

## Weekly Economic Bulletin

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## News Feature

### Core industries register 5% growth in May

The six 'core' infrastructure industries have registered a 5 per cent year-on-year growth in May, compared with 3.2 per cent in the same month of the last fiscal.

For the first two months of the current fiscal, the overall annual core sector growth worked out to 5.1 per cent, against 3.5 per cent during April-May 2009-10.

Among individual industries, cement grew by 8.6 per cent in May (over and above a year-on-year increase of 11.8 per cent in May 2008), while these amounted to 6.4 per cent (3 per cent) for electricity, 7.7 per cent (minus 4.3 per cent) for refined petro-products, 5.8 per cent (minus 4.3 per cent) for crude petroleum, 2.5 per cent (2.8 per cent) for finished steel and 0.1 per cent (10.4 per cent) for coal.

For the April-May 2010 period, cement production went up by 8.7 per cent year-on-year (11.8 per cent in April-May 2009), while being 6.6 per cent (4.8 per cent) for electricity, 6.5 per cent (minus 4.4 per cent) for refined petro-products, 5.5 per cent (minus 3.7 per cent) for crude oil, 3.6 per cent (0.8 per cent) for finished steel and minus 1.4 per cent (12.3 per cent) for coal.

During the first two months of the current fiscal, production of cement stood at 37.55 million tonnes (mt), against 34.56 mt in April-May 2009.

Output of steel similarly rose from 9.248 mt to 9.58 mt, while going up from 5.513 mt to 5.816 mt for crude petroleum and 23.471 mt to 25.007 mt for refined petro-products, and declining from 80.10 mt to 78.99 mt in the case of coal.

Electricity generation, too, was higher (135.0846 billion units versus 126.6776 billion units) during the period under review.

<http://www.blonnet.com/2010/06/29/stories/2010062952490400.htm>

### India hopes to return to 9 per cent growth by 2011-12: PM

Promising to persevere with implementing financial sector reforms to support rapid economic Prime Minister Manmohan Singh said India hopes to return to an ambitious 9 per cent growth by 2011-12 and to halve the fiscal deficit in the next three years.

He told the world leaders attending the 4th G20 Summit here that his government was taking steps to reverse the fiscal stimulus introduced to deal with the 2008 crisis. He explained how India was handling the current economic situation.

"Thanks to an effective fiscal and monetary stimulus, we were able to contain the effect of the global crisis on our economy.

"After growing at 9 per cent for four years before the crisis, our economy averaged about 7 per cent growth in the last two years. We expect to grow by 8.5 per cent in 2010-11 and

we hope to go back to 9 per cent by 2011-12," Singh said in his address at the Working Session of the summit.

Admitting that this is an ambitious goal for which government has much to do, the Prime Minister said, "We are taking steps to reverse the fiscal stimulus we had introduced to deal with the crisis. To this end we have outlined a medium term plan to halve the fiscal deficit by 2013-14."

He said the government was giving a strong push to investment in infrastructure, relying on private-public partnership as much as possible to reduce the burden on scarce public resources.

"We have a sound and well-regulated financial sector which was not affected by the crisis. We will persevere with implementing financial sector reforms to support rapid and inclusive growth in the real economy and also to increase systemic stability in the financial sector," Singh said.

<http://economictimes.indiatimes.com/news/economy/indicators/India-hopes-to-return-to-9-per-cent-growth-by-2011-12-PM/articleshow/6099211.cms>

### **India to clock double digit growth by 2012: Mukherjee**

Indian economy is likely to clock double digit growth by 2012 and is expected to grow over 8.5 per cent in the current fiscal, Finance Minister Pranab Mukherjee has said.

"That it (double digit growth) would perhaps be by 2012," Mukherjee said in an interview in Washington.

Asked about the GDP outlook for the current fiscal, the Finance Minister said, "Of course, I explained the state of Indian economy and we are going to have more than 8.5 per cent growth."

IMF has projected 8.8 per cent, he said, adding, "in our economic survey we have projected, for the year 2010-11, eight and half per cent. As per our present indication is, we are going to achieve that."

During 2009-10, Indian economy grew at better than expected rate of 7.4 per cent. The GDP expanded over 8.6 per cent in the last quarter of the said fiscal.

The GDP growth was despite agriculture output remained flat.

Allaying fears of European crisis having impact on the Indian economy, Mukherjee said, it will not have much impact as the exports to region is limited.

"Not much (impact), because our export is about four per cent of our total export. Therefore, it could not have that much adverse impact," he said.

"But, if it spreads, then it may have. Therefore, it is necessary that it should be confined to those countries. And it is expectedly package which has been worked out to resolve the crisis is about 750 million euro that will take care of it," Mukherjee added.

<http://economictimes.indiatimes.com/news/economy/indicators/India-to-clock-double-digit-growth-by-2012-Mukherjee-/articleshow/6082166.cms>

## **Overseas Investment**

### **Calibrated FDI opening in retail, defence: India tells US**

India has said it will go for calibrated FDI liberalisation in sectors like defence and retail amidst the US demand for opening different segments for foreign investors.

Commerce and Industry Minister Anand Sharma, who participated in the Indo-US CEOs Forum, said: "(In) defence and retail trade ... we favour calibrated (foreign investment) liberalisation on account of domestic sensitivities."

He said that his government's initiatives like simplification and consolidation of the FDI policy would go a long way in improving business environment in India.

FDI is not allowed in multi-brand retail, which is dominated by the neighbourhood kirana stores and is a politically-sensitive topic. However, foreign players are permitted in wholesale trade as also in single-brand retail.

At present 26 per cent FDI is allowed in defence sector. Sharma also met the US Trade Representative Ron Kirk and the two leaders agreed to enhance opportunities for bilateral trade and investment to create jobs in both the countries.

"Kirk urged India to address longstanding impediments such as investment caps, agricultural market access barriers, high tariffs, intellectual property rights and the need for continuing regulatory streamlining and transparency," the USTR spokesman Matthew Lawrence said in a statement.

Sharma was leading an official and industry delegation for the second meeting of the Forum co-chaired by Tata Group chairman Ratan Tata and Honeywell Inc CEO Dave Cote.

The meeting was also attended by Finance Minister Pranab Mukherjee and Deputy Chairman of Planning Commission of India Montek Singh Ahluwalia.

The US official delegation included Secretary of State Hillary Clinton, Treasury Secretary Timothy Geithner, Commerce Secretary Gary Locke, US Trade Representative Ambassador Ron Kirk and Director of National Economic Council Larry Summers.

Sharma also welcomed the CEO Forum initiative on the launching of a \$1 billion venture capital /private equity fund for clean energy technology development projects.

He also lauded the initiative of the Forum to establish a joint Indo-US Drug Discovery Fund and said the move would enhance the research and development efforts.

Sharma and Kirk also reviewed the implementation of the India- US Trade Policy Forum Framework for Cooperation on Trade and Investment signed in March 2010.

<http://economictimes.indiatimes.com/news/economy/policy/Calibrated-FDI-opening-in-retail-defence-India-tells-US/articleshow/6082085.cms>

## **Trade News**

### **PM leaves for G20 meet; to discuss N-energy issues with Canada**

Indian and Canadian economic and commercial cooperation in science and technology, health, agriculture and culture are likely to get a fresh impetus during the forthcoming meeting of Prime Ministers of the two countries when Dr Manmohan Singh visits Toronto for the G-20 meeting.

The two day G-20 meeting is scheduled to begin on June 26.

The Secretary (West), Ministry of External Affairs, Mr Vivek Katju, said that India and Canada will also discuss issues connected with nuclear energy.

A number of agreements and memorandums of understanding were under active negotiations and are likely to be concluded and signed during the visit including cooperation in civil nuclear energy, social security, mining, higher education and culture, Mr Katju said.

Dr Manmohan Singh is also expected to meet with the US President, Mr Barack Obama, and the Chinese President, Mr Hu Jintao, during his visit to Canada for the G-20 meeting.

The Foreign Secretary, Ms Nirupama Rao, said the focus of the G-20 meet will be on consolidation of decision taken at the previous three G-20 meetings.

Canada, which is the chair of this summit by virtue of being the host country, has been insisting on this.

From 2011, the G-20 summits will be held annually instead of twice a year as is the case at present. The next G-20 summit is in Seoul in November and thereafter in France.

The Foreign Secretary added that India will be withdrawing its helicopters from the UN Peace Mission Force in Africa and had initiated the process through the Indian Permanent Mission at the United Nations in New York.

<http://www.blonnet.com/2010/06/23/stories/2010062353790400.htm>

## **India-US CEOs brainstorm to take business ties to new level**

Top Indian and US business leaders and policymakers began a brainstorming session to fine-tune ways of taking forward their business ties in key priority areas like trade and investment and an easier visa regime.

The India-US CEOs Forum meeting provides an "opportunity of reviewing the identified areas where deficiencies exist and how to improve those deficiencies", said Finance Minister Pranab Mukherjee, who leads the high-level Indian official team.

The forum, with 12 top CEO's from each side, was "rejuvenated" by Prime Minister Manmohan Singh and US President Barack Obama during the Indian leader's first state visit of the Obama presidency last November.

The reconstituted forum then met to identify "areas where India and the USA could co-operate and work together in close co-operation" as mandated by Obama and Manmohan Singh, Mukherjee told a group of CEOs from both sides on the eve of session.

Commerce and Industry Minister Anand Sharma and the Deputy Chairman of the Planning Commission Montek Singh Ahluwalia are also on the high-level official Indian team attending the CEO Forum meeting at the State Department.

US Secretary of State Secretary Hillary Clinton is joining a luncheon co-hosted by Deputy Secretary Jim Steinberg and Under Secretary Robert Hormats for the forum, co-chaired by Tata group chairman Ratan Tata from the Indian side and Honeywell chief executive David M. Cote from the US side.

The forum has defined six priority initiatives, which are promotion of trade and industry, creation of an infrastructure development fund, promote technology exchange in agriculture, bio-technology and nano technology, partner in skills development, set up an Indo-US Centre for Industrial R&D and establish a dispute resolution mechanism. Key issues identified for implementation by the forum in April 2008 included education and development of skills, funding of growth, research for alternative energy, visas, civil aviation and air traffic control, electricity.

The Indian business team includes Reliance Industries chairman Mukesh Ambani, Infosys Technologies CEO S. Gopalakrishnan, Bharti group chairman Sunil Bharati Mittal, ICICI Bank CEO Chanda Kochhar and HDFC Chairman Deepak Parekh.

Among those on the US side are Pepsico's Indra Nooyi, Citigroup's Vikram Pandit, United Technologies Corporation's Louis Chenevert, JP Morgan Chase's Jamie Dimon and McGraw Hill Companies chairman Terry McGraw.

The forum was first constituted by Manmohan Singh and then US president George W. Bush in July 2005 with a mandate to develop a roadmap for increasing partnership and cooperation at the business level.

<http://economictimes.indiatimes.com/news/economy/foreign-trade/India-US-CEOs-brainstorm-to-take-business-ties-to-new-level/articleshow/6080326.cms>

## **Govt revises tax information exchange treaty with 65 countries**

Government has approached 65 countries, including Switzerland and tax haven nations, to revise a tax information exchange treaty with them to include fresh details while sharing bank-related information of individuals and other entities.

The finance ministry has initiated the move under the existing Double Taxation Avoidance Agreement (DTAA) as Indian tax authorities are looking to curb illegal stashing of money by individuals and others in foreign shores.

According to top sources in the foreign taxation division of the finance ministry, the government is revising DTAA's to "specifically" provide for information on bank-related information, especially in certain "specific cases".

"The bank-related data will enable Indian authorities to check tax evasion and illegal stashing of money in foreign shores by individuals and some other entities. The details on bank-related information is not properly addressed in the present DTAA," a senior finance ministry officer said.

Under the present tax avoidance treaty, the "Union government may enter into an agreement with the government of any country outside India for exchange of information for prevention of evasion or avoidance of income-tax chargeable under this Act (Income Tax Act) or under the corresponding law in force in that country, or investigation of cases of such evasion or avoidance, or for recovery of income-tax under this Act and under the corresponding law in force in that country."

Government is also in the process of setting up overseas tax units in countries like France, UAE, USA, Britain, Netherlands, Japan, Cyprus and Germany. Two such units in Mauritius and Singapore have already become operational.

Currently, government has DTAA agreement with 65 countries.

<http://economictimes.indiatimes.com/news/economy/policy/Govt-revises-tax-information-exchange-treaty-with-65-countries/articleshow/6098734.cms>

## **Indian companies urged to invest in UAE**

The United Arab Emirates (UAE) has asked Indian companies to invest in the Gulf region, while lauding the Indian community for being a major contributor to the comprehensive development of the UAE.

UAE Minister of Economy Sultan Al Mansouri met India's new ambassador to the region, Lokesh Mysore Kapanaiyah, and discussed investment opportunities in the UAE for Indian companies.

Al Mansouri called on Indian companies to seize opportunities in the UAE in the infrastructure and clean energy sectors and asked businessmen from both regions to exchange visits to develop trade relations.

There are over 105 Indian companies investing in the UAE at present.

The minister said the Indian community forms a vital part of the Emirates.

"The UAE leadership is always keen to secure a safe, attractive environment for the Indian community, allowing it to realise its ambitions," he said.

<http://economictimes.indiatimes.com/news/economy/foreign-trade/Indian-companies-urged-to-invest-in-UAE/articleshow/6099221.cms>

## **Sectoral News**

### **Indian cloud computing market to grow 10-fold: Zinnov**

The market for cloud computing in India is expected to grow nearly ten times to \$1,084 million by 2015 from the current \$110 million, as large enterprises - banks, manufacturing and telecom companies – as well as SMBs look to drive IT efficiency with lower costs.

According to the latest report by consulting firm, Zinnov, the current domestic market for software-as-a-service (SaaS) is estimated to be \$66 million, dominated by applications in the areas of collaboration, customer relationship management, enterprise resource planning and e-mail workloads.

The balance \$44 million is platform-as-a-service (platform as subscription for writing applications) and infrastructure-as-a-service (infrastructure on pay-per-use model). "Indian SMBs lack budgets, want business improvement, lack management bandwidth required to manage internal IT and are looking for rapid growth in next few years. For all these, cloud computing is the answer," Mr Praveen Bhadada, Engagement Manager, Zinnov Management Consulting, said.

Giving segment-wise break-up of the market by 2015, Zinnov said that SaaS in India is likely to reach \$650 million, while PaaS and IaaS markets will cumulatively touch \$434 million.

Zinnov said that sectors such as BFSI, education, healthcare and retail will increasingly rely on cloud computing for a better reach. For instance, with healthcare expenditure increasing in the country, telemedicine, patient record management and hospital productivity will be the opportunity areas for cloud adoption.

Similarly, the retail market where an overwhelming majority of the players are the small 'mom and pop stores', the adoption of cloud-based applications (such as mobile-based CRM solutions) is likely to gather momentum. Also, Zinnov believes that e-governance projects will drive significant adoption of cloud computing, across India.

### *Focus*

Already, MNCs and Indian vendors including the likes of Google, Microsoft, Salesforce.com, Webex and TCS are starting to sharpen their focus on the SaaS-based offering that cover a spectrum of IT needs of enterprises – mobile CRM, collaboration, e-

mail and ERP. Also Indian start-ups- Sabrix and Impel - are leveraging cloud offerings to tap new customers.

However, while the flexibility with no upfront capital investment makes cloud offerings highly attractive for enterprises, issues related to data security, performance unpredictability and data lock-in are perceived as the key challenges for cloud in India, the report said.

<http://www.thehindubusinessline.com/2010/06/23/stories/2010062353080700.htm>

### **Biotech industry records three-fold growth in 5 years**

The Indian biotech industry has grown three-fold in the last five years to touch revenues of \$3 billion in 2009-10. The domestic biotech industry registered a growth of 17% over the previous year, according to a joint study by industry body, Association of Biotechnology Led Enterprises and trade publication Bio-Spectrum said.

Bangalore-based Biocon regained its top position among the domestic biotech companies after four years, recording a revenue of Rs 1,180 crore. The company has registered a year-on-year growth rate of 29.3% to reclaim its lost position. Pune-based Serum Institute of India Ltd, with a revenue of Rs 850 crore, and Delhi-based Panacea Biotec, with a revenue of Rs 703 crore, have emerged as the second and third-largest companies in the country, respectively. The study projects a slowing down of growth for the domestic biotech industry, which, it says, would grow at 20% annually in the next few years.

Pune-based Serum Institute of India, which makes one out of every two vaccines produced in the world, slipped to the second position from the top slot and recorded a negative growth of over 23%. Last year, Serum was the first company in India approached by the World Health Organization to develop and manufacture the H1N1 vaccine to fight the swine flu pandemic. Also, Panacea Biotec which has shown an annual revenue growth of 17% played a key role in eradicating polio by supplying over 6 billion doses of oral polio vaccine to the Government of India and UNICEF.

Within the biotech sector, the biopharma segment contributed nearly three-fifth to industry's revenues at Rs 8,829 crore recording a growth of 12%. This is followed by revenues clocked by bioservices at Rs 2,639 crore and bio-agriculture at Rs 1,936 crore. The remaining revenue came from the bio industrials segment with a contribution of Rs 564 crore and bioinformatics at Rs 231 crore.

With revenues of Rs 6,631 crore, the western part of the country emerged as the biggest contributor to India's biotech sector revenues followed by the southern biocluster contributing Rs 5,538 crore to the total biotech kitty.

The state of Gujarat alone contributed about 8% of the total revenues at Rs 1,100 crore, by registering a growth of about 50%. The Northern biocluster trailed behind by contributing just about one-seventh of the revenues at Rs 2,030 crore.

<http://www.financialexpress.com/news/biotech-industry-records-threefold-growth-in-5-years/636719/>

## News Round-up

### India-led M&As touch \$40 billion in January-June 2010

Takeovers by Abbot Laboratories and Bharti Airtel helped mergers and acquisitions in India quadruple in the first half of this year from aIndia Inc mergers and acquisitions year ago, strengthening views that corporates are turning optimistic about earnings prospects.

Indian transactions accounted for a sixth of the total Asian deals of \$242.1 billion from 5,078 deals, a rise of 21%. Bharti's acquisition of Zain assets in Africa for \$10.7 billion tops the Asian list.

M&As in India touched \$40 billion in the first six months of the year, according to a Thomson Reuters M&A report. This is the best first half since 2007. "This calendar has seen outbound M&As pick up substantially on the back of good economic growth and valuations," said Raj Balakrishnan, head of M&A at BankofAm Merrill Lynch. "We expect the interest in outbound activity to continue as Indian companies seek to expand globally. We will see medium-size deals and one cannot rule out larger billion dollar-plus deals either."

Sunil Mittal's Bharti led the revival of India Inc's acquisition frenzy with the purchase of Zain Africa in February. Mukesh Ambani's Reliance Industries is actively pursuing investments in the US shale gas ventures with the latest being the \$1.3 billion payment for a 45% stake in Pioneer Natural Resources. Indian companies are also being bought with drugmaker Abbot's buy of Piramal Healthcare's formulations business for \$3.72 billion. The telecom sector topped the league table with deals valued at \$13.8 billion.

The thawing of credit markets last year after central banks' co-ordinated measures has revived the spirit of Indian entrepreneurship. This follows a lull in 2008 and 2009 after a splurge in the 2004-07 bull run, which left many including Dr Reddy's Laboratories and Tata Motors grappling with financial stress.

Since the demand in developed markets is plateauing, some of the global companies are willing to pay over the odds for Indian companies where a billion-plus population provides scope for growth.

Inbound M&A activity has been relatively subdued on account of valuation resistance but, going forward, this too may pick up as international companies realise the potential of the Indian markets, says Mr Balakrishnan. Value of deals in energy tripled to a record \$8.8 billion, compared to a year earlier, the report said. The value of overseas acquisitions by Indian companies, known as outbound M&As, was nearly thrice that of acquisitions of domestic firms or, inbound M&As.

Abbott's acquisition last month is the highest inbound acquisition so far this year and the highest inbound deal in the healthcare sector on record, said the Thomson Reuters report. It is also the third-largest inbound deal in India on record. US companies topped the local purchases with more than half the value of the deal.

Private equity deals rose a slower 52% to \$1.7 billion as valuations deterred deals. Transcend Infrastructure's acquisition of privately-held Essar Telecom Infrastructure for \$431.6 million was the highest in the segment.

<http://economictimes.indiatimes.com/news/news-by-company/corporate-trends/India-led-MAs-touch-40-billion-in-January-June-2010/articleshow/6088162.cms>