

Weekly Economic Bulletin

Date: September 29 - October 05, 2009

Issue No. 336

Contents

1	News Feature <ul style="list-style-type: none">• India elected second vice-chair of G-24 countries• India 2009/10 growth to be 6.3 pc or more: Ahluwalia• PEs see gains in core sector	Page 1-2
2	Overseas Investment <ul style="list-style-type: none">• \$100 bn FDI milestone for India• Forex reserves increase on valuation gains	Page 2-4
3	Trade News <ul style="list-style-type: none">• India-Russia trade could reach \$10 bn in 2010• Orissa to woo Chinese tourists	Page 4-5
4	Sectoral News <ul style="list-style-type: none">• Pharma exports grow 29% in 2008-09• Soyameal export may touch 4.5 mt in 2009-10• FMCG stays in shape, may see 13% growth• Organised retail sales grow 20%• 'Indian formulation mkt to cross \$13.7 billion by 2013'	Page 5-9
5	News Round-up <ul style="list-style-type: none">• India Inc best in terms of staff satisfaction: study• India Inc on mop-up mode; raises Rs 33,800 cr equity in Sept quarter	Page 9-10

News Feature

India elected second vice-chair of G-24 countries

India was elected the second vice-chair at the meeting of G-24 countries in Istanbul, while Brazil replaced Syria as the chair. India is now just two steps away from becoming the chair of the Inter-governmental Group of 24 (G-24) nations on international monetary affairs and development.

"Finance minister Pranab Mukherjee was elected unanimously as the second vice-chair. He would automatically become the first vice-chair in 2010-11 and then, in 2011-12, he would be the chair of G-24 countries," the government said.

Till now Syria was the chair, Brazil was the first vice-chair and South Africa was the second vice-chair. In the new order, Brazil is the chair, South Africa is the first vice-chair and India is the second vice-chair. These three countries represent each of the three regions — Africa, Latin America & the Caribbean and Asia — that G-24 comprises.

The group was established in 1971 with an objective to concert the position of developing countries on monetary, development finance issues. Its other member countries are Algeria, Côte d'Ivoire, Egypt, Ethiopia, Gabon, Ghana, Nigeria, Congo, Argentina, Colombia, Guatemala, Mexico, Peru, Trinidad & Tobago, Venezuela, Iran, Lebanon, Pakistan, Philippines and Sri Lanka.

Meanwhile, Mukherjee convened a meeting of the finance ministers of BRIC countries (Brazil, Russia, India and China) at Istanbul. The BRIC finance ministers discussed issues facing the World Bank and the International Monetary Fund (IMF) and arrived at common positions on several issues.

"On the IMF side, the ministers discussed the process of achieving a significant shift in quota shares in favour of dynamic emerging markets and developing countries. They agreed to aim for a 7 per cent shift. They also discussed the new arrangement to borrow," the government said in another release.

On the World Bank side, they discussed how to enhance the voice and participation of developing countries in the World Bank and agreed to aim for a shift of 6 per cent for parity. They also discussed the adequacy of capital resources of the bank and supported and an increase in the capital for both the World Bank and the IFC.

<http://www.business-standard.com/india/news/india-elected-second-vice-chairg-24-countries/372130/>

India 2009/10 growth to be 6.3 pc or more: Ahluwalia

India's economy is likely to grow at 6.3 percent or more in the year to March 2010, a top policy adviser said.

Montek Singh Ahluwalia, deputy chairman of the Planning Commission, also said annual inflation was likely to be around 5 percent by end March.

In July, the central bank forecast growth in 2009/10 at around 6 percent. The economy grew by 6.7 percent in 2008/09, sharply slower than the 9 percent or more in the previous three years.

<http://economictimes.indiatimes.com/news/economy/indicators/India-2009/10-growth-to-be-63-pc-or-more-Ahluwalia/articleshow/5089830.cms>

PEs see gains in core sector

Sensing huge opportunities, a clutch of private equity (PE) players are rushing in to raise funds for the infrastructure sector.

At present, close to Rs 8,541 crore is in the process of being raised. Out of this, Rs 6,800 crore is being raised by India-dedicated infrastructure funds, according to data by Preqin, a global firm that tracks PE and alternative assets.

The latest to join the bandwagon is Principle Europa Indian Infrastructure Fund, led by Shailesh Pathak, a former senior director at ICICI Ventures. The fund is aiming to raise \$1billion (around Rs 4,800 crore) from overseas investors, mainly endowments and pensions, to invest in early-stage greenfield infrastructure projects.

“The Indian infrastructure story needs equity at early stages and very few infrastructure funds operate in this space. This is why Principle Europa Indian Infrastructure has been appreciated by LPs (limited partners). India’s infrastructure sector has the potential to yield much higher returns for sophisticated investors who are close to the ground,” said Pathak.

Others in the process of raising funds for the sector are India Infrastructure Advanatge Fund, Q India PE Fund, Eredene Capital India Infrastructure Fund and Alcazar Capital India Fund. Then there are other emerging markets and Asia-focused infrastructure funds for whom India is an important investment destination. Such funds include JP Morgan Asian Infrastructure Fund, Babcock & Brown Asia Infrastructure Fund, and Challenger Mitsui Emerging Markets Infrastructure Fund.

<http://www.business-standard.com/india/news/pes-see-gains-in-core-sector/371675/>

Overseas News

\$100 bn FDI milestone for India

India has crossed the \$100 billion milestone in foreign direct investment through equity since 2000 up to July this year testifying the country's increasing profile as a safe and sound investment destination in the midst of the global financial crisis.

As much as 44 per cent of the money came through the Mauritius route, apparently because the investors wanted to take advantage of India's double taxation avoidance treaty with the island nation.

The cumulative FDI inflows since 2000 and up to July 2009 amounted to \$100.33 billion. The inflows in the first four months of the current financial year was \$10.49 billion, according to data compiled by the Department of Industrial Policy and Promotion.

The other big investors included Singapore, the US, UK and the Netherlands.

Commenting on the \$100 billion milestone, economists said India is being perceived as a safe and dynamic destination for global investors.

"This is a reflection that India is being taken as a safe and dynamic destination for investment as the economy is growing at 6 per cent. The investors also want to diversify their portfolio from China by investing here," Rajiv Kumar, CEO and Director of economic think-tank ICRIER said.

The FDI would further improve if the economic recovery continues.

"We did not receive much FDI initially...since 2008 we have started receiving good numbers...there are signs of economic recovery in a few countries and I think inflows will improve with the economic recovery," CRISIL Principal Economist D K Joshi said.

Ficci Secretary General Amit Mitra said FDI not only brings money but also new technology and managerial capabilities.

"FDI's main impact comes from new technology, new managerial capabilities, new benchmarks in corporate functioning," Mitra said.

India reached the \$100 billion mark at a time when the global financial crisis has had a dampening impact on FDI flows which are expected to fall this year.

<http://economictimes.indiatimes.com/news/economy/finance/100-bn-FDI-milestone-for-India-/articleshow/5086459.cms>

Forex reserves increase on valuation gains

The rise in the country's foreign exchange reserves in the June-ended quarter was mainly on account of valuation gains, rather than on account of balance of payments.

The country's foreign exchange reserves had risen by \$13.157 billion in the first quarter of this fiscal. The reserves had risen by \$2.364 billion in the corresponding quarter last year. According to the sources of variation in foreign exchange reserves released by the Reserve Bank of India, of the total increase in foreign exchange reserves in the June ended quarter, around 99.1 per cent was on account of revaluation.

The remaining 0.9 per cent was on account of a change in foreign exchange reserves on BOP basis.

Foreign currency assets expressed in US dollar terms include the effect of appreciation or depreciation of non-US currencies.

The valuation gain of \$13.042 billion was on account of the depreciation of the US dollar against other major currencies.

Inflows under FDI, portfolio investments and NRI deposits were the major sources contributing to the increase in foreign exchange reserves, the report said.

<http://www.thehindubusinessline.com/2009/10/01/stories/2009100151180600.htm>

Trade News

India-Russia trade could reach \$10 bn in 2010

Trade between India and Russia could reach \$10 billion in 2010, Russian Deputy Prime Minister Alexander Zhukov said.

"Trade is forecast to reach \$8.4 billion in 2009, and we are able to... fulfill the task set by the two countries' leaders to push trade to \$10 billion in 2010," Zhukov said at the third Russian-Indian Trade and Investment Forum.

Zhukov said despite falling exports, bilateral trade with India had been on the rise in the past few years owing to the large volume of high-technology exports.

Economic Development Minister Elvira Nabiullina said bilateral trade had been growing since 2005, even amid the financial crisis.

India holds 24th place among Russia's trading partners, and accounts for a mere 0.9 percent of Russian foreign trade. Russia's share in India's foreign trade is even less at 0.8 percent.

Nabiullina urged the two partners to improve the structure of their bilateral trade, with the business community expected to draw up a list of large projects that could be implemented jointly by Russia and India.

She said manufacturing, energy, including nuclear energy, steel production; construction and agriculture were among priority sectors for bilateral cooperation.

<http://economictimes.indiatimes.com/news/economy/foreign-trade/India-Russia-trade-could-reach-10-bn-in-2010/articleshow/5068766.cms>

Orissa to woo Chinese tourists

Affluent Chinese are now outbound and the investors from that country are keen to invest in Orissa. In this backdrop, Orissa tourism department plans to combine the state's potential in eco-tourism, tribal tourism and Buddhist heritage sites to woo the Chinese tourists.

The state has already started initiatives in this direction with two road shows being organised at Shanghai and Shaoxing.

Similarly, the state also participated in the India pavilion at the Pacific Asia Travelers Association (PATA) meet held at Hanzhou in China.

"Affluent Chinese are now outbound and we are packaging various tourist offerings to woo them. We are targeting to attract about 2000 Chinese tourists to Orissa", Devi Prasad Misra, minister of tourism and culture said. After participating in the road shows and PATA meet, Misra said, the response to the road shows organised at Shanghai and Shaoxing has been very good.

More than 100 tour operators and players in the hospitality sector have agreed to come to Orissa in the beginning of the next year. Besides, the Chinese investors have also expressed their interest to invest in the state. Such an initiative to attract the Chinese tourist has been launched for the first time by the tourism department, Misra added.

A road show was organised at Shanghai on 19 September and 128 persons belonging to media, travel agents and academics took part in the deliberations.

Similarly, another road show was organised at Shaoxing on 21 September and the minister highlighted the Buddhist heritage of Orissa there.

Misra also inaugurated the India Pavilion at the PATA meet held at Hanzhou. About 250 visitors and 25 buyers from different parts of the world visited the Orissa tourism booth.

<http://www.business-standard.com/india/news/orissa-to-woo-chinese-tourists/371760/>

Sectoral News

Pharma exports grow 29% in 2008-09

Exports of pharmaceuticals and fine chemicals increased 29 per cent at Rs 39, 538 crore compared with the year-ago period beating recession blues.

This was disclosed by Mr Anand Sharma, Union Minister of Commerce and Industry, at the inauguration of the Indo-Africa Pharma Business.

Exports in the sector had grown at a compounded annual growth rate of 17.8 per cent during the five-year period 2003-04 to 2007-08.

On the trade with Africa, Mr Sharma said that on the generics segment, Indian companies had established their lead in most of the markets, including Africa.

“The growing exports of India in African countries are causing concern in multinational companies who have started a false campaign that the Indian generic medicines are counterfeit and substandard. This has to be countered effectively,” he said. The Government is taking up some related issued with the European Union, he added.

On further boosting pharma exports, Mr Sharma said the recently announced Foreign Trade Policy had extended many incentives to pharma industry such as hike incentive under Focus Market Scheme from 2.5 per cent to 3 per cent and zero duty under EPCG scheme for aiding technological upgradation for the pharma sector.

The Government of India would establish National Institute of Design in Hyderabad for product designs to help entrepreneurs in various sectors, the Minister said.

Double-digit growth

Later, while, speaking to the newsmen, the Minister said the core sectors of the economy, such as consumer durables, automobiles, pharmacy and chemicals and engineering goods had registered double digit growth in the last three months.

Andhra Pradesh, with 139 pharmaceutical companies, exported drugs worth Rs 9, 000 crore in 2008-09, contributing 23 per cent of total exports from the country, Mr K. Rosaiah, the Chief Minister said. Mr Venkat Jasti, Chairman, Pharmexil, said about 40 per cent of Drug Master Files filed with US FDA were from Indian companies.

Mr Sharma also gave away exports awards of Pharmaceutical Exports Promotion Council (Pharmexcil).

<http://www.thehindubusinessline.com/2009/09/26/stories/2009092650741500.htm>

Soyameal export may touch 4.5 mt in 2009-10

India may export 4.5 million tonne of soyameal in the 2009-10 season, starting October, on revival of demand abroad, even as outbound shipment of the item is estimated to dip to 3.7 million tonne this season.

“Soyameal export may touch 4-4.5 million tonne in the next season, as demand for the commodity in the global market is likely to revive,” Indore-based Soybean Processors Association (SOPA) co-ordinator Rajesh Agrawal said.

Another industry official said the rise in demand due to a possible recovery of global economy may boost prices of soyameal, used mainly as an animal feed, and that of its basic raw material -- soyabean.

Farmers would then be interested to offload the commodity more regularly instead of holding it back for future in anticipation of higher prices for their produce, he added.

<http://www.financialexpress.com/news/soyameal-export-may-touch-4.5-mt-in-200910/522925/>

FMCG stays in shape, may see 13% growth

The July-September quarter for the FMCG sector is expected to post healthy 12-13% topline growth riding mainly on margin expansion and companies pushing volumes. Delayed monsoons and increased commodity prices is not likely to impact sector sales this quarter and may have a lag impact over the October-December and January-March quarters, say analysts.

Godrej group chairman Adi Godrej said: "The economy has done exceedingly well and we expect healthy growth. The delay in monsoons has not had much impact on our sales which continue to be robust."

According to analysts tracking the sector, a combination of demand coming from rural India, companies pushing volumes at key price points to retain consumers, and new product launches mainly in the form of variants have been the key highlights of the July-September quarter.

Increased ad spends, higher levels of localised promotions, price-offs and freebies are also expected to aid volume growth in the period.

That apart, companies ranging from Hindustan Unilever, Godrej Consumer Products, Nestle, Dabur, GlaxoSmithKline, ITC, Marico and Colgate have all stepped up investments in distribution infrastructure.

Analyst firm IDFC SSKI Securities MD Nikhil Vora said: "We expect the July-September quarter to be fairly resilient, and we don't expect any pressures on either volumes or margins."

Dabur India EDD Rajan Varma said: "Business has been good and there has been no major impact on consumption by way of delayed rains."

<http://economictimes.indiatimes.com/FMCG/FMCG-stays-in-shape-may-see-13-growth/articleshow/5070013.cms>

Organised retail sales grow 20%

The Rs 1-lakh-crore organised retail industry, among the largest job creators in the services sector, is showing early signs of revival, after seeing its worst slowdown in the second and the third quarters of 2008-09. Estimates by the Retailers Association of India (RAI), the apex body of organised, modern retailers, show the segment has grown 20% in the September quarter of this financial year. This is a leap from the 5% growth it clocked in the first quarter. Just before the meltdown last year, the retail segment was growing at a pace of 35%.

Indian retail growth had slowed to 12% in the third quarter of FY09, the quarter that followed the Lehman Brothers collapse, and less than 5% during the fourth quarter of

FY09. Prompted by the rising demand and the coming festive season, retailers are in the process of building up stocks at their branded retail stores by an additional 20% to 25%.

The revival in organised retail sales points to an increase in urban consumer spending—something that could lift up the overall business environment.

Besides stocking up more, retailers are also on the way to renewed hiring and expansion. Says Kumar Rajagopalan, CEO, Retailers Association of India (RAI) : “Now hiring will take off at the front-end level of the branded retail stores by 15% to 20%, since many retailers have chalked out plans to expand their stores.”

Big players like the Future Group, Aditya Birla Retail, Reliance Retail, Trent and Spencer’s Retail are in the process of adding new stores on the back of lower rentals and buoyant consumer demand.

Explaining the reasons for the retail growth, Rajagopalan told, “There has been a spurt in consumer confidence among the salaried class; the markets are looking better; there is also a certain amount of impulse purchase by consumers amidst fear of price hikes during Diwali.”

CB Richard Ellis estimates that India’s retail market, organised and unorganised together, is valued at \$511 billion (around Rs 24,52,800 crore) and is poised to grow to \$833 billion (Rs 39,98,400 crore) by 2013. It believes the organised retail, now making up less than 5% of the total retail market, would have a CAGR of 40% and would swell to \$107 billion by 2013.

<http://www.financialexpress.com/news/organised-retail-sales-grow-20/524345/>

‘Indian formulation mkt to cross \$13.7 billion by 2013’

The surging demand in the domestic market coupled with an increased focus from the multinational pharma companies for contract research and manufacturing services (CRAMS) are set to fuel the Indian pharmaceutical growth in the years to come. In addition to that, a projected CAGR of 10.5% in the global generics market and an growing involvement of Indian companies into clinical research services will further add to the growth momentum, said a detailed research done by Angel Broking.

Socio-economic factors such as rising income levels, increasing affordability, gradual penetration of health insurance and the rise in chronic diseases would see the Indian formulation market to touch \$13.7 billion by 2013 with a CAGR of 12.2%.

The domestic formulation industry had registered a CAGR of 14% during FY2003-08 from around \$3.9 billion to \$7.7 billion, outpacing the global pharma industry growth rate of 7%, said the research. By 2015, India is expected to rank among the top 10 global pharmaceutical markets. The industry is typically growing at around 1.5-1.6x the country’s GDP growth.

According to the research, India is primarily a balanced generic market with no player garnering more than 5% market share. Some of the key challenges in this segment

include complex drug distribution system, diverse market and rural penetration, evolving regulatory infrastructure, brand visibility and uncertainty in pricing policies. The second big factor will be that of CRAMS. Global investors are under pressure due to growing patent expiries of major blockbuster drugs, price restrictions and slowdown in new product approvals and launches. Moreover, the decline in R&D productivity has resulted in further deceleration in bringing new blockbuster drugs to the market.

Due to its value proposition, high R&D and formulations capabilities coupled with the cost advantage, Indian pharma companies are in a position to attract huge CRAMS opportunities, particularly from the US and European multinational pharma companies.

On the generics side, India has emerged as a prominent supplier of high quality generics drugs globally. The success can be attributed to the recognition of process patents over the last three decades. Indian companies are also amongst the preferred partners for foreign companies, which are struggling to cope up with rising R&D costs, declining productivity and approval of new product launches. By developing a broader range of service offerings, the Indian clinical research organisations (CROs) are well poised to become major players in the global CRO arena.

<http://www.financialexpress.com/news/indian-formulation-mkt-to-cross-13.7-billion-by-2013/524920/>

News Round-Up

India Inc best in terms of staff satisfaction: study

Indian companies rank top among global peers in employee satisfaction, reflecting their successful business practices, says a study.

The findings are part of a report, 'Driving Success Through Performance Excellence and Employee Engagement,' by research arm of leading global HR solutions provider Kenexa.

The report is based on two employee-based indicators of business success, which can be used to measure and monitor a firm's state—the Performance Excellence Index (PEI) and the Employee Engagement Index (EEI).

"The higher the scores on these two indices, the better positioned employees are to deliver the organisation's value proposition. By improving their scores on these indices, organisations can improve their business results," Kenexa Research Institute executive director Jack Wiley said.

India ranks highest with 76% on country-level PEI index of 14 countries. The index tracks employees' views of product and service quality and the firm's focus on customer service, quality, training and employee involvement.

Other than India, Russia also ranks high at 67%, while Japan has reported the lowest score at 45%.

Besides, the EEI index measures an employee's pride in his/her firm, willingness to advocate the employer, whether they intend to stay and their overall satisfaction.

India ranks the highest in the country-level EEI index as well, with a percentage of 73% and is followed by Brazil (65%). While Japan has the lowest score in this index at 36%, the report revealed.

<http://www.financialexpress.com/news/india-inc-best-in-terms-of-staff-satisfaction-study/524942/>

India Inc on mop-up mode; raises Rs 33,800 cr equity in Sept quarter

Fund-raising in Indian capital market gathered pace in the quarter ended September.

The Rs 33,800 crore mopped up during the quarter from 34 offers was quite a jump from the Rs 700 crore raised through some ten offers in the same quarter of 2008.

At Rs 16,200 crore, Qualified Institutional Placements (QIPs) account for almost half the total amount raised, and include those of companies such as Axis Bank and Opto Circuits. A good many more issues are lined up for the coming months. The earlier high in QIP activity was in the December 2007 quarter when Rs 13,900 crore was raised through 22 issues.

The September 2009 quarter also saw a flurry of Initial Public Offers, which brought in about Rs 12,700 crore in capital, featuring both big-ticket IPOs such as of Adani Power, Oil India and NHPC and a bunch of smaller ones such as of Excel Infoways and Globus Spirits.

Apart from these fund-raising efforts in the domestic market, a few companies such as Tata Power turned to overseas too; about Rs 13,000 crore (at an average exchange rate of Rs 48.9 to a dollar) was raised via this route during the September quarter.

<http://www.thehindubusinessline.com/2009/10/02/stories/2009100252340100.htm>