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News Feature

Chidambaram pegs 2008-09 growth rate at 7-8%

After three years of plus 9 per cent growth in gross domestic product (GDP), India's growth rate in the current year may moderate to a level between 7 and 8 per cent, the Union Finance Minister, Mr P. Chidambaram, said.

Addressing economic editors' conference, Mr Chidambaram, however, asserted that the country would still be the second fastest growing large economy in the world in the current juncture of global economic slowdown.

The Finance Minister said that the global financial crisis had already impacted the Indian equity and foreign exchange markets, but noted that the macroeconomic impact of the crisis had been muted due to the overall strength of domestic demand and predominantly domestic nature of financing of investment.

Stating that a lot had to be done in the infrastructure sectors — both economic and social — the Finance Minister said that increasing expenditure in the infrastructure sector was an important part of the counter-cyclical measures that were being contemplated to address the impact of the global slowdown.

<http://www.thehindubusinessline.com/2008/11/25/stories/2008112552440700.htm>

India Inc welcomes PM as FM

Industry welcomed Prime Minister Manmohan Singh taking charge of the Finance Ministry after P Chidambaram was appointed Home Minister, saying Singh as Finance Minister is known as architect of reforms that transformed the Indian economy.

Prime Minister directly involved himself in tackling the impact of the global credit crisis on the Indian economy.

Amidst pressure on the exchange rate and crash in the stock market in the wake of the developments in Wall Street, Singh had appointed a committee under his charge to find a way out of the economic challenges.

"At a recent summit, the Prime Minister had listed several initiatives under consideration of the government. These include fiscal measures like expenditure on infrastructure and monetary steps such as interest rates. All these relate to the Finance Ministry, which has come under his charge directly," Federation of Indian Chambers of Commerce and Industry Secretary General Amit Mitra said.

Mitra said Singh is the only one in the government who has served as Finance Minister, RBI Governor and Chief Economic Adviser.

Singh was also Secretary (Economic Affairs) and Deputy Chairman of the Planning Commission.

Assocham Secretary General D S Rawat said the "industrial confidence would get a boost" with the Prime Minister retaining the charge of the Finance Ministry.

Singh had gone to Washington to attend the G-20 meeting called by US President George W Bush, where he sought increased role of the developing countries in the new financial architecture after the global downturn.

<http://www.financialexpress.com/news/india-inc-welcomes-pm-as-fm/392777/>

Overseas Investment

32 FDI proposals worth Rs 845 crore cleared

The government cleared 32 proposals that will bring in Rs 845.70 crore into the country, which included permitting Raghav Bahl-promoted Television Eighteen India to launch three regional business news channels.

However, a proposal by the US-based Dow Jones & Company to set up a wholly-owned subsidiary to carry out publishing of facsimile editions of newspapers was deferred. A proposal by real estate developer Ansal Properties and Infrastructure Ltd to increase the cap on FII's holding to 49% from 24% was withdrawn from the agenda. The proposals cleared by finance minister P Chidambaram on the recommendations of Foreign Investment Promotion Board (FIPB) includes Oriental Structural Engineers Ltd's plan to set up a holding company, which would attract highest FDI of Rs 450 crore.

Public sector major Oil India's proposal was also approved by the finance minister, which included conversion of operating company into an operating-cum-holding company and IPO issue.

However, the amount of FDI is not indicated in the proposal, an official release here said. Television Eighteen has proposed to launch CNBC TV18South, CNBC TV18 Gujarati and CNBC TV18 Channel 3 without any fresh inflow of FDI.

<http://www.financialexpress.com/news/32-fdi-proposals-worth-rs-845-crore-cleared/391022/>

Govt looking to allow up to 49% FDI in FM radio

FDI limits in FM radio could soon be increased to 49 per cent for non-news channels and up to 26 per cent for news channels. News will also be allowed, according to Mr Anand Sharma, Minister of State, Information and Broadcasting.

“We are awaiting the comments from TRAI after which approval of the Cabinet shall be sought,” said Mr Sharma. “We are in the process of finalisation of Phase-III of this policy which shall expand FM radio services to 275 cities across the country. This policy will follow an even more liberal dispensation than before and would promote healthy competition to benefit the masses,” he added.

Special incentives are being considered for the expansion of FM radio coverage in the North Eastern states, Jammu and Kashmir and island territories. The Minister was briefing media at a conference in the Capital. Policy initiatives for Mobile TV and Headend in the Sky were also being worked on.

Pay TV homes are projected to increase from 74 million in 2007 to 115 million in 2012, and the Government reiterated its commitment to digitisation of television. Convergence of information, communication and entertainment (ICE), or the “ICE revolution”, was posing an unprecedented regulatory challenge for the Government said the Minister. The Government is also looking at reforms in the cable laws and the digitalisation of cable services.

<http://www.thehindubusinessline.com/2008/11/27/stories/2008112752420500.htm>

Select FIIs may get direct India entry

The Securities and Exchange Board of India (SEBI) is working on a policy to allow certain categories of foreign investors to invest in Indian securities markets through the automatic route, without having to register themselves with the regulator, as is the current norm.

The proposed automatic approval will be subject to KYC (know-your customer) requirements being complied by brokers and custodians, through whom foreign investors carry out their transactions.

FIIs such as pension funds, endowment funds, university funds, insurance companies, banks and mutual funds are likely to be among the foreign institutional investors that may be allowed to invest directly in the Indian market, officials familiar with the development told.

<http://economictimes.indiatimes.com/Market News/Select FIIs may get direct India pass/articleshow/3757182.cms>

FIIs still buy into India Dream

Though the country’s stock and money markets still nurse fears of large-scale FII pullout from India, latest Sebi data shows FIIs are, instead, buying into the India story. As many as 120 new foreign institutional investors have registered in India since the global financial crisis broke out in September. These FIIs come from a diverse set of operational areas, and includes names like American Airlines, International Finance Corporation, University

of Southern California, Bank of Korea, the Bill & Melinda Gates Foundation, and Warburg Pincus International.

More importantly, the months of September-November have seen registration of 358 new sub-accounts—the highest in any block of three months in 2008. While an FII registration allows a fund manager to operate in the Indian markets, a separate sub-account is to be registered for every distinct fund run by the FII to be invested in India. “We are still seeing a healthy growth in FIIs seeking to register in India and our officials are as busy as three months ago,” a senior official in the FII department of the Securities Exchange Board of India told.

FIIs continue to be net sellers in November but they turned net buyers—the first in nine trading sessions—buying stocks worth Rs 1,384.20 crore and selling Rs 1,382.9 crore. “It’s clear that foreign money is not on a one-way street out of India— while some FIIs are pulling out money either to douse home fires or because they don’t see value in Indian stocks, there are enough FIIs who see long-term value in India,” another Sebi official said.

<http://www.financialexpress.com/news/fiis-still-buy-into-india-dream/391193>

Trade News

India, Qatar plan JV for urea plant

India is in talks with Qatar for setting up a 1.6 million tonnes fertiliser plant in the Gulf nation with a buyback arrangement to import urea at a fixed price to augment its domestic supply.

“We will soon send an invitation to Qatar for sending a team to negotiate the details of setting up the joint venture plant,” Fertiliser Secretary Atul Chaturvedi told.

Chaturvedi, along with IFFCO Managing Director U S Awasthi, returned from Qatar after negotiating with officials of the Gulf nation and Qatar Fertiliser Company (QAFCO) for setting up an urea plant.

The fertiliser secretary said India tried to convince Qatar that it would take time to set up a new plant and so at least an understanding should be reached at.

“If there could not be an agreement reached now, at least an MoU could be signed for the proposed plant,” he said.

When contacted, Awasthi said Qatar has agreed to supply gas for the proposed urea plant if there is additional availability after making an assessment in 2011-12.

There is a moratorium on fresh supply of gas in Qatar till 2011-12, he added.

In Qatar, India is keen to set up the urea plant on the lines of Oman India Fertiliser Company (OMIFCO).

In OMIFCO, Oman Oil Company holds 50 per cent equity, while 25 per cent each is shared by Indian Farmers Fertiliser Cooperative (IIFCO) and Krishak Bharati Cooperative (KRIBHCO).

India is looking at a joint venture with Qatar wherein both the countries will have 50 per cent equity each in the proposed plant.

<http://www.business-standard.com/india/news/india-qatar-plan-jv-for-urea-plant/12/12/50373/on>

Indo-China trade to reach \$55 bn

Bilateral trade between India and China will reach \$55 billion by the end of December, surpassing the \$60-billion target for 2010, Chinese Consul-General Mao Siwei said.

At a seminar organised by the Asiatic Society Mao said, during the visit of Prime Minister Manomohan Singh to China, the two countries had set a trade target of \$60 billion which would be surpassed.

Recalling External Affairs Minister Pranab Mukherjee's recent announcement in Guangzhou that China had become India's largest trading partner, Mao said bilateral trade was a driving force behind Sino-Indian relations.

"I believe that the surge in bilateral trade between India and China is not a chance phenomenon, but the logical result of mutual complementarities in the economic strength of our two countries," he said.

Pointing out that Indo-China relations saw a thaw since the 80s after the coldness of the 60s and 70s, Mao said a big leap had been made over the past decade.

"My understanding is that the basic consensus that both China and India do not consider each other as a security threat has paved the way for the development of bilateral relations over the last 10 years," the envoy said.

<http://www.business-standard.com/india/news/indo-china-trade-to-reach-55-bn/12/16/50317/on>

Sectoral News

October adds highest ever-mobile subscribers at 10.42 million

During these times of cutbacks there's one thing, which Indians are buying in abundance-mobile connections. During the month of October the country added the highest-ever addition to the mobile subscriber base at 10.42 million taking the total number of mobile users to over 325 million, according to the data released by the Telecom Regulatory Authority of India (Trai). India already has the distinction of being the world's fastest growing telecom market.

During the month of September, the total (GSM, CDMA and WLL) addition was of 10.07 million.

However, the net addition of about 10.29 million users (wire line and wireless) during the month, could have been higher but for the decline in the landline user base. The landline wireline segment saw the subscriber base falling to 38.22 million in October from 38.35 million in September. During September the net addition stood at 9.79 million. The total number of both wireless and wireline users now stand at 363.95 million, Trai said.

With this, the overall tele-density stood at 31.50% at the end of October against 30.64% in September. The total broadband subscriber base rose to 5.05 million by the end of October 2008 from 4.90 million in September.

In terms of break-up of the mobile subscriber figures, during October the GSM players added their highest-ever addition of around 8 million taking their user base to 242 million. Projections are that by the year-end the total GSM user base would stand at 250 million.

<http://www.financialexpress.com/news/october-adds-highest-ever-mobile-subscribers-at-10.42-million/390186/>

India still prime destination for outsourcing: D&B

India is expected to remain the prime destination for outsourcing/offshoring, according to a new Dun & Bradstreet (D&B) study. This is not just because it is extremely competitive when it comes to salary costs, but mostly because Indian outsourcing firms have now matured into truly global companies that can offer best in class services at very competitive prices, notes the study.

The fourth edition of D&B's 'India's Top ITeS and BPO Companies 2008', compares India with leading outsourcing destinations like China, the Philippines, Mexico, Malaysia, Brazil, Czech Republic and Chile. It indicates that India's ITeS industry still hold a cost advantage, banking on low wage and salary cost, states the report. India has the second lowest ITeS/BPO salary base of about \$7,500-8,500, just little above China's base of \$7,000-8,000.

The Philippines, on the other hand, has an average salary of \$9,000-10,000. Besides, it has the added advantage of a large pool of ever-increasing technical graduates. The other positive for India is one of the largest producers of English-speaking graduates, including engineers and management graduates.

A high number of such graduates mean that companies can offer higher value-added services to clients.

Manoj Vaish, President & CEO – India, Dun & Bradstreet said: "While the ITeS-BPO industry is bound to be impacted by the financial crisis, firms have taken measures to mitigate some of that risk. The industry has started providing services to a wider set of

verticals, thus reducing their exposure to any one vertical. For instance, the BFSI sector's share of the overall pie of services offered by the surveyed ITeS-BPO companies dropped to 28 per cent in FY08 from 31 per cent in FY07. This trend is set to continue."

The study also highlights that ITeS and the BPO segment continues to hire in large numbers. Overall, 177 companies have a total of 4,42,349 employees and covers 63 per cent of the total employee base of Indian ITeS and BPO sector of 7,00,000 (involved in BPO exports), as per the NASSCOM estimate.

The profiled companies registered a y-o-y growth of about 23 per cent in terms of total employees base. The revenue per employee of the respondent companies was approximately Rs 600,000. In FY08, the Indian ITeS and BPO companies' client portfolio included around 26 per cent domestic clients and around 74 per cent international clients.

<http://www.businessstandard.com/india/news/india-still-prime-destination-for-outsourcing-db/10/18/50073/on>

India witnesses 23% rise in IP addresses in Q3: Survey

Reflecting the rising Internet penetration in the country, India saw a 23 per cent rise in IP (Internet Protocol) addresses with 2.6 million connections in third-quarter ended September over previous quarter's 2.1 million, according to a survey by Akamai Technologies.

India ranked 20 in terms of IP addresses, while the US with 109 million addresses and China with 38 million connections were ranked at the top two slots, respectively, said Akamai's 'State of Internet' report.

India has an estimated 32-46 million active Internet users and the user base is growing at over 25 per cent a year for the past three years.

Despite growing user base, India ranks a low at 153rd slot in terms of per capita IP addresses with only 2.3 IPs for every thousand people. China had 30 IPs per thousand people and US had 360 IPs per thousand.

"The increase in user base may be attributable to more people turning to the World Wide Web for news and video content related to the Beijing Olympic Games, which took place in August. We also noted a gradual improvement in terms of IP per capita which increased to 2.3 unique IPs per 1,000 people, and believe India is moving in the right direction and is poised for significant growth in Internet adoption in the coming years," said Mr Sanjay Singh, Managing Director of Akamai's India operations.

Users in India were gradually shifting from dial-up speeds to high-speed connectivity as the country had three fourth of Net connections with speeds above 256 Kbps. Net connections with speeds above 2 Mbps stood at 5 per cent growing at 16 per cent.

<http://www.thehindubusinessline.com/2008/11/27/stories/2008112752270400.htm>

Export of seed spices up 95% on crop failure

The country's seed spice exports skyrocketed by 95% to Rs 116.80 crore in the first seven months of this fiscal on better price realisation and strong demand in the global markets.

The seed spice exports stood at Rs 59.95 crore in April-October period in 2007-08. In volume terms seed exports rose 13% to 17,100 tonne during April-October from 15,180 tonne last year, the Spice Board said.

The demand for Indian seeds soared due to short supply from other producing countries like Syria, Turkey and Iran where production of spice seeds dipped due to crop failure, Spice Board chairman VJ Kurian said.

Consequently the unit value of export went up to Rs 68.30 per kg from Rs 39.49 per kg during the year-ago period, he added. Total spice exports during April-October surged by 71% to Rs 269.98 crore from Rs 157.93 crore in the same period last year.

The spice exports during October went up by 9% in to Rs 402.99 crore compared to Rs 370.96 crore in the same month during 2007. Cumin exports during April-October surged by 71% to Rs 269.98 crore from Rs 157.93 crore in the same period last year.

http://economictimes.indiatimes.com/News/Economy/Foreign_Trade/Export_of_seed_spices_up_95_on_crop_failure/articleshow/3762044.cms

News Round – Up

India to grow at 7-7.5% in 2008, says S&P report

Global credit rating agency Standard & Poor's, in its latest outlook for the Asia-Pacific markets, has estimated that India's real GDP growth will moderate to 6.5-7.0 per cent in 2009 even as consumer price based inflation will thaw to 5.0-5.5 per cent. The agency expects the easy monetary policy stance of the central bank to continue during 2009.

In calendar year 2008, S&P expects India's real GDP to grow by 7.0-7.5 per cent. It has pegged consumer price based inflation to be in the 7.2-7.6 per cent range.

Significantly, the Reserve Bank of India, in its mid-term review of the Annual Policy on October 24, 2008, had projected India's overall real GDP to grow in the 7.5-8.0 per cent range in financial year 2008-09. The central bank expects FY2009 to end with an inflation of 7 per cent.

According to S&P, ongoing market dislocation would significantly impact the Asia-Pacific region in 2009. However, factors such as intra-regional trade, supportive policy making, and still-robust forecasts for China and India would help the region navigate the global storm.

“Regional growth drivers such as strong domestic demand in China and India and the supportive monetary policy stances of the region’s governments will enable most economies to experience positive, albeit, slowing, growth in 2009. 2009 will not be an outstanding year by any means, but it will reflect the region’s resilience and collective ability to moderate fluctuations around a strong growth trend rate,” said Dr Subir Gokarn, S&P’s Asia-Pacific Chief Economist.

The rating agency holds the view that abatement of all three drivers – food, commodity and oil prices – of inflation has significantly impacted the inflation outlook for the Asia-Pacific region. However, for countries that did not fully pass on higher oil prices – such as China, India, Malaysia, and Indonesia – the decline may not immediately translate into lower inflation rates.

“Oil prices have come down particularly sharply and our baseline expectation is that they will remain in the \$90-\$110 range over the next two years. Together, these reversals should ease global inflationary pressures significantly, allowing the Fed to follow up on its rate cut with further cuts that are likely to take the federal funds rate to 1 per cent,” the S&P report said.

<http://www.thehindubusinessline.com/2008/11/27/stories/2008112752410500.htm>

Industry bodies positive on sustained growth

Industry bodies termed the latest GDP estimates for the second quarter of the fiscal as satisfactory considering the global recession.

At the same time, they have asserted the need for the Government to take more steps to sustain growth.

The Confederation of Indian Industry said, “The GDP figures reaffirm our belief that the Indian economy remains resilient in the face of headwinds. High interest rates domestically and the global economic slowdown have been widely expected to have an adverse impact on the GDP growth this year. In these circumstances, the estimated growth of 7.6 per cent shows that the growth momentum has so far remained intact.”

The apex industry chamber, however, warned that the growth would slip further in the second half of the year when the complete impact of the economic crises would be felt.

CII recommended measures such as interest rate cut, ensuring credit flow to small and medium enterprises and a fiscal stimulus, to boost growth.

On similar lines, the Federation of Indian Chambers of Commerce and Industry also recommended that the Government take large-scale infrastructure projects and infuse liquidity.

'The Government spending is critical to produce a Keynesian multiplier effect and sustain growth through this and the next fiscal," said the Chambers in a statement.

Assocham too expressed satisfaction on the current growth.

<http://www.blonnet.com/2008/11/29/stories/2008112951501000.htm>