

Weekly Economic Bulletin

Date: February 02-08, 2010

Issue No. 354

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News Feature

Exports up 9.3%

The country's monthly exports rose 9.3% in dollar terms in December 2009 even as imports were 27% higher from the same period of the previous fiscal. However, a strengthening rupee significantly mitigated the impact of the sharp jump in imports, as per the provisional data released by the ministry of commerce. Imports, which are a reflection on the domestic economic activity as well as exports, too turned positive after recording long 11 months of negative growth.

India's non-oil imports increased 22.4% in dollar terms from the preceding year on the back of strong rebound in the industrial sector.

Meanwhile, crude oil imports jumped 42.8% on rising international prices. India's crude oil import bill for the month was put at \$6.5 billion as against \$4.5 billion for the same period of the preceding year.

<http://www.financialexpress.com/news/exports-up-9.3/574183/>

Survey indicates strong revival in manufacturing

The HSBC Markit Purchasing Managers Index (PMI), one of the most reliable indices tracking the health of the manufacturing sector, climbed to its highest level in one-and-half years to 57.6 in January, 2010. The index had stood at 55.6 in December 2009.

"Any lingering concern that India's manufacturing recovery was tailing off should be put off. A second consecutive rise in PMI has taken the series to a new cycle high consistent on double digit rise in industrial production," said Robert Prior Wandesforde, Senior Asian economist, HSBC.

The positive results come against the backdrop of Reserve Bank of India's (RBI's) decision to start tightening monetary policy by raising the cash reserve ratio 75 basis points. The central bank also expressed confidence in the robust rate of growth in industrial output.

According to latest government data, industrial output as measured by the index of industrial production (IIP) grew at a robust rate of 11.7 per cent in November.

Within the disaggregated data, the new export orders index showed a more than 5 point jump, the highest since October 2007.

"Production and new orders have both increased for ten straight months...domestic and foreign demand rose considerably since December. The improvement in external demand was noticeable, although total new business growth continued to increase at a rate above export orders," said the report.

<http://www.business-standard.com/india/news/survey-indicates-strong-revival-in-manufacturing/384354/>

Economic growth gathers pace

The Indian economy is quite clearly well past the worst as the Edelweiss-ET NOW Lead Indicator Index (EELII) has indicated for the month of February. The index has held above the 100-mark for the third month in a row, crossing the 100-mark for the first time in December 2009.

The value of the index was at 110 for February, a marginal increase over the January value of 108, but sharply higher than the year-ago number of 76 in February 2009. A value of 100 on the EELII suggests that non-agriculture GDP is growing 9% year-on-year.

The increase in the EELII from a trough of 73 in March 2009 has been very sharp, driven largely by the benefits of low interest rates, easier availability of capital, the increase in government expenditure and also the general improvement in business and consumer confidence. The EELII is a composite weighted average index of a number of macro-variables that typically exhibit a strong predictive ability of core trends in the Indian economy.

“The strong growth was a broad-based one with contribution from almost all sub-sectors under industry and services. The second tranche of disbursement of Pay Commission-related arrears by the government largely explains the larger-than-expected growth in non-agriculture GDP,” said Siddhartha Sanyal, senior economist at Edelweiss Securities.

Growth in the agricultural sector escaped the impact of a record rainfall deficiency during the southwest monsoon this year, according to the preliminary GDP estimates for the second quarter of the current financial year. Edelweiss believes that there is a possibility of either a significant downward revision in the agriculture GDP number for this period or a much lower GDP figure in the third quarter. However, given the strong pick-up in core growth trends in the economy, Edelweiss believes overall GDP growth in the current financial year will ultimately be within a range of 6.75-7%.

<http://economictimes.indiatimes.com/news/economy/indicators/Economic-growth-gathers-pace/articleshow/5525969.cms>

RBI survey upgrades GDP projection at 6.9% in FY10

The Reserve Bank of India (RBI) released the results of quarterly survey of professional forecasters on major macroeconomic indicators of short- to medium-term economic developments.

Forecasters have revised their real GDP growth rate forecasts upwards to 6.9% in 2009-10 from 6%. They were asked to assign probabilities to the possibility that year-over-year real GDP growth will fall into various ranges. The highest probability of 43.8% has been assigned to growth range of 6.5-6.9% for the year 2009-10. For 2010-11, they have assigned highest probability of 33.8% to 8-8.4% growth range for GDP.

RBI has been conducting the survey on a quarterly basis from the second quarter ended September 2007. The survey is done through a questionnaire responded by 20 forecasters, and in no way reflect the views or forecasts of RBI.

For 2009-10, the forecast for agriculture has been revised upwards from (-) 1.4% to (-) 0.9%. For the industry, the forecasts have been revised significantly upwards from 6.3% to 8.4%, whereas for the services sector, there was modest upward revision from 8.1% in the earlier survey to 8.7% in the current survey.

Meanwhile, the profit growth of corporate sector in 2009-10 has been revised upwards to 11.3% from 10% in the last survey.

Broad money (M3) growth has been revised downwards to 18.3% in 2009-10 from the earlier forecast of 19%. In 2009-10, bank credit is expected to grow at the rate of 15% as against its previous forecast of 17%.

Besides, Central government fiscal deficit is placed at 6.8% of GDP in 2009-10, which is revised downwards from 7% in the last survey. The combined gross fiscal deficit is placed at 10.8% of GDP, revised downwards from 11% in the last survey.

The forecasters expect end period repo rate and reverse repo rate to be at 5% and 3.5%, respectively, in 2009-10, which are same as expected in the last survey.

For the quarter, the real GDP growth in the third quarter of 2009-10 is projected at 6.5%, revised upwards from 5.7% in the last survey. During the fourth quarter of current financial year, the GDP growth is placed at 7.5%.

Forecasters' median estimates for WPI inflation in the fourth quarter of current financial year is at 8.2%, revised upwards from 6.8% in the last survey.

<http://www.financialexpress.com/news/rbi-survey-upgrades-gdp-projection-at-6.9-in-fy10/575734/>

Overseas Investment

FDI inflows rise 10% to \$1.5 bn in Dec 2009

India received \$1.5 billion foreign direct investment in December 2009, an increase of over 10 per cent over that in the same month of previous year, a government official said. Foreign direct investment was \$1.36 billion in December 2008.

The overseas inflows, however, declined marginally to \$20.9 billion in April-December compared to \$21.15 billion in the corresponding period last year, the official said.

This is the third consecutive month that FDI inflows have posted a healthy year-on-year jump. In October 2009, FDI grew by 56 per cent to \$2.3 billion, while in November it surged by 60 per cent to \$1.74 billion against \$ 1.08 billion in November 2008.

In a move to push FDI inflows further, the Commerce and Industry Ministry has released a draft document that consolidates FDI policy notified through 177 Press Notes so far into a single regulatory framework.

The move is aimed at providing a greater clarity on the existing rules to foreign investors, but will not change the current FDI norms or sector specific caps.

<http://economictimes.indiatimes.com/news/economy/indicators/FDI-inflows-rise-10-to-15-bn-in-Dec-2009/articleshow/5534820.cms>

GST & foreign trade policy

Internationally, goods and services tax is understood as a destination-based consumption tax, covering all value additions to goods and services. This implies two things: firstly, that tax should not apply if the destination is outside India i.e. taxes are not exported and therefore, they are to be zero rated. As a corollary, imports should be taxed on par with domestically produced goods and services. Secondly, ensure that all value add is captured in the tax base; exemptions should either be removed or converted into refund/capital subsidy schemes.

Presently in India, exemption/subsidy schemes are available under the Foreign Trade Policy 2009-2014 (FTP) and also under the relevant central excise and customs legislation. Though there is some level of discussion in the GST white paper on exemption currently available under the excise and custom legislation, the fate of the exemption schemes currently under the FTP have not been discussed. It will be interesting to ascertain the continued relevance of various schemes (currently offered under the FTP) under the proposed GST.

The current incentives can be classified into (a) pre-export schemes (eg advance authorisation, EPCG, FMS and FPS etc), (b) post-export schemes (for example DEPB, SFIS, etc) and (c) industry specific schemes (for example EOU, STP, deemed export). The incentives under these schemes are mostly by way of exemptions with parallel notifications under relevant legislations (customs, excise).

<http://www.financialexpress.com/news/gst-&-foreign-trade-policy/576848/>

Trade News

India expects trade with Hungary to touch \$1bn

India has mounted a big diplomatic and economic push to strengthen bilateral ties with Hungary with an eye on further improving its ties with the European Union, its largest trading partner. Hungary is set to assume the presidency of the European Union in 2011.

"Hungary's membership to EU (in 2004) has added a significant dimension to our overall relationship. We also look forward to Hungary's Presidency of the EU in 2011 and would be happy to learn of any initiatives that Hungary proposes to take, particularly in the economic area," Commerce and Industry Minister Anand Sharma said at the India-Hungary Joint Commission on Economic Cooperation in Budapest.

Mr Sharma is leading a 23-member high-level business delegation of industry body Ficci to Hungary to boost bilateral cooperation.

The members of the delegation include, Phiroz Adi Vandrevalla of TCS, Pramod Bhasin of Genpact, Anil K Mani of Apollo Hospitals Group, Harin Mehta of Sun Pharma. Some of these companies already have a presence in Hungary while other are looking at opportunities for collaborations.

Hungary has been an important trading partner of India with two-way trade growing five folds between 2005 and 2008 to reach \$700 million mark, though it dropped 15% in 2009 due to the global demand slowdown. Both countries are exploring options to boost the bilateral trade to \$1 billion by 2012.

During the interaction, business leaders from the two sides explored areas of cooperation to increase trade and investment in sectors like auto component, port equipment, health, education, electrical machinery besides chemicals and pharmaceuticals.

<http://economictimes.indiatimes.com/news/economy/foreign-trade/India-expects-trade-with-Hungary-to-touch-1bn/articleshow/5532648.cms>

India, Germany discuss trade and investment

To further enhance their bilateral relations, India and Germany talked about boosting their trade and security cooperation in combating global terrorism.

Prime Minister Manmohan Singh held talks with visiting German president Horst Koehler on a wide range of bilateral and global issues, including the intensification of trade and investment, counter-terror cooperation, climate change and energy security.

Both leaders discussed a proposed accord on counter-terror cooperation and a framework agreement on economic and technological cooperation involving \$500 million, and decided to finalise these in the coming months. The security pact envisages creating a legal basis and framework for the training of Indians by anti-terror specialists in Germany.

<http://www.financialexpress.com/news/india-germany-discuss-trade-and-investment/574654/>

India-IAEA accord on safeguards in force

US President Barack Obama has certified that the Safeguards Agreement between India and the International Atomic Energy Agency (IAEA) on its civilian nuclear facilities has come into force—another step towards full implementation of the Indo-US atomic deal.

A memorandum in this regard was issued to the secretary of state Hillary Clinton, as mandated by the United States-India Nuclear Cooperation Approval and Non-proliferation Enhancement Act regarding the safeguards agreement between India and the Vienna-based global nuclear watchdog IAEA.

Obama also certified that India has filed a declaration of facilities—as mandated by the agreement—that is "not materially inconsistent" with the facilities and schedule described in the Separation Plan presented in the Parliament on May 11, 2006, taking into account the later initiation of safeguards that was anticipated in the Separation Plan.

The Presidential action came amid questions being raised in some quarters about the Obama Administration's commitment to implement the landmark bilateral nuclear deal.

Prime Minister Manmohan Singh at a joint conference with Obama on November 24 said the President had assured him of his 'full and complete' commitment to implementation of the Indo-US nuclear deal.

<http://www.financialexpress.com/news/indiaiaea-accord-on-safeguards-in-force/575833/>

India-Brazil trade to double in 4-5 years

The bilateral trade between India and Brazil would almost double at \$10 billion over the next four-to-five years, according to Mr Marco Brandao, Ambassador of Brazil to India.

"We are hopeful that the bilateral trade between the two countries will increase to \$10 billion in the coming three-to-four years from \$5 billion at present," Mr Brandao said while speaking at an interactive session organised by the Indian Chamber of Commerce.

Commodities such as sugar, biofuel, fertilisers were the key items of trade between the two countries. "There is a good amount of investment happening from Indian corporates in the pharmaceutical sector of Brazil," he said.

Mr Brandao, however, invited Indian companies to invest into hospitality sector ahead of the World Cup in 2014 and Olympics in 2016 in Brazil.

Indian sugar companies have been expanding in Brazil, he observed. "The Indian sugar producer Shree Renuka Sugar has already entered Brazil last year and now they are looking at scaling up their investments," he said.

Shree Renuka in November acquired Brazil's Vale Do Ivaí SA Açúcar e Álcool at a cost of Rs 1,112 crore, which gave the Indian sugar maker ownership of eight sugar mills in Brazil with an aggregate crushing capacity of 35,000 tonne a day.

<http://www.blonnet.com/2010/02/04/stories/2010020451631700.htm>

Great opportunities for private investments in UAE, India: Study

Investors have been asked to tap the opportunities in the private sector in the UAE and India to deepen economic ties between the two nations.

The UAE's Ministry of Foreign Trade (MOFT) has asked the private sector in the UAE and India to tap investment opportunities generated by reforms in both countries.

In a study, MOFT said there are a host of potential opportunities for stronger economic cooperation and joint projects between the two countries.

The report was released to mark the official visit today to India by UAE Minister of Foreign Trade Sheikha Lubna Al-Qassimi, who is leading 43-members a delegation.

The visit, which concludes on February 12, includes a promotional tour to Delhi, Mumbai, Hyderabad and Bangalore.

The delegation will also participate in the second edition of the annual Arab-India Partnership Conference slated from February 8-9 in New Delhi under the umbrella of the India-Arab Cooperation Forum.

The study noted the GCC-India Framework Agreement for Economic Cooperation, signed in August 2005, is a platform for expanding and liberalising their trade relations, including initiating discussions on the feasibility of a Free Trade Area (FTA) between the two sides.

The six member states of Gulf Cooperation Council (GCC) - Saudi Arabia, Qatar, Bahrain, Kuwait, Oman and the UAE - receive over 11 percent of India's total exports, the MOFT's study noted.

<http://economictimes.indiatimes.com/news/economy/indicators/Great-opportunities-for-private-investments-in-UAE-India-Study-/articleshow/5545839.cms>

Russia invites Indian biotech cos to set up joint ventures

Russia has invited Indian bio-technology firms, especially those in the small and medium category, to set up joint ventures. A Russian bio-technology delegation, led by Prof Vasilov Raif, President of Russian Society of Biotechnologists, is on a visit to India.

The Indian firms have also been invited to participate in the second international bio-tech summit, Eurasia Bio that gets under way in Moscow in mid-April.

“The event will provide Indian companies interested in setting up biotech ventures in Russia an opportunity to know the latest developments and future trends in Russia. It will also provide them an opportunity to sign up with their Russian counterparts to set up joint ventures in Russia,” Prof Raif said at a meeting with Indian businessmen organised by the Federation of AP Chambers of Commerce and Industries (FAPSI) here on Thursday.

The delegation included senior representatives of Mikrogen, a state-owned biotechnology company of Russia.

<http://www.blonnet.com/2010/02/07/stories/2010020751910200.htm>

Sectoral News

Indian IT services will soon see double-digit growth: Gartner

By mid-2011, the Indian information technology services sector will be back to growth in double-digits, according to research and advisory agency, Gartner.

The sector may not touch the 30-40 per cent growth rates it witnessed before the slowdown, but an register above 20 per cent growth as it nears calendar year 2011, says Partha lyengar, regional research head and Vice President, Gartner India.

Iyengar says while IT budgets would be flat for some time in 2010, there is a sense of urgency among clients to increase their cost efficiencies and hence a push towards outsourcing and offshoring. "This is also evident in the closure of sale cycles. During the slowdown, deal closure time had gone up by a few months but are now back in the range of three to five months. For instance, we had a call from a client in Europe who were asking for at least 100 people in the next two months. They wanted to close the deal as soon as possible," he says.

IT spending, too, is expected to reach \$3.4 trillion in 2010 — a 4.6 per cent increase from 2009, according to a new Gartner report. Although modest, this projected growth represents a significant improvement from 2009, when worldwide IT spending declined 4.6 per cent.

Iyengar says the growth was anticipated. (Software body Nasscom now says the IT industry will grow at 14-17 per cent in FY11). "The key difference during this slowdown and the earlier one is the sense of urgency among clients," he explains.

Iyengar also feels the demand scenario is not only sustainable but the level for outsourcing will go back to 2008 levels. Deals in the range of \$100-300 million are also back on table for discussion, he says. "Unlike in the previous recession, the decision to outsource was on hold, not the projects. It was just put on hold. Now, these projects have been fast-paddled."

<http://www.business-standard.com/india/news/indian-it-services-will-soon-see-double-digit-growth-gartner/384976/>

Ad spend to grow 10-13 per cent in 2010: industry

With the economy showing signs of a revival, the advertising industry in India is expecting advertising spend to show a growth of 10-13 per cent next financial year. Even sectors like print and outdoor advertising, which saw a decline last year, are expected to make a comeback, say advertising professionals.

"Companies were cautious in 2009 with the economic slowdown. However, the caution is leading to an optimism in 2010. With ad spends expected to rise, the industry could register a double-digit growth," said Srinivasan K Swamy, chairman of R K Swamy BBDO.

Industry estimates that the total ad spend in 2009 was roughly around Rs 20,000 crore, of which print and television advertising occupied the major chunk with nearly Rs 16,000 crore and the rest was distributed among outdoor, internet and radio-based advertising. While television advertising continued to register a 6-8 per cent growth, outdoor and print advertising is estimated to have declined 15-20 per cent.

Sectors, said Swamy, that contributed majorly to the ad spend in 2009 included auto, telecom, FMCG and financial services. Real estate, stock market-related businesses, capital goods, textiles and cement recorded negative ad spend.

Despite a prediction of growth in ad spends, industry insiders say it would be difficult to predict growth in business for advertising agencies.

“Ad spend will go up in 2010, but it could well be because of cost inflation and fragmentation of media. I am not sure how much of that ad spend will translate into business for an advertising agency,” said a senior official at Brand-Comm.

Advertising agencies say that for 2010, companies would be looking at ways to connect with customers at a time when a young consumer born between 1982 and 2000 receives over 3,000 distinct advertising messages everyday. Calling it an age of ‘disruption’, Swamy said the industry would have to build its brand and stay relevant against the backdrop of constantly changing consumer profile and evolving media mix.

To address this, the Confederation of Indian Industry (CII) is organising ‘Brand Summit 2010’ in its fifth edition, a two-day international conference on brand building, with the theme of ‘Marketing Disruption: How Will Brands Woo Consumers in the Age of Discontinuity?’ at Bangalore on February 19 and 20, 2010.

<http://www.business-standard.com/india/news/ad-spend-to-grow-10-13-per-cent-in-2010-industry/384563/>

Cement sales up on realty, infra push

If the production and sales figures of cement companies for January are anything to go by, the industry could see a healthy demand, led by the realty and infrastructure sectors, in the next two months of the current fiscal.

According to official data, all major cement companies witnessed growth in their sales, from 1% to 38%, in January vis-à-vis the same month last year.

“We expect a healthy demand to continue and prices would remain stable for some time,” said Shree Cement managing director HM Bangur whose company saw its sales rise 22.4% to 8.82 mt in January.

JK Lakshmi Cement has recorded a 38% growth in sales to 5.06 lakh tonne in January. The rise was, however, lower for the large companies. India’s largest cement maker ACC has experienced a marginal 1% increase in sales to 1.91 mt in January, while the third-largest Ambuja Cement has recorded a 7.5% rise to 1.75 mt.

“Cement companies in India have witnessed strong volume growth in the first half of the current fiscal on the back of increased government spending on housing, roads, ports and power stations and the momentum continues,” said an analyst, who did not wish to be named.

“Demand and subsequently, production, of cement are picking up but there could be pressure on profit-margins due to increase in inputs and logistics costs,” said Vinod Juneja, managing director of Binani Cement.

<http://economictimes.indiatimes.com/news/news-by-industry/indl-goods/-/svs/cement/Cement-sales-up-on-realty-infra-push/articleshow/5525940.cms>

Auto, retail, FMCG lead growth in sales

While the sensex earnings growth has been in line with estimates for the third quarter, companies with a strong consumer interface did much better than the rest of the pack registering a robust jump in sales.

Automobiles, retail and FMCG sectors raced ahead of others recording a strong improvement in volumes. While two-wheeler sales surged 60% (year-on-year) during the quarter, car sales spurted 48% y-o-y.

Sensex companies (except ACC that has not declared results) recorded a 25% jump in sales to Rs 2,10,700 crore and 17.7% growth in net profit to Rs 32,500 crore. Sales growth is driving profitability suggesting resurgent demand, compared with flat sales growth over the previous two quarters, analysts at Citigroup said in a note.

The five major automobile companies — Maruti Suzuki, Hero Honda , Bajaj Auto, M&M and Tata Motors — recorded a staggering 294.7% (y-o-y) jump in profit after tax to Rs 2572.5 crore. Their earnings before interest tax depreciation and amortisation (EBITDA) grew by an impressive 204.7% to Rs 4343.2 crore.

The volume growth momentum continued for FMCG companies with nine large players reporting a 16% increase in sales and 27% improvement in EBITDA during the quarter.

<http://economictimes.indiatimes.com/Earnings/Auto-retail-FMCG-lead-growth-in-sales/articleshow/5534384.cms>

Steel cos' sales jump 30% on auto, durables demand

Top private steel makers including JSW, Essar and Ispat have begun the year on a strong footing with up to 30% growth in sales volume in January over the year ago period boosted by robust demand from automobile and consumer durable sectors, as per company estimates.

The rise in construction activities, too, fuelled volume growth for the metal, thereby indicating that recovery in demand is broad-based and is gathering pace. After being hit by the economic slowdown that forced some steel producers to cut production in October-December 2008 due to low demand, steel consumption had grown 8% in the first nine months of the year ended December 2009.

“Companies across sectors are re-launching projects that were shelved at least for a year and this has increased demand for the metal. The process of re-stocking inventories is also on a high in anticipation of price hike going forward,” said Jayant Acharya director (sales) at Mumbai-based JSW Steel. Although he declined to comment on JSW’s growth, he added that sales were robust in January. Meanwhile, Ruias-owned Essar Steel posted 20% growth in sales volume in January 2010 said the company’s spokesman.

Ispat Industries sold around 2.5 lakh tonne of steel last month, growing more than 30% over January 2009. “Automobiles and consumer durables witnessed healthy growth, fuelling demand for steel products. Although some price volatility continue to exist in

China, the world's largest producer and consumer of steel, we expect the market to stabilise soon," said Anil Surekha director (finance) at Ispat Industries.

Rise in demand has already started reflecting in increase in metal prices both in India and abroad. Most steel companies increased product prices by up to Rs 2,000/tonne to Rs 33,000-35,000/tonne in the domestic spot market in January in line with international prices but restrained from any price hike this month. Globally, prices have more or less stabilised to \$575-600/tonne after touching a low of \$450/tonne early last year.

Meanwhile, price of steel in China declined marginally in the last few days after moving up 20% since October 2009, as inventories piled up and concerns grew that the government may curb lending to the industry in general.

<http://economictimes.indiatimes.com/news/news-by-company/earnings/Steel-cos-sales-jump-30-on-auto-durables-demand/articleshow/5529344.cms>

Auto makers post record sales in January

The new year has brought good news for almost all car manufacturers, with market leader Maruti Suzuki, Hyundai Motors, Tata Motors, Mahindra & Mahindra, General Motors and even Fiat, posting their highest monthly sales since their inception.

Sales of cars, sports utility vehicles (SUVs) and multi utility vehicles (MUVs) from these auto makers and also that of Honda-Siel and Mahindra-Renault together grew 33 per cent to 175,526 units in January against 131,636 units sold in the same month a year ago (see table).

Leading the charts was market leader Maruti Suzuki, which saw a 21 per cent jump — despite a price increase — on the back of additional numbers from the newly-launched Eeco (a utility van) and continued demand for the Ritz, A-Star, Swift and DZire.

This is the second straight month that Maruti set a new monthly sales record since inception, December being the first when sales crossed 100,000 units. Maruti Suzuki chairman R C Bhargava says he expects the trend to continue even if the government withdraws the four percentage point excise concession in phases.

"If the government withdraws half the concession in the Budget, the increase in car prices would range from Rs 5,000 to Rs 15,000. This is not enough to make a dent in sales, especially since interest rates are not going up in the near future. If both these things happened at the same time, there would have been an issue," he says.

Bhargava adds that the January price increase was less than 1 per cent for the buyer because the company had absorbed a large part of the cost increase in making the cars Euro 4 emission norms compliant.

The high January figures were also the result of dealers exhausting inventory in the December surge.

<http://www.business-standard.com/india/news/auto-makers-post-record-sales-in-january/384352/>

Tyre industry likely to register 10% growth on high vehicles' demand

Driven by a strong demand for vehicles across all segments, an overall recovery in macro economic factors and underlying structural demands are expected to propel tyre industry growth. The industry is expected to register a 9% to 10% compounded annual growth rate (CAGR) in volume during FY 2010-12.

Supported by industry's 90% operating capacity utilisation levels, the tyre industry growth will be primarily driven by 9% CAGR in replacement market, followed by 10% CAGR in original equipment manufacturer and around 12% CAGR in exports during the said period, said an Angel Securities analysis.

Consequently, the installed capacity of the industry is expected to grow from an estimated 3,948 tonne per day to 5,113 tonne per day by 2012. The overall expected investment by the industry will be around Rs 6,000 crore during this period, said the analysis. Tyre majors such as MRF, Apollo, JK Tyres and Ceat have already drawn ambitious plans with the total investment of over 5,000 crore.

Barring temporary fluctuations in FY 2009, the auto industry has been witnessing a healthy growth in the last few years. Though the demand growth has now largely stabilised on a higher base, vehicle offtake momentum is likely to persist. Riding on the upstick on the auto sales, the tyre offtake from the OEMs has started picking up which will augur well for the tyre industry.

Moreover, the rising levels of industrial and agricultural production, infrastructure and road development, growing income levels and increasing propensity to consume are expected to keep the domestic vehicle as well as tyre momentum buoyant, the analysis pointed out.

<http://www.financialexpress.com/news/tyre-industry-likely-to-register-10-growth-on-high-vehicles-demand/576817/>

News Round-Up

PE investments double in to \$386 million in January

Private equity investments in India doubled in January 2010 as deals worth over \$386 million were announced amid improving signs of liquidity, a study says.

According to the monthly deal update report of VCEdge, a financial research provider, private equity deal value in India was at \$386 million in January 2010, against \$191 million in January 2009.

The deal volume, however, was virtually unchanged with 25 deals recorded past month, one less than what was registered in the same month last year.

Going forward, there will be reduced valuations and more deals. And there would be a flight for quality as competition to invest in high-quality portfolio companies rise, it said.

A sector wise analysis shows that infrastructure, real estate and telecom were the most targeted sectors for investment with deals worth \$61 million, \$59 million and \$58 million respectively. "Together, they accounted for more than 45% of total private equity deal value during the month," the study stated.

Meanwhile, in terms of deal volume the most active sector was IT/ITeS with five deals in the month, followed by telecom with three deals. Other sectors contributing to the deal volume were real estate, hospitality and Infrastructure accounting for two deals each.

The largest private equity deal in January 2010 was the acquisition of 16% stake in Hyderabad-based Coastal Projects by Barings Private Equity, Sequoia Capital, Fidelity and Deutsche Bank, the report said.

<http://www.financialexpress.com/news/pe-investments-double-in-to-386-million-in-january/576814/>

M&A activity in India more than doubled to \$3 bn in Jan 2010

Merger and acquisition activity in the country more than doubled in the first month of 2010 as deals worth nearly USD 3 billion (about Rs 13,950 crore) were announced amid improved signs of liquidity, a study said.

According to the monthly deal report of VCEdge, a financial research provider, the M&A deal value during January 2010 stood at USD 2.8 billion, a whopping 126 per cent rise over the same period last year.

In terms of deal count there was also an upward trend, as there were around 53 deals in the first month of the year, as compared to 32 deals witnessed during a year-ago period, the report added.

Domestic deals were in fervour during January 2010, as there were as many as 29 domestic deals worth USD 2,303 million as compared to 14 transactions worth USD 589 million in January 2009.

Meanwhile, the number of outbound deals more than doubled from 6 in January 2009 to 13 in January 2010. Besides, the average deals size also grew to USD 111.30 million in the first month of 2010 from USD 84.28 million, the report said.

A sector wise analysis shows that telecom, logistics and banking, finance and insurance were the most targeted sectors for investments with deals worth USD 2,180 million, USD 164 million and USD 117 million respectively.

Together, these sectors accounted for more than 85 per cent of total private equity deal value during the month.

<http://economictimes.indiatimes.com/news/economy/indicators/MA-activity-in-India-more-than-doubled-to-3-bn-in-Jan-2010/articleshow/5548563.cms>