

Weekly Economic Bulletin

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News Feature

Exports up 44.2% in Aug, imports 41.8%

India's exports maintained their growth momentum in August, 2011, rising by 44.2 per cent year-on-year to USD 24.3 billion despite the economic woes in traditional Western markets, according to data released by the Commerce Ministry.

Imports, too, grew by 41.8 per cent to USD 38.4 billion in August, translating into a trade deficit of USD 14 billion during the month, as per the data.

However, Commerce Secretary Rahul Khullar has said that growth in coming months will be difficult on account of uncertainty in Western markets.

During the April-August period, India's exports grew by 54.2 per cent to USD 134.5 billion, the data shows.

In the April-August period, imports expanded by 40.4 per cent to USD 189.4 billion. The trade gap during the period amounted stood at USD 54.9 billion, the Commerce Ministry data shows.

Oil imports during August, 2011, were valued at USD 10.3 billion, translating into a growth

of 48.7 per cent compared to the corresponding period last fiscal, while non-oil imports rose to USD 28 billion, an expansion of 39.4 per cent vis-a-vis the same month of 2010-11.

The data also shows that oil imports during the April-August, 2011, period stood at USD 52.3 billion and non-oil imports during the five-month period amounted to USD 137 billion.

<http://www.financialexpress.com/news/exports-up-44.2-in-aug-imports-41.8/854967/0>

PE investments touch \$1.91 bn in Q3

Private equity investment in India touched USD 1.91 billion in July-September this year, which was 18 per cent higher than that in the same period last year.

For the third quarter of 2011, PE deal values amounted to USD 1.91 billion, as against USD 1.71 billion in the same period last year, according to Grant Thornton's 'Dealtracker' report.

In terms of number, the July-September quarter saw 94 deals compared to 58 deals in the same period last year.

"Private equity investments during Q3 2011



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have shown a marginal growth in value and a high growth in volume over the same period for the previous year," Grant Thornton India Partner and Practice Leader, Valuations, Srividya C G said.

The uptrend in the PE investment is in sharp contrast to the sluggish stock markets.

In comparison to USD 1.91 billion of PE investments in the third quarter this year, the capital raised through the initial public offer route during the said period stood at just USD 455.92 million through 11 IPOs, Grant Thornton said. Experts believe that owing to the subdued stock markets, several

companies that were looking to raise funds from public are now opting for the PE route.

Meanwhile, as per a report by SMC Global Securities, the ongoing volatility in the market has as many as 22 companies, with valid SEBI approval, cancelling their IPOs this fiscal.

They include Reliance Infratel, Glenmark Generics, Gujarat State Petro Corp, Raheja Universal, Sterlite Energy, Jindal Power and Avantha Power.

<http://www.financialexpress.com/news/pe-investments-touch-1.91-bn-in-q3/856521/0>

Overseas Investment

Government mulls allowing 100 pc FDI in single-brand retail

The government is considering allowing 100 per cent foreign direct investment (FDI) in single-brand retail, a senior official said.

"The matter is under consideration," Department of Industrial Policy and Promotion (DIPP) Secretary R P Singh told when asked if 100 per cent FDI was being considered for single-brand retail in India.

When asked whether the ministry would bring any discussion paper on the matter, he said:

"It is a small issue and there will be no discussion paper on it."

However, the Cabinet will take the final decision on it, he added.

DIPP is a nodal arm of Industry Ministry which deals with FDI related matters.

At present, India allows 51 per cent FDI in single-brand retail and 100 per cent in cash and carry format of the business, but the multi-brand segment is closed to FDI.

As far as allowing FDI in multi-brand retail is



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concerned, a committee of secretaries had already recommended FDI up to 51 per cent. A final view is yet to be taken due to a lack of political consensus.

Proponents of FDI in multi-brand retail hold that the sector would gain from professional expertise of global chains like Wal-Mart. It would help in removing middlemen and improve supply chain management, which in turn, will help cool down price pressure on food articles, they say.

<http://economictimes.indiatimes.com/news/economy/policy/government-mulls-allowing-100-pc-fdi-in-single-brand-retail/articleshow/10222719.cms>

Govt clears 11 FDI proposals worth Rs 183 cr

The government cleared 11 proposals, entailing total foreign direct investment (FDI) of Rs 182.78 crore, including that from 9X Media to increase foreign equity participation to up to 100%.

The Foreign Investment Promotion Board (FIPB), however, deferred decisions on nine proposals, including those of Vodafone Essar and Mauritius-based Ventureast Life Fund III LLC, and rejected six applications, an official statement said.

Media firm 9X Media Pvt Ltd had sought FIPB

nod to increase foreign equity participation from 80% to up to 100% and to make downstream investments up to 100%. The proposal, if implemented, would attract Rs 26.20 crore worth FDI.

The board, headed by Economic Affairs Secretary R Gopalan, gave its nod to Kolkata-based Pran Beverages' proposal for FDI worth Rs 16.45 crore, by way of induction of foreign equity by a company from Bangladesh.

DMV-Fonterra Excipients' proposal which entails induction of foreign investment of up to 100% in the capital of a newly incorporated LLP engaged in the business of manufacturing and sale of pharmaceutical excipients, was also approved. This would bring in FDI worth Rs 39.36 crore.

Further, the proposal of Mumbai-based Ace Derivatives and Commodity Exchange to transfer equity shares of the company to FIIs, such that the holding of each FII will not exceed 5% of the equity of the company. The proposal is worth Rs 10.53 crore.

On the other hand, the board deferred a decision on Vodafone Essar's request to transfer shares from a resident to a non-resident to carry out activities relating to its telecommunications business.

A decision on induction of foreign equity in a trust by Mauritius-based Ventureast Life Fund



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III LLC and Singapore-based InterCall Asia Pacific Holdings Pvt Ltd to set up a WOS to undertake the business of providing audio, video and web conferencing services for business, commercial, banking and other establishments was also deferred.

The proposals that were rejected include those of Chennai-based GV Films Ltd and Hughes Communications India Ltd.

Further, the board also recommended proposal worth Rs 1,200 crore for consideration of the Cabinet Committee of Economic Affairs (CCEA). This include proposals of Walt Disney Company (Southeast) Asia Pte Ltd, Gurgaon-based Grid Equipments and Energy Grid Automation Transformers and Switchgears India.

The next meeting of the FIPB would be held on November 11.

<http://businessstandard.com/india/news/govt-clears-11-fdi-proposals-worth-rs-183-cr/148663/on>

PM to discuss pharma FDI with key ministries

The Prime Minister, Dr Manmohan Singh, is scheduled to meet the Union Ministers of Health, Commerce and Finance, to underline the growing concern over “health security” and the “strategic” importance of the pharmaceutical sector in keeping medicines affordable in the country.

The inter-ministerial meeting comes against the backdrop of a spate of acquisitions of local drug-makers by foreign companies.

Six large Indian drug-makers have sold their pharmaceutical businesses either entirely or partially over the last five years, forcing the question of greater Government control on such mergers and acquisition (M&A) activity.

Late last month, the Maira Committee had submitted its report, stating, among other things, that the Competition Commission of India was equipped to handle M&A, even in the “strategic” pharmaceutical sector.

<http://www.thehindubusinessline.com/today-paper/article2523851.ece>

Trade News

India keen to scale up economic ties with Indonesia: Anand Sharma

With an eye on mineral resources like coal, India is scaling up its economic ties with



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Indonesia and the move is being helped by big Indian business houses like the Tatas, Anil Dhirubhai Ambani Group and Aditya Birla Group.

Commerce and Industry Minister Anand Sharma is leading a big CII delegation, headed by well-known industrialist Vijay R Kirloskar, to develop new linkages with the Indonesian government and industry.

The initiatives include negotiations for a comprehensive free trade agreement aimed at not only liberalising existing bilateral trade of USD 14 billion and taking it up to USD 25 billion by 2015, but securing access for Indian services like education and health in the 250 million people Indonesian market.

"India and Indonesia can do much more in the changing world," Sharma said at a reception hosted by the India-Indonesian Chamber of Commerce last night.

He said while Indian business houses have invested US 20 billion in sectors like steel, power and coal, Indonesia should allow access to Indian pharmaceuticals, which have made a name for themselves in the world market.

Indian drug companies are the second largest receivers of US Food and Drug Administration approvals.

"The Indian generic companies changed the

global discourse" and broke the stranglehold of MNCs in the world pharma market, he said.

<http://economictimes.indiatimes.com/news/economy/indicators/india-keen-to-scale-up-economic-ties-with-indonesia-anand-sharma/articleshow/10229343.cms>

India one of most important partners' in Asia: Switzerland

Affirming its belief in the booming Indian economy, Switzerland today described India as one of its "most important partners" in Asia and said that its exports to the country have grown by 19 per cent this year despite difficult world economic climate.

"India has become integrated in the world market and has been growing strongly, with its GDP increasing at the mean annual rate of 5.8 per cent. It is now one of the world's ten largest national economies," the Swiss government said in a statement.

The statement came after President Pratibha Patil and her Swiss counterpart Micheline Calmi-Rey addressed the Indo-Swiss Business Forum here in the Swiss capital.

"India is one of Switzerland's most important partners in Asia and has tremendous potential for the future. Commodity trade is flourishing and the volume has exceeded the 3.5 billion Swiss Franc mark for the first time in 2010," it



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said.

Despite difficult world economic climate, Switzerland's exports to India have grown by a good 19 per cent in the first eight months of 2011, while the imports have gone up by 17 per cent, the statement said.

In the field of services too, like tourism and IT sectors, India is becoming a more and more important partner, it said.

President Patil, in her address to the forum, said that despite global economic downturns, the Indian and Swiss economies have both demonstrated resilience.

<http://economictimes.indiatimes.com/news/economy/indicators/india-one-of-most-important-partners-in-asia-switzerland/articleshow/10231855.cms>

India, Afghanistan to sign strategic partnership pact: SM Krishna

India voiced concerns at repeated terror attacks in Afghanistan and agreed to elevate bilateral ties to the level of strategic partnership to bolster their joint fight against terrorism.

External Affairs Minister S.M. Krishna called on visiting Afghan President Hamid Karzai and discussed the entire gamut of bilateral and regional issues, including terror and ways to

intensify economic ties.

Karzai began his two-day visit to India, his second trip to the country this year, in the morning amid growing shared concerns about Pakistan's continuing support to Afghan Taliban and proxies like the Haqqani network.

Karzai comes at a time when Afghanistan is yet again reeling under terror attacks, Krishna told after his talks with Karzai.

He voiced India's concern at the recent assassinations of Karzai's half-brother Ahmed Wali Karzai and Burhanuddin Rabbani, Afghanistan's chief interlocutor with the Taliban.

"These two assassinations are a reminder not only to Afghanistan but also India and the region that we will have to do more in terms of strengthening our strategy to fight terror," he said.

Krishna said the two countries will be signing a strategic partnership agreement later in the evening after talks with Prime Minister Manmohan Singh.

<http://economictimes.indiatimes.com/news/economy/foreign-trade/india-afghanistan-to-sign-strategic-partnership-pact-sm-krishna/articleshow/10232013.cms>



Sectoral News

Public services to go mobile, government targets IT industry to \$300 bn by 2020

India plans to provide all public services on mobile devices, make one person IT literate in every household and increase the size of India's IT industry to \$300 billion by 2020 from \$89 billion this fiscal, as per the draft of government's first policy on information technology.

The government wants the IT industry to flourish in tier II and III towns. It plans to increase software exports from \$59 billion at present to \$200 billion by 2020.

The plan include diversifying exports to other countries apart from US and Europe to mitigate the impact of recession on India's IT companies. Communications and IT minister Kapil Sibal said the government may also offer tax incentives to local tech companies after the Direct Tax Code comes into place.

The country's small and mid sized IT companies have been impacted with the 10-year tax holiday from the Software Technology Parks of India scheme coming to end in 2010. "We'll certainly try and do something," Sibal said on a possibility of sops

for the small IT firms.

He added that he was hopeful of 'formalizing' the policy by end 2011. The IT policy is the second of the three policies that the ministry intends to deliver by December. Earlier this week, Sibal unveiled the draft national electronics policy which aims to bring \$100 billion worth of investment into the sector and create 28 million jobs over the next nine years.

Sibal, who also handles the portfolio of telecoms, will introduce draft of the much-awaited national telecoms policy on Monday.

The National IT policy aims at increasing its of skilled IT professionals four times to 10 million by 2020 while envisaging the extensive use of mobile phones and the recently launched world's cheapest tablet Aakash, at \$35, as a platform for delivering public services to all Indians.

"Aakash will be the delivery system for all public services. Going forward, we will improve the product," Sibal said. Besides making use of social media to reach out to the masses, the government also plans to integrate Aadhar to offer public services to the masses and simplify their delivery.



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It plans to increase affordability of accessibility through IT. The government also plans to promote innovation and R&D in cutting edge technologies and development of applications and solutions in areas like localization, location based services, mobile value added services, cloud computing, social media and utility models.

Sibal added that the government was keen on introducing the electronic delivery of services bill in the winter session of Parliament. The bill mandates states to provide all services electronically within five years.

The minister also emphasised on changing copyright laws in a bill pending in Parliament, at the same time not compromising nation's IT security.

http://articles.economictimes.indiatimes.com/2011-10-08/news/30258016_1_kapil-sibal-mobile-phones-social-media

Spices export up 26 per cent in Apr-Aug 2011

Spices exports in value terms rose by 26 per cent to Rs 3,365.20 crore in April-August this fiscal on the back of increased realisation from cardamom (small and large) and ginger.

The volume of shipments, however, fell by 23 per cent to 1.95 lakh tonnes in the same period, Spice Board data said.

The country's export earnings stood at Rs 2,676.18 crore, while the volume of shipments was 2.55 tonnes in the same period of the previous fiscal.

In terms of US dollar, exports rose by 29 per cent to USD 751.52 million in April-August 2011 against USD 581.15 million in the same period of the previous year.

The earnings from export of small cardamom rose by more than four-fold to Rs 129.94 crore in the first five months of the current fiscal compared to Rs 27.99 crore in the same period of the previous fiscal.

Export value of large cardamom rose by more than three-fold to Rs 19.07 crore in April-August 2011 against Rs 5.19 crore in the year-ago period.

<http://economictimes.indiatimes.com/news/economy/foreign-trade/spices-export-up-26-per-cent-in-apr-aug-2011/articleshow/10287690.cms>

Aug tea output edges up 3.5 pct

India's tea production in August edged up by 3.5 percent on year to 127 million kg, while exports jumped 15.2 percent to 19.4 million kg, the state-run Tea Board said.

The world's second biggest producer after China exports CTC (crush, tear, curl) tea variety mainly to Egypt, Pakistan and the U.K.,



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and the premium orthodox variety to Iraq, Iran and Russia.

<http://www.financialexpress.com/news/aug-tea-output-edges-up-3.5-pct/855503/>

India launches world's cheapest tablet

The world's cheapest tablet PC, priced at around Rs 1,200, will now be available to students in the country as part of the government's programme to expand education through information technology.

The tablet PC, named Aakash, will cost the government Rs 2,276. It will be given to students after subsidising the price by up to 50 per cent, HRD Minister Kapil Sibal said while unveiling the device.

"The tablet is for Rs 2,276 which includes taxes and cost of transportation. The government will provide subsidy of 50 per cent to institutes buying it. It will cost around Rs 1,100- Rs 1,200 to institutes," Sibal said.

An initially order of 1 lakh devices has been placed with device maker Datawind, Sibal said. The procurement order will be scaled up later with an aim to bringing down prices further, he added.

"If 10 lakh pieces are ordered, then it will be priced at Rs 1,750 (cost to the government) which will include transportation cost and

vendor's profit as well. So, I have fulfilled my promise of USD 35 tablet," Sibal said.

Sibal said he will ask telecom vendor ITI to manufacture it and will seek support of other industry players to scale up the production and reduce costs.

<http://www.financialexpress.com/news/india-launches-worlds-cheapest-tablet/856183/0>

Top two-wheeler makers post record sales in Sept

Two-wheeler majors Hero MotoCorp, Bajaj Auto and TVS have all posted record sales in September. This signals a possible shift in the buying pattern of certain small car customers towards more fuel-efficient vehicles as interest rates and fuel prices rise.

Market Leader Hero MotoCorp, the erstwhile Hero Honda, has posted the highest-ever two-wheeler sales for the month at 5.49 lakh units on a growth of 27 per cent. Volumes for the first six months of the fiscal have crossed three million units.

"Sales have been regularly in excess of half a million two-wheelers per month since the formation of our new company. We expect this momentum to continue into the festive season, and our plans are in place to meet the market demand," Hero MotoCorp's Senior



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Vice-President for Marketing & Sales, Mr Anil Dua said.

The New Delhi-based company closed the second quarter (July-September) of 2011-12 with sales of 15.44 lakh units, a growth of 20 per cent over the corresponding quarter last year.

Rival Bajaj Auto's motorcycle sales, which grew 18 per cent, also broke its own record. Its three-wheeler sales (46,478 units) and exports (1.41 lakh units) were also the highest ever.

TVS Motor, the third largest player in the segment, crossed the 2 lakh unit milestone on a domestic sales growth of 16 per cent. TVS' exports were up 27 per cent (25,973 units), while three wheeler sales rose 14 per cent (3,679 units).

"People who want to buy small cars and can't hold back their purchase are going for two-wheelers instead because of the poor market sentiments.

Also, many people who already have cars are buying scooters and bikes for their personal daily trips, so that they can save on higher fuel expenses. They tend to keep the car only for family trips," Mr Abdul Majeed, auto practice leader at PwC said.

<http://www.thehindubusinessline.com/today-paper/tp-corporate/article2509988.ece>

Govt targets 600 mn broadband connections by 2020

After ensuring the spread of telephony to every nook and corner of the country, the government set its eyes on a similar feat for broadband services, setting a target of 600 million high-speed internet connections by 2020.

The draft National Telecom Policy 2011, unveiled by Minister of Communications and IT Kapil Sibal, went to the extent of likening the broadband connectivity to basic necessities like health and education and proposes to work towards a 'Right to Broadband' for every citizen.

The policy has also called for providing, by 2015, 'Broadband on Demand' services, which would enable affordable, across-the-country, round-the-clock and high-speed internet connectivity to the users.

"The primary objective of National Telecom Policy (NTP) 2011 is maximising public good by making available affordable, reliable and secure telecommunication and broadband services across the entire country," Sibal said.

The draft NTP-2011 aims to achieve 175 million broadband connections by 2017, and 600 million by 2020.

"The move is definitely good for customer and rural economy as such and likely help bridge



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urban-rural divide and absolutely must for GDP growth as there is direct co-relation between GDP and broadband growth," Deloitte Haskins & Sells Partner Hemant Joshi said.

The draft also aims at offering broadband services at a minimum 2 Mbps on download and making available higher speed of at least 100 Mbps on demand.

As of June 2011, rural broadband had a penetration of only 1% and has lagged behind the growth of telephony in India (teledensity of 74%).

Besides, the draft also aims at providing high speed and high quality broadband access to all village panchayats through optical fibre by 2014 and progressively to all villages and habitations.

Telecom Commission, the decision making arm of the Department of Telecommunications, has already cleared the Rs 20,000-crore project to provide broadband connectivity to all villages in the next three years.

<http://businessstandard.com/india/news/govt-targets-600-mn-broadband-connections-by-2020/148655/on>

News Round-Up

Global investors' interest in India still high

The current global scenario might be one of gloom, with markets in the US and in Europe on the brink of a double dip recession, but interest in Indian real estate is still high among global investors, said Carlo Barel di Sant' Albano, chairman of the board of global property advisory firm Cushman & Wakefield.

"If a private equity player with a good track record comes up with a project in India, he will still find capital," he says. Of course, the time taken to raise money has increased, as

many international investors are averse to investing at the moment. "But it is clear from all the investors we speak to that they are trying to figure out how to put money in this part of the world, even today," he adds.

Today Asia is a very critical part of any corporate or investors' strategic plan. For Albano, India is at the centre of that strategy, alongside China because of its size and growth prospects. "If you look at the growth prospects in other parts of the globe, given what is happening in the US and in Europe, Asia is clearly an important driver for growth in the future," says Albano.



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Over the next few years, investor confidence in India is expected to improve, as transparency and regulation improve. "This will push more capital into real estate," he says. In India, foreign direct investment in real estate already ranks fourth among other sectors, which is a fairly high position considering the regulations that exist for FDI in real estate. When one talks about investments, a comparison between India and China is inevitable.

Albano points out that China is ahead in terms of investment in infrastructure and India has some catching up to do in terms of infrastructure. "This scale in different cities in China provides extra flexibility and a bigger canvas for investors." India, on the other hand, is ahead in terms of availability of human capital.

http://articles.economictimes.indiatimes.com/2011-10-04/news/30242769_1_global-investors-india-and-china-real-estate

India Inc hiring jumps 20 %

As the Western economies continue to remain in deep freeze, more and more foreigners, mostly from the US and Europe are looking at India for jobs, a trend that has seen up to 20 per cent spurt this year, according to head-hunters.

According industry estimates, there are as

many as 40,000 expats working in various industries in the country today.

"Hiring of expats has picked up by 15-20 per cent at all levels since last year, mainly on account of India being one of the fastest growing economies offering huge job opportunities," recruitment process outsourcing firm Elixir Consulting Manager for International Practices Ratnesh Kumar said.

Increasing number of expats are seeking jobs in the country on account of job cuts in their home countries, coupled with rising outsourcing and high taxes, he said, adding that this is happening more in the US and Europe.

The Indian experience also adds values to the expats' resume, reflecting an individual's ability to adapt and deal with diversity, he explained.

These professionals are mainly being hired in banking and financial services, automobile, pharma and retail sectors, apart from areas, where the domestic industry does not have competency like alternative energy, complex infrastructural sector, etc he said.

"While CXOs are generally offered around USD 2,50,000 per annum, mid-manager level employees get USD 80,000-1,25,000 per annum," he said.

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The number of foreigners seeking jobs in the country are no longer limited to the middle and senior levels, but is spreading over to beginners as well, he said, adding that at present, there are around 40,000 expats working in the country and the number is still growing.

What is interesting is that these expats are given compensation almost at par with what is being paid in foreign countries.

<http://www.financialexpress.com/news/india-inc-hiring-jumps-20/857650/0>

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While we endeavour to keep the information updated, we make no claim to the accuracy and completeness of the same



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