35.16 billion, a near flat growth.

“To ensure better centre-state coordination on promoting investments and industry, a panel of state industrial ministers would be established. This panel would give suggestions to simplify procedures,” Sharma said.

Minister of state for commerce and industry Jyotiraditya Scindia vouched for having a model industrial policy for states and establishment of single window clearance system for fast tracking permissions required by the industry. “A multi-pronged approach can be achieved only if all stakeholders are on board,” he said.

Meanwhile, the commerce and industry ministry has got in-principle approval from the Planning Commission to start industrial park schemes for nine labour-intensive sectors.

<http://www.financialexpress.com/news/india-targets-50billion-fdi-by-2012/542859/>

Forex reserves up at \$286.37 bn

Foreign exchange reserves rose \$ 962 mn during the week ended November 13 as the central bank bought the dollars that came in as portfolio investments by foreign institutional investors. According to the latest Reserve Bank data, the total foreign exchange reserves including gold and special drawing rights (SDR- currency with the International Monetary Fund) rose \$962 mn to touch \$286.37 bn during the week ended November 13. While foreign currency assets rose \$948m, SDR rose \$12m during the week.

“Growth and interest rate differentials are causing a renewed surge in capital flows to Emerging Markets. This has resulted in currencies appreciating, forex reserves rising (in most cases to pre-crisis levels) and some countries imposing controls on capital flows.” According to Rohini Malkani of Citigroup in a report.

As per the updated money supply figures the total stock of money comprising cash currency and deposits with the banks amounted to Rs 51,73,152 crore as on November 06, up Rs 17, 823 crore (0.3%) over the previous fortnight’s levels. Currency with the public and term deposits rose Rs 1,968 crore, and Rs 24,152 crore respectively, demand deposits dipped Rs 9,150 crore during the fortnight. While other deposits with the central bank dipped Rs 10,933 crore.

The annual money supply growth now stands at 17.8%, lower than previous year’s 19.7%. In the other developments, the government has parked over Rs 8,756 crore as surplus with the central bank during the week ended. The government does not earn any interest by parking such funds points out an analyst with a bond house. But it helps rein in liquidity in the system he added. Already banks parked on an average over Rs 100,000 crore daily with the Reserve Bank of India in reverse repo under its daily liquidity adjustment facility.

The central government has its ways and means advances (WMA) account vacant during the week ended November 13. WMA is a facility under which the government (state as well as the centre) can borrow from the central bank to meet its daily revenue mismatches. While borrowings within the limit is at the prevailing repo rate, borrowings above the agreed limit (between the government and RBI) is at 2% higher than the repo

rate. States on the other hand have increased their WMA exposure by Rs 131 crore to Rs 347 crore.

<http://economictimes.indiatimes.com/news/economy/indicators/Forex-reserves-up-at-28637-bn/articleshow/5252090.cms>

17 FDI proposals worth Rs 1,158 cr approved

The government approved 17 foreign direct investment (FDI) proposals worth Rs 1,158.78 crore.

Among the major proposals which were approved are the FDI applications of the world's largest steelmaker ArcelorMittal and ductile iron pipe maker Electrosteel Castings, a government statement said.

ArcelorMittal, with an FDI of Rs 503.37 crore, plans to infuse foreign equity into a company engaged in manufacturing cold-rolled semi-finished iron and steel products.

The Kolkata-based Electrosteel Castings plans to issue and allot eligible securities including equity shares and/ or non-convertible debt instruments along with warrants on a private placement basis bringing in FDI worth Rs 600 crore.

Meanwhile, the government deferred a decision on 12 FDI proposals and rejected five on the recommendations of the Foreign Investment Promotion Board (FIPB).

The proposal to infuse 100 per cent foreign equity by Jaipur IPL Cricket Pvt Ltd (the promoters of the Rajasthan Royals which won the 2008 IPL), has been rejected by the government.

The government referred the proposals of Jet Airways to bring in Rs 2,000 crore FDI and the Mauritius-based investment fund Indium IV to bring in Rs 2,500 crore FDI, to the Cabinet Committee on Economic Affairs (CCEA) as the proposals are of value above Rs 600 crore.

<http://economictimes.indiatimes.com/news/economy/finance/17-FDI-proposals-worth-Rs-1158-cr-approved/articleshow/5240122.cms>

Trade News

India, Canada mull comprehensive trade pact

India and Canada have signed a memorandum of understanding for establishing a joint study group (JSG) to examine the feasibility of a comprehensive economic partnership agreement (CEPA) between the two countries.

The first meeting of the JSG is scheduled to be held here in the first half of December with the aim of concluding the study within six months, a joint statement issued at the

conclusion of official level talks during the ongoing visit of Canadian Prime Minister, Mr Stephen Harper.

The two countries also inked an MoU on bilateral co-operation in the field of energy including cooperation in the civil nuclear sector, renewables, oil and gas and power generation.

Addressing a joint press interaction after the signing ceremony, the Prime Minister, Dr Manmohan Singh, said that there was significant potential for Canadian companies to invest in India across diverse fields including science and technology, agriculture, mining and natural resources, education and energy. "We look forward to working closely in the area of civil nuclear energy," Dr Singh added.

The joint statement adds that both the Prime Ministers agreed on initiatives to strengthen and diversify bilateral relations and collaborate on a shared international agenda. They also agreed to intensify the economic and trade relationships by concluding bilateral economic agreements.

They expressed the hope that through concerted efforts, the institutional framework fostered by these initiatives would lead to an increase in bilateral trade from the current level \$15 billion annually in the next five years, the statement adds.

Recognising the important role played by the India-Canada Chief Executive Officers Forum, the Prime Ministers "encouraged" them to expand commercial relations between the two countries.

<http://www.thehindubusinessline.com/2009/11/18/stories/2009111851561500.htm>

Dr Manmohan Singh pitches for more American investment

Prime Minister Manmohan Singh pitched for more American investment in India, seeking a strategic relationship with the US underpinned by a strong economic relationship.

"A strategic relationship that is not underpinned by a strong economic relationship is unlikely to prosper," he said addressing the US India Business Council (USIBC) made up of top US companies investing in India.

"On the other hand, a web of economic relationships intensifies both business-to-business and people to people contacts, promoting a deeper and better understanding between countries.

"That is the kind of relationship we want with the United States," he said underlining that "India's new and evolving relationship with the United States is in many ways the natural consequence of changes in economic policies and business practices."

Assuring American business that India will continue down the road for economic reforms and will recover its economic growth rate of nine percent that was dented by global economic crisis in two years.

Pitching for greater American investment in areas ranging from infrastructure to agriculture and defence, Manmohan Singh said economic reforms started by India in the 1990s will continue.

"Wherever I meet businessmen to talk of our plans for the future, the question I am most often asked is whether economic reforms will continue," he said.

But "you should have no doubt on that score. The economic reforms of the past have brought us advantages and I can assure you that we will continue down the road."

"We might do it gradually, and in a manner which builds a consensus for change. But I assure you we will persevere," he said.

The prime minister added that his government will push ahead with key reforms in myriad areas, specially those aimed at bringing the deficit under control while ensuring a strong expansion in investment in infrastructure.

"Tax reforms, especially the introduction of a Goods and Services Tax, are a very important part of the agenda. So also are financial sector reforms," he said.

He also assured American business that legal reforms aimed at reducing delays are another priority of his government.

<http://economictimes.indiatimes.com/news/economy/foreign-trade/Dr-Manmohan-Singh-pitches-for-more-American-investment/articleshow/5262246.cms>

Thailand extends helping hand to Orissa

Thailand is exploring the possibilities of establishing trade relationship with Orissa with the signing of the Free Trade Agreement between India and Thailand.

Speaking on the sidelines of Enterprise Orissa organized by the Confederation of Indian Industry (CII) Consul General of Thailand, Mr Manop Mekprayoongthong said Orissa has a high level of potential for cooperation with Thailand.

"Areas where Thailand and Orissa could benefit mutually through trade, exchange of knowledge, research and development in areas including engineering, science, medicine, small scale industries, iron and steel, minerals, tourism development, biotechnology, information technology, food processing and gem and jewellery. Together we need to develop deeper into finding common ground for mutual cooperation," Mr Mekprayoongthong said.

Expressing Thailand's interest in the tourism industry of Orissa, Mr Mekprayoongthong said, "Tourism is a sector that can highly benefit from bilateral cooperation. India is appealing to the Thai tourist especially through Buddhism as many of the places in the Buddhist circuits of India see a large number of foreign visitors including Thai pilgrims. States such as Bihar, Uttar Pradesh and even Orissa have many places sacred to the Buddhist believer and there a number of Buddhist pilgrims visiting India yearly, thus increasing the potential of the tourism and hospitality industries in these places".

Thailand is one of the world's favourite tourist destinations. Each year about 6, 00,000 Indians visit Thailand and India is amongst the top ten nations that contribute to Thailand's tourism sector.

Thailand also has keen interest in infrastructure development projects in India. Currently the Italian Thai Development company is undertaking the construction of the National Highway Road Project in West Bengal. Another Thai company has also taken up the work of upgrading and constructing the new Integrated Passenger Terminal Building at NSCBI Airport in Kolkata, the diplomat added.

The Consul General invited a delegation from Orissa to Thailand to study the country's technological advancements and apply it for the betterment of trade.

<http://economictimes.indiatimes.com/news/economy/foreign-trade/Thailand-extends-helping-hand-to-Orissa/articleshow/5261546.cms>

India, Canada to ink civil N-deal soon

Uranium-rich Canada hopes to sign an agreement soon with India for civilian nuclear cooperation. "I sincerely hope our government will soon conclude a civilian nuclear agreement which will enable development of nuclear power for civil use," said visiting Canadian Prime Minister Stephen Harper.

India has already signed civil nuclear agreements with the US, Russia and France after a three-decade supply ban was lifted in September 2008. Canada is in discussion with India and China to promote nuclear power generation to help meet rising energy demand in these countries. Both the nations had signed memorandum of understanding early this year, which will enable Canada to facilitate the planned 25 to 30 Indian reactors. India has proposed nuclear capacity addition of 63,000 mega watt by 2032. Harper, who was accompanied by Canadian minister for international trade Stockwell Day, also announced that foreign investment promotion agreement would also be signed between the two nations to safeguard investments. "Bonds between us are indeed strong and plentiful. But the untapped potential in our relationship is also undeniable. Let us do the maths. Between us, our combined GDP is well on its way to \$4 trillion. Yet, at the moment, we are only doing \$5 billion worth of business per year."

The bilateral trade with Canada was about \$3.8 billion in 2008-09 with Canada running a trade surplus of a little more than \$1 billion. India proposes to increase its exports of industrial and agricultural goods to Canada and seek better opportunities for its service professionals. Indian exports to Canada consist of textiles and apparels, jewellery, chemicals and iron & steel products. On the other hand, Canada's exports include aerospace and aircraft parts, cereals, vegetables, fertilisers, pulp & paper products, machineries, electrical and nuclear boiler, ores, slag and nickel products.

Meanwhile, Harper also met Wipro chief Azim Premji, Cipla chairman YK Hameed, Tata Capital managing director Praveen Kadle, legal consultant Zia Mody, M&M ED Arun Nanda, deputy chairman & managing director of Zensar Technologies Ganesh Natarajan, JNPT chairman SS Hussain, Ficci's western region chairman Sushil Jiwarajka, Tata Realty

& Infrastructure managing director and chief executive officer Sanjay Ubale and Indian Merchants' Chamber president Gul Kripalani.

<http://www.financialexpress.com/news/india-canada-to-ink-civil-ndeal-soon/542260/>

Sectoral News

Key FMCG sectors witness higher rural growth during April-September: AC Nielsen

Poor monsoon rains this year may have taken a toll on summer crop and driven up food prices to scary highs, but it hasn't impacted rural India's bubbling craze for shampoos, toothpastes and hair-oils.

Demand for these personal care products grew faster in rural areas than urban areas during April-September, a period that includes the peak monsoon months, as per the latest numbers released by market researcher AC Nielsen.

The numbers have cheered up consumer product companies busy expanding their reach in the countryside. Companies closely watch rural demand trends in monsoon months so they could tweak their strategies accordingly. Now, they can go ahead full steam.

"We are confident about the buoyancy and resilience of the rural economy, more so with expectations of a bumper rabi crop," said Sunil Duggal, CEO of Dabur.

The Rs 2,800-crore Delhi-based company, which draws about 50 per cent of its sales from rural and semi-urban markets, posted its highest growth in 18 quarters in the July-September quarter. Initiatives like low unit packs of Chyawanprash and Dabur Amla, and new products like Amla FlowerMagic hair oil have accelerated this growth, said Mr Duggal.

CK Ranganathan, chairman and MD of CavinKare, which makes Nyle and Chik shampoos and Fairver fairness cream, thanked government initiatives such as rural job guarantee scheme and farm loan waiver for the jump in rural demand in spite of poor rains.

"Recent trends show that whenever there is weak monsoon, rural consumers tend to postpone purchase of televisions and fridges. Consumption of daily use items remains intact," he said. Nyle and Chik shampoos in Re 1 packs are among the Chennai-based company's strongest volume drivers.

Buoyed by a surge in demand in urban markets, particularly for premium products, most companies have adopted a dual strategy of sharpening focus on the bottom-of-the-pyramid market and tapping fresh opportunities in urban cities.

<http://economictimes.indiatimes.com/FMCG/Key-FMCG-sectors-witness-higher-rural-growth-during-April-September-AC-Nielsen/articleshow/5245211.cms>

Software fastest growing sector in 2009: Deloitte

Software companies continued to constitute the fastest growing firms in the Deloitte Technology Fast 50 India 2009 programme. This year, the composition of software companies amounted to as much as 80 per cent.

Software product companies driven by few sunrise segments like mobile value-added services (VAS) and outsourced product development formed a significant part of the composition. Based on an analysis by vertical, the software segment has been the top contributor over the last three years.

The fifth annual edition of the Deloitte Technology Fast 50 India 2009 programme also ranked the fastest growing technology companies in India based on their percentage revenue growth over the last three financial years.

Despite competitive conditions all round for industry players across India, the 50 companies on Deloitte's list managed to achieve an average revenue growth rate of 372 per cent over the last three years, the report said.

The overall winner was Hyderabad-based Tanla Solutions, with a 2,997 per cent growth over the last three financial years. The second place went to Enzen Global Solutions with a revenue growth of 1,847 per cent. While Latentview Analytics, with a growth rate of 987 per cent, bagged the third place.

Despite the slowdown and challenges for growth, the report stated that average growth rate of the top 10 winners increased significantly to 1,003 per cent, compared with 845 per cent in the previous year.

<http://www.business-standard.com/india/news/software-fastest-growing-sector-in-2009-deloitte/377232/>

India driving global auto majors' growth wheel

The midas touch of India is clearly visible on the financials of global auto majors. Just like Japanese auto majors Suzuki and Honda, that get a sizeable portion of their revenues, sales and profits from their Indian subsidiaries, Korean car giant Hyundai too is increasingly banking on its Indian operations for adding weight to its business as numbers stay uncertain in developed markets due to economic recession and slowdown.

Hyundai, which enjoys a strong presence in India now, after starting operations more than a decade back, said the country is playing a pivotal role in the company's global operations and is expected to contribute higher contribution to profits than even from China.

HW Park, the new MD & CEO of Hyundai India, said the Indian subsidiary contributes between 15% and 20% to Hyundai's global turnover. Asked about the profit, he refused to quantify, but said it is expected to be higher than China next year. The Indian subsidiary had been making profits for many years.

Park said unlike China, India has a unique position in Hyundai's operations as factories here not only service the domestic market but also cater to overseas markets in Europe. "While China only sells domestic, India is used both for domestic and export markets." Higher profits, however, could be justified considering that the companies have to operate through a JV in China, while in India solo operations are allowed which mean full repatriation of profits to the parent.

Hyundai, the second biggest car maker in India behind Maruti Suzuki, has a capacity of around 6 lakh units, half of which service export markets. The company has earmarked India as one of the hubs for manufacture of models like i10, i20 and Santro and sells India-made cars to over 100 countries. While developed markets in Europe and US remain under pressure, operations in India have been growing. The company's cumulative sales in January-October 2009 period have grown by 12% year-on-year at 4.57 lakh units (4.07 lakh) with domestic sales up 11% at 2.39 lakh units and exports up 13% at 2.17 lakh units.

Hyundai is not the only company to benefit from a strong presence in India. Suzuki trebled its full-year global net income forecast on the back of strong Indian operations, despite sluggish sales overseas. While home market Japan as well as European countries contracted for Suzuki, India remained the only market to grow, with first half sales here moving up by 24% at 4.7 lakh units against 3.8 lakh units in the corresponding period.

Honda is another company that is reaping benefits of India. The company has been gaining due to its strong presence in two-wheeler market. Its JV Hero Honda and fully owned Honda Motorcycle and Scooter India (HMSI) — are expected to contribute 40% of its global motorcycle production and a sizeable portion of profits and revenues.

<http://economictimes.indiatimes.com/Automobiles/India-driving-global-auto-majors-growth-wheel/articleshow/5245584.cms>

'Telecom preferred sector for investments'

Mobile VAS (value added services), mobile broadband and telecom software companies, as well as companies providing services to telecom companies, are among the favourite sectors of PE & VC investors within the industry, a survey by Venture Intelligence, a Chennai-based research firm with a focus on venture capital, private equity sectors as well as M&A deals, revealed.

While the appetite for investments into mobile operators is still high, PE & VC investors who have invested over \$5 billion in telecom services and related companies over the past five years, are also actively scanning 'downstream' opportunities including mobile VAS, telecom software and other service providers to telcos.

Arun Natarajan, CEO, Venture Intelligence said, "Since the Indian market is more or less matured, one would see the PEs and VCs look at the downstream opportunities, particularly on the value added services of the telecom companies. With the emerging competition across the players, the telecom companies look at adding greater value to the customers to outperform each other."

“It is evident from the fact that in the last few months companies such as Apalya Technologies of Hyderabad, Ver Se Innovation, a Onmobile subsidiary, attracting investments from PEs such as IDG (a Qualcomm venture) and Matrix Partners, respectively. We see such deals will take place in the days to come,” Natarajan said.

He said, “Unlike in main operations where the investors can reap 15 to 20 times that of investment for major investments, here at least 2 to 3 times realisation is comparatively interesting for PEs. The deal size may vary from \$3 million to \$30 million and will see volume growth in the years to come.” Almost 70% of the private equity and venture capital investors surveyed by Venture Intelligence felt that Indian telecom operators would be able to find and profitably serve the next 100 million mobile consumers from rural areas. A majority of investors are also willing to bet that the introduction of 3G services can be a game changer for various players in Indian telecom, the survey reveals.

<http://www.financialexpress.com/news/telecom-preferred-sector-for-investments/542270/>

India’s engineering outsourcing market may touch \$55 bn

As newer customers, including automakers Renault, Volkswagen and Harley Davidson, seek to outsource their complex design engineering projects to India, the engineering services outsourcing (ESO) industry is set to achieve \$55 billion in revenues by 2020.

Traditionally, aviation and defence companies, such as Airbus, Boeing and Bombardier, have leveraged Indian suppliers, including TCS, Mahindra Satyam, Infosys and QuEST Global, so far for outsourcing of design services, making it around \$7-9 billion business for India currently. New outsourcers are seeking to reduce their costs by up to 30-40% and also shorten their lengthy design cycles.

For existing Indian suppliers, new customers offer an opportunity to move beyond aviation and defence projects. Mid-tier aviation and defence service companies, such as QuEST and Infotech Enterprises, have started diversifying in order to address these opportunities.

“Some of the potential customers include French automaker Renault, which is working on its ultra small car for the emerging market and US motorcycle maker Harley Davidson,” said a senior official at one of the tech firms exploring such contracts. While car maker Volkswagen plans to establish an engineering centre, Japanese automaker Nissan is currently in discussions with both TCS and Wipro for a potential contract, the person added.

Meanwhile, IT is not the only expertise these customers are seeking. Many automakers are seeking to outsource projects for niche capabilities.

“New partnerships are also being formed on new technologies, such as noise and emission reduction,” said Dataram Mishra, an aviation and defence expert who founded engineering design firm Cades Digitech.

With manufacturing and auto firms in the US seeing a revival in demand for their products, outsourcing of design and other IT projects is expected to gain momentum. Apart from auto, railways, heavy engineering and consumer electronics companies are also seeking suppliers. "In all of these verticals, large request for proposals are coming out from the US and Europe," said BVR Mohan Reddy, chairman of Infotech Enterprises. "And they will come to India because of cost arbitrage advantage and on-time delivery," said Mr Reddy.

According to experts tracking the sector, design projects can be done at \$25 per hour, compared with \$75 per hour rates in the US and Europe.

Meanwhile, India's domestic market for electronics and auto products is also driving this growth. "Many automobile majors have already set up plants here. These trendy, fuel-efficient automobiles incorporate a variety of electronic modules and the production of such modules locally, in proximity to the automobile plants, is a definite advantage," said MindTree senior vice-president & technology evangelist, R&D services, Padmanabhan SN said.

TCS, for instance, is working on hybrid-battery technology for fuel efficiency, partnering with a US-based automotive major. "TCS is expecting to grow the engineering and industrial services (EIS) business from 6% to 10% in the next three years," said Regu Ayyaswamy, vice-president and global head (EIS) at TCS.

<http://economictimes.indiatimes.com/ITeS/Indias-engineering-outsourcing-market-may-touch-55-bn/articleshow/5237845.cms>

News Round-Up

Business confidence surpasses pre-crisis level, rises 21% in Oct

Business confidence in India has surpassed the level that prevailed before the financial crisis that seized economic growth prospects, according to the latest National Council of Applied Economic Research (NCAER), MasterCard Worldwide Index of Business Confidence.

The Business Confidence Index (BCI) reported a sharp rise of 21%, with a rating of 143.7 points in October 2009, compared to 118.6 points in July 2009. BCI ratings in April 2009 were at their lowest, at 81.6 points, after the global financial crisis hit world economies. Previous data reflects a trend of BCI ratings rising in October, a period of increased sales due to the festive season in India. In the October survey of 2008, this pattern was broken for the first time due to the effects of the global financial crisis on Indian markets.

The BCI has captured improvement in sentiment across all four indicators in October 2009 as compared to the perceptions held in the previous quarter. The overall optimism reflected in the positive response to the question of "overall economic conditions six months from now" has been accompanied by an assessment of other indicators such as "financial position of the firm in the next six months" and current levels of "capacity utilisation". The other overall indicator, "investment climate", also revealed significantly higher ratings in September as compared to July 2009.

The improvement in business sentiment based on the four components has been observed across all four regions in India (north, south, east and west) in the present round of the survey. The maximum rise has been seen in North (155 from 111 points), followed by South (135 from 114 points) and East (159 from 134 points). The western region, however, showed a marginal rise (125.7 from 119 points) and this is due to the percentage of respondents seeing improvements in overall economic conditions over the next six months dropping slightly as compared to July 2009.

BCI ratings for larger firms increased by a larger proportion when compared to the smallest size category, suggesting a return to an increasingly stable outlook for business conditions after the fairly uncertain conditions of the second half of 2008-09. BCI ratings also increased in all four types of ownership considered—public limited, private limited, individually-owned and public sector.

<http://www.financialexpress.com/news/business-confidence-surpasses-precrisis-level-rises-21-in-oct/543821/1>

Indian CIOs more progressive globally: IBM

Indian Chief Information Officers (CIOs) appear to be more progressive as compared with their global counterparts and are looking to 'make innovation real' and 'expand business impact' for their respective organisations.

A study conducted by IBM based on a survey of 100 Indian CIOs says that 70 per cent of Indian CIOs are integrating business and technology to promote innovation for the entire organisation, as compared to 47 per cent of global CIOs. Almost 64 per cent of Indian CIOs proactively push information technology as an innovation element compared to 55 per cent of global CIOs.

Also, over 70 per cent of Indian CIOs expect to explore newer channels for end-customer interactions and anticipate greater levels of transparency with customers in the next five years. For the Indian CIOs, the top three priority areas for future were business intelligence and analytics, risk mitigation and governance, and virtualisation.

<http://www.business-standard.com/india/news/indian-cios-more-progressive-globally-ibm/377063/>