

Weekly Economic Bulletin

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News Feature

India Inc makes entire year's profit in just 6 months

India Inc has defied Dalal Street's expectations by a large margin. A number of companies have surpassed last year's net profit in just six months of the current fiscal, reflecting an accelerated growth in corporate earnings.

During the recently concluded six months ended September 30, '06 (HY07), over 100 companies have posted a significant rise in their bottomline on the back of factors like improved sales volumes, higher other income and lower cost. The list also includes companies, which have turned around after recording losses during the past several years.

The out performers belong to different sectors, though cement, technology and banking players have dominated the list. The 105 companies covered under the study recorded a combined net profit of Rs 3,352 crore during HY07, compared with Rs 1,613 crore posted during the entire year ended March '06. Their sales stood at Rs 21,993 crore against Rs 34,709 crore.

<http://economictimes.indiatimes.com/articleshow/299821.cms>

Overseas Investments

Loaded future: VC funds worth \$900 mn set to flow in

Budding entrepreneurs have something to cheer about. Funds worth \$900 million are waiting to be deployed in the VC space over the next one year.

While this includes the six new funds that have been recently launched, it also includes \$150 million that is expected to flow into India through the European Venture Capital Association (EVCA) and similar amounts through the American VC association.

In fact, Europe has recently passed a mandate whereby India and China have been identified as the top two destinations for all VC funding outside Europe.

<http://economictimes.indiatimes.com/articleshow/287320.cms>

Swiss bank has major India plans

Swiss banking major Credit Suisse today announced plans for India, which include re-activating its brokerage in the country as it proposes to build an 80-member strong team for its various business segments ranging from investment banking and asset management to wealth management and research.

Credit Suisse joins other global banks Lehman Brothers and Goldman Sachs in announcing big plans for India. It was awaiting regulatory approvals to enter the asset management business in India, top officials told reporters here.

<http://www.business-standard.com/common/storypage.php?autono=263604&leftnm=2&subLeft=0&chkFI>

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Bosch to invest Rs 900-cr in India

Bosch, the German auto components giant, will invest Rs 900 crore in its Indian subsidiaries over two years. Bulk of the investment will be in Motor Industries Co Ltd (Mico) - the Bosch flagship in India.

Talking to reporters here on Wednesday, Mico's managing director Albert Hieronimus said: "Bosch is keen to increase its presence in emerging markets like India and China. As part of its India growth plan, the company decided to invest Rs 1,800 crore between 2005-08. We have already invested Rs 900 crore. The balance Rs 900 crore will be invested over two years."

Mico Ltd, in which Bosch holds 60.55%, has received Rs 550 crore infusion to develop diesel technology and common-rail system at its four facilities - Bangalore, Nasik, Naganathapura and Jaipur. It will receive another Rs 850 crore in the next two years to ramp up capacities at Jaipur and Nasik and for setting up new facilities.

<http://economictimes.indiatimes.com/articleshowcnews/285218.cms>

Trade News

Liberal foreign currency a/c rule to help exporters

Exporters can now take advantage of the burgeoning forex reserves as RBI on Tuesday liberalised the exchange earners' foreign currency (EEFC) account.

The steps are supposed to discourage excessive inflow of forex into the economy. In combination with the leeway given to rupee investment abroad, the measures are also expected to stem domestic inflationary build-up.

Exporters can now deploy their surplus cash in short-term bank deposits or AAA-rated papers abroad. Further, RBI has raised the cap for banks to borrow funds from their overseas branches to fund export credit up to 50% of their tier-1 capital or \$10m.

<http://economictimes.indiatimes.com/articleshow/287341.cms>

India, Norway to work on trade, maritime pacts

After initiating talks with the EU for a trade agreement, India has now started talks with non-EU countries such as Norway to boost trade and investment flows.

The Scandinavian country, which is not part of the European Union and hence outside the scope of the proposed India-EU bilateral trade and investment agreement, is also discussing a maritime agreement with India.

"We are looking forward to a bilateral trade pact and a maritime agreement with India. We hope to see an agreement in both these areas in the next few months," Norwegian Minister for Trade and Industry Dag Terje Andersen said here.

<http://economictimes.indiatimes.com/articleshow/291522.cms>

Non-EU nations eye trade pact with India

Swiss chocolates, Norwegian salmons, Icelandic cod liver oil and many more such exotic items may soon become part of your daily shopping list.

Switzerland, Norway, Iceland and Liechtenstein — which are not part of the European Union (EU) and hence outside the ambit of the proposed India-EU bilateral economic pact — have expressed interest in entering into a similar comprehensive trade and investment agreement with India.

India, too, is keen to work on the deal as it would not only translate into more job openings for Indian professionals but also lead to increased market access for a number of manufacturing sectors such as automobiles, auto components, pharmaceuticals and electronics.

<http://economictimes.indiatimes.com/articleshow/242807.cms>

Sectoral News

Core growth rises to 9.9% in September

The growth rate of the infrastructure sector has surged in September '06 to 9.9% from 6.3% in the same month last year.

The six core infrastructure industries — crude petroleum, petroleum refinery products, coal, electricity, cement and steel — have registered a growth of 7.3% in April-September '06-07 compared with 6.1% in the same period of '05-06. The sector has a weightage of 26.7% in the Index of Industrial Production.

The cement sector has recorded the highest growth in September '06 at 15.9% among the six core sectors (in September '05 its growth was 4.9%).

The figures released by the government on Friday show that the petroleum refinery products sector has recorded a growth of 12.3% in the first six months of the current fiscal. It had recorded a negative growth of 0.7% for the corresponding period last year. While the cement sector grew by 10% in April-September '06 (against an 11.4% growth in the same period last year), finished steel grew by 7.2% (against 13.7%).

<http://economictimes.indiatimes.com/articleshow/312929.cms>

India's aviation market flies high

India's aviation sector has become the fastest growing in Asia in terms of flight operations. While the capacity deployed by Indian carriers' in the international sector increased by 14%, the rise in domestic air capacity was 46% in October, according to latest statistics by global travel information company OAG.

The huge rise is mainly due to increasing low-cost flights that have been attracting substantial number of new customers. While India has made great gains, China's capacity— both internationally and domestically — has increased at a reasonable 10%.

Globally, budget carriers are attracting rapidly growing numbers. In India and China alone, demand for low-cost travel has skyrocketed, with domestic flight operations in this segment showing a remarkable jump of 466% and 254%, respectively says the OAG report.

<http://economictimes.indiatimes.com/articleshow/299891.cms>

R&D work done in India to touch \$27.5bn by '10

India is attracting 25% of the fresh global R&D investment. But shortage of professionals is a cause for concern.

Adds Naresh Chand Gupta, managing director, Adobe Systems India, "The demand-supply gap in R&D space is not just a challenge for India but is felt even globally, given the fact that companies need to constantly innovate products and services."

However, the good news is that the shortage is not acting as a dampener for shifting R&D work to India. "India has a rich talent base. As a result, a lot is going on in the Indian context which forms the basis for R&D work," says Daniel Dias, director, IBM India Research Lab. IBM has a research lab (one of the few among its labs worldwide) and development centres in multiple locations within India.

<http://economictimes.indiatimes.com/articleshow/287263.cms>

'India's manufacturing growth at peak in Oct'

India's manufacturing sector grew in October at its fastest pace since a purchasing managers' survey was introduced in April 2005, indicating recent monetary tightening has done little to dampen demand in the economy.

The seasonally adjusted Purchasing Managers' Index (PMI) rose to 59.3 in October from 59.0 a month earlier, helped by strong demand for goods and rising output.

The data published on Wednesday was collected before India's central bank raised one short-term rate by 25 basis points to 7.25 per cent on Oct. 31 but left other key rates steady.

http://www.financialexpress.com/latest_full_story.php?content_id=145176

We'll make India global workshop: PM

For Prime Minister Manmohan Singh, the success of the Indian automobile and auto components industry is a proud symbol of the success of Indian enterprise in this new era. Lauding the Indian automotive industry for its “success beyond expectations”, Mr Singh on Saturday said the UPA government would take necessary steps to realise the goal of making India a global workshop.

All firms, Indian and foreign, are contributing to making India an automotive and industrial powerhouse, he said, while laying the foundation stone for the Rs 470-crore Global Automotive Research Centre at Oragadam, about 70 kms from Chennai. “They have the potential to generate millions of jobs, which our youth need.

The UPA government will do whatever is necessary to realise this goal of making India the workshop of the world,” he said. “The Indian automobile industry has, like a beautiful butterfly, come out of its protective cocoon and is showing its wares across diverse continents,” he said. “What is more, it has done so with virtually no state subsidy or support.

<http://economictimes.indiatimes.com/articleshow/322667.cms>

News Roundup

India has more billionaires than China

India, whose high economic growth is driven mostly by the private sector, will witness a rise in the number of billionaires as compared to China in 2006, an official with the Forbes Asian Rich List said.

"This year there were 15 billionaires in China but last year in India, we had 20 billionaires," Contributing Editor of Forbes, Justin Doebele said in Beijing on the sidelines of the release of the Forbes' 2006 China Rich List.

http://www.financialexpress.com/latest_full_story.php?content_id=145269

India Inc profit growth in first half

If '05-06 was the year of turnaround, '06-07 is the year of consolidation. Net sales have grown rapidly during the first half, margins soared and profitability ratio of India Inc has increased substantially following a sharp rise in unit price realisation.

Not surprising. Most of the large companies recorded spectacular growth in the first quarter of the current year over the corresponding period of the previous year. According to the quick estimates of the Central Statistical Organisation (CSO) the index of industrial production (IIP) has grown by 10.6% during the first five months of '06-07 compared to the corresponding period of '05-06. The manufacturing sector has done even better with an increase of 11.8% during this period.

What is significant is that the growth has been far more wide this time around and 14 of the 17 industry groups (2-digits) have witnessed a rise in production during April-August '06. This is reflected in the performance of India Inc too during the first half of the current year.

<http://economictimes.indiatimes.com/articleshow/333522.cms>