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News Feature

'India's GDP will hit \$2-trillion mark in 5 years'

In a recent study conducted by Motilal Oswal Financial Services, it predicts the Indian economy to hit the \$2 trillion GDP mark in the next five years.

The study states that, given the high base, the GDP that will be added in the next five years will be more than what did get added in the last 30 years, and twice that of the last five years. From 1977 to 2002, India's nominal GDP was growing at a rate of 6.2 per cent per annum to just under \$0.5 trillion in 2002. In the last five years, the country's GDP has more than doubled to hit \$1 trillion at a CAGR of 16 per cent.

<http://www.blonnet.com/2007/12/15/stories/2007121552551000.htm>

Plan panel expects 8.5 to 9% growth

The Planning Commission expects the country's Economy to grow by 8.5 to 9 per cent during the current financial year and by 9 per cent in the 11th Five Year Plan period, saying global slowdown would not affect India in the medium term.

"The world economic slowdown will not affect the medium term growth prospects," Planning Commission Deputy Chairman Montek Singh Ahluwalia said, while addressing the 'TIE Entrepreneurial Summit 2007'.

The Economy was likely to clock a growth rate of 8.5 to 9 per cent during the current financial year, he said, adding that the Gross Domestic Product (GDP) growth rate was expected to be 9 per cent during the next three years and 10 per cent in the terminal year of the Plan (2011-12).

<http://www.financialexpress.com/news/Plan-panel-expects-8-5-to-9-growth/249079/>

India's external sector buoyant despite rupee rise: Reddy

India's external sector continues to be strong in spite of recent fluctuations in the exchange rates, RBI Governor Y V Reddy said.

He said the exchange rate was basically moving both ways, because of pressure in the recent past. There is a certain degree of flexibility, but volatility is certainly not well.

"People believe we are stable. Foreign investments are pouring in. According to macro-economic indicators, India does not fare well. But what you have to see is how the economy is managed," Reddy said.

"If the economy is managed in a way to ensure stability irrespective of weaknesses so that risks do not materialise, that is where the credit to the policy goes."

Our external sector is strong and continues to be strong, exports are strong, current account deficit is very comfortable at about one per cent, Reddy said.

<http://economictimes.indiatimes.com/articleshow/2623050.cms>

Economy will grow by 10%: FM

Finance minister P Chidambaram said he was confident that the economy would grow by 10 per cent and the country's exports would touch 200 billion dollars by 2008.

Referring to early 90's when the economic liberalisation was set in motion in the country, he said, "in 1991, no one would have believed that some day, India's economy would grow at 10 per cent."

He was speaking on "Indian Economy in the 21st century", organised by the Madras High Court and members of the Madras Bar Association to commemorate the 60th year of the country's Independence.

"This is an open economy. But this entails huge responsibilities like recognising our weaknesses, reducing dropout rates in schools, increasing enrolment rates in schools and colleges and utilising human resources", he added.

<http://economictimes.indiatimes.com/articleshow/2629587.cms>

Overseas Investment

Forex reserves at \$273.553 bn on Dec 7

India's foreign exchange reserves rose to a record \$273.553 billion on December 7, from \$273.520 billion a week earlier, the Reserve Bank of India said in its weekly statistical supplement.

Analysts said a part of the increase in reserves was due to the central bank's intervention to check the rupee's rise, which hit a near-decade high of 39.16 in November.

The central bank said foreign currency assets, expressed in US dollar terms, included the effect of appreciation or depreciation of other currencies held in its reserves such as the euro, pound sterling and yen.

<http://economictimes.indiatimes.com/articleshow/2622874.cms>

FII's buy shares worth Rs 387.27 cr on bourses

Foreign Institutional Investors were net investors in equities as the Bombay Stock Exchange (BSE) benchmark index Sensex ended up 360 points.

FII's made gross sale of equities worth Rs 3,662.47 crore and gross purchase of Rs 4,049.74 crore, resulting in net investment of Rs 387.27 crore.

Domestic institutional investors also were net investors in shares worth Rs 341.31 crore, provisional data available on the BSE show.

Among other categories, non-resident Indian entities sold equities worth Rs 0.83 crore and proprietors made a net purchase of Rs 1.43 crore. Brokers sold Rs 109.17 crore of shares for their clients or retail investors.

The Sensex ended the day at 20,290 points, a rise of 360.21 points or 1.81 per cent.

<http://economictimes.indiatimes.com/articleshow/2615388.cms>

India retains top offshoring slot: Gartner

India continues to be the undisputed leader in offshore services owing to government support, English language capabilities and low cost of doing business.

However, China, Russia, Brazil and eastern European countries are increasingly providing credible alternatives, according to a recent research from Gartner Inc.

India accounts for about 65-70 per cent of the global offshoring pie.

It tops the list of 30 countries on criteria such as language, government support, labour pool, infrastructure, educational system, cost, political and economic environment, cultural compatibility, global and legal maturity, and data and intellectual property security and privacy.

“The Indian Government has been available to listen to the needs of the burgeoning IT industry. The voice and visibility that industry bodies such as Nasscom enjoy at the

government level is rarely seen in other offshore destinations," Mr Partha Iyengar, Vice-President and Head of Research-India, Gartner told.

<http://www.thehindubusinessline.com/2007/12/12/stories/2007121251950400.htm>

Trade News

Indo-Japan trade to touch \$20 billion by 2010

Trade between India and Japan increased from \$4.6 billion in 2003 to \$8.6 billion in 2006. It is expected to touch \$10 billion this year and cross \$20 billion by 2010.

There were 231 Japanese Companies operating in India in 2003. At present, there are 475. Consul General of Japan Noro Motoyoshi said "Japanese FDI in India shot up from Rs 517 crore in 2003 to a whopping Rs 2068 crore in 2006."

To add more flavour to existing ties, the two governments have declared 2007 Japan-India Friendship and Exchange Year. "This is to enhance people-people exchange between Japan and India," said the consul general. Direct flights have increased from 8 in 2003 to 20 in 2007. The plan is to increase the number of tourists between the two countries to 3 lakh by 2010 and 5 lakh by 2015.

<http://www.financialexpress.com/news/IndoJapan-trade-to-touch-20-billion-by-2010/250194/>

India, Oman sign bilateral agreements to boost ties

India and Oman have signed several agreements to boost trade and cultural ties as Oman's Deputy Prime Minister Sayyid Fahd bin Mahmoud al Said met Prime Minister Dr. Manmohan Singh.

India's fertiliser firm Krishak Bharati Cooperative (KRIBHCO) tied up with the Oman Oil Company to facilitate asset transfer and set up joint ventures.

Oman Oil already has a joint venture with KRIBHCO and Indian Farmers Fertilisers Cooperative (IFFCO) to produce 1.6 million tonnes of urea and 250,000 tonnes of ammonia annually.

The two countries also signed Memorandum of Understandings (MoUs) for cooperation in medium, small and cottage enterprises and higher education.

Oman is India's largest crude supplier. Around 100 Indian companies are executing projects in Oman while more than 25 Omani companies have presence in India. Besides, over 400,000 Indians are working in Oman.

The two countries have signed agreements on investment protection and avoidance of double taxation.

<http://economictimes.indiatimes.com/articleshow/2624252.cms>

Ties with India ready for take-off - Bahrain

Partners since antiquity, Bahrain and India are looking at new avenues for collaboration.

Both countries recognise that fresh opportunities have emerged in recent years that would allow their ties to blossom in the future. The flavour of the new relationship was perceptible during the opening remarks of the Minister of State for External Affairs, Mr E. Ahamed during his recent visit to Bahrain. Addressing the fourth meeting of the India-Bahrain Joint Committee for Economic and Technical Cooperation, Mr Ahamed said that Bahrain could look at India as a destination for investments in the area of infrastructure and power development.

He stressed that India and Bahrain could establish joint ventures in the field fertilisers and invest their capital in third countries as well. Petrochemical and chemical industries in which the two countries had acquired notable expertise, as well as the real estate sector, had emerged as promising areas for joint forays.

<http://www.blonnet.com/2007/12/16/stories/2007121650721800.htm>

Nod for tax treaty with Senegal

The Union Cabinet gave its approval for the signing of a double taxation avoidance agreement (DTAA) with Senegal. This agreement, when it enters into force, would stimulate the flow of investment, technology and services from India to Senegal and vice-versa, the Parliamentary Affairs Minister, Mr Priyaranjan Dasmunshi, told. He said that the DTAA would provide tax stability to the residents of India and Senegal, and facilitate mutual economic cooperation. India has already entered into DTAAAs with more than seventy countries of the world.

<http://www.blonnet.com/2007/12/14/stories/2007121452231201.htm>

India for trilateral business mechanism with China, Russia

India favoured establishment of a trilateral business partnership mechanism with China and Russia to exploit the huge resources existing in the three countries.

"The three countries should also make efforts to collaborate in biotechnology, information technology and pharmaceuticals, where all of them have specialisation," Nalin Surie, Secretary (West) in the Ministry of External Affairs, said.

"Investment between these three countries is quite insignificant," he said while addressing a seminar on 'India-China-Russia: Strengthening Economic Cooperation'.

<http://economictimes.indiatimes.com/articleshow/2624906.cms>

India-China trade will hit \$40 b soon

India and China are likely to achieve bilateral trade worth \$40 billion much ahead of the official target of 2010, said Mr Yu Ping, Vice-Chairman, China Council for Promotion of International Trade at an India-China-Russia tripartite conference organised by FICCI and CII.

Citing rising labour costs in the coastal regions of China and anti-dumping charges in various markets, he said many Chinese companies were scouting for newer markets for manufacturing and exports.

Exports from India to China include cotton, organic chemicals, iron, steel, inorganic chemicals; imports from China are highest in the category of electrical machinery and equipment, nuclear reactors and related machinery, organic chemicals, mineral fuels, oil and products.

According to Export Import Bank data, India's cotton exports to China rose from \$514 million in 2005-06 to \$750 million in 2006-07, organic chemicals from \$460 million to \$518 million in and inorganic chemicals and organic or inorganic precious metal compounds from \$328 million to \$351 million. China's exports to India in electrical machinery and equipment rose from \$2,773 million in 2005-06 to \$4,241 million last year, nuclear reactors and machinery increased from \$2,162 million to \$3,249 million and organic chemical exports jumped from \$1,310 million to \$1,709 million.

<http://www.thehindubusinessline.com/2007/12/17/stories/2007121751440300.htm>

India, Iran hold talks on bilateral cooperation

India and Iran have held talks to expand bilateral cooperation, which would help preserve stability and peace in the region.

Foreign Secretary Shivshankar Menon held talks with Secretary of Iran's Supreme National Security Council Saeed Jalili in Tehran on expansion of cooperation between the two countries in energy, transportation and security.

India and Iran should increase the level of cooperation to help preserve stability and peace in the region, Menon was quoted by IRNA, the official news agency of Iran, as saying.

<http://economictimes.indiatimes.com/articleshow/2628436.cms>

Sectoral News

Retail market set to double in 3 years to \$30 billion

The organised retail market is set to double in the next three years to \$30 billion, says a FICCI-Ernst & Young report on retail sector. Also, according to the report, the organised sector, which today accounts for a meagre 5% of the total retail market may increase its share to 30% in the next 10 years.

“Without a strong supply chain, it would be impossible to have a successful retail venture. The key to efficiency in today’s supply chain is the adoption of standards that can be benchmarked with global best practices,” said Bharti Enterprises managing director Rajan Mittal, while releasing the report ‘Winning with intelligent supply chains’.

<http://economictimes.indiatimes.com/News by Industry/Retail market set to double in 3 years to 30 billion/articleshow/2612701.cms>

Indian KPOs step up cross-border M&As

India's knowledge process back-office (KPOs) firms are venturing overseas for acquisitions as they scale-up, struggle for talent, try to beat a rising rupee and face competition from big software firms. "Cross-border M&A (mergers and acquisitions) market has opened up for KPOs," said Sumir Chadha, managing director, Sequoia Capital India.

The knowledge process sector faces the problems of a small market and niche opportunities. "...as the KPO industry booms the supply side will struggle to meet demand," M.S. Krishnan, professor at the University of Michigan wrote in a recent issue of Global Services magazine Private equity firms are also pumping in money to fund these acquisitions as returns from investments in KPOs are fairly high. "This sector generates a lot of profit with gross margin in the 60s," Chadha said. In the first nine months of 2007, private equity and venture funds invested \$101 million in eight Indian KPOs compared to \$135 million in seven companies in 2006, said Arun Natarajan of Venture Intelligence.

In times of currency fluctuations it makes sense for KPOs to diversify revenues through overseas buys.

<http://economictimes.indiatimes.com/Indian KPOs step up cross-border MAs/articleshow/2619938.cms>

Diamonds, gold jewellery exports up 23% in Apr-Nov

The gem and jewellery sector has witnessed a phenomenal growth of 23% with the total exports of the cut and polished diamonds and gold jewellery reaching Rs 54,194 crore (provisional) in the eight months of the current fiscal year 2007-08 as compared to Rs 49,147 crore in the same period in 2006.

Total cut and polished diamond exports witnessed a rise of 28.52% with exports touching Rs 37,104 crore in 2007-08 as compared to Rs 32,348 crore in 2006-07, thanks to good demand for diamond sales, according to figures announced by the Gem and Jewellery Export Promotion Council (GJEPC).

<http://www.financialexpress.com/news/Diamonds-gold-jewellery-exports-up-23-in-AprNov/250110/>

India Nov cement sales up by 3%

Cement sales in India rose 3.1 percent in November from the year ago, Cement Manufacturers' Association's Web site showed.

Sales in November were 12.90 million tonnes, compared with 12.51 million tonnes in the year ago period. Production rose about 4.4 percent to 13.05 million tonnes last month, against 12.50 million tonnes a year earlier.

<http://economictimes.indiatimes.com/articleshow/2629480.cms>

ITeS-BPO firms in India to grow by 20%: study

The Indian ITeS-BPO industry has been growing at an impressive pace over the past few years and the trend is expected to continue, says a Dun & Bradstreet study on 'India's top ITES-BPO Companies'.

According to the study, third-party as well as captive players expect growth in the industry at more than 20% in the next two years. The growth would continue unabated despite concerns about the appreciating rupee, growing salary costs, and shortage of manpower, etc.

Says Manoj Vaish, president & CEO-India, Dun & Bradstreet, "As per D&B estimates, the Indian ITeS-BPO industry revenues could reach \$23.7 billion by FY10, assuming the rate of growth to be the same as experienced over the last 4-5 years. However, some moderation to this growth could come from the stronger rupee, which may be inevitable in the current scenario, and is likely to persist for a while."

As per the study, 35% respondents feel that BPO will continue to be the biggest contributor to exports over the next five years, while 33 per cent respondents feel the same about KPO. In the meantime, LPO and e-learning are fast emerging as promising

service lines, as per nine per cent of the respondents, who believe that these are the service lines to focus on the in the next five years.

<http://www.financialexpress.com/news/ITeSBPO-firms-in-India-to-grow-by-20-study/250399/>

Indian laptop market grows 85%

The laptop computer market in India grew by 84.8 per cent in the third quarter of 2007 against the corresponding quarter last year, contributing significantly to the overall PC market growth of 25.1 per cent.

More than five lakh notebook PCs were sold in the quarter, a study by market analyst IDC India said.

Hewlett Packard (HP) retained the top slot with a market share of 37.8 per cent, while Lenovo occupied the second position and Acer third.

Notebook PC sale in home and 'Small Office and Home Office' (SOHO) segments grew by 166 per cent and made up 43 per cent of the total business. The next largest contributors were enterprise and education segments.

<http://www.financialexpress.com/news/Indian-laptop-market-grows-85/250897/>

News Round – Up

Manufacturing drives IIP up 11.8% in Oct

Driven by the growth of the manufacturing sector the industrial growth rate in October grew by 11.8 per cent from 4.5 per cent a year ago.

According to the Index of Industrial Production (IIP) data released by the Government, the manufacturing sector saw an impressive growth rate of 13.3 per cent during the month as against 3.8 per cent during October 2006.

The mining and electricity sectors showed a decline in growth to 3.7 per cent and 4.2 per cent respectively. In the corresponding month last year the mining sector had shown a growth rate of 5.9 per cent and 9.7 per cent respectively.

The output of the consumer goods sector, which had declined by 2.8 per cent in October 2006, registered a growth of 12.5 per cent. Within the consumer goods sector, the consumer durables segment showed a growth of 9.3 per cent, while output of consumer non-durable items went up by 13.9 per cent.

<http://www.blonnet.com/2007/12/13/stories/2007121353041000.htm>

India Inc profits to grow by 20% in next five years

India Inc's profits are expected to grow more than 20 per cent over the next five years, a top in the financial sector official said.

"Corporate profits may grow 20 per cent-plus in the next five years" from the present level, Motilal Oswal Securities' Managing Director, Raamdeo Agrawal, told reporters while releasing the 12th Annual Wealth Creation Study.

"India's net trillion dollar GDP journey in 2007 will see distinctly buoyant corporate profits and a boom in savings and investment. At current valuations, margin of safety in the market is low. However, very high liquidity can lift the market to rich levels of valuations for quite some time," Agrawal said, adding India will hit \$2-trillion GDP by FY 12.

The top 100 wealth creators created Rs 7,065-billion of wealth between FY-02 and FY-07.

<http://economictimes.indiatimes.com/articleshow/2623238.cms>