

## Weekly Economic Bulletin

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## News Feature

### **S&P ups India outlook to stable from negative**

Standard & Poor's (S&P) Ratings Services said that it revised the outlook on India to stable from negative. At the same time, we affirmed the 'BBB-' long-term and 'A-3' short-term sovereign credit ratings on India.

The revision in outlook reflects our view that India's fiscal position could now begin to recover and that its economy will remain on a strong growth path. The government budget targets a general government (including central and state governments) deficit of 8.3 per cent in the fiscal year ending March 31, 2011, from 9.8 per cent in the previous fiscal year.

The government intends to follow the medium-term fiscal consolidation plan outlined by the 13th Finance Commission. The Commission recommended that general government deficit be reduced to 5.4 per cent of GDP and the ratio of general government debt to GDP be lowered to 68 per cent of GDP by the fiscal year ending 2015. The government's decision, in February 2010, to change its fertilizer policy to implement a nutrient-based pricing policy and to raise urea prices by 10 per cent from April 2010 is a step forward for the reduction of subsidies. The budget also announced an average increase in the prices of domestic petroleum and diesel of 6.0 per cent and 7.8 per cent, respectively.

"We expect India's GDP growth to be 8.0 per cent in fiscal year ending March 31, 2011, which is higher than many other countries' and exceeds our previous expectation," said S&P's Credit Analyst Takahira Ogawa. In addition, S&P's views India's external position as resilient. We expect the country's ratio of gross external financing need to current account receipts plus international reserves to remain stable at 77 per cent in fiscal 2010.

However, the ratings continue to be constrained by the high government debt burden and deficit, and India's weak fiscal profile. The consolidated debt of India's central and state (general) governments is estimated at 80 per cent of GDP (by our definition) in the current fiscal year, while interest payments are likely to consume about 27 per cent of general government revenue.

"In our opinion, the recent high inflation rate could also derail the stable macroeconomic and interest rate environments," said Ogawa. The Wholesale Price Index (WPI), India's most widely used inflation index, increased by 10 per cent in February 2010, mainly because of the rise in food prices. The stable outlook reflects our view that India's fiscal consolidation at the central, state, and public enterprise levels over the next several years will likely restore the government's policy flexibility, and keep credit fundamentals commensurate with the 'BBB-' rating. S&P will continue to monitor the government's measures to rein in public finances.

The sovereign ratings on India could be raised, if the government continues to reduce the public sector's deficits materially. Conversely, if the government continues its loose fiscal policy or there are policy setbacks on monetary, financial, and economic fronts that lower India's medium-term growth prospects could result in a downward pressure on the ratings.

<http://www.business-standard.com/india/news/sp-ups-india-outlook-to-stablenegative/07/46/88856/on>

## **India fought global crisis better than others, says Economist; sees GDP at 7.5% this fiscal**

India has weathered the global economic crisis better than other countries and the country's GDP is predicted to rise to 7.7% in 2010-11 and 8% in 2011-12 on the back of relatively young demography and strong economic fundamentals.

Presenting the economic forecast, Economist Intelligence Unit says India will be the ninth fastest growing economy in the world and the second fastest growing major economy this year. It further says that India will overtake China as the fastest-growing major economy by 2018. The Middle Kingdom's growth rate will moderate as its economy develops and not because India's growth rate is likely to break into double digit. Over a longer time frame, India will sustain an average annual growth rate of 6.4% to 2030.

Anjalika Bardalai, EIU's senior analysts for South Asia says that continued strong domestic consumption, spurred by rising incomes and a rising middle class will be the primary drivers of India's growth. "High savings rates (32.5% of GDP) and investment levels (34.9% of GDP) will support India's continued economic acceleration, but we must be aware of the risks to the country's macroeconomic stability, including high inflation," she underlines.

Given the recent global financial crisis and the worst monsoon in nearly a quarter of a century, Bardalai says India's economy has demonstrated resilience and has in fact fared much better than other countries in the world.

<http://www.financialexpress.com/news/india-fought-global-crisis-better-than-others-says-economist-sees-gdp-at-7.5-this-fiscal/592228/>

## **Overseas Investment**

### **Forex reserves up \$1.28 billion**

The country's forex reserves went up by \$1.28 billion to \$279.71 billion in the week ended March 12, RBI said in its weekly statistical supplement. While foreign-currency assets rose \$1,249 million to \$255.32 billion, gold reserves remained unchanged at \$17.92 billion, RBI said.

Special Drawing Rights with the IMF rose \$22 million to \$5.07 billion while its reserves with the IMF also inched up by \$6 million to \$1.39 billion.

Total reserves have climbed up by \$30.98 billion in the last one year. Essentially, reserves constitute of overseas currencies, gold and special drawing rights with the IMF.

<http://www.financialexpress.com/news/forex-reserves-up-1.28-billion/593163/>

## **FII buying, advance tax figures a fillip to markets**

Steady buying from foreign funds coupled with strong advance tax numbers have pushed Indian markets to an eight-week high. Foreign institutional investors (FII) bought for the 12th consecutive trading session and remained net buyers at over Rs 370 crore, according to provisional figures furnished by the Bombay Stock Exchange (BSE).

In the month of March, FIIs have bought stocks worth \$2.4 billion, according to data by Securities and Exchange Board of India (Sebi). If it holds on to this figure, March could be the month of highest monthly inflows witnessed since September 2009. In the last 11 trading sessions, FII have bought Rs 11,440 crore. Yet, large cap indices haven't moved much. BSE Sensex was up 1.03% during the same period while CNX midcap ended up relatively higher at 2.4%. While the march shareholding figures aren't available, it is likely that FIIs are fishing for stocks in the midcap counters. The 30-share Sensex of BSE added 218.19 points or 1.27% to end at 17,383.18 on tuesday. The broader S&P CNX Nifty of National Stock Exchange (NSE) gained 69.20 points or 1.35% to close the day at 5,198.10.

Benchmark indices opened the day with positive gap and traded in a range-bound manner. However, during the final hour of the trading strong cues from the European markets boosted the sentiment of the market.

<http://www.financialexpress.com/news/fii-buying-advance-tax-figures-a-fillip-to-markets/591707/>

## **No FDI, private participation in n-power sector: Chavan**

There are no plans to allow foreign direct investment (FDI) or domestic private sector participation in the generation of nuclear energy as the sector was "extremely sensitive", Minister of State for Science and Technology Prithviraj Chavan said.

"The government has no proposal to allow FDIs and domestic private sector participation in generation of nuclear energy, given the sensitivity of the sector. The first challenge would be to pass the Nuclear Civil Liability Bill with a collaborative approach," Chavan said at an event organised by the industry forum, Associated Chambers of Commerce and Industry of India (Assocham).

"After the bill is through, the government would be able to create conditions to forge alliances between domestic power sector companies and their counterparts overseas," Chavan said at the Conference on Nuclear Energy: Need for Legal & Regulatory Framework for Investment.

Chavan said that the United Progressive Alliance (UPA) government has ambitious plans to import equipment to expand its indigenous nuclear generation power programme from countries like France, Russia and the United States.

"The imports will be subject to conditions that suppliers would have to take the entire risk for meeting emergency requirements which can be possible provided the Nuclear Civil Liability Bill has a smooth passage in parliament," the minister explained.

<http://economictimes.indiatimes.com/news/economy/policy/No-FDI-private-participation-in-n-power-sector-Chavan/articleshow/5694748.cms>

### **FII investments increase after budget**

Over the last week, there was a good rally in the markets. The key market indices - Sensex and Nifty - are trading close to their yearly high levels. Analysts believe that the absence of any negative surprises resulted in the markets drifting in an upward direction with strong foreign institutional investor (FII) inflows.

FIIs have increased investments in the domestic markets as their confidence in the growth story here has increased after the budget.

Although the markets are not showing any signs of weakness and might climb up further in the near future, they have gone up by almost 10 percent since the budget. Short to medium-term investors should start booking profits or keep their open positions with a tight stoploss trigger.

In the currency markets, the US is pressurising China to let its currency (Yuan) appreciate against major world currencies as analysts believe China's artificially pegged currency rate would lead to over-capacity problems and asset bubbles.

These are some of the significant developments of last week that are expected to drive the markets in the short term:

<http://economictimes.indiatimes.com/news/economy/finance/FII-investments-increase-after-budget/articleshow/5707761.cms>

### **Trade News**

#### **India, Brazil, EU seek uniform local & global tariff rules**

India, Brazil and the EU have come together to press for convergence of all national standards with the relevant international standard to check arbitrariness in rules that often leads to rejection of shipments by importing countries.

In a recent submission at the WTO, the group has argued that members should agree to a review of their technical regulations at regular intervals and make necessary changes to harmonise them with relevant international standards.

India had earlier asked the WTO to include in its integrated database non-tariff measures (all restrictions not related to tariffs) of all countries so that members are aware of standards in other countries. "India wants the issue of arbitrary quality standards to be addressed in the ongoing Doha round of WTO talks as our exporters face a huge problem due to whimsical standard-setting by the Western countries," a commerce department official said.

Fieo director general Ajay Sahai pointed out that at times Indian exporters have to divert their cargo from countries with unusually stringent standards that could lead to rejection of

particular consignment to a neighbouring country where it would be acceptable. However, this diversion has a cost as exporters have to give huge discounts.

"Indian exporters are not only dealing with different standards but are also not able to enter certain markets despite attaining widely recognised international standards as their standards are more stringent," Mr Sahai said.

As per the agreement proposed by the three countries, international organisations, such as the International Organisation for Standards (ISO), International Electrotechnical Commission (IEC), the International Telecommunication Union (ITU) and Codex Alimentarius, could be considered relevant international standard-setting bodies. It had also called for an audit to find out on how the multiplicity of international standards and technical regulations affect trade flows of developing countries.

<http://economictimes.indiatimes.com/news/economy/finance/India-Brazil-EU-seek-uniform-local-global-tariff-rules/articleshow/5699952.cms>

### **India, US set to ink pact to boost trade, investment**

India and the US are signing a new set of rules of commercial engagement to give a boost to rapidly-growing trade that has more than doubled over the last five years.

Called the "Trade Policy Forum Framework for Cooperation on Trade and Investment", the pact to facilitate trade and investment flows between the two countries is set to be signed by Commerce and Industry Minister Anand Sharma and US Trade Representative (USTR) Ron Kirk.

With bilateral trade of \$65.9 billion last year, the US is India's largest trade partner. It is also one of the leading sources of Foreign Direct Investment into India and recently. Indian investment flows to the US estimated at \$13 billion in 2007 are also steadily growing.

Sharma is also scheduled to have meetings with the Secretary of Commerce Gary Locke and Secretary of Agriculture Tom Vilsack.

The India-US Trade Policy Forum was established after the visit of the Prime Minister Manmohan Singh to US in July 2005. The USTR and Commerce and Industry Minister are the co-chairs of this forum.

Five Focus Groups have been discussing various trade policy issues of mutual interest relating to (a) tariff and non-tariff barriers; (b) services; (c) agriculture; (d) investment; and (e) creativity and innovation. The sixth meeting of the Forum was held in New Delhi in October 2009.

The India-US Private Sector Advisory Group (PSAG) comprising prominent trade personalities from India and US would also meet on March 17. The PSAG was established in Sep 2007 to provide strategic recommendations and insights to the Trade Policy Forum.

Sharama, who will visit New York on March 19, is scheduled to have meetings with US industry including the Board of US Council for International Business and the India Business Forum.

During the November official state visit of Prime Minister to Washington, a new India-US Economic and Financial Partnership was established to strengthen bilateral engagement and understanding on economic, financial, and investment-related issues.

The Partnership will meet at the Cabinet level once a year, alternately in the US and India. Working group and sub-cabinet level meetings will be held throughout the year to advance discussions on specific economic policy areas.

The India-US Economic and Financial Partnership will be formally launched by Finance Minister Pranab Mukherjee and US Treasury Secretary Timothy Geithner in New Delhi on April 6.

<http://economictimes.indiatimes.com/news/economy/foreign-trade/India-US-set-to-ink-pact-to-boost-trade-investment/articleshow/5692839.cms>

### **India to sign trademark protection treaty**

India would join the World Intellectual Property Organization's (WIPO's) Madrid System for the International Registration of Marks this year. This would enable the owner of a registered trademark to protect his brand in the member countries.

"There is a big process to join the Madrid System and India would come [on board] in 2010," WIPO Director General Francis Gurry told reporters today. He said more countries from South America, particularly Colombia, Mexico and Brazil are expected to join the trade mark protection system.

Though India has been holding consultations with WIPO for several years about joining the Madrid System, the government was unable to take a final call till now, analysts said.

Infringement of trademarks is a huge problem in some of the Asian countries, especially China, Vietnam, and India, where pirated goods with well-known global marks are easily available at a fraction of the actual price.

China ranked first among countries most designated for trademark protection last year. Close to 15,000 trademark owners chose China for designation of their marks, followed by the Russian Federation, the United States, Switzerland, and the European Union.

<http://www.business-standard.com/india/news/india-to-sign-trademark-protection-treaty/389111/>

## Sectoral News

### More stimulus for export sector: Govt

The government is expected to give additional incentives, while retaining the existing stimulus measures for the labour-intensive export sectors in 2010-11.

Indian merchandise exports are likely to reach \$165-170 billion in 2009-2010. It had exported goods worth \$168.7 billion in 2008-09. The Ministry of Commerce and Industry is soon going to undertake a sectoral review to identify and assess the needs of each sector. Measures would be announced in the new Foreign Trade Policy (FTP) for 2010-2011.

“We have already given the required direction for our foreign trade in August last year in the foreign trade policy of 2009-2014. This year we intend to announce some more measures on the basis of what has been provided to us in the budget and accordingly tailor it to the needs of each sector. We also intend to retain the existing stimulus measures. The focus would be on the labour-intensive sectors,” Jyotiraditya Scindia, minister of state for commerce and industry, told.

The FTP announced in August 27, had put the target of annual growth rate at 15 per cent over 2010-2011 and 25 per cent thereafter, thereby doubling India’s export of goods and services by 2014.

“I am sure that we are going to achieve the target of \$200 billion for the next financial year while we will continue to support those who would require it to maintain the high growth trajectory over and above what has already been announced in the budget,” Scindia said.

He also added that while the government is planning for a gradual withdrawal of fiscal incentives given to the economy as a whole, the ministry would seek to continue with the measures that were announced for the export sectors.

“A lot of stimulus measures were in fact not withdrawn in the budget contrary to what was expected. While we cannot ignore the fact that we will have to control fiscal deficit, we will continue to support growth in each and every sector while we determine to reach a growth rate of 8 per cent in the next financial year,” he added.

He also said the FTP is likely to be announced by May after the government is apprised of a clearer picture and the process of reviewing each and every export sector is over.

Exports fell by an average of 23 per cent during April-November 2008-09, after which it started becoming positive by 18.2 per cent mainly due to a low base-effect.

<http://www.business-standard.com/india/news/more-stimulus-for-export-sector-govt/389110/>

### India’s data centre mkt to peak at Rs 10,000 crore by 2011: IDC

With the economy on a road to recovery, the data centre services market in India is expected to witness a CAGR growth of 22.7% over the two-year period of 2009-2011 and

touch Rs 10,000 crore by the end of 2011, research firm IDC said. The overall India data centre services market was estimated at Rs 6,300 crore in 2009.

With the cost of bandwidth going down, the data centre hosting in India is expected to become cheaper. At the same time heightened interest in implementation of technologies like cloud computing and grid computing in data centres, the India market is expected to be a long-term growth opportunity. According to IDC, the key verticals that contributed nearly 80% of third party data centre services revenue in 2009 were manufacturing and IT/ITeS, with the third party data centres constituting about 18% of the total revenues. IDC expects this to go up to 22% by 2011. Captive data centres (captives) are expected to grow at a CAGR of 19.9% during the same period, with manufacturing and banking, financial services and insurance showing high deployment. Also, demand from the government sector is expected to pick up in 2010 and beyond.

“Third party data centre services are gaining traction with enterprise customers due to the lack of in-house skills, high investments and long gestation period that a data centre calls for”, said Ravikant Sharma, senior analyst, user research, IDC India. The fast evolving ecosystem comprising high speed internet bandwidth service providers, data centre hosting players, power and cooling solution providers, hardware vendors and system integrators will spur this growth in two years, says IDC.

<http://www.financialexpress.com/news/indias-data-centre-mkt-to-peak-at-rs-10-000-crore-by-2011-idc/591714/>

### **Ports capacity to reach 1.5 bn tonnes by 2012: Minister**

The annual aggregate capacity of ports in India will see a sharp rise by 2012, the Minister of Shipping, G K Vasan, has said. He was speaking at the CII's Logistics Outsourcing Summit.

According to the minister, the annual capacity of the major ports will increase 74 per cent to reach 1 billion tonnes in the next two years. In 2008-09, their capacity was 575 million tonnes.

The capacity of 200 non-major ports would reach 580 million tonnes in the end of 11th Five Year Plan in 2012. “The annual capacity of the major and non-major ports combined will be 1.5 billion by 2012,” said Vasan.

To meet this target, the government has already started working towards increasing the efficiency of the ports. “Modern cargo handling techniques must be introduced not just for containerized cargo, but also for dry bulk,” said Vasan.

He added that the National Maritime Development Programme's (NMDP) targets would be achieved by 2011-12. In the ports sector, 50 out of 276 projects identified have been completed. In shipping and inland water sector, less than half of the projects have been completed. “All the NMDP projects will be implemented by 2011-12,” said Vasan.

The shipping ministry is also considering a proposal for road and rail connectivity to non major ports at a cost of Rs 500 crore.

<http://www.business-standard.com/india/news/ports-capacity-to-reac%09h-15-bn-tonnes-by-2012-minister/388976/>

### **M&E industry poised to grow at 13% over next five years**

The Indian media and entertainment industry is slated to grow at a compounded annual growth rate (CAGR) of 13 per cent over the next five years to Rs 1,09,100 crore, according to a report by the Federation of Indian Chambers of Commerce and Industry (Ficci) and research firm KPMG. The gaming and the animation segments are expected to lead among all others with an expected CAGR of 32 per cent and 18.7 per cent respectively over the next five years.

The industry witnessed a tough phase in 2009 recording a marginal growth of 1.4 per cent to Rs 58,700 crore due to the economic slowdown and reduction in advertising spends. However, despite the slowdown, the TV industry grew 6.8 per cent in 2009.

The film industry contracted 14 per cent in 2009. Over the next five years, the industry is projected to grow at a CAGR of 9 per cent and reach Rs 13,700 crore. Growth drivers for the sector would include expansion of multiplex screens resulting in better realisations, an increase in the number of digital screens facilitating wider releases, higher cable and satellite revenues, improving collections from the overseas markets and ancillary revenue streams like DTH, digital downloads, etc, which are expected to emerge in future.

In the last year, the print media industry showed a very moderate growth of 2 per cent as there was a decline in advertisement revenues, which was partly offset by the growth in circulation revenues. The industry is projected to grow at a CAGR of 9 per cent and reach around Rs 26,900 crore by 2014.

Radio, like other sectors, was affected by the recession too. However, it is expected to grow at a CAGR of 16 per cent over 2010-14 and reach a size of Rs 1, 640 crore by 2014.

The size of the Indian music industry was estimated at around Rs 830 crore, up from Rs 730 crore in 2008, implying a growth of 14 per cent during the reporting period. It is expected to grow at a CAGR of 16 per cent over 2010-14 to reach Rs 1,720 crore. Gaming is expected to be the fastest growing sector in the M&E industry. While the sector showed a 22 per cent growth in 2009, it is expected to grow at a CAGR of 32 per cent in the next five years to reach Rs 3,200 crore by 2014.

<http://www.business-standard.com/india/news/me-industry-poised-to-grow-at-13-over-next-five-years/388846/>

### **Foreign Education Bill finally gets Cabinet nod**

After several years of debate, the Union Cabinet unanimously approved a Bill that would allow foreign education providers to set up campuses in India and offer degrees.

A Bill to this effect was first introduced in the Rajya Sabha in August 1995. The new one is expected to be introduced in Parliament — it is not clear which House — and be voted into law by the monsoon session.

“This is a milestone which will enhance choices, increase competition and benchmark quality. A larger revolution than even in the telecom sector awaits us,” said Kapil Sibal, Union minister for human resource development (MHRD).

MHRD sources say around 50 foreign universities had already evinced interest in setting up campuses in India.

In November 2009, Sibal met presidents and other representatives of Harvard, Yale, Massachusetts Institute of Technology and Boston University, among others, who were keen to set up campuses in India or have twinning arrangements with universities here.

The Foreign Educational Institutions (Regulation of Entry and Operations, Maintenance of Quality and Prevention of Commercialisation) Bill will allow foreign universities to invest at least 51 per cent of the total capital expenditure needed to establish the institute in India. Such institutes will be granted deemed university status under Section 3 of the Universities Grants Commission (UGC) Act, 1956.

The Bill aims to regulate the entry, operation and maintenance of quality assurance and prevention of commercialisation by foreign educational institutions, besides protecting the interest of the student community from sub-standard and ‘fly by night’ operators.

“Though 100 per cent FDI is allowed in the education sector, the current legal structure in our country does not allow granting of degrees by foreign educational institutions on Indian soil,” Sibal told.

In 2008, around 140 Indian institutions and 156 foreign education providers were involved in academic collaborations. Of the foreign providers, 90 have university status and 20 have college status. Other institutions are those for training or further education. The total number of collaborations was 225 and with each collaboration having more than one programme delivery, the total number so delivered is 635.

Experts say the highest number of collaborations are in management and business administration, 168 of the total of 635, or 26 per cent. The next most offered discipline for collaboration is engineering and technology/computer application/information technology, having 144 or over 22 per cent of such programmes, followed by hotel management and housekeeping, with 132 or over 20 per cent.

<http://www.business-standard.com/india/news/foreign-education-bill-finally-gets-cabinet-nod/388740/>

### **GSM subscribers up 13 m in Feb**

The GSM subscriber base in the country crossed 400 million with 13 million user additions in the month of February. The subscriber base in February grew by 3.29% over last month according to the data released by the Cellular Operators Association of India (COAI).

Bharti Airtel's mobile subscriber base touched 124 million during the month, registering close to 2.9 million-subscriber additions which reflect a growth of 2.39% for the company. The company's market was 30.55% at the end of the month. Vodafone Essar, the country's second-largest GSM operator added over 3 million subscribers, an addition of 3.28%, thus recording a mobile user base of 97 million during the month. The company had a subscriber market share of 23.84% at the end of the month.

BSNL, the country's second largest telecom operator had 61 million subscribers at the end of February and a market share of 14.96%. The company added only 1.5 million subscribers. While Idea Cellular recorded a mobile user base of over 62 million during the month, adding 2.2 million subscribers and registering a market share of 15.23%. The growth in the subscriber base was 3.77% compared to the additions in January.

<http://www.financialexpress.com/news/gsm-subscribers-up-13-m-in-feb/592676/>

### **FDI inflow in food processing doubles in April-Dec '09-10**

The food processing industry has emerged as a clear winner when it comes to attracting foreign investment into the sector. While the total FDI into India dipped marginally, foreign capital in the food processing sector in the period April to December period (2009-10) has more than doubled.

Total FDI has dipped marginally to \$20.9 billion, compared with \$21.1-billion FDI inflow that the country received in the corresponding period last year.

From April to December, FDI inflow in food processing sector was Rs 937 crore as compared to Rs 455 crore during the financial year 2008-09. The major investments that came India's way during this period include PepsiCo Panimex investing in PepsiCo India Holdings in two installments of Rs 243 crore and Rs 244 crore each.

While explaining the reason for the hike in investments, Amrit Lal Meena, joint secretary, ministry of food processing industries said, "The fiscal benefits that have been accorded to this sector in the last five years have made this sector highly investment friendly. Besides, the rich agro climatic diversity and availability of raw materials for a longer period allows tremendous scope of processing as a result there is a huge potential in this sector."

Other significant investments include, Nissin Foods (Asia), which invested Rs 50 crore in Bangalore- based Indo Nissin Food during the current fiscal. Other major investments during this period are— Lotte Confectionary invested Rs 23 crore and Rs 7 crore in Delhi based Lotte Foods in two installments, Shoprite intel invested Rs 20 crore in Megasave Trading Ltd. More investments were seen during this period— Unibic Mauritius invested in Unibic Biscuits in several installments of Rs 3 crore, Rs 8 crore, Rs 2 crore, Rs 5 crore each during the current fiscal. India Business Excellence Fund invested Rs 7 crore in Parag Milk Foods.

<http://www.financialexpress.com/news/fdi-inflow-in-food-processing-doubles-in-aprildec-0910/592691/>

## News Round-Up

### **GDP set to jump fourfold to \$4.5 trillion by 2020: Edelweiss**

The economy is set to grow four times over the next ten years to a hefty Rs 205 trillion from Rs 53 trillion in the last fiscal, says a report.

"Driven by a nominal annual growth rate of 13 per cent, GDP is set to quadruple over the next ten years and the country is likely to be a Rs 205-trillion (USD 4.5 trillion) economy by 2020," financial services company Edelweiss Capital said in its report--'India 2020: Seeing, Beyond'.

The report focuses on three super themes--financial services, private domestic consumption and physical infrastructure.

According to the report, gross domestic savings would grow by 3.8 times from Rs 19 trillion in FY09 to Rs 72 trillion in FY20.

"Over the next 10 years, the incremental financial savings (Rs 172 trillion) will equal four times the total financial services over the past 40 years," it said.

The report has forecast that domestic consumption expenditure is set to triple from Rs 30 trillion in FY09 to Rs 113 trillion in FY20.

"There will be a movement from essential items of consumption such as food, clothing and footwear, among others, to discretionary items and economic enablers such as healthcare, education, recreation, amongst others," the Edelweiss report said.

Investment in infrastructure is also set to witness a threefold increase from Rs 21 trillion during the 11th Plan (FY2008-12) to Rs 62 trillion between FY10 and FY 20, the report said.

The report has also said a massive growth is expected over several sectors such as banking, broking, asset management, life insurance, domestic pharma and healthcare, media and entertainment, education, premium urban housing and organised retail sector.

<http://economictimes.indiatimes.com/news/economy/indicators/GDP-set-to-jump-fourfold-to-45-trillion-by-2020-Edelweiss/articleshow/5694949.cms>

### **IMF pegs FY11 GDP growth at 8%**

The International Monetary Fund (IMF) expects the Indian economy to grow by 8 per cent during 2010-11, though high inflation and rising fiscal deficit would continue to remain areas of concern.

"With India's long-term prospects remaining strong and private sector balance sheets sound, we expect growth to be back at potential in 2010-11 even if advance economies grow below trend," IMF said in its latest paper issued after consultation with Indian authorities.

The Fund, however, forecasts a moderately lower growth rate for the 2011-12 fiscal at 7.7 per cent.

For the current fiscal, the fund said the economy would grow by 6.7 per cent, much lower than the 7.2 per cent projected by the Central Statistical Organisation.

The major areas of concern, according to IMF, are the rising inflation and high fiscal deficit. "On the downside, the main risks are elevated inflation and financing constraints... arising from the fiscal deficit, which could stall the recovery," the paper said.

Wholesale price inflation was at 9.89 per cent in February, much higher than the Reserve Bank's March-end projection of 8.5 per cent.

Besides, IMF added, the other risks include asset price bubble and the possibility of a sudden stoppage of foreign capital inflows caused by turmoil in global financial markets.

In the Economic Survey, finance minister Pranab Mukherjee projected GDP growth of up to 8.75 per cent next fiscal, driven mainly by robust domestic demand and recovery in the global economy.

<http://economictimes.indiatimes.com/news/economy/indicators/IMF-pegs-FY11-GDP-growth-at-8/articleshow/5694793.cms>

### **Indian M&As set for a record year**

With economic recovery underway, companies are increasingly looking at mergers and acquisitions (M&As) in both the domestic and international markets. Analysts say the early trends are a clear indication that we will see a record number of M&A deals this year. Deals are expected to even surpass the level of 2007, a year that saw the highest number of deals in terms of both numbers and total announced value in India.

Data from Grant Thornton show that in the month of February alone there were 60 M&A deals—both cross-border and domestic—with an announced value of \$1.3 billion, which is 5 times that of the total M&A deals in the same month last year. The total number of deals in February this year was double as compared to the same month last year. However, the value of deals is still less than half of what was achieved in February 2008, when we saw some high-value deals such as Centurion Bank of Punjab's merger with HDFC Bank. Still, the average deal size for the month of February this year was \$22 million, significantly higher than last year.

<http://www.financialexpress.com/news/indian-m&as-set-for-a-record-year/591066/>

### **Current quarter sees record fund-raising through IPOs/FPOs**

The current quarter is set to do down in the history of India's capital markets for the highest ever amount of over Rs 26,000 crore being raised through initial and follow-on public offers. The government's thrust on disinvestment, along with quite a few mid- and small-sized issues, saw the quarterly number breaching the earlier record that was set in the second quarter of calendar year 2007.

According to data from Prime Database, the first two months of the current calendar year saw Rs 15,751.22 crore being raised through initial public offers (IPOs) and follow-on public offers (FPOs). Incidentally, this does not include the mega FPO of NMDC and IPOs of IL&FS Transportation Networks, DQ Entertainment and Pradip Overseas. Collectively, these issues will raise nearly Rs 11,000 crore, pegging the quarterly mobilisation in excess of Rs 26,000 crore. This is significantly higher than the Rs 23,654 crore raised in the three months between April and June 2007.

According to the investment banking community, the record mobilisation can be attributed to the fact that companies initiated the process in the middle of last year and started hitting the market at quick intervals in the current quarter.

“The market started showing signs of recovery in mid-2009 and that is when many companies that were sitting on the sidelines initiated their IPO plans,” said Anil Ladha, head (capital markets), ICICI Securities. “All such companies are now opening their issues for subscription, leading to huge mobilisation,” he added.

<http://www.business-standard.com/india/news/current-quarter-sees-record-fund-raising-through-iposfpos/388701/>