

Weekly Economic Bulletin

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News Feature

Govt cuts excise duty, offers sops for key export sectors

In a bid to minimise the impact of the global economic slowdown on the Indian economy, the Government unveiled a “multi-dimensional” fiscal stimulus package that is expected to help boost output across sectors and stoke growth.

The measures include an additional Plan expenditure of up to Rs 20,000 crore this fiscal, an estimated excise duty give-away of Rs 8,700 crore, a 2 per cent interest subvention for the labour-intensive export sectors and steps for improving the financing environment for infrastructure projects.

“We will make special efforts to ensure that not only the additional expenditure of Rs 20,000 crore is spent this year, but even what has been budgeted is actually spent to support the growth of the economy,” the Deputy Chairman of the Planning Commission, Mr Montek Singh Ahluwalia, told.

On the excise duty front, the Government has effected an across-the-board cut of 4 percentage points in the ad-valorem cenvat for the remaining part of the current fiscal on all products other than petroleum and those where the current rate was below 4 per cent. Prior to the latest change, the three main ad-valorem excise rates applicable on non-petroleum products were 14 per cent, 12 per cent and 8 per cent.

<http://www.thehindubusinessline.com/2008/12/08/stories/2008120851610100.htm>

Overseas Investment

After 9 weeks of decline, forex kitty swells \$2 bn to touch \$248 bn

India’s foreign exchange reserves rose by close to \$2 billion during the week ended November 28, bucking the trend of the past nine weeks, when the forex stockpile kept dipping.

The reversal in trend can be attributed, partly to the revaluation of non-dollar assets in the country’s reserves. What could also provide some cheer to monetary policy managers is the fact that the growth in money supply growth has slowed down for the fourth consecutive fortnight to 19% (YoY). The Reserve Bank of India (RBI) has projected a target of 17% for money supply growth in FY09.

The latest RBI data show that total foreign exchange reserves, including gold and SDR, rose \$1.88 billion during the week ended November 28 to touch \$247.7 billion. While foreign currency assets rose almost \$2 billion, the value of gold dipped \$521 million. The value of special drawing rights (SDR) — the currency with the IMF — remained unchanged during the week. India’s foreign exchange reserves have dipped by \$62 billion during this fiscal year so far, owing partly to the US dollar gaining against other major currencies and also due to capital outflows caused by foreign portfolio sales.

http://economictimes.indiatimes.com/News/Economy/Finance/After_9_weeks_of_decline_forex_kitty_swells_2_bn_to_touch_248_bn/articleshow/3798675.cms

FDI norms for foreign publications notified

Having recently allowed the publication of Indian editions of foreign news and current affairs magazines, the Government has today notified guidelines.

A foreign direct investment ceiling of to 26 per cent will be applicable to the publishers of these magazines defined as 'a periodical publication brought out on non-daily basis containing public news or comments on public news'.

The entity publishing the edition will have to be an Indian company registered with the Registrar of Companies under the provisions of the Indian Companies Act, 1956. The verification of the title of the publication and its registration will have to be done with the Registrar of Newspapers for India (RNI) under the Press and Registration of Books Act, 1867 and as per current procedure.

At least three fourths the Directors on the Board the Indian entity, all key executives and editorial staff would have to be resident Indians. The other requirements include that the proposed publication have been published continuously for a period of at least five years with a circulation of at least 10,000 paid copies in the last financial year in the country of its origin.

<http://www.blonnet.com/2008/12/05/stories/2008120551740500.htm>

Trade News

India, Russia ink nuclear deal; nine other agreements

India and Russia strengthened their ties further by inking 10 agreements, including a pact on civil nuclear cooperation and decided to intensify their cooperation in combating terrorism.

The agreements signed in the presence of Prime Minister Manmohan Singh and Russian President Dmitry Medvedev were in diverse areas ranging from space and defence to finance, human space programme and tourism. The new Russian President is accompanied by a host of officials and businessmen from various state-run and private agencies and companies.

Describing the agreement on civil nuclear cooperation as a "new milestone" in bilateral relations, Singh told a joint press conference with Russian President who is on a three-day visit, "The signing of the agreement on civil nuclear cooperation with Russia marks a new milestone in the history of our cooperation with Russia in the field of nuclear energy."

Under the agreement, Russia will build four additional atomic reactors in the Kudankulam nuclear plant in Tamil Nadu. Russia agreed in January 2007 to help India in the

construction of four energy blocks at the atomic plant in Kudankulam and nuclear power plants at new sites in India.

Separately, OAO Tvel, the Russian nuclear-fuel monopoly, agreed to deliver fuel worth \$700 million to other Indian power stations.

Singh, after signing a joint declaration with Medvedev, said both the countries have taken “yet another step forward” through joint action in human space flight programme.

Russia’s space agency signed a new document with ISRO on cooperation in space exploration, which includes plans to send two Indian astronauts to space on board a Russian Soyuz spacecraft in 2013.

Observing that both countries have decided to increase the trade volume to \$10 billion by 2010, Singh said they discussed the possibilities of greater cooperation between Indian and Russian companies, both in upstream and down stream sectors.

The two leaders also discussed military cooperation, including technology transfer, T-90 tanks and “issues concerning creating and selling or leasing nuclear powered submarines.”

The two countries signed accords on the sale of 80 MI-17V-5 helicopters to India and cooperation in areas including space exploration, financial markets and tourism.

<http://www.financialexpress.com/news/india-russia-ink-nuclear-deal-nine-other-agreements/394901/1>

Sino-India trade increases 69%

Sino-India bilateral trade continues to grow by leaps and bounds, with the trade value in the first half of calendar year 2008 hitting the \$29 billion mark, recording a 69% jump over the corresponding period last year, trade sources said.

India and China are on course to raise bilateral trade to \$60 billion by 2010, which was the target set by the Prime Ministers of both the countries in 2005.

Bilateral trade in calendar year 2007 stood at \$38.65 billion, registering an increase of 56% over the previous year. China’s trade with India is growing at a faster rate than China’s trade with any other major trading partner.

“Even if the growth rate in India-China trade slows down to 25% annually from the current rate of over 50%, bilateral trade between them will be almost \$75 billion in 2010 and \$225 billion in 2015. It is as large as China–US trade just three years ago,” Worldex India Exhibition & Promotion Pvt Ltd director Rajesh Bhagat said.

To tap this growing business opportunities between India and China, the sixth China Products (Mumbai India) Exhibition 2008 is being organized from December 10 to 12, in

Mumbai. An extensive range of products varying from industrial to consumer goods would be displayed by more than 100 exhibitors from various provinces of China.

With western countries in the throes of a recession the two Asian giants—India and China, both of whom have a huge domestic economy—are coming closer than ever before and are likely to become the most important trading partners for each other before 2015, he said. More than \$5 billion worth of contracts are signed by Chinese companies for implementation of infrastructure projects in India during the first three quarters of 2007. This was also the highest value for contracts signed by China with any other country in this time period.

For India, China is a bigger trade partner than Japan, the US, or the entire world. For China, India is already one of its top trading partners only after Japan and USA. Of course, China's trade with India is growing much faster than with any of the other country making India an increasingly important trading partner for China, he added.

<http://www.financialexpress.com/news/sinoindia-trade-increases-69/393414/>

India- SAARC: Partners In Trade

Since its inception, the Indo-SAARC trade has ushered in an era of mutual co-operation between India and other SAARC members. But there are ample opportunities yet to be leveraged to increase trade using the political goodwill garnered between the member nations. To look at the potential and work towards increasing trade co-operation was the theme in the conference on Indo-SAARC trade organised by The Economic Times.

When moderator for the session Mr. Sanjay Chakrabarti, Partner, Ernst and Young asked, with favourable balance of trade which is to the tune of 8 billion dollars, out of which we export 10 billion and import 2 billion, which are the segments that will help us bridge the gap, Mr. Pradip Dave, MD, Aimco Pesticides Ltd and President pointed out, "India is very strong in pharmaceuticals and agro-chemicals. In agro-chemicals we are third largest after China and USA. SAARC countries can import pharmaceuticals and agro-chemicals. We could help them and make favourable trade balances."

Mr. Prem Malik, Chairman, Bombay Textile Research Association (BTRA), Immediate Past Chairman, TEXPROCIL said, "There should be a mechanism within SAARC countries whereby they would bring part of the raw materials to India and rest they export. They cannot just say they will only export to India. Certain reforms within our whole system are required. We must be open to business with each other. In terms of commercial cost countries like Pakistan are cheaper. Borders should open up."

Mr. Sahney said, "The connotation and undertone of SAARC trade is very quasi-political in nature, especially in case of Indo-Pak trade. I feel quasi-political nature has to be removed, joint ventures should happen in sectors like sugar, fertilizer, hospitality."

Mr. G K Gupta, President, FIEO said that there should be inter-cultural and educational exchanges between SAARC countries and India. He added, "This will save lot of foreign

exchange. In Bangladesh there are many garment units. Bangladesh is willing to set up Joint Ventures with Indian companies because Indian companies provide lot of employment to the people there. Bangladesh has a lot of scope."

In economic downturn the relation between the exporters and the bankers have changed to a great extent. Businessmen are looking at mitigating risks. Mr.Bhriguraj Singh, Senior vice President and Head- Trade and Supply Chain, HSBC India said, "Exporters in India are confident of buyers from SAARC countries. In the present situation we are seeing lot of requests from exporters to get letters of credit from the Indian banks. And they want to reconfirm their letters of credit. There are number of ways by which exporters can sell and forget about their risk."

In the open house discussion, in reply to the query, if India has the infrastructure to support Indo-SAARC trade, moderator for the session Sanjay Chakrabarti said, "It's a challenge India needs to face. The fact that SEZs are being set up is showing reasonable results. The government in its five-year plan talks about 500 million dollar about requirement in infrastructure. While this is a challenge, we will get there sooner or later."

http://economictimes.indiatimes.com/News/Economy/Foreign_Trade/India-SAARC_Partners_In_Trade/articleshow/3786164.cms

'Indo-Arab trade can touch \$100 b'

Bilateral trade relations between India and the Arab world can touch \$100 billion mark in the next two-to-four years if the current active pace continues, the Secretary General, League of Arab States, Mr Amre Moussa, said.

Delivering the special address at the inaugural function of the India-Arab Forum meeting, Mr Moussa said that the remarkable growth in the Indian economy as also in the Arab economies have driven a huge interest in cross-border investment.

"During 2006-07, the total trade exchange between India and Arab countries excluding oil trade reached \$30 billion from \$8.8 billion during 2000," Mr Moussa said.

The event has been jointly organised by the Ministry of External Affairs, the League of Arab States and Federation of Indian Chambers of Commerce and Industry (FICCI).

Addressing the meeting the Minister for External Affairs, Mr Pranab Mukherjee said not only did five million Indians live in the Arab world, but also pointed out that increasing the profile of the Indian community in the region is changing. "Today almost 20 per cent of Indian are professionals. Bilateral trade between India and countries of the Arab world has also increased significantly," the Minister said.

<http://www.thehindubusinessline.com/2008/12/03/stories/2008120350710500.htm>

Sectoral News

Pharma sector sees rise in export turnover this fiscal

The Indian pharmaceutical sector reported an export turnover of \$1.5 billion in the previous financial year. It is expected to grow in the current fiscal. At present, the sector meets almost 95% of the country's needs, according to industry reports.

"The exports turnover of the Indian pharmaceutical market is expected to grow in the coming years, but exactly how much we do not know," said Soumitra Deb, chief research manager, East India Pharmaceutical Works Ltd. He was talking to reporters on the sidelines of a seminar on the role of intellectual property rights (IPR) in the pharmaceutical industry. The Kolkata patent office and the Indian Chemical Council organised the seminar.

Deb also spoke about how the foreign companies had monopolised and dominated the Indian drug market till 1980s-90s.

SK Mitra, assistant controller of patents & designs, ministry of commerce & industry, govt of India, said 32,000 patent applications were received across four patent offices in the country during 2007.

In the same year, 15,000 patents were granted on different technologies. "Granting of patents is increasing every year. Patents are received for sectors like telecommunications, textiles, biotechnology, mechanical, pharmaceutical, etc," he said.

When asked about the pharma sector, he said, "Of 15,000 patents granted last year, around 15% belong to the pharma sector."

AC Banerjee, corporate advisor--research & development, East India Pharmaceutical Works Ltd, said: "Innovations and inventions in this sector must be protected as intellectual property right."

IPR has become important in the face of changing trade environment that is characterised by the features like global competition, high innovation risks, short product cycle and high investments in research & development, said Sharmistha Ghosh, examiner of patents and designs, Kolkata patent office.

<http://www.financialexpress.com/news/pharma-sector-sees-rise-in-export-turnover-this-fiscal/393070/>

Mobile 3G services by March: Raja

Mobile 3G (Third Generation) services are expected to be fully rolled out in the country by March 2009.

The Department of Communications, Government of India, will complete the auctions for 3G spectrum by the end of this month, according to Union Communications and Information Technology Minister A Raja.

The WiMAX auctions too would be completed by the end of January, 2009.

Talking on the sidelines of the third Internet Governance Forum conference at the Hyderabad International Convention Centre, Raja said MTNL would launch 3G services by mid-December while BSNL would offer the services by the middle of January.

"We have given some advance leverage to MTNL and BSNL since they are public sector companies," Raja said.

He said that three slots would be put up for auction for 3G spectrum in each circle.

"Already, some private players have put necessary infrastructure in place to immediately launch the 3G services as and when they get the spectrum allotted," the Minister pointed out.

Once on, the 3G services would enable Internet access on mobile phones at a greater speed.

http://economictimes.indiatimes.com/Telecom/Mobile_3G_services_by_March_Raja/articleshow/3789353.cms

60% of mobile users in rural India by '12: E&Y

Rural India too prefers mobile phones over landlines. Of the next 250 million Indian wireless users, approximately 100 million (40%) are likely to be from rural areas, and by 2012, rural users will account for over 60% of the total telecom subscriber base, according to a report jointly released by Confederation of Indian Industries (CII) and Ernst & Young.

As per Trai figures, subscriber additions in rural areas exceeded additions in the metros. In the first nine months of 2008, the four metros together added 10.3 million subscribers, while the rural areas added over 11.3 million.

Mobile phones in rural India also grew by close to 13.72% to reach 70.83 million in the quarter-ending June 2008.

This is expected to continue till 2012, according to the CII and Ernst and Young analysis. "The majority of new wireless subscribers will emerge from circle B and circle C," said Ernst & Young telecom analyst, Prashant Singhal.

While the overall teledensity in India is over 30%, in rural areas the figure languishes in single digits. CII predicts the number of subscriber addition in rural areas to exceed the additions in metros by 2012 with about 120 million new users expected to adopt wireless telephony in rural areas compared to about 62 million in the metros.

With over 300 million mobile subscribers, India is the second largest market, after China, in terms of subscribers. By 2012, the total telecom subscriber base is expected to shoot up to include about 700 million subscribers, of which about 650 million will be wireless users.

http://economictimes.indiatimes.com/News_by_Industry/60_mobile_users_in_rural_India_by_12/articleshow/3781935.cms

8 Indian supercomps in world's top 500 list

Hewlett Packard (HP), the world's biggest maker of personal computers, said that a total of eight entries in the list of top IT service megavendors | Putting IT to work 500 supercomputers are from India and six out of the eight entries are from HP. Among vendors, HP leads the list with a 41.8 % share of the systems, followed by IBM (37%), Dell (4%) and Cray (4%).

Supercomputer Eka, a HP-based system with a performance of 132.8 teraflops (floating point operations per second) has been ranked at number 13. Eka belongs to the Tata Group's Computational Research Laboratories.

The rankings are released twice a year by researchers at the Universities of Tennessee and Mannheim, Germany, and at NERSC Lawrence Berkeley National Laboratory. The HP-based Param cluster of the Centre for Development of Advanced Computing has been ranked 68th.

The other supercomputers by HP from India are for an industrial research company (334), a research agency (428), IIT-Madras (436) and Paprikaas Interactive Services (478).

The two other supercomputers from India out of the eight in the list include IBM's eServer Blue Gene Solution for Indian Institute Science ranked at 213 and a supercomputer for Digital Media Company (G) ranked at 481.

IBM's Roadrunner has been ranked as number one in the list. The system, only the second to break the petaflop barrier, posted a top performance of 1.059 petaflops. One-petaflop represents one quadrillion floating-point operations per second.

http://economictimes.indiatimes.com/Infotech/8_Indian_supercomps_in_top_500_list/articleshow/3799209.cms

Onion exports may jump 70%

Onion shipments are expected to have leaped by about 70% to over 100,000 tonne last month despite the hike in the minimum export price (MEP) by \$50 a tonne in mid-November to boost domestic supply.

The rise in exports to over 100000 tonne from 58800 in November 2007 would help raise the overall shipment level so far this fiscal to 1.12 million tonne against 534762 tonne last year, a senior official with the National Agricultural Cooperative Marketing Federation (Nafed) said.

If the shipment continues at this rate it might even reach 1.5 million tonne, he said.

Onion exports are channelised through cooperative major Nafed in consultation with 12 other state trading agencies which decide the MEP for every month. These enterprises issue no-objection certificates to empanelled exporters. The exact export figure will be arrived at very soon as some agencies have not provided the final details so far, the official said. Explaining the reason behind the major surge in exports this fiscal, the official said the stock level of onions remained higher by almost 500,000 tonne at about 2.6 million tonne.

On top of it low MEP for most part of this year helped boost exports so far, he added.

The MEP for December has been pegged at an average of \$305-310 per tonne though it was fixed at \$230-235 in the beginning of last month, which was later raised by \$50 for the remaining period of November to check domestic prices.

Wholesale prices of onion in the major producing region of Lasalgaon in Maharashtra moderated to Rs 851 per quintal on Monday from Rs 1021 on November 18 reflecting the impact of the increase in the MEP.

http://economictimes.indiatimes.com/News/Economy/Foreign_Trade/Onion_exports_may_jump_70_/articleshow/3786038.cms

Oilmeal exports zoom on weaker rupee

Despite fall in price, oilmeal exports realisation zoomed 412 per cent to Rs 881 crore in November against Rs 172 crore registered in October, according to Solvent Extractors' Association of India data.

Weakening of rupee against dollar helped exporters reap a better realisation even as prices fell across board. Rupee value against dollar fell from 39.32 on November last year to around 50 this year.

Export of oilmeals jumped to 6.48 lakh tonnes (lt) in November against 5.90 lt in the same period last year. Between April and November, India exported 33.15 lt against 23.07 lt in same period of last year. Soyabean meal exports rose to 23.75 lt (14.24 lt), rapeseed meal 6.60 lt (5.36 lt) and groundnut meal 27,033 tonnes from 12,275 tonnes. However, export of other oilmeals such as rice bran extraction and castor seed extraction have decreased in the first eight months of the financial year 2008-09.

<http://www.blonnet.com/2008/12/06/stories/2008120652211700.htm>

News Round – Up

Indian securitisation market solid amidst global meltdown: Crisil

A study by Crisil reveals that the retail securitisation market in India is better placed than it is in many other countries, notably the US. The size difference notwithstanding, the Indian market-which is less than one-hundredth the size of the US market-has shown greater stability, with few rating downgrades, and zero losses on investor payouts.

Crisil believes that the relative stability is because of the superior profile of the assets securitised in India, and because the financial instruments created out of the securitised assets in India are far less complex than those in developed markets.

Investors in securitised paper in India have no reason to fear crippling losses of the kind that have hit their US counterparts. The most significant factor characterising securitisation in India is the robustness of the underlying retail assets. Unlike in the US, there has been no securitisation of 'sub-prime' housing loans in India.

The loans that have been securitised-principally loans for commercial vehicles, cars, two-wheelers, and (to a limited extent) homes-were made on the strength of the earning capacity of the either the assets or the borrowers. Thus, unlike the US market, which turned out to be vulnerable to residential property price movements, the securitisation market in India is relatively immune to asset price fluctuations.

<http://www.financialexpress.com/news/indian-securitisation-market-solid-amidst-global-meltdown-crisil/394051/>