

Weekly Economic Bulletin

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News Feature

Core sector grows 3.5% in Oct

The six 'core' infrastructure industries have registered a 3.5-per cent year-on-year growth during October, compared to the 4.1 per cent and 7.8 per cent levels of the preceding two months and the 2 per cent for October 2008.

For the April-October 2009-10 period, the six core industries (which have a combined weight of 26.7 per cent in the official index of industrial production) grew by 4.7 per cent, which was better than the 3.3 per cent year-on-year increase during the corresponding seven months of 2008-09.

The break-up

Among individual industries, production of cement rose by 5.3 per cent in October (against 6.2 per cent in the same month of last year), coal production grew 5 per cent (10.6 per cent), finished steel grew 1.1 per cent (minus 4.9 per cent), electricity generation 4.7 per cent (4.4 per cent), crude petroleum output was minus 2.2 per cent (minus 0.2 per cent) and refined petro-products grew by 7.2 per cent (5 per cent).

April-Oct

During April-October this year, the country produced 115.84 million tonnes (mt) of cement, marking a 11.3 per cent jump over the 104.05 mt in the first seven months of 2008-09.

The corresponding cumulative output numbers were 31.97 mt and 31.131 mt for finished steel (up 2.7 per cent); 4, 48,848.4 million units and 4, 21,465.1 million units (up 6.5 per cent) for electricity generation; 274.13 mt and 248.83 mt (up 10.2 per cent) for coal; 19.453 mt and 19.72 mt (down 1.4 per cent) for crude petroleum; and 85.795 mt and 87.582 mt (down two per cent) for refined petro-products.

<http://www.thehindubusinessline.com/2009/11/28/stories/2009112851061500.htm>

India Inc raises \$2.6 bn in Oct

Indian companies have raised about \$ 2.6 billion from the international market through external commercial borrowings and foreign currency convertible bonds (FCCBs) in October to fund overseas acquisitions and import capital goods and modernisation and lending.

This is highest amount raised in a month by Indian companies through ECB\FCCB route after the financial crisis intensified on collapse of Lehman Brothers in September 2008.

Sterlite Industries and Sesa Goa, both from Vedanta group, raised \$500 million each through FCCB to modernise operations, according to data released by Reserve Bank of India (RBI).

Tata Motors also raised \$ 375 million through FCCBs. Patel Engineering raised \$ 100 million via FCCBs.

With rebound in the global capital markets and gradual return of risk appetite there is demand for Indian equity. Many Indian companies with presence in metals and infrastructure sector have tapped market to raise funds for future plans, analysts said.

Engineering major Larsen & Toubro Ltd raised \$ 200 million to pay for rupee capital expenditure. Welspun Gujarat Stahl and Volkswagen raised \$ 150 million and \$ 148.29 million respectively through ECBs.

Export Import Bank of India (EXIM) raised \$ 222.44 million through ECB for lending these funds to Indian companies.

Three Power sector companies -- Jhajjar Power Ltd, (\$ 112 million), CESC of RPG group (\$ 35 million) and Spectrum Coal and Power (\$ 17 million) – also raised funds through ECBs.

<http://www.business-standard.com/india/news/india-inc-raises-26-bn-in-oct/377467/>

Overseas Investment

Finmin sets up working group to smoothen FII inflows, PNs

The finance ministry constituted a working group to suggest ways of rationalising existing regulations relating to foreign portfolio investments, in order to encourage foreign investment into the country.

The group will review the legal and regulatory framework to simplify rules related to overseas investment coming in the form of—foreign institutional investment (FII), foreign venture capital investment (FVCI), private equity and NRI investment, according to notification issued by the finance ministry.

The 16-member working group, headed by UTI-AMC UK Sinha, will also re-examine the rationale of taxation of transactions through the securities transactions tax (STT) and stamp duty, it said. The Economic Survey 2008-09 has recommended phasing out of the STT, which is currently levied at 0.125% every transaction in cash for the delivery of shares. Transactions in 'derivatives' trading attract a lower STT of around 0.017%

The panel will further study arrangements relating to use of participatory notes and suggest any changes required to increase transparency. The review of the way PNs are being used is to ensure appropriate know-your-client (KYC) norms are in place. This, however, is unlikely to lead to any fresh restrictions on PNs, which are derivative instruments with the stocks or futures as underlying.

<http://www.financialexpress.com/news/finmin-sets-up-working-group-to-smoothen-fii-inflows-pns/545805/>

PepsiCo's FDI plan gets FIPB clearance

PepsiCo India Holding's proposal for additional equity investment of \$200 million in its Indian operations may get the green signal.

The Foreign Investment Promotion Board (FIPB), it is learnt, has recommended approval for PepsiCo's investment plans, which are spread over three years. Sources pointed out that the proposal is yet to get the Finance Minister's approval.

In addition, the proposal may also require the nod of Cabinet Committee on Economic Affairs (CCEA), sources said.

In 1994, PepsiCo India Holding was granted an approval to establish a 100 per cent holding company that would invest in an Indian subsidiary company or in a joint venture or directly engage in certain business activities.

The initial quantum of FDI was \$95 million.

"The company would directly engage in manufacturing and distribution of beverages," sources said.

Consequently through three amendment letters between 1995 and 1997, the FDI quantum rose to \$180 million, to \$225 million and to \$405 million.

In 2009, it was granted approval to raise the amount by another \$50 million to \$455 million to be subscribed to PepsiCo Inc US or its subsidiaries, sources said.

The company has now said that with a view to meet its investment plans over the next three years, it plans to bring additional capital to the tune of \$200 million.

The latest application will take the company's total investment to \$655 million.

<http://www.blonnet.com/2009/11/25/stories/2009112551941500.htm>

Trade News

'Indo-US services trade to touch \$150 bn'

The Indo-US services trade is likely to grow to an ambitious \$150 billion in the next six years, says a CII estimate.

At present, the country's total engagement with the US is over \$60 billion, out of which about \$40 billion are accounted for by the merchandise trade. Last fiscal, the services exports to the US touched \$22 billion.

"The fast growing services trade between India and the US, which has remained relatively stable despite global economic crisis is expected to cross \$150 billion figure by 2015 even faster than the bilateral merchandise trade," the chamber said quoting its study.

"Given the growing demand for services in the US and assuming that the demand for outsourcing will continue to grow from American corporations, the country should expect larger market access in this sector," said the study.

The CII study also listed several impediments to the bilateral trade. It asked the US to remove trade restrictions and production subsidies to counter the effect of the global economic crisis. Besides, the sudden withdrawal of the Generalized System of Preferences has hit-hard India's labour-intensive gold jewellery, diamond and brass products, CII said. The US is a major market for these products.

Further, the study said, "in services trade although exports have grown exponentially to touch \$12 billion in 2008, the domestic industry is still concerned regarding the movement of professionals and non-recognition of Indian professionals qualifications in the US."

<http://www.financialexpress.com/news/indous-services-trade-to-touch-150-bn/547621/>

'India-Russia trade volume to grow at 8%'

The India-Russia bilateral trade is expected to grow at eight per cent in 2009-10 despite the global financial crisis, according to Mr. Vladimir V. Lazarev, Consul General of Russia in Kolkata.

Addressing a conference organised by the Bengal National Chamber of Commerce and Industry, Mr. Lavarev said, "We are most likely to meet the bilateral trade figure of \$10 billion by 2010 as the growth of business between the two countries this year has been at par with the last two years." The trade had not suffered despite the global slowdown, he said, adding that the goal was to reach a trade figure of \$ 20 billion by 2015.

Russia, he said, was not content with the amount of trade between the two economically rich countries. "Why should two countries with such high GDPs and growth be happy with such levels of trade?" he asked.

'Matter of concern'

It was also a matter of concern that a high proportion of trade between India and Russia constituted of raw materials, he said. As high as 60 per cent of Russia's exports to India constituted of raw materials, ferrous and non-ferrous metals and fertilizers while only 5-10 per cent were machinery items.

Nearly 40 per cent of India's export to Russia constituted of agricultural products, tea, coffee, rubber, while the other items were pharmaceutical (8 per cent) and machinery (6 per cent).

"India is now one of the world's leading economies and we would want to increase trade with it in the sphere of hi-tech and scientific intensive items," he said.

The two countries had considerable potential of cooperation in the automobile industry, manufacturing, engineering, telecom, IT space based technology and nuclear energy generation, he pointed out.

<http://www.blonnet.com/2009/11/28/stories/2009112851901700.htm>

Polish mission in India to boost ties

The seventh official Polish mission to India, organised by the Polish Information and Foreign Investment Agency, will focus on the Indian ITeS, automotive and pharmaceutical industries.

The mission of the governmental agency is to increase co-operation between Polish and Indian companies. The mission came to India with representatives of the Polish Special Economic Zones, regional authorities and the Polish companies.

The mission met industry bodies like the Auto Component Manufacturers Association, Western India Automobile Association and Nasscom.

The Poland Government recently decided to sell over 600 state-owned companies from sectors such as metal, machinery, construction, electronic and others. The privatisation as well as greenfield opportunities are now supported by financial grants or exemptions offered by the Polish Government and the EU.

With its membership in the EU, Poland received over €67 billion for implementation of projects in the areas of infrastructure, protection of environment, human capital development and supporting the undertakings connected with an innovative economy.

The support is available for both Polish and foreign companies operating in Poland.

At present, Indian investment in Poland is dominated by the investments of Indian BPO and IT companies such as Infosys, Wipro, HCL and others.

The present delegation met Indian companies and institutions which could be potential new investors in Poland or organisations which can support the activity of Indian firms in Poland.

<http://www.blonnet.com/2009/11/25/stories/2009112551961500.htm>

India-Azerbaijan panel to meet

The first meeting of the India-Azerbaijan Inter-Governmental Commission on Trade, Economic, Scientific and Technological Cooperation was scheduled to be held on 26 November, Thursday.

The Minister of State for Commerce and Industry, Mr. Jyotiradiya M. Scindia, was the co-Chairman from the Indian side and the Minister of Ecology and Natural Resources, Mr.

Husseyngulu Baghirov, was the co-Chairman from the Azerbaijan side at the meeting, an official release said.

During the deliberations, discussions would centre around development opportunities for mutual trade, industrial, economic, scientific and technological cooperation; cooperation in the fields of transport, energy, communications and information technology, agriculture, tourism, environmental protection, health and customs affairs.

Bilateral trade between India and Azerbaijan in 2008-09 was \$222.27 million. Major commodities of exports from India include drugs and pharmaceuticals, machinery and instruments, gems and jewellery, RMG cotton, wool, etc, while major commodities of imports cover petroleum crude and products, organic and inorganic chemicals and non-ferrous metals.

<http://www.blonnet.com/2009/11/25/stories/2009112551881500.htm>

Sectoral News

October retail drug sales rise 29%

The Indian drug retail market grew by a 29.24% in value terms in October 2009 over the year ago period, more than double the average monthly revenue growth rate of 13-14% in the recent past, as per market research firm ORG IMS.

This sales audit by ORG IMS is based on the sales by stockists to chemists and not the actual sales by chemists to consumers.

Domestic drug sales constitute about a third of revenues for pharma companies, who depend on exports for their overall business, besides selling directly to hospitals and institutions.

An ORG IMS spokeswoman said the unusual growth for the drug retail market was marginally above expectations adding that, "The main reason for this was the decline in the market seen last year in October."

In October last year, domestic drug sales declined 1.2%. This was attributed to lack of cash with stockists, who procure goods from drug makers to supply to chemists and other retailers.

An industry executive said the decline in drug sales in October 2008 was also due to shortage of codeine used in the making of best seller cough medicines. He added that the ban on fixed dose combinations medicines (lactobacillus combinations) by the Indian drug controller general of India last year also led to drop in drug sales.

The growth for the 12 months ended October stood at 14.6%, in line with the IMS Market Prognosis report, which forecast the industry to grow between 13% and 14% for the calendar year 2009.

There is no change in the ranking of companies given their market share in domestic drug sales. Cipla continues to lead the charts followed by Ranbaxy Laboratories and UK's GlaxoSmithKline.

During October, sales of market leader Cipla grew 30%. Among the top 10 companies, Delhi-based Mankind Pharma posted the highest growth with 40%. Among brands, Piramal Healthcare's cough syrup Phensedyl recorded the highest sales at Rs 18.8 crore closely followed by Pfizer's rival Corex at Rs 18.6 crore.

<http://economictimes.indiatimes.com/Pharmaceuticals/October-retail-drug-sales-rise-29/articleshow/5273662.cms>

'Healthcare, allied sectors to touch \$77-bn mark by 2012'

The healthcare industry in the country, which comprises hospital and allied sectors, is projected to grow 23% per annum to touch \$77-billion mark by 2012 from the current estimated size of \$35 billion, according to a Yes Bank and Assocham report, released. The sector has registered a growth of 9.3% between 2000-2009, comparable to the sectoral growth rate of other emerging economies such as China, Brazil and Mexico. The growth in the sector would be driven by healthcare facilities, both private and public sector, medical diagnostic and pathlabs and the medical insurance sector.

Of the sum, diagnostic and pathology services would account for \$2.5 billion in 2012, more than double its estimated current size of \$1 billion. The growth in the segment is expected to be driven by consolidation in the industry and increasing insurance penetration among the country's population. Healthcare facilities, inclusive of public and private hospitals, the core sector, around which the healthcare sector is centered, would continue to contribute over 70% of the total sector and touch a figure of \$54.7 billion by 2012.

The medical insurance sector would account for another \$ 3 billion in the next three years, up from the estimated current size of \$1 billion.

<http://www.financialexpress.com/news/-Healthcare--allied-sectors-to-touch--77-bn-mark-by-2012-/546712/>

India to be among top 10 ad market: Steve King

As the CEO of Zenith Optimedia Worldwide, Steve King feels that new and emerging advertising markets like India and China will power the global industry's recovery, on the back of positive signals from developed markets like US, Europe. "India, with an approximate 10% growth, will certainly be in the top ten advertising markets in absolute dollar terms by 2015," he told.

Zenith Optimedia, the world's third largest media-buying agency and an enterprise under the Paris-based Publicis Group is upbeat about India. Fresh from bagging new business worth \$100 million in the country this year, it is commemorating five years in India by announcing a slew of promotions among its top brass. While the company's India CEO

Ambika Srivastava has been promoted as the chairperson of Zenith Optimedia, Satyajit Sen, MD- North, has been promoted as the agency's India CEO.

India figures amongst Zenith Optimedia's 20 largest markets globally, but over the past five years, it has been among the top three fastest growing ones. "Most of our markets are between 15 to 20 years old, so despite being here for only five years, this market has responded very well. Our focus here will be on winning local clients, apart from the international ones. By the next five years, we will have considerably closed the gap on the top two market leaders here," King said.

In October this year, the agency had forecast the Indian advertising industry to grow at 10% next year. It is also close on the heels of launching a clutch of new tools to aid consumer research.

"Despite flat revenues, our group's media buys have increased thanks to fragmentation in media. So we need to drive greater standardisation and automation in India. With this in mind, we have made a series of acquisitions of technological services like Click To Sales and Performex, which is the search agency of Google. No other group is investing so much in technology and systems, as we are," King added.

Commenting on the global advertising outlook, King was of the view that advertising had seen off its worst ebbs. "World advertising spends will be down 10% this year. While the downturn is not over, the rate of decline has stopped deteriorating further, which is very significant," he said.

"Next year, because of the indicators in US, Europe and Asia, we see a flattening out or even a growth of about two per cent for global advertising in the 2010 calendar year," King added.

He painted a pretty picture, so far as forecasts for the Indian media market go. "While we expect the Indian advertising to grow at 10% next year, within this we expect newspaper advertising to grow by 7%, making this among the very few markets where newspapers continue to grow," he signed off.

There is reason for King to bet big on India as the agency enjoys a healthy growth rate in this market. This year, it has had a good run, bagging the media-buying duties for brands like Videocon, Uninor (joint telecom venture of Unitech and Telenor), e-Bay and Motorola, among others.

<http://economictimes.indiatimes.com/Advertising/India-to-be-among-top-10-ad-market-Steve-King/articleshow/5269472.cms>

SMS traffic in India to reach 191.6 bn by 2013

Tumbling voice tariffs contributing to the declining average revenue per user (ARPU) rates, will result in SMS volumes to reach 191.6 billion in India by 2013, predicts Gartner.

By 2013, the country would have more than 750 million mobile connections; therefore the SMS usage per user would essentially drop.

However, overall large base of mobile connections would support this SMS volume. "Strong organic growth continues in Asia's developing markets, with marginal subscribers turning to low-cost messaging as an entry-level service.

In the mature markets of the Asia-Pacific region, SMS has seen sustained healthy growth as a result of steady price declines and increasingly generous SMS and data bundles," said Madhusudan Gupta, senior research analyst at Gartner. SMS contributes around 8% to value added services (VAS), which in turn contributes 10-12% of an operator's revenue.

SMS growth, however, will be slow as mobile markets approach saturation and other types of messaging, including mobile email and mobile instant messaging, become more widely adopted.

Integrated messaging clients on handsets will facilitate adoption of alternative messaging services, as will the use of alternative rich-messaging services on smartphones.

<http://www.financialexpress.com/news/sms-traffic-in-india-to-reach-191.6-bn-by-2013/546192/>

National Biotech Regulatory Authority by 2010

The government has said it is proposing to set up a National Biotechnology Regulatory Authority in the first quarter of 2010, which will ensure that strict scientific assessments are followed while testing of bio-tech crops. "We have proposed for setting up of the National Biotechnology Regulatory Authority, which may come up by early next year, as it has to be passed through Parliament," department of biotechnology director SR Rao said at a function here. He said the authority will help in ensuring that biotechnology policies are strictly based on scientific assessment of risk and not on any sloganeering and campaigning by public interest groups.

The department of biotechnology is also considering to set up an Agri-Biotech Policy Unit in collaboration with all stakeholders so that high level safety standards are maintained in testing of bio-tech crops.

<http://www.financialexpress.com/news/national-biotech-regulatory-authority-by-2010/547773/>

News Round-Up

Key sectors' higher net profit strengthens signs of revival

The signs of recovery in the domestic economy are visible as automobiles, cement, tyres and consumer durables sectors showed better-than-expected performance during the first half of this fiscal.

A study conducted on 2,212 major companies (excluding banks and NBFCs) that have declared their first-half results, shows that the aggregate net profit rose 23% to Rs 1.06 lakh crore during April-September 2009 probably due to the better-than-expected performance of major corporates such as IOCL, Bharti Airtel, Larsen & Toubro, Tata Motors, Mahindra & Mahindra. The aggregate sales of the 2,212 firms fell 10.5% at Rs 11.62 lakh crore during April-September 2009. Meanwhile, other income of these companies stood at Rs 29,186 crore, up 23.9%, during the same period.

The raw material cost decreased 15.15% to Rs 4.78 lakh crore and the interest outgo was dipped 4.2%. The PAT to sales ratio rose to 9.15% during the first half of this fiscal against 6.65% in the corresponding period previous year.

Care Ratings MD & CEO DR Dogra said, "The early signs of recovery in the domestic economy are visible with better than expected performance by industries including automobiles, cement, tyres and consumer durables aided by higher consumer spending, tax cuts and reduced interest rates. However, much of the demand for goods can be due to stimulus packages provided by the government. But, sectors like capital goods, chemicals are still going through a difficult phase."

Total net profit of 89 auto & ancillaries companies rose 80% to Rs 6,054 crore during the first half of this fiscal against Rs 3,364 crore during April-September 2008. The sales also rose 12.3%. The net profit to sales ratio jumped from 5.60% to 8.98%.

The group of 32 major cement companies' sales rose 24% to Rs 18,654 crore ,the net profit increased 65.8% to Rs 3,363 crore during the first half ended September'09. The profit margin of cement group rose from 13.48% to 18.03% during April-September '09.

The textile group comprising 238 companies showed sales and net profit growth of 8.6 % and 281.5% respectively during the first half. The net profit to sales ratio of textile group increased from 0.84% to 2.96% during April-September '09. The tea group comprising 27 companies showed sales and net profit growth of 16.1% and 128.4% respectively during April-September 2009.

<http://www.financialexpress.com/news/key-sectors-higher-net-profit-strengthens-signs-of-revival/545352/>

Economy on recovery path, grows 7.9%

Belying predictions, the Indian economy grew by a significant 7.9 per cent in the second quarter of this fiscal, up from 6.1 per cent in the previous quarter, essentially due to a good showing by the industry and the services sector.

The growth compares favourably to 7.7 per cent recorded in the July-September quarter in the previous year.

Consequently, the economy rose by 7 per cent in the first half ending September 30 of the current fiscal on the back of stimulus packages and revival of domestic demand, giving hopes that final figures for the year could be much higher.

The government, including Finance Minister Pranab Mukherjee, the Reserve Bank and the Planning Commission had predicted a growth of about 6-7 per cent, while global agencies and analysts forecast it to be even lower.

<http://www.financialexpress.com/news/economy-on-recovery-path-grows-7.9/547975/>