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News Feature

Infrastructure sector grows 6.5% in June

Green shoots, budding sprouts or whatever else you may call it, an economic recovery does seem under way.

The official index of six core infrastructure industries registered a healthy 6.47 per cent year-on-year growth in June. That it comes on top of a 5.12 per cent annual growth rate during the same month of last year only lends further credence to the green shoots theory.

For the April-June period, the growth in the core index (which accounts for 26.68 per cent of the Index of Industrial Production) works out to 4.76 per cent, which is higher than the 3.49 per cent for the corresponding first quarter of 2008-09.

The best performers among the six core industries have been coal, cement and electricity.

During June, the country produced 39.22 million tonnes (mt) of coal, 14.71 per cent more than the 34.19 mt in the same month of last year. For April-June, the total output, at 118.90 mt (105.50 mt), was up 12.70 per cent.

Cement production rose 12.80 per cent to 17.10 mt (15.16 mt) in June, and 12.11 per cent to 51.651 mt (46.07 mt) in April-June.

Power generation, at 62,645.5 million units (kilowatt-hour) in June, was 7.02 per cent more than the 58,533.7 million units for the same month last year. For the first quarter of this fiscal, the production of 189,700.8 million units (179,377.4 million units) was 5.76 per cent higher.

Finished (carbon) steel output in June was estimated at 4.742 mt, a 5.31 per cent increase over the 4.503 mt of June 2008. During April-June 2009, total production, at 13.542 mt (13.124 mt), stood 3.18 per cent higher.

<http://www.thehindubusinessline.com/2009/07/24/stories/2009072451371000.htm>

Overseas News

Forex reserves increases to \$ 266.187 bn

India's forex reserves rose by \$ 2.270 bn to \$ 266.187 bn for the week ended July 17 compared to the week-ago period.

The reserves stood at USD 263.917 billion in the week-ago period.

Reserves have shown a jump after falling for two consecutive weeks by USD 667 million.

Foreign currency assets, during the week, rose to USD 255.138 billion compared to USD 252.873-billion in the previous week, RBI weekly report said.

Foreign currency assets expressed in US dollar terms include the effect of appreciation or depreciation of non-US currencies (such as Euro, Sterling, Yen) held in reserves, the central bank said.

Country's gold reserves and special drawing rights, during the period, stood unchanged at USD 9.8 billion and one million respectively, RBI said.

India's reserve position in the International Monetary Fund (IMF) rose to USD 1.248-billion during the week as compared to USD 1.243-billion, the apex bank said.

<http://economictimes.indiatimes.com/News/Economy/Indicators/Forex-reserves-increases-to-266187-bn-/articleshow/4817472.cms>

India's FDI inflows improved 13%: DIPP

India's FDI inflows have improved by 13 per cent at USD 4.2-billion in April-May against the previous two months led by recovery in the global financial markets, a top government functionary said.

"FDI (Foreign Direct Investment) inflows were higher in April and May (first two months of FY10) at USD 4.2 billion. In February-March, inflows were about USD 3.7 billion," Secretary to Department of Industrial Policy & Promotion (DIPP), Ajay Shankar, told.

Shankar, however, did not specify which sectors were the beneficiaries of these funds.

"There has been a pick-up in fund inflows because of return of liquidity and strengthening in the global financial markets," Shankar said.

<http://www.financialexpress.com/news/indias-fdi-inflows-improved-13-dipp/494712/>

'Long only' FIIs step up their India focus

Traditional 'long only' foreign institutional investors, many of them from newer markets such as Australia and China, have stepped up their equity investments in India over the past couple of months, say officials at institutional broking firms. Long-only funds follow the strategy of buying shares and staying invested for the long term; they do not take any leveraged bets. So far in 2009, FIIs have net bought a little over \$6 billion, of which roughly a third could have come from investors buying into India for the first time, these officials said.

"Incremental flow of money from regions like Europe, the US, and even China, into India is on the rise. This is largely because equity markets in these regions are in a trading range and as such offer very few incentives for investment," said an official at a foreign brokerage firm, which executes deals for FIIs.

European funds like Carmignac Gestion (French management firm), Eurozone, Lombard Odier (one of the oldest Swiss private bankers, specialising in private asset management,

private wealth management, etc.) are said to be some of the funds that have increased their exposure to Indian shares.

As of June 2009, India accounted for 10% of the equity investments of Carmignac Investissement and Carmignac Patrimoine.

<http://economictimes.indiatimes.com/Market-News/Long-only-FIIs-step-up-India-focus/articleshow/4809685.cms>

Overseas investors buy the India story again

i-Bankers say election results made all the difference; Asians contributed 40-45% to GDR subscriptions.

Indian equity is clearly back in favour with overseas investors, and the consensus among investment bankers is that the election results have made all the difference.

Brijesh Mehra, head (corporate clients), ABN Amro, said fund managers were less risk-averse to India, now that a stable government was in power. “Moreover, while the rest of the world is still coming to terms with the economic downturn, the India story still holds,” he said.

The India story not only holds, it is getting stronger, going by the spate of GDR (Global Depository Receipt) issues and Qualified Institutional Placements (QIPs) over the last one month.

While nearly \$4 billion has been mopped by companies through QIPs, more than \$2 billion has come in through GDRs and ADRs (American Depository Receipts). Among the bigger fundraisers have been Sterlite, which picked up \$1.5 billion, Tata Steel (\$500 million), Tata Power (\$335 million) and Suzlon, which managed to raise around \$110 million.

Mehra pointed out there was no shortage of money with fund managers. “Individuals overseas continue to save — whether through insurance companies or asset management companies, so there is enough money coming in,” he said. Money is not just coming in from traditional markets such as the US and Asia but also from Europe.

Vedika Bhandarkar, head (investment banking), JP Morgan, said of late a fair share of the inflows were from continental Europe. “We’ve seen several new funds participating from countries such as France, Italy and Germany,” she pointed out, adding that the trend was visible not just for primary market issuances but in the secondary market, too.

Asians, however, remain the biggest investors, contributing to most of the subscription — 40 to 45 per cent — for the GDR issues. Twenty-five to 30 per cent of the money is flowing in from the US and a similar amount from Europe. It’s pretty much the same for a QIP, said investment bankers, except that about 10 per cent of the issue would be subscribed to by Indian institutions, so that the US and Europe would be contributing slightly less.

Sanjay Sharma, managing director and head (capital markets), Deutsche Bank, said investors participating in the GDR issuances were mainly long-only funds, as also India-

dedicated funds, emerging market funds and BRIC funds and several hedge funds. As for the QIPs, Indian institutions, too, have shown appetite.

For their part, companies have been quick to cash in on the change in the investor sentiment and the abundant liquidity. Pradip Shah, chairman, Asia Fund Advisors, is impressed with the speed and efficiency with which money has been raised. “After the private sector players, it will now be the turn of PSUs to pick up money,” he said.

Shah said companies raised equity at a time when stock prices were reasonable so that the equity dilution would not be large. “While the additional equity will help them de-leverage, it would not dilute the earnings too much,” he explained. In Tata Steel, for instance, the dilution will be about 9 per cent.

Mahesh Vyas, chairman of Centre for Monitoring Indian Economy, said “With the stock markets now in a better shape, companies are clearly getting a better premium for their stock and the equity will clearly help those firms that need to de-leverage.”

Companies are also favouring the GDR route and list in Europe rather than follow the ADR path because the listing requirements in the US are far more stringent. “The ADR route requires more effort both at the time of listing and after that too, “ Deutsche Bank’s Sharma said.

<http://www.business-standard.com/india/news/overseas-investors-buyindia-story-again/364671/>

Trade News

India, Papua New Guinea keen on boosting ties

India and Papua New Guinea have agreed to pursue various opportunities for cooperation in the hydrocarbon sector.

According to an official communiqué, at a meeting between Mr Samuel T. Abal, Minister of Foreign Affairs, Trade & Immigration, Papua New Guinea, and the Minister of State for Petroleum and Natural Gas, Mr Jitin Prasada, the two ministers stressed on the vast opportunities which the corporate entities of the two countries could explore for mutual benefit.

Mr Prasada said that Indian oil public sector undertakings such as ONGC, GAIL, Petronet LNG and the downstream companies such as Indian Oil Corporation were keen to participate in the development of the hydrocarbon industry of Papua New Guinea. He said Indian companies were looking at the upstream sector to carry out exploration activities.

Indian companies have been engaged in discussions with their counterparts and other operators in Papua New Guinea. Mr Prasada also said India could render assistance in utilising the vast natural gas reserves of the country by setting up liquefaction facilities as well as transportation and sourcing of LNG to India.

He added that the training facilities of Indian PSUs could be utilised for training hydrocarbon personnel of Papua New Guinea for indigenous capacity building.

Papua New Guinea has vast reserves of natural gas, copper, gold and nickel. The country's natural gas reserves have been estimated at 15.6 TCF, which can support approximately a 15-mmtpa LNG project.

<http://www.blonnet.com/2009/07/25/stories/2009072551261500.htm>

Bangladesh welcomes Indian cos into SEZs

Recently in Dhaka, The Bangladesh Government has invited Indian companies to set up operations in Special Economic Zones (SEZs) being planned by the country.

The Bangladesh Prime Minister, Ms Sheikh Hasina, during her recent interaction with a 51-member FICCI delegation in Dhaka, said, "We have already decided to set up SEZs...there are already some areas...If you want to invest, you can identify and we will facilitate the investment."

She was responding to FICCI's suggestion that creation of an SEZ in Bangladesh exclusively for Indian businesses would go a long way in boosting bilateral trade.

In a hour-long interaction with Indian businesses, the Bangladesh Premier said, "We want to open doors but we also want to take care of our people's interest...There are certain issues...We want those issues to be resolved, with a view to increasing business and trade."

Setting up of dedicated SEZs to attract Indian investment was among the suggestions made by the Indian side. FICCI also suggested a multi-pronged agenda for the creation of a favourable investment climate for Indian companies in Bangladesh, in an effort aimed at doubling the bilateral trade by 2011. Bilateral trade stood at \$3175 million in 2007-08. The recommendations include reduction of tariff to increase market access.

<http://www.blonnet.com/2009/07/24/stories/2009072451361000.htm>

India, US sign pacts on civilian satellites, defence equipment

India and the US signed a slew of agreements to give a further boost to the bilateral engagement between them, as part of the US Secretary of State, Ms Hillary Clinton's first visit to India, after the Obama administration came to power earlier this year.

The US administration also extended an invitation to the Prime Minister, Dr Manmohan Singh, to visit the country on November 24, making it the first state visit under the new Obama administration.

Addressing a joint press conference late in the evening, the External Affairs Minister, Mr S. M. Krishna, said that three agreements were concluded including the creation of a science

and technology endowment fund and a technical safeguard agreement for the launch of civilian satellites incorporating US components.

Besides an end-use monitoring pact for the procurement of American defence equipment was also concluded.

Ms Clinton said the Prime Minister had informed her that India had approved two sites for US companies to build nuclear power plants. She, however, did not give details of the sites.

At the talks it was also decided to establish strategic dialogues in five areas of cooperation including agriculture, science and technology, trade, energy and finance. The Secretary of State said that apart from government officials, members from industry and civil society will also be part of this strategic dialogue.

Earlier in the day, Ms Clinton met the Prime Minister, who conveyed to her India's concerns about growing protectionism in the US.

<http://www.blonnet.com/2009/07/21/stories/2009072151960100.htm>

African countries seek investments from India

African countries, including Senegal, are seeking investments from India on a large scale, Senegal's Ambassador to India Amadou Bocoum said in Mysore.

Addressing the Mysore Chamber of Commerce and Industry, he said, "We are looking for investments in all areas. We are looking at opportunities and are offering substantial support. You have one of the biggest Indian communities living in Africa. But, the opportunity is not being used for making investments. Africa is a huge market with large opportunities."

A major phosphate exporter to India, 80 per cent of which goes to Gujarat alone. The country, with a population of 12-million, has agri business, fishing, mining and geology, tourism, textiles and new technology among its priority sectors.

Its imports are petroleum products, capital goods, cereals and food products, and intermediate goods. Its exports include peanut products, fish products, phosphates, fertiliser, cotton by weight, phosphoric acid, salt and cement.

Iron ore reserves are estimated at 350 million tonnes with recoverable iron of 63 per cent, one of the largest in Africa. World's leading steel industrialist Laxmi Mittal had taken over the mines, which are yet to be exploited due to the present global situation. Similarly, it had lignite resources, oil and gas offshore, Amadou said.

The entire bus operation system was in the hands of the Tatas with an assembly plant set up last year in Senegal. However, China was gradually catching up with India.

During the past five years, he said, relations between India and Senegal had witnessed remarkable progress. Trade between India and West Africa tripled. Exports from Senegal accounted for 5.5 per cent in 2006-07 and India was the top partner with total trade at \$250 million.

In the last two years, major investments had come from IFFCO (\$150 million) and Laxmi Mittal (\$2.4 billion).

The finalisation of negotiations leading to the majority holding of IFFCO in the capitalisation of industries, Chimiques du Senegal (ICS), gave the firm a lifeline and is considered an achievement on the bilateral side.

India had set up a Pan-African e-network hub in Senegal, enabling 53 African States to have access to tele-medicine and tele-education and to establish direct intercommunication between African heads of state. Senegal had obtained \$150 million credit for the revival of agriculture, poverty alleviation, small equipment for women, IT, rural electrification and others. It also received a \$7.5 million grant, the ambassador said. India had signed an agreement last year for the promotion and protection of investments and avoidance of double taxation between the two countries, Amadou Bocoum added. Chamber president R Krishna said, India and Africa are playing a special role in the global scenario. Senegal offered endless opportunities for Indian entrepreneurs, who can also explore its huge market. “

<http://www.business-standard.com/india/news/african-countries-seek-investmentsindia/364988/>

Sectoral News

India SMEs among most confident in world, says survey

Small and medium enterprises (SMEs) in India are among the most confident in a survey of 12 emerging markets around the world, the HSBC emerging markets small business confidence noted.

A semi-annual survey of the small business sector, the HSBC emerging markets small business confidence monitor reflects the views of more than 3,400 SMEs in 12 markets across Asia, Latin America and the Middle East.

Respondents were asked about their six-month outlook on economic growth, capital investment plans, recruitment plans and trade. The results were used to calculate a monitor ranging from 0 to 200 where 200 represents the highest confidence level, zero represents the lowest and 100 neutral. The survey was conducted in May and June 2009.

The regional index rose from 92 in the fourth quarter of 2008 to 107 in the second quarter of 2009. Vietnam score the highest index with 150, followed by India at 128, Mainland China at 105 and Indonesia at 101.

In terms of local GDP growth, 43% of India SMEs expect faster growth to in the next six months and 47% expect to maintain the same pace as in the fourth quarter of 2008. Just 10% expect slower growth, the survey said.

Talking about the outlook on capital expenditure, the survey revealed that across all 12 markets, most businesses are not planning to make changes to their capital investment plans. "In India, 37% plan to increase expenditures, 57% plan to maintain the same level as last year, and 6% plan to decrease expenditures," the survey said. The survey also showed that the majority of small businesses are holding steady on staff levels and very few SMEs plan to cut jobs. In India, 75% plan to maintain the same level as last year, 22% plan to increase staff and 2% plan to cut staff.

"The increasing confidence of SMEs in India, the bellwether of the country's economy, is a positive sign. Challenging times notwithstanding, SMEs are gearing up for the upswing, and this is reflected in their views on capital expenditure and jobs," said Dheeraj Dikshit, head SME business, HSBC India. Dikshit also noted that sectors such as textile and diamond have been impacted due to the crisis.

<http://www.financialexpress.com/news/india-smes-among-most-confident-in-world-says-survey/493248/>

Investments in health infra to get a booster dose

The spend on healthcare infrastructure in the country is projected to grow at 5.8% annually to reach \$14.2 billion by 2013, a near 50% increase over the 2006 level, according to KPMG. This forecast on the expenditure includes spends both by the government and the private sector on construction and maintenance of buildings that would house medical research, drug production or primary health care services.

Going by the 2006 data, the six large states—Maharashtra, Rajasthan, West Bengal, Uttar Pradesh, Tamil Nadu and Andhra Pradesh account for over 50% of the total expenditure on health infrastructure while 12 states combined end up spending less than 4.5% of the sum.

In fact, Maharashtra, which crossed the \$1-billion mark in healthcare infra spend in 2005 individually accounts for 12% of the total expenditure, a share the state will retain even in 2013, by when the state could be spending around \$1.6 billion on the healthcare infrastructure. However, when it comes to per capita spending on healthcare infrastructure all the six large states, in question, also the highest absolute spenders invest less than \$15 and lag behind small states like Himachal Pradesh, Manipur and Andaman and Nicobar, the only states to have spent over \$30 per capita. Also the small states, particularly the north-eastern with low bases are expected to grow the fastest with over 8% annual growth rate compared to the national average of 5.8%.

Health infrastructure is also among the healthcare sub-sectors identified by CII in a latest report that would attract large chunk of investments by private equity firms in future. The findings of these reports are also in conformity with a PwC report released in 2007 which said that an enormous amount of private capital will be required in the coming years to

enhance and expand India's healthcare infrastructure to meet the needs of a growing population and an influx of medical tourists. "Currently, India has approximately 860 beds per million population. This is only one-fifth of the world average, which is 3,960, according to the World Health Organization. It is estimated that 4,50,000 additional hospital beds will be required by 2010 - an investment estimated at \$25.7 billion. The government is expected to contribute only 15-20% of the total, providing an enormous opportunity for private players to fill the gap," the PwC report had estimated.

<http://www.financialexpress.com/news/investments-in-health-infra-to-get-a-booster-dose/492314/>

Despite slowdown, consumer goods sector grew 15 pc

Despite the economic slowdown, the country's fast moving consumer goods (FMCG) sector grew by almost 15 percent in 2008-09, thanks to high demand for such goods in rural India, says a report released.

"At times of economic slowdown, for instance, consumers may be cutting down on durable and other capital expenditure but cannot avoid spends on daily necessities," said the report jointly prepared by the Federation of Indian Chambers of Commerce and Industry (FICCI) and industry tracker Technopak Consultants.

The FMCG industry, currently estimated to be at Rs.120,000 crore (\$25 billion), is expected to touch revenues of Rs.3.55 trillion (\$74 billion) by 2018, the report added.

A major portion of the demand came from rural India, which saw higher consumption due to growing incomes from government programmes like National Rural Employment Guarantee Scheme (NREGS).

"The rural market is growing in leaps and bounds. These people (rural population) are more brand conscious than their urban counterparts," said Shantanu Khosla, managing director of consumer goods major Procter and Gamble.

<http://economictimes.indiatimes.com/News/Economy/Indicators/Despite-slowdown-consumer-goods-sector-grew-15-pc/articleshow/4811859.cms>

Foodgrains output up at 233.88 mt in '08-09

The country's foodgrains production during 2008-09 rose to 233.88 million tonne against 230.8 million tonne recorded during a year before period, the fourth advance estimates released by the ministry of agriculture said.

While the foodgrains production rose by only about 1.1%, country's wheat production clocked a record 80.58 million tonne during 2008-09 season, from a high of 78.57 million tonne achieved during the previous year,

According to the estimate, the rice production rose to an all-time high of 99.15 million tonne during 2008-09, compared to 96.69 million tonne in 2007-08.

The fourth estimates signifies end of last fiscal data on various foodgrains production while the third advance estimate (released in May) is also considered as near final figures as it takes into account the harvested crop of both rabi and kharif output and market arrivals of the commodities.

Pulses production has been revised slightly upward to 14.66 million tonne against 14.18 million tonne in the third advance estimates. Pulses output stood at 14.76 million tonne in 2007-08 season.

The production of coarse cereals has been revised upward to 39.48 million tonne against a figure of 38.67 million tonne in the previous estimates.

Coarse cereals production was 40.76 million tonne during the last season.

Among oilseeds, the production of soyabean, has been revised downward, while mustard and groundnut output is reported higher than the last estimate.

Soyabean production is now seen at 9.9 million tonne while mustard output at 7.37 million tonne, whereas, groundnut at 7.34 million tonne.

According to the agriculture ministry data, the nation is estimated to have produced 271.25 million tonne of sugarcane and 23.16 million tonne of cotton bales in 2008-09 season (170 kg a bale).

The government had fixed a target of 233 million tonne foodgrains production for 2008-09.

<http://www.financialexpress.com/news/foodgrains-output-up-at-233.88-mt-in-0809/492332/>

News Round – Up

Economy placed slightly better; can grow 6.5% in FY-2010: RBI

RBI revised its economic growth forecast to 6.5 per cent for this fiscal, saying the situation is better than what was perceived in April though the conditions are not enough to fuel a global recovery.

The RBI Professional Forecasters Survey, sponsored by the central bank, had forecast 5.7 per cent economic expansion in April but the June numbers reflect a pick-up in economic activity.

The RBI said even though indicators pointed to an economic turnaround and business sentiment was looking up, delayed monsoon rain and continuing global recession could dampen growth.

"While indicators such as the higher growth in core infrastructure sector, positive growth in IIP, more optimistic business expectations and forecasts could be viewed as signs of recovery from the slowdown, there are other factors which may dampen the growth

outlook such as the delayed progress of monsoon, decline in exports due to the persistence of global recession," RBI said.

"Lagged impact of the negative growth in manufacturing in the last quarter of 2008-09 on services demand, negative growth in capital goods, decline in the production of commercial vehicles, and an accelerated fall in import growth suggesting dampened demand conditions," the report added.

The central bank also predicted that while inflation could be seen move up to positive levels by the end of the year, poor monsoons could drive up food prices.

The forecast is part of the macro-economic report by the RBI, which said signs of revival in the global financial conditions seen in Q1 of FY'10 are necessary, but were not sufficient to induce a firm global recovery.

The central bank estimates comes a day ahead of the quarterly review of credit policy.

<http://economictimes.indiatimes.com/News/Economy/Policy/Economy-placed-slightly-better-can-grow-65-in-FY-2010-RBI/articleshow/4826471.cms>