

Weekly Economic Bulletin

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News Feature

India shining on global exchanges

Investors are seeing more value in Indian IT-ITES companies. Why is it so? Indian IT-ITES companies are currently pipping their global counterparts to the

post in market capitalization. Infosys Technologies ranks number one with TCS coming second and Wipro taking the third place.

Accenture ranks fourth, followed by Electronic Data Systems (EDS). Cognizant Solutions ranks sixth, Amdocs, seventh, Computer Sciences, eight and Cap Gemini is ranked ninth. Satyam Computer occupies the 10th position.

The four Indian software majors, with a combined annual revenue of \$10.57 billion, aggregated a market capitalisation of \$73.44 billion. They are among the world's top 10 software companies by market capitalisation.

Compared to this, five US-based software companies and Cap Gemini together have a market capitalisation of \$65.01 billion as against their combined annual revenue of \$66.98 billion.

Why do investors see more value in Indian software companies? For one, Indian firms are growing faster than their global peers in terms of net earnings.

<http://www.businessstandard.com/common/storypage.php?autono=260367&leftnm=8&subLeft=0&chkFlg=>

India second biggest investor in UK: study

Given its penchant for expanding its footprint overseas, India Inc has emerged as the second biggest foreign investor in the United Kingdom, a latest study shows. Global consultancy and research major Ernst & Young said on Thursday that India has become the second most important source after the US for inward investment into the UK with nearly three-fold jump in the number of projects announced by Indian companies there in the first half of 2006.

The UK captured over half of all projects announced by Indian companies into Europe in the first six months this year, shows the latest issue of E&Y European Investment Monitor, which was released here.

While the US firms announced 145 investment projects in the UK in first half of FY'06, up from 102 a year ago, projects announced by Indian companies nearly trebled to 21 from eight in the year-ago period.

<http://economictimes.indiatimes.com/articleshow/2097197.cms>

Overseas Investment

FDI inflows jumps 92 per cent at \$2.9b

Foreign Direct Investment (FDI) in India rose by 92 per cent during April-July this fiscal to 2.9 billion dollars as compared to 1.5 billion dollar in the same period last

year. FDI inflows during July increased by a record 259 per cent to \$1.16 billion as against \$ 324 million in July 2005.

<http://economictimes.indiatimes.com/articleshow/2105925.cms>

FDI tangos with economic boom

The economic boom seems to have rubbed of on the foreign direct investment (FDI) growth. FDI inflows have surged a record 92% in April-July 2006-07 compared to the corresponding period of the previous year. With inflation contained at a moderate 4.7% level and industrial production touching a record high of 12.4%, the stage now seems set for a major spurt in FDI inflows.

The cumulative inflow during the four-month period has been \$2.9 billion as against \$1.5 billion during April-July 2005. "During the month of July 2006, FDI inflows went up by a record 259%, increasing to \$1.63 billion," commerce & industry minister Kamal Nath said on Friday. FDI inflow during July 2005 was only \$0.324 billion.

The single largest inflow this year has come from Barclays Bank PLC of Singapore, which has invested \$380 million in July 2006, Mr Nath added.

<http://economictimes.indiatimes.com/articleshow/2110693.cms>

More foreign funds rush in

Mirae Asset, Credit Suisse to set up AMCs; EM Capital launches two India-specific funds.

Foreign investors are not tired yet of chasing the India growth story.

Korean financial services firm Mirae Asset and Swiss financial house Credit Suisse on Tuesday announced plans to set up asset management business in India and US-registered EM Capital Management LLC announced launch of two India-specific funds, each having over \$200 million corpus. The two funds will invest in Indian capital markets and the private equity sector, respectively.

Yet another entity, Kuvera Capital, a UK-based hedge fund, is expected to start investments in the Indian stock markets, sooner than later. All these announcements were made on Tuesday in Mumbai, on the first-day of the 3-day 'Funds World - India 2006' conference.

The EM Capital India Discovery Fund will be different from other foreign institutional investors (FIIs) in its India strategy. "We will invest only in mid-cap and large small caps listed on Indian capital markets," said its chief executive officer Seth R Freeman.

http://www.businessstandard.com/common/storypage_c.php?leftnm=10&utono=260513

MNCs may get nod to invest in realty firms

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<http://economictimes.indiatimes.com/articleshow/2125340.cms>

Metlife to invest more in India

MetLife India is planning to infuse \$100m (about Rs 450 crore) to fund its expansion plans in India. It is currently capitalised at Rs 431 crore. It will also ramp up its agent force to 50,000 and double up branch network in the next two years.

The increase in the paid-up capital by \$100m or over Rs 450 crore, is meant to finance its growth plans over the next two years, MetLife Global chairman and CEO Rob Henrikson said here.

“We are likely to increase the agent force to 50,000 and double branch network in the next 20 months,” Mr Henrikson said. The life insurance company, at present has 8,500 agent force and 43 branches across the country.

<http://economictimes.indiatimes.com/articleshow/2100743.cms>

Trade News

India, EU may finalise trade pact next week

India and the European Union are all set to sign a bilateral trade and investment promotion agreement to liberalise trade in goods, services and investment far quicker than expected.

The high-level trade group constituted to look into the possibility of such an agreement has given its green signal. Commencement of the negotiations is likely to be announced at the India-EU summit in Helsinki next week.

The time period for completion of the negotiations and implementation of the agreement will be two years, a timeframe much shorter than any other trade pact that India has entered into so far.

The seriousness with which both the EU and India are treating the proposed agreement spells a bonanza for the Indian service industry, which is expected to be a major beneficiary of the agreement.

<http://economictimes.indiatimes.com/articleshow/2100507.cms>

EFTA keen on free trade pact

The European Free Trade Association (EFTA) is keen on forging a free trade agreement (FTA) with India. The Permanent Secretary of State, Ministry of Foreign Affairs, Iceland, Mr Gretar Mar Sigurdsson, said that India represented 0.4 per cent of the EFTA member states' total imports in 2005 and accounted for 0.6 per cent of their exports.

"This could grow if there is a FTA between India and the EFTA," he said.

While speaking at a meeting organised by the Embassy of Iceland, in association with the Confederation of Indian Industry, Mr Sigurdsson said that a feasibility study for the purpose was being prepared by India.

<http://www.thehindubusinessline.com/2006/10/04/stories/2006100403950100.htm>

Business services exports up 139 percent in Q1

India's exports of business services—comprising accounting, legal and auditing, management consultancy, tax consultancy and public relations services—jumped a phenomenal 139% in Q1 this fiscal over Q1 of 2005-06 to \$4.55 billion.

"This is an encouraging trend. We expect export of services to grow by an average 30% a year in the next five years," commerce secretary GK Pillai told FE. Many Indian auditing and consultancy firms had increased exposure to overseas markets in recent past, he added.

http://www.financialexpress.com/fe_full_story.php?content_id=142225

Ministry proposes full border trade with Myanmar at Moreh

The Union Government is actively considering a proposal from the Ministry of Commerce to convert border trade with Myanmar at Moreh land custom station in Manipur into full-fledged trade, subject of course to a small negative list.

The Manipur government has already prepared a list of 18 new items, such as bicycle parts and life saving drugs, for exports to Myanmar via Moreh point. Different trade bodies in Moreh have already been demanding that the current limited list of items of trade should be expanded.

<http://www.thehindubusinessline.com/2006/10/06/stories/2006100601480500.htm>

Sectoral News

IT cos may report strong numbers in Q2

Driven by a robust growth in business volumes, major information technology services firms are seen reporting strong numbers for the second quarter ended September 2006.

Seasonally, the second quarter is considered to be the strongest quarter for IT companies. Infosys Technologies is set to announce its results on Wednesday.

Analysts expect companies such as Infosys Technologies, Wipro Ltd and Satyam Computer Services to exceed their own guidance and post a double-digit sequential revenue growth for the quarter.

Infosys has guided quarter-on-quarter (QoQ) revenue growth of 10.9 per cent for Q2, while Wipro and Satyam had said their revenues would grow by 9 per cent and 8 per cent respectively.

<http://www.thehindubusinessline.com/2006/10/10/stories/2006101001430400.htm>

PM favours opening up of legal sector

The Prime Minister, Dr Manmohan Singh, on Thursday pitched for a "more open legal sector" in the country, stating that expertise in international law, commercial law and third country law is necessary as the Indian economy increasingly integrates with the global economy.

He also underscored the need for establishing an accreditation mechanism for hospitals and laboratories even while pointing out that health services are an emerging area that hold immense potential for India.

Addressing a special session at the International Congress and Exposition on Trade in Services, organised by the Federation of Indian Export Organisations, Dr Singh said the country's educational system must be expanded to translate the "demographic dividend" into a "development dividend".

<http://www.thehindubusinessline.com/2006/10/06/stories/2006100603840900.htm>

PM favours public, pvt partnership in infrastructure

Making a case for involvement of the private sector in infrastructure creation, the Prime Minister, Dr Manmohan Singh, said on Saturday that an investment of Rs 14,50,000 crore or about \$320 billion would be required in the sector during the Eleventh Plan period, all of which the Government may not be in a position to provide.

Addressing a conference on 'Building infrastructure: Challenges and opportunities,' Dr Singh emphasised on the need of exploring avenues for increasing investment in the sector through a combination of public investment, public-private-partnerships (PPP) and occasionally, exclusive private investments wherever feasible.

However, the Prime Minister refused to be drawn into specifics of how much of the \$320-billion investment requirement would be met through foreign direct investment and how much from domestic savings.

<http://www.thehindubusinessline.com/2006/10/08/stories/2006100802140300.htm>

Cisco bullish on pharma sector

Cisco Systems is bullish on the Indian pharma sector with its range of communication platforms and solutions that help overcome obstacles in clinical development systems and contract centre research.

Mr Suprabhat Chatterjee, National Business Development Manager, Cisco (India and SAARC), said that as India gears up to be a pharmaceutical hub of the world, domestic companies are increasingly waking up to the benefits of Internet protocol communication solutions to increase their operational efficiencies.

Cisco's unified communication solutions enable them to bring innovation into business processes such as billing, purchasing, sales and multi-channel marketing and enhance R&D productivity.

<http://www.thehindubusinessline.com/2006/10/09/stories/2006100901300200.htm>

News Round – Up

GDP up 8.9 percent, highest Q1 rise in 6 years

The country's GDP growth rate is testing the 9%-mark. The economy has grown by 8.9% for the April-July quarter of '06-07, the highest first-quarter growth rate since '00-01. To add to this good news, the inflation rate is also southward-bound, making the macro picture look even better.

Finance minister P Chidambaram said, "With prudent policies and fiscal discipline, an average quarter growth of 8% can be achieved." But this would need a sustained inflow of credit for the manufacturing sector, at a reasonable rate of interest, he said.

The spike in the growth rate is likely to strengthen the finance ministry's bias to keep interest rates soft, especially as the headline inflation rate has also been moderating. It is now at 4.56%. RBI will be taking a fresh call on the interest rate scenario by the end of October in its monetary policy review.

<http://economictimes.indiatimes.com/articleshow/2047826.cms>

India, China have renewed international economies

Asian giants India and China have transformed the international economy with their burgeoning economies shifting global markets, reshaping trade, investment patterns and directly affecting the environment, a new report has said.

The report entitled 'Engaging China and India: An economic Agenda for Japan and the United States' also recommended that Washington and Tokyo must actively engage both New Delhi and Beijing to ensure that the emergence of these two Asia countries is not seen as a zero sum game.

"China's and India's Imprint will become all the deeper in the years ahead as both evolve into centers of technological innovation and scientific excellence. China's and India's rise has already sparked adverse reactions in the two countries that currently sit atop the world's economic hierarchy: the United States and Japan," scholars of the two nations involved in the study have said.

<http://economictimes.indiatimes.com/articleshow/2078129.cms>

Here's why western firms are heading towards India

Indians are great learners, India is a democracy and also a safe place to invest - this is the growing feeling among Western financial circles.

Aliza Knox, senior vice president of Visa's international commercial operations, says India is the other major source of interest at the moment.

"Indians have a strong desire to learn and to progress and are more adaptable to new ideas," she said. "Some of their bankers are even more sophisticated than their colleagues in Europe or the US."

<http://economictimes.indiatimes.com/articleshow/2050854.cms>