

Weekly Economic Bulletin

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News Feature

Exports up 11.5% in Jan to \$14 bn

The country's merchandise exports have reached \$14.34 billion (about Rs 66,680 crore) in January, up 11.5 per cent from \$12.86 per cent (nearly Rs 59,800 crore) in the same month a year ago, even as Commerce and Industry Minister Anand Sharma has recommended a "cautious" exit from export sops.

"Exports have again registered growth in January as some of the sectors did exceedingly well ... However, a cautious withdrawal would help and reassure the industry. Any abrupt changes would undermine the confidence and robust recovery," Sharma told reporters.

The official foreign trade data, including the import figures, would be released on March 2. Preliminary data had earlier put the export growth for January at 8 per cent.

Among the sectors that posted growth were agricultural products, tea, coffee, basmati rice, marine products, gems and jewellery, drugs, petroleum products and plastics, while textiles, jute, handicrafts, engineering goods and leather remained sluggish, Sharma added.

<http://www.business-standard.com/india/news/exports115-in-jan-to-14-bn/385499/>

Growth will be more than 7.2%, says FM

Finance Minister Pranab Mukherjee said economic growth for the current financial year would be higher than the advance estimate forecast of 7.2 per cent. The advance estimates released by the Central Statistical Organisation (CSO) pegged economic growth at 7.2 per cent, lower than the 7.75 per cent estimated by the finance ministry in its mid-term review released earlier.

Such a forecast is in line with that of the Reserve Bank of India (RBI) which has pegged economic growth at 7.5 per cent in its third quarter monetary policy review. The Centre for Monitoring Indian Economy (CMIE) has projected the GDP growth at 7.75 per cent for the current financial year.

"The economic survey 2008-09 had indicated that the upper band of growth in real GDP for the 2009-10 will be around 7.75 per cent.... I expect the growth to be higher than what has been estimated by CSO... last year also this was the case," said Mukherjee at a meeting of the Colombo Plan, which is a group of Asian countries aimed at fostering economic and social development in South and Southeast Asia.

CSO had estimated growth to be at 6.5 per cent for 2008-09 in its advance estimates, which were later revised to 6.7 per cent.

Mukherjee added even a 7.2 per cent growth excluded optimistic prospects for the Indian economy, when compared to the global economic environment.

<http://www.business-standard.com/india/news/growth-will-be-more-than-72-says-fm/385356/>

Full convertibility roadmap in the works, says RBI

Reserve Bank of India (RBI) Governor D Subbarao said the central bank would rework the roadmap for making the rupee fully convertible on capital accounts depending on global economic developments.

The bank was not backing away from full convertibility and we were still traversing the roadmap, Subbarao said at the first international research conference organised by RBI here.

The apex bank will be flexible in using capital control tools to achieve full convertibility. RBI has drafted a plan on fuller capital account convertibility. This includes a three-phase plan extending to 2010-11. The roadmap allows greater movement of capital in and out of the local currency, but progress has been limited so far.

The rupee has been convertible on current account since 1994, meaning it can be changed freely into foreign currency for purposes such as trade-related expenses. But, it cannot be converted freely for activities such as acquiring overseas assets.

Fuller convertibility is expected to facilitate rapid growth through higher investment and improved efficiency in the financial sector through greater competition.

Referring to objectives of the monetary policy, the governor said it could not just focus on inflation given growth concerns. The Indian economy needs to look beyond inflation targeting which is basically a supply-side concern.

<http://www.business-standard.com/india/news/full-convertibility-roadmap-inworks-says-rbi/385656/>

Overseas Investment

FIPB can now clear FDI of up to Rs 1,200 crore

The government has allowed the Foreign Investment Promotion Board (FIPB), under the commerce ministry, to clear foreign direct investment (FDI) proposals of up to Rs 1,200 crore.

At present, all project proposals that involve investment of above Rs 600 crore are put up before the Cabinet Committee of Economic Affairs (CCEA) for approval.

Announcing the CCEA decision, Home Minister P Chidambaram said the relaxation would expedite FDI inflow. "The Rs 600-crore cap was fixed in July 1996. Considering the investment requirement and the inflation factors, it has been decided that it should be increased to Rs 1,200 crore," Chidambaram said.

OTHER DECISIONS

* Cabinet considered the recommendations of the 13th Finance Commission. The report of the commission, together with the explanatory memorandum regarding the action taken on the recommendations of the commission, will be tabled in both the houses of Parliament during the Budget session.

* CCEA approved the signing of the Air Services Agreement between the central government and the government of Nepal

*An MoU signed between the Ministry of New and Renewable Energy and the Government of Scotland for bilateral cooperation in the areas of new and renewable energy was approved. Under the MoU, the two countries will cooperate in technology transfer, training and research

While the total project cost, including the foreign equity inflow, is currently taken into consideration in deciding whether the proposal is to be put up for CCEA consideration, the new decision will see that only the proposals involving a foreign equity inflow of more than Rs 1,200 crore go to CCEA.

It was also decided that the cases where prior approval of FIPB or CCEA for making the initial foreign investment was taken would not require any fresh approval if those sectors had been brought under the automatic route in the subsequent years. In a separate briefing, Commerce and Industry Minister Anand Sharma said: "This is the first major change in the FDI policy since 1996. It has been done to relax some of the FDI norms. Our FDI inflows had been robust even during the global economic slowdown and this step will augment growth in the flows further.... It is quite likely that the inflows this year would exceed those received during last financial year."

Total FDI inflows during April-December was \$20.92 billion, compared to \$21.15 billion during the corresponding period of 2008-09. "This only shows that pace of inflows have been stable," he said.

In a separate decision, CCEA revised the rates of concession applicable to two grades of complex fertilisers, to help public sector unit Rashtriya Chemicals and Fertilisers cover the underrecovery of Rs 15.95 crore incurred by it due to increase in gas prices in the July 2005-March 2008 period.

A proposal from the health ministry for Rs 370.97 crore to increase the number of seats in Post-Graduate Institute of Medical Education and Research, Chandigarh, also received the committee's approval. "While Rs 252.4 crore will be non-recurring expenditure meant to expand the infrastructure over three years, the balance will be of recurring nature," Chidambaram said. The expansion was necessitated the implementation of the 27 per cent reservation for the other backward class (OBC) community, without altering the number of unreserved seats

<http://www.business-standard.com/india/news/fipb-can-now-clear-fdiup-to-rs-1200-crore/385492/>

Surge of FII interest in debt paper

The long moribund Indian debt market has sprung to life in 2010. Total investment by foreign institutional investors (FIIs) reached Rs 9,577 crore in just 40 days. This is more than twice the Rs 4,563 crore invested by them in Indian debt paper in entire calendar 2009.

Despite the surge, government officials have said there is no proposal to raise the cap for FII investment in government or corporate debt. The caps for the two sectors are set at \$5 billion and \$15 billion, respectively. Current rules allow the cap to be raised if FII investment crosses 80% of the sectoral caps. Sebi data shows FIIs have exhausted only 50% of their limit in corporate bonds.

The huge surge of interest in Indian debt, especially government paper, follows the robust performance of the Indian economy in 2009-10, despite a high fiscal deficit projected at 6.8% of GDP.

<http://www.financialexpress.com/news/surge-of-fii-interest-in-debt-paper/577370/>

Infrastructure investments beat the trends

The slowdown in GDP growth has hardly had an impact on infrastructure investments, points out the recently released statistics on savings and investments brought out by the Central Statistical Organisation (CSO). The new figures, with 2004-05 as the base year, show that overall investments in infrastructure went up from Rs 253,035 crore in 2007-08 to Rs 307,282 crore in 2008-09, a rise of 21.4% which was only marginally less than the 22% clocked in the previous year when the economy grew by 9.2%.

The buoyancy of investments in the infrastructure sector is remarkable as the investment to GDP ratio of this segment, which includes, electricity, gas & water supply, railways, road, airports and ports, storage and communications, has gone up from 5.1% of the GDP at market prices in 2007-08 to 5.5% in 2008-09, an all time high, even as overall investments in the economy decelerated sharply from 37.7% of the GDP to 34.9% of the GDP.

What accounts for this sharp change in the fortunes of the infrastructure sector? A look at the numbers show that everything is not hunky dory as the growth rates vary substantially within the sector ranging from a substantial 76% in communications, where investments shot up from Rs 33,335 crore to Rs 58,668 crore, to a marginal 7% in the electricity, gas and water supply segment, where it rose from Rs 146,554 crore to Rs 157,869 crore.

But for this moderate growth in electricity and related areas, the growth of infrastructure investments would have been substantially higher as the segment accounts for more than half the infrastructure investments.

<http://www.financialexpress.com/news/infrastructure-investments-beat-the-trends/577744/>

Trade News

India-Arab trade to double by '14: Sharma

India has expressed hope that two-way trade and investment ties between India and the Gulf region will strengthen further, in order to double the bilateral trade turnover from the current \$114 billion to \$230 billion by 2014.

Anand Sharma, minister of commerce & industry, while inaugurating the 2nd India-Arab Investment Projects Conclave, jointly organised by the ministry of external affairs, in association with Ficci, the League of Arab States and the General Union of Chambers of Commerce, Industry & Agriculture, said that based on India's high domestic consumption and demand and a high savings and capital formation rate of 38%, the economy is expected to grow by 7.5% this fiscal.

He added, "But we need to go back to the 9%-plus growth trajectory in order to economically empower our 1.1 billion people."

According to Sharma, the government is determined to accelerate the momentum of growth and this can only be done in partnerships with the Arab world. "We need to look at areas of competitive advantages. The Gulf region has large sovereign funds and India is the right place to invest. Unctad and other multilateral agencies have ranked India as one of the three most attractive investment destinations after China and the US and the returns from India are the highest amongst the emerging economies," said the commerce minister.

While delivering his keynote address, Shashi Tharoor, minister of state for external affairs, called for an early conclusion of the India-GCC Free Trade Agreement, which will further boost the economic engagement between India and the Arab world.

He also underlined the need for working on mechanisms to institutionalise the welfare of the Indian expatriate workforce in Arab countries, particularly in the Gulf region.

<http://www.financialexpress.com/news/indiaarab-trade-to-double-by-14-sharma/577347/>

Nigeria invites investment from Gujarat

Having been the fourth largest source for India's imports of crude petroleum, Nigeria is now inviting companies to make more investments in the African country. Through the '3rd CII-Nigeria India Business & Investment Forum (NIBF2010)', , the country is wooing Gujarat firms to set up units in Nigeria.

"Held every alternate year, the forum intends to renew relationship with India. We have good relations with South Africa, Brazil, Egypt and India and tend to work together. Through this forum, we want to invite Gujarat's business community to visit and invest in Nigeria," said Mustafa Bello, executive secretary, Nigeria Investment Promotion Commission (NIPC). The forum is organised by the two countries through Confederation of Indian Industries (CII) and NIPC.

Speaking at the forum, Yatindra Sharma, vice chairman, CII – Gujarat Council and joint managing director KHS Machinery Pvt. Ltd highlighted the rich and ancient relationship shared between the two countries especially with people of Gujarat. "We seek to increase business propositions under this realm which will thereby enlighten progress on worldwide basis," said Sharma.

Talking about the potential of investments, Bello said, "Nigerian government has created various means to improve the fiscal situation and to attract investment in the country. There are huge opportunities of investment in sectors like telecom, IT, mining, agriculture, pharmaceuticals, healthcare, and hospitality."

<http://www.business-standard.com/india/news/nigeria-invites-investmentgujarat/385437/>

Canada looking to invest in power, farm sectors

Mr Joseph Caron, Canada's High Commissioner in India, has urged Indian businessmen to invest in Canada's mining sector.

"Tata Steel has already invested in the mining sector in our country but huge opportunities still exist for exploitation of iron ore, nickel and copper available abundantly there," Mr Caron said, addressing members of the Merchants' Chamber of Commerce.

According to a released issued by the chamber, Mr Caron pointed out that Canada had already invested heavily in the development of mines in India.

Keen to participate

Canada, he said, was also interested in investing in the country's agri-business but the "highly-controlled" agriculture market was proving to be a stumbling block.

In the power sector, Canada was interested in participating in mega projects, of capacity ranging from 1600 to 2000 MW, but most power projects being set up in India were in the range of 600 to 700 MW, he said.

Scope for cooperation

Canada and India, he said, were already collaborating extensively in the fields of information and communication technology, sustainable alternative energy and environment technologies and there was scope for mutual cooperation in other areas such as education. The President of the Chamber, Mr S S Beriwal indicated that bilateral trade between the two countries more than doubled to \$3.8 billion (Rs 17,785 crore) in the past five years.

Mr Beriwal also said that trade between the two countries could go up to \$15 billion (Rs 70,207 crore) in next few years once the Comprehensive Economic Partnership Agreement was signed, for which a Joint Study Group was finalising its report, the release added.

<http://www.blonnet.com/2010/02/09/stories/2010020951381700.htm>

UAE invites India to be part of diversification

The United Arab Emirates is moving away from a oil-dependent economy to newer areas with a vision for 2030 and wants India to be part of the transformation.

The diversification will reduce dependence on hydrocarbons (60 per cent) to less than 40 per cent by 2030. The emirate will focus on knowledge-based industry, aerospace, IT among others.

The UAE and India have remained reasonably stable in the global slowdown and are poised to grow, stated Ms Sheikha Lubna Al Qasimi, Minister of Foreign Trade, UAE, in her address to a Business Forum on 'Why UAE', organised by the CII-AP chapter.

Our 7.4 per cent GDP (gross domestic product) in 2008 shows the robust nature of the economy and we intend to cross 8 per cent soon. She urged India to take advantage of the facilities and opportunities unfolding in the seven countries, which constitute the UAE. Abu Dhabi, which comprises 87 per cent of UAE's land area, will be the centre of the transformation story.

The Andhra Pradesh Minister for Industries, Mr Kanna Laxminarayana, in his address, said the FDI inflow from the UAE into the State during April –July (2008-09) was around \$4 billion. The State had also signed a couple of MoUs with RAK for large infrastructure projects.

The Principal Secretary, Industries, Mr Sam Bob, said there were big opportunities for infrastructure companies from AP in the UAE.

With 33 per cent of the population being Indians and over 50 per cent of the workforce also from India, it would be easy to work together. Earlier, the President of the CII-AP Chapter, Mr Y. Harishchandra Prasad, in his welcome address, said there was good scope for collaborations, joint ventures, technology transfers in pharma, biotech, infrastructure and healthcare sectors.

<http://www.blonnet.com/2010/02/13/stories/2010021350501100.htm>

India, UK sign joint declaration on nuclear co-operation

India and the UK signed a joint declaration for civil nuclear cooperation.

The move is expected to offer greater access to British companies in the Indian atomic power sector and foster cooperation between scientific institutions on either side.

The Atomic Energy Commission Chairman, Mr Srikumar Banerjee, and the British High Commissioner, Mr Richard Stagg, signed the Declaration.

“The Declaration will help promotion and facilitation of wide-ranging cooperation in the nuclear field including in nuclear trade and also between scientific institutions of the two

countries,” a statement released by the Department of Atomic Energy said.

India and the UK had finalised the text of the joint declaration earlier this month during the Commerce Minister, Mr Anand Sharma's visit to London for the UK-India Joint Economic Trade Committee meet.

UK Trade and Investment, the British government's trade arm, had said that British companies were keen to collaborate with Indian partners in civil nuclear technology.

The UK's nuclear industry, with 19 reactors on 10 sites, currently supplies a fifth of the country's electricity. In September 2008, the British Government had announced a new manufacturing policy focused on the nuclear industry supply chain.

The new manufacturing strategy was aimed at supporting both the UK's domestic new nuclear plant construction programme and the nuclear export markets.

BAE Systems, Rolls Royce and Sheffield Forgemasters are among firms that have a presence in the nuclear value chain. According to the Nuclear Industry Association of the UK, the British nuclear industry can supply 70-80 per cent parts of a new nuclear reactor.

Since September 2008, after the Nuclear Suppliers Group lifted the embargo on India's participation in global nuclear commerce, India has signed civil nuclear cooperation agreements with France, the US, Russia, Kazakhstan, Mongolia, Argentina and Namibia.

India has also finalised a civil nuclear cooperation deal with Canada, which is expected to be signed soon.

<http://www.blonnet.com/2010/02/12/stories/2010021252371500.htm>

Sectoral News

Telecom sector's revenue up by 4%

India's telecom players have set the cash registers ringing for the December quarter with a 4% hike in revenues, bringing cheer to the industry that saw earnings decline sequentially for the preceding two quarters.

The industry notched up Rs 39,756 crore during the quarter ended December 31, helped by a recovery in earnings from both mobile and landline services that have been sliding for the previous six months. Mobile and landline revenues were at Rs 31,100 crore, up 0.5% from September 09, according to the figures submitted by telcos to Trai. On the wireless front, the sector clocked Rs 26564.5 crore, a 0.7% growth, during this period.

The six-month period between July-September 09 has been the first instance in the last five years where the sector's revenues dipped sequentially.

While only four telcos registered a sequential increase revenues in the September 09 quarter, the number has doubled in the three months ended December. This is despite the December 09 period being the first full quarter after massive tariff cuts by all operators. In

this period, only Bharti and BSNL amongst the large operators have recorded a fall in mobile revenues on a sequential basis.

Despite the savage price war, the latest industry data on sales may also indicate that the worst may be behind for the country's telecom companies. However, the tariff cuts have resulted in the industry's revenues for the three months leading to December being lower than the March 09 levels. This is despite the addition of 133 million new cellular customers during these nine months.

<http://economictimes.indiatimes.com/news/news-by-industry/telecom/Telecom-sectors-revenue-up-by-4/articleshow/5554077.cms>

India will become 2nd largest steel maker by 2012: Virbhadra Singh

India will become the world's second-largest steel producer by 2012, more than doubling its capacity of 57 million tonnes as part of push being given to assist overall infrastructure development, Steel Minister Virbhadra Singh has said.

"I have set a target of 124 million tonnes by 2012. We will become the world's second-largest steel producer. But more importantly, India has a vast capacity to consume that kind of output. It is necessary for our infrastructure development," the minister said.

"Here, I am only talking about the capacity expansion of existing steel companies. If I also take greenfield projects into account, we have expression of interest for projects worth over \$80 billion," Singh told.

At present China is the largest steel maker in the world with a capacity of over 600 million tonnes, followed by Japan and South Korea. India ranks fourth.

<http://economictimes.indiatimes.com/Steel/India-will-become-2nd-largest-steel-maker-by-2012-Virbhadra-Singh/articleshow/5555478.cms>

India to have 2 MT surplus aluminium for export by 2013

The aluminium industry in India may be moving towards overcapacity, since supply is likely to grow in excess of demand going forward. Considering that all aluminium projects would begin commercial production with expanded capacity as planned, there could be at least two million tonnes of additional capacity for exports by 2013.

"India's aluminium production will more than treble to 4.4 million tonnes by mid-2012 with new capacities coming on stream, along with requisite captive power generation capacities," stated a Fitch Ratings report recently.

Vedanta, Hindalco and Nalco together produced 1.5 million tonnes of the metal for the year ended 31 March 2009, a growth of 9 per cent year on year. Though higher cost capacities were shut down (in Vedanta's subsidiaries Balco, Malco and Vedanta Aluminium) to the extent of 0.14 million tonnes, additional capacities from Vedanta Aluminium Ltd in Orissa, along with incremental capacity expansions at Nalco and Hindalco compensated for the loss. For eight months between April and November 2009,

total aluminium produced was 0.98 million tonnes, a rise of 16.6 per cent over the corresponding period in the previous year.

“Although demand outlook for aluminium is likely to grow in line with the economy, supply is estimated to grow far in excess of demand, resulting in overcapacity in the domestic market over 2011-2013,” the report added. Large power and housing projects, which use aluminium extensively, depend largely on growth in economy and, thus, spur consumption of the metal.

According to an Icara report, “With sharp increase in capacity over 2010-13, India will start massive export of aluminium. The country could by 2013 be an annual exporter of 2 million tonnes of the metal, assuming the planned capacity expansions become operational as currently envisaged.” It added that the current demand-supply situation for aluminium was largely balanced with consumption in line with existing production, and a relatively small volume of exports.

India’s per capita consumption of aluminium is 1 kg as against 30 kg in the developed world, it stated in the report. “The industry is exploring new application areas and untapped demand potential, which may result in greater preference for aluminium in the future,” Icara added.

<http://www.business-standard.com/india/news/india-to-have-2-mt-surplus-aluminium-for-export-by-2013/385380/>

Auto sales cross record 11 lakh units in Jan

The Indian auto industry reported the highest ever sales in a single month at over 11 lakh units in January, boosted by easy availability of retail finance and soft interest rates.

According to the Society of Indian Automobile Manufacturers (SIAM), the total sales in domestic market stood at 11,14,157 units, against 7,68,698 units in the year-ago period, a jump of 44.94 per cent.

"This is the highest ever sales by the auto industry ... economic growth, reduced interest rates and better money supply has helped the industry in posting such growth," SIAM Director General Dilip Chenoy said.

He said the high growth in terms of percentage in January was also contributed by last year's low base. "Reduced commodity prices compared to last year also helped."

The earlier highest sales by the industry was in October, 2006, at 10,17,198 units.

Domestic passenger car segment too posted the highest ever sales at 1, 45,905 units, against 1,10,300 units, up 32.28 per cent, in the corresponding month last year. It was the 10th straight month of growth by the segment.

The car manufacturers had earlier touched the peak at 1,29,358 units in March, 2009, Chenoy said.

During the month major manufacturers, including Maruti Suzuki, Hyundai Motor, General Motors and Mahindra & Mahindra reported their individual record breaking sales.

Asked about prospects in February, he said: "It will depend on multiple factors like pent up demand, price rise.

Still we will have good growth in the month."

<http://www.financialexpress.com/news/auto-sales-cross-record-11-lakh-units-in-jan/577503/>

Exports from SEZs cross Rs 150k crore in Apr-Dec

Exports from SEZs across the country have crossed the Rs 150,000-crore mark in the first nine months of the current financial year, compared to Rs 99,600 crore in 2008-09, registering a growth of 127% over the same period last year.

According to LB Singhal, director-general, Export Promotion Council for EOUs & SEZs, said SEZ exports between April 1, 2009 and December 31, 2009 amount to Rs 151,785.49 crore, while exports from SEZs in the corresponding period last year, that is between April 1, 2008 and December 31, 2008, amounted to Rs 66,638 crore. Therefore, in spite of the global economic slowdown, SEZ exports have registered a growth of 127% in the first 9 months of the current fiscal.

Singhal also added that total direct employment in SEZs as on December 31, 2009 stands at 490,358, while the total employment as on December 31, 2008 was 336,333. SEZs have thus created an additional direct employment for 154,025 people this year.

Talking about investment, Singhal said the total investment in SEZs as on December 31, 2009 is Rs 128,385 crore, compared to figure of Rs 101,906 crore for the period ended December 31, 2008—recording an additional investment of Rs 26,479 crore made during the said period in the current fiscal.

According to Singhal, owing to the encouraging per-formances of exports, investments and employment generation, SEZs are becoming successful in achieving their stated objectives, though they still have a long way to go.

<http://www.financialexpress.com/news/exports-from-sezs-cross-rs-150k-crore-in-aprdec/577267/>

Cement despatches at new high

The 240-million-tonne cement industry registered new high in despatches in January, due to robust demand from the cement consuming sectors.

The industry, with over 50 players, sold 18.19 million tonnes (mt) in January, surpassing its earlier high of 18.1 mt in March 2009. At the same time, the industry's despatch growth stood at 12.77 per cent on a year-on-year basis, the highest since August last year.

Sumit Banerjee, managing director, ACC, the country's largest cement maker, said, "We shall see more of cement consumption growth as the country gets its act together in infrastructure."

Propelled by significant demand rise in the northern, central and eastern regions of the country, the industry experts said that in the current quarter despatches will further rise on the back of consistent demand from infrastructure sector to end the current financial year with a despatch of close to 20 mt in March.

"Indian economy has been on a drive with special emphasis on infrastructure development. The newly set up capacities are now getting stabilised and the month-on-month increase in the production and despatches is reflecting the same," said Vinita Singhania, president, Cement Manufacturers' Association.

Hari Mohan Bangur, CMD, Shree Cement, said, "Demand for cement is being felt from all corners. Individual house builders, infrastructure and real estate are the major drivers for growth. Moreover, demand from the developers in the mega cities, which was relatively numb in the earlier part of the current financial year, has picked up."

Barring country's largest cement maker ACC and its sister concern Ambuja Cements, which are unable to produce more due to capacity constraints, all the major players registered substantial rise in production in January. Production at 18.16 mt is the highest ever in industry's history.

For instance, emerging cement giant Jaiprakash Associates came up with a whopping growth of over 60 per cent whereas JK Lakshmi Cement posted 38 per cent rise in its despatches in January. Similarly, Birla firms - UltraTech Cement and Grasim Industries - sold 16.5 per cent more cement and Shree Cement's despatches jumped 18 per cent.

Industry analysts pointed out that north-based emerging players are reaping benefits of the growth momentum as they have materialised their expansion projects.

The industry has so far added around 22 mt of new capacities and is expected to take its overall capacity to close to 245 mt in the current financial year.

The country's cement consumption has risen from 113.86 mt back in 2003-04 to close to 190 mt in 2008-09. This, further, is expected to rise up to 205 mt in FY10. Likewise, during this period, industry has almost added another 100 mt of manufacturing capacity in its kitty from 144 mt to 240 mt currently.

<http://www.business-standard.com/india/news/cement-despatches-at-new-high/385157/>

News Round-Up

Business Confidence Index at two-year-high

Business confidence in India continued to improve and touched a two-year high in January, according to the latest National Council of Applied Economic Research (NCAER) - MasterCard Worldwide Index of Business Confidence.

The Business Confidence Index (BCI) rating of 153.8 points for January 2010, compared to the October 2009 rating of 143.7 points and July 2009 rating of 118.6 points, is also the highest rating since January 2008 (154 points).

“The latest NCAER-MasterCard Worldwide Index of Business Confidence study has captured the upbeat economic climate in India,” said T V Seshadri, vice-president and country general manager, South Asia, MasterCard Worldwide.

“The performance of the index points to a robust recovery. The growth in the non-agricultural side of the economy has been sustained since October and the performance has been good across the board,” said Shashanka Bhide, senior fellow and survey head at NCAER.

The survey, based on 542 responses received in December, measures business confidence on four indicators: Overall economic conditions expected after six months, expected financial position of the firm after six months, investment climate compared to six months back and capacity utilisation level. All four indicators carry equal weight.

<http://www.business-standard.com/india/news/business-confidence-index-at-two-year-high/385480/>

RBI simplifies ECB procedure

In a move that will simplify and speed up external commercial borrowing (ECB) transactions, the Reserve Bank of India (RBI) allowed banks to tweak certain terms without its prior approval.

Accordingly, loan arrangers will be able to make changes in the drawdown or repayment schedules as long as the average maturity of the loan remains the same. The change is applicable for transactions through both approval and automatic routes.

Indian companies are allowed to borrow up to \$500 million a year without prior RBI approval. Any further borrowing needs RBI's approval. Also, changes in currency need not be approved by RBI.

“Designated AD (authorised dealer) Category I banks may allow changes in the currency of borrowing, if so desired by the borrower company, in respect of ECBs availed of both under automatic and approval routes, subject to all other terms and conditions remaining unchanged,” said RBI's circular. This is used when a borrower wants to shift from a volatile currency to a more stable currency. In addition, RBI approval will not be required if a borrower wishes to switch to another bank as long as he secures a no-objection certificate from the first lender.

This facility is usually used when a borrower wants to switch from a higher interest rate to a lower interest and is unable to reach an agreement with his existing loan arranger.

Banker said the move will simplify the ECB procedure. However, it is unlikely to have an impact on ECB volumes or overhead costs. "Basically, this will smoothen the procedure and make it less time-consuming. RBI has allowed banks to play a greater role in the process," said Joiel Akilan, chief representative, BBVA. ECB volumes have picked up substantially from a low of \$ 286 million in April. In December 2009, Indian companies borrowed \$1.48 billion from overseas loan markets.

<http://www.business-standard.com/india/news/rbi-simplifies-ecb-procedure/385159/>

Bank credit growth at 14.83% hints at revival

Outstanding bank credit in the 15 days up to January 29 rose by Rs 20,000 crore, pointing to a revival in credit growth.

The year-on-year growth in credit as of January 29 was 14.83 per cent over the same fortnight last year.

On a year-on-year basis, this is the highest growth recorded since August 14, 2009. In October, the growth rate had plummeted to a 12-year low of 9.75 per cent.

Typically, outstanding bank credit swells during the last fortnight of a quarter and contracts in subsequent weeks.

In the last fortnight, total bank credit grew by a whopping Rs 79,515 crore — the highest fortnightly rise in the financial year so far.

In the following fortnight up to January 15, outstanding credit shrank by Rs 11,898 crore, but bankers were expecting further reversals after the unusually high quarter-end numbers.

"There is good demand for home and auto loans on the retail side. On the corporate side, a lot of sanctions for power projects are getting disbursed now," said a senior executive of a large public sector bank. He added banks might actually exceed the Reserve Bank of India's (RBI's) forecast of 16 per cent credit growth for the year.

RBI had earlier estimated that bank credit would grow by 20 per cent in 2009-10. However, in the wake of dismal credit growth, it had revised its estimates downwards to 16 per cent in two successive monetary policy reviews.

<http://www.business-standard.com/india/news/bank-credit-growth-at-1483-hints-at-revival/385302/>