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EXECUTIVE SUMMARY

ECONOMY

IMF forecasts slowdown of Indian economy to 7.8%

With the world economy predicted to slow down in 2007, the International Monetary Fund (IMF) has forecast that the Indian economy will grow at 7.8% in 2008. Emerging markets and developing countries are expected to continue to grow strongly, albeit at a somewhat slower pace than in 2006. In India, rising revenues are expected to lead to a more than 1% of GDP decline in the deficit in FY 07 (to 6.3% of GDP) but with a public debt ratio of 80% of GDP, further consolidation remains a priority.

Inflation expected to be arrested; planning commission says economic growth responsible for this spiral

Inflation has been hovering in the range of 6-6.5%. Planning commission has maintained that high growth rate of economy has led to inflationary pressure. It also said the signs of overheating of the economy would not continue in the long term. Inflation is likely to be brought under control as the Government has taken several fiscal and monetary measures. The current upswing in the growth rate is unlikely to sustain for all times to come. Overheating of the economy was a reflection of the fact that the demand for goods was pushing ahead of capacity in certain sectors. This, in turn, was leading to the rise in prices.

Andhra impresses with its growth. UP inching towards a debt trap

Andhra Industry registered an impressive 20-25% production growth. Industrial development in Andhra Pradesh has gained momentum and sectors such as textiles pharmaceuticals, IT and manufacturing are performing increasingly well.

The Comptroller and Auditor General of India have warned that Uttar Pradesh is gradually getting into a debt trap due to continued macro-economic imbalances in the state. The state's revenue deficit for 2004-05 stood at Rs69.93 billion, which grew 11.23% from Rs62.87 billion in 2000-01. Fiscal deficit also increased by 27.71 % at Rs129.97 billion in 2004-05 as against Rs101.77 billion in 2000-01.

New Delhi – the best city to live in India. Chennai second cleanest city

New Delhi is the best city among the metros in India to live in. It can boast of the highest standard of living in the country, according to the Worldwide Quality of Living Survey. Out of 215 cities surveyed by Mercer Human Resource Consulting around the world, the Indian capital bettered its ranking and is ranked at number 148, up by two places in 2006. Incidentally, no new taxes have been imposed in the Delhi budget for 2007-08.

Chennai emerged as the second cleanest city with regard to clean roads, efficient garbage disposal system and greenery, and plantations. Government's increased allocation for education, especially in the rural areas is expected to create a large demand for paper industry.

IT hub Bangalore ranks as the fourth cleanest city. The areas where the city has done well were clean roads, efficient garbage disposal system and greenery and plantations.

POLICY

Government of Tamil Nadu has earmarked Rs100bn for education and health; AP expands health insurance schemes

The Government has earmarked over Rs100 billion for education and health, apart from the subsidies for food and compensation for crop loans. Tamil Nadu also has come up with a condition to reduce the VAT imposed on tea at the auctions centres to 1% from the current level of 4%. The objective is to help small growers get at least Rs10 a kg of green leaf. Andhra Pradesh government proposes to extend the Aarogya Sri Health Insurance Scheme to the entire state to help members of poor families undergo medical treatment for serious ailments like cancer, heart and kidney failure that cost Rs0.1m to Rs0.2m. The Centre has sanctioned 44 projects worth Rs13.14 billion to the Andhra Pradesh government under the Urban Infrastructure Development Scheme for Small and Medium Towns (UIDSSMT).

Orissa's keen interest in non-metallurgical sector

After luring investments in state's steel industry, Orissa Government is keen to facilitate investments in non-metallurgical sectors such as agriculture, horticulture, agro-based industries, IT, crafts and textiles. This is expected to go a long way in facilitating creation of jobs in the State. The State Government was keen that more micro, small and medium industries should come up in Orissa, especially in agro-industries, consumer goods, crafts, textiles and IT.

Tourism figures high on Kerala government's agenda

The state of Kerala plans to organise "Farm Tourism" for foreign tourists and thereby earn a revenue of Rs100 billion. Kerala tourism department decided to open Malabar region for tourism as it promises various attractions. The state government is offering a conducive environment to enable big hospitality firms from Middle-East and South East Asia to set up a hotel in Kerala. The state is coming up with new initiatives to promote tourism among domestic and international tourists. The state government and various leading hospitals are giving lot of thrust to the medical tourism sector. Kerala has already achieved an annual growth of 30-40% in the inflow of patients from abroad emerging as a major destination for health tourists across the globe.

Karnataka opens up agri marketing

Karnataka Agricultural Produce Marketing regulation seeks to allow contract farming, establishment of sport exchange for e-trading and setting up a revolving fund to implement the floor price scheme to protect the interests of farmers against distress sale.

SECTORS**Agriculture****Wheat and Rice arrival in the wholesale markets gradually picking up; Dry spell for agriculturists in Kerala**

As much as 3,641 tonnes of wheat have arrived by mid April 2007 in Haryana. The Haryana Government agencies have been able to procure upto 94% of the market arrivals.

However, Punjab's wheat has been the most expensive, compared to other states. Punjab Govt. has imposed 11.5% tax on procurement agencies. So the private players are entering into contracts directly with farmers, while the wheat crop is still in the fields, to avoid paying the high tax.

The unprecedented dry spell prevailing in Kerala has severely hit plantation crops, especially tea and cardamom, which are reeling under the crisis triggered by a fall in prices. Cane farmers in Kerala are making an exit from growing cane, sniffing a fall in jaggery prices. Rice acreage has also gone down to 4% as southern states plant less this year.

Good scope for developing cashew sector in AP and Orissa

Andhra Pradesh, which produces 80,000 tonnes, could triple its production in the next ten years to meet the market demand. It has excellent potential to become a major cashew hub. Orissa, which produces around 60,000 tonnes of raw cashew nuts a year, has potential to more than double this, provided the sector gets the right impetus in that state. Orissa can export around Rs3 billion of cashew in the next five years.

In Maharashtra, production of Mangoes low

The production of the king of the Mangoes, the Alphonso, is expected to be the lowest. As a result, the prices are expected to rise. On the other hand, the farmers of Mahabaleshwar and Panchagani region reap the benefits of a bumper strawberry crop of 10,000 tonnes this year with an export order of 2,000 tonnes.

Oil & gas**Mega pipeline grid planned across four states**

Reliance Industries Ltd plans to invest Rs250 billion in a pipeline grid that covers main gas transport trunk lines supplemented by spur lines crisscrossing four major States of Andhra Pradesh, Maharashtra, Gujarat and Rajasthan, followed by a pan-India network. It expects to eventually lay pipelines stretching about 10,000 km across the country,

which would be used on "common carrier basis." Initial stretch of about 1,950 km of main line and about 1,150 km of spur lines would be laid within 18 months and all of the 10,000 km line within three years.

Large scale onshore fields and pilot projects to start in Gujarat

Gujarat based GSPC-RIL join hands to ferry natural gas, whereas Oil and Natural Gas Corporation Ltd (ONGC) has entered into service contracts for development of 14 onshore marginal fields. It is also expected to start, within a year, its pilot project for underground gasification of lignite near Vasthan, an area 20km away from Surat in Gujarat.

Companies in news

- Reliance Industries Ltd. (RIL) and an US based specialty chemicals major, Rohm & Haas, are setting up an acrylic monomer complex at Jamnagar in Gujarat.
- Mahanagar Gas Ltd plans to invest Rs12 billion in the next five years to expand gas distribution infrastructure and its customer base in Maharashtra
- Indian Oil Corporation plans to open 12 more auto LPG dispensing outlets in Bangalore
- Haldia Petrochemicals Ltd is investing Rs6.72 billion to increase its ethylene capacity.

Power

Most states struggle to meet rising power demands

To meet power demand, AP Government has initiated the VTPS-Stage-IV project and other power projects. All these projects are expected to lead to an additional power generation of 1,784MW by 2008 in Andhra Pradesh.

Karnataka, on the other hand plans to buy 250MW of power from Punjab to meet the electricity shortage since state power consumption had touched 130m units a day in April against 110m units of last year. Punjab's Guru Gobind Singh Super Thermal Plant Ropar has set a record by generating 9,770m units during the financial year 2006-07. The state is busy banking its surplus power with other states.

In UP too, power crisis looms large as a cumulative 5,727MW of generation capacity from 20 ongoing projects that were to come up by end-March under the Tenth Plan targets are facing delays in commissioning.

Companies in news

- NTPC Limited has handed an order of Rs2.29bn to Elecon Engineering Company for supply and installation of Coal Handling Plant Package for the Thermal Power Project in Gujarat.
- Tamil Nadu Electricity Board (TNEB) earned Rs2.73 billion in 2006 by selling surplus power to other states such as Punjab, Rajasthan and Maharashtra.
- Bharat Earth Movers is setting up a 5MW wind farm at a cost of Rs250m at Chitradurga in Karnataka.
- Bengal State Electricity Board (WBSEB), would invest Rs5 billion in the next one or two years.

Engineering & Metals

Companies in news

- Bharat Earth Movers Ltd bagged an order from the Indian Railways for 875 coaches to be supplied over two years.
- Kirloskar Oil Engines to set up a Rs5.50 billion greenfield project in Maharashtra
- Bharat Heavy Electricals Limited (BHEL) to set up an instrument calibration centre in Noida.
- Rashtriya Ispat Nigam Ltd (RINL) has achieved sales turnover of Rs91.26 billion during 2006-07 and is aiming to touch the Rs10,000 billion mark this fiscal. The liquid steel production was 3.61m tonnes, saleable steel production 3.29m tonnes and finished steel production 3.01m tonnes.
- POSCO is to start its construction by October 2007 in Orissa.
- Orissa Government signed a memorandum of understanding with Brahmani River Pellet Limited (BRPL) for setting up a 4m-tonne per annum capacity Iron Ore Pelletisation Complex.
- Adhunik Group has acquired Orissa Manganese & Minerals (OMM).

- Maruti Udyog Limited (MUL) has recently inaugurated its fourth car assembly plant in Manesar (Haryana). The commencement of this unit is in line with company's strategy of reaching one-million annual sales target by 2010.

Banking

Financial Institutions are increasing credit outlay for priority sectors

Commercial banks, cooperative institutions and the Kerala Finance Corporation have together proposed an annual credit plan of Rs28.8 billion in priority sector disbursements for Thiruvananthapuram district for the fiscal 2007-08. Small Industries Development Bank of India (SIDBI) has registered 80% growth in credit disbursement in Kerala. It is aiming to emerge as one-stop-shop for credit and development needs of SME sector and intends to strengthen partnership with select banks and expand micro finance.

The National Bank for Agricultural and Rural Development (Nabard) has projected a credit flow of Rs209.72 billion for Maharashtra for the fiscal 2006-07.

Credit-Deposit Ratio recorded an upsurge in West Bengal

West Bengal's Credit-Deposit ratio recorded an increase by 5% points over March 2006 to 65%. Commercial banks in West Bengal are expecting to disburse around Rs105.81 billion against the annual credit plan of Rs109.25 billion for the state in 2006-07.

Companies in news

- Karnataka bank with turnover of Rs235 billion for the FY07 plans to open more branches and install 50 more ATMs. The Bank aims a turnover of Rs285 billion by March 2008.
- Centurion Bank of Punjab (CBOP) will launch a priority banking service in Mumbai, which is fast catching up with an increase in the number of High Net Worth Individuals (HNWIs).
- State Bank of India, Punjab National Bank and YES Bank have entered into an agreement with the Government of Maharashtra for providing funds for Bio parks.

IT

AP set to emerge as IT hub with exports to reach the target of Rs190bn

The IT and ITES industry in Hyderabad is all pepped up, as the state is set to emerge as a hub of premier technology institutions in the next two-three years. The export performance of the state in the first three quarters was very encouraging and is expected to hit the target mark at Rs190 billion.

Trichy in Kerala emerging as hot destination for new IT projects, new locations identified in Karnataka

The increasing number of IT parks, talent pool colleges, airport expansion and lower operational cost is making Trichy a logical choice.

Not to be outpaced, Karnataka govt. has handed over the letters of allotment of 26 acres of land, at Rayapur between Hubli and Dharwad, to 11 IT and IT-enabled service companies to set up units in the twin cities.

Companies in news

- Intel Corp plans to set up Very Large-Scale Integration (VLSI) training and methodology developing centre in West Bengal for growth of semi-conductor industry in the country.
- Hirco PLC plans to start an integrated township and IT/ITES special economic zone near Chennai.
- Tata Consultancy Services (TCS) is setting up a large unit in Lucknow.

Retail & Real Estate

Real Estate demand down in Punjab but demand rising in Haryana

The supply of residential real estate went down tremendously following the recent cancellation of no-objection certificates of 32 mega-housing projects in Punjab. The real estate prices are expected to increase by around 30%.

However, real estate boom is catching up in Rewari (Haryana), at a distance of about 50km from the millennium city. The auction of 30 sites in brassware market in Rewari fetched Haryana Urban Development Authority Rs208.5m approximately.

Companies in news

- The promoters of Indiabulls group will invest Rs4.50 billion in Indiabulls Real Estate (IREL).
- Puravankara plans to start work on two information technology parks at Thoraipakkam and Guindy in the southern part of Chennai.
- Hyderabad-based Heritage Foods India Ltd has made a Bangalore foray with three fresh@ outlets in the city and would offer home delivery as one of the services to distinguish itself.
- Reliance Retail will start its operations in Gujarat with 180 outlets in 16 cities in the next six months. Reliance agri-retail venture has privately acquired close to 270 acres from farmers for its mega agri-retail rollout
- Tatas have now decided to enter the business of farming of pigs, catfish, and fruits and vegetables via cooperatives in its tea gardens of West Bengal to supply to the proliferating retail chains.
- The Future Group is planning to setup four Big Bazaars, a food bazaar, and a pantaloons outlet in the next two years by 2009, in Orissa
- Flawless Diamond to open two retail outlets in New Delhi
- Alpha Future, a joint venture between Alpha Airport Group of the UK and the Future Group, India, opened its first duty free shop at Indira Gandhi International Airport.

Health care

- Haryana government has earmarked Rs5.71 billion during current fiscal to provide better health care to the people. The state will soon have a National Institute of Homeopathy. Apollo Tyres Group, with an initial investment of Rs2.1 billion has entered into healthcare in Gurgaon.
- Global Hospitals is planning to establish a Rs10 billion health city on the 46-acre hospital site in Chennai.

INFRASTRUCTURE

Airport

- The Rs19.3 billion Bangalore international airport is slated to start on April 2, 2008. At the terminal building, major structural concreting works have been completed, with 75% of the roof elements in place. The state infrastructure development department is planning to construct airports in Shimoga, Bijapur, Gulbarga, Raichur, Hassan and Kushalnagar to increase connectivity with capital city Bangalore and other regional hubs and also to reduce regional and economic disparities.

Ports

- Visakhapatnam emerged as a premier port in the country for the seventh time in succession during 2006-07 by handling 56.3m tonnes of cargo against a target of 61m tonnes.
- Kerala is in the process of constructing fishing harbours that could handle cargo with minimal additional capital for development. An amount of Rs38m is set apart as state's share in the Budget 2007-08 for the construction of Koyilandy, Kottappady, Ponnani, Thalai and Kasaragod ports.
- Navayuga Engineering Company, a Hyderabad-based company, has proposed to construct a Rs60 billion port at Astaranga, a fishing jetty between Paradip and Puri in Orissa.

Roadways

- Work on the US\$50 billion Delhi-Mumbai industrial corridor is to be patterned on the lines of the Tokyo-Osaka industrial belt. It will begin in January 2008 after the finalisation of the detailed project report.
- Gujarat Industrial Development Corp (GIDC) have so far approved infrastructure upgradation projects worth Rs2,716m. Projects under the scheme have been sanctioned to 28 industry associations of various industrial estates.

Telecom

- Reliance communications, first private operator, has crossed 1.5m-subscriber milestone in the Maharashtra. Tata emerging as one of the most preferred telecom operators in the circle has crossed 0.5m customer mark in the state.
- The government is gearing up to launch the Conditional Access System (CAS) for television viewing in Delhi

SEZ

- The Reliance Industries Ltd plans to list in three years, its joint venture with Haryana State Industrial Development Corporation for setting up India's largest Special Economic Zone. The SEZ is expected to generate up to Rs500 billion in the very first year of its operation.
- Karnataka government has received proposals to invest Rs8.97 billion in the sugar industry, tourism, hotels and hospitals, textiles and metal industries, pharmaceuticals, information technology food processing etc. It also plans set up to a steel park at Kustagi in Koppal district, a pharmaceutical SEZ and apparel SEZ in Raichur district.
- Nuziveedu Seeds entered into an agreement with the Tamil Nadu Government to promote Rs15 billion special economic zone for IT, ITES and biotechnology companies near Chennai.

STATISTICS

India's Merchandise Trade				
(US\$ bn)				
Item	2004-05	2005-06	2005-06	2006-07
			April-December	
Exports	83.5	103.1	73.4	89.5
Imports	111.5	149.2	105.1	131.2
Oil	29.8	44	31.5	43.8
Non-oil	81.7	105.2	73.6	87.4
Trade Balance	-27.9	-46.1	-31.7	-41.6
Non-oil Trade Balance	-5.1	-13.6	-6.7*	-6.3*

* : April-September
 Source : DGCI&S.

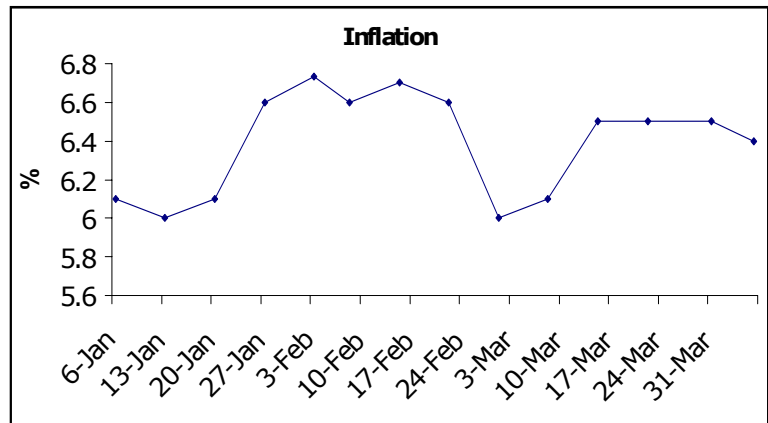


*: April-September
 Source : DGCI&S.

MACRO ECONOMIC UPDATES

Inflation poses the biggest risk to interest rates

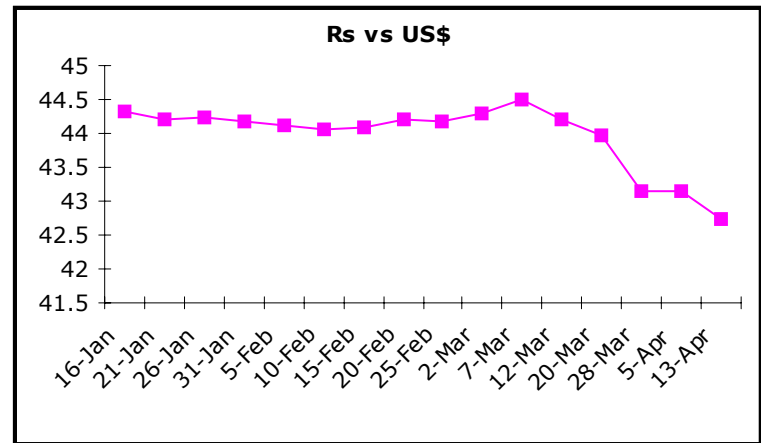
During March 17 -March 31, inflation was constant at 6.5% and then fell to 6.4% on April 6. Currently, inflation poses the biggest risk to interest rates. Oil prices have moved higher in the recent past. Inflation numbers should trend lower over the course of next three months on the back of monetary and fiscal measures taken by the government and RBI. Credit growth is likely to moderate owing to monetary measures taken by RBI. An area of concern is the fact that while headline inflation numbers may drop, core inflation for manufacturing is likely to run high. The tightness in the liquidity and rising interest rates are likely to keep short-term interest rates under pressure in the near term. The call money rates also flared up over 15% in early trade, which forced banks to sell dollars for rupees to meet funding requirements.



Source: Cygnus Research

Rupee appreciated against Dollar

There is no stopping the rupee, and even the Reserve Bank of India (RBI) is not bothered as an appreciating currency has come as a blessing in disguise for managing the central bank's biggest worry right now, inflation. The Indian currency jumped to a new high of 41.64 to the dollar on April 16, its highest level since June 1, 1998. It closed at 41.85/86. Indian rupee rose by bringing its gains this month to 4.2%; on speculation exporters are rushing to buy the currency to protect earnings. The rupee is the world's best-performing currency during the month as foreign investors plough money into an economy growing at the fastest pace since 1989.



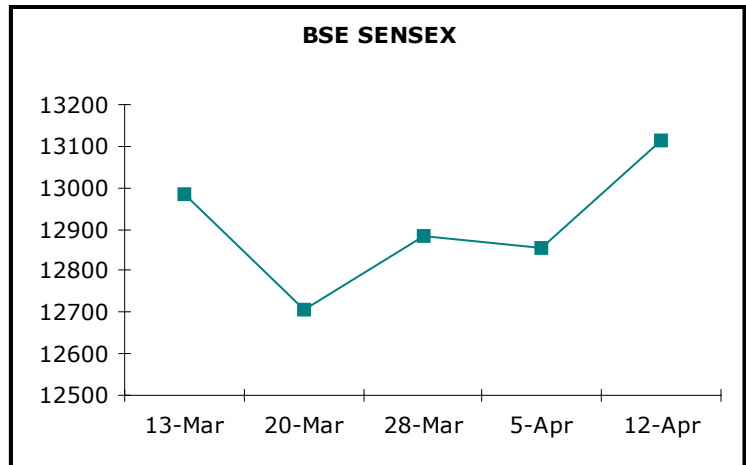
Source: Cygnus Research

Rise in Sensex

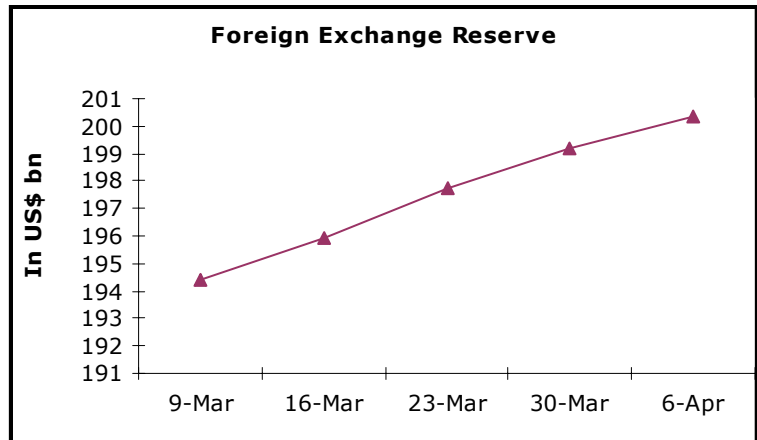
BSE Sensex, which was at about 2,900-level in April 2003, was at around 13,000 points in March 2007. This is a growth of about 464% on absolute basis. The BSE Sensex gained 528 points in the first week of April and ended at 13,084. It further rose to 13,100 by the end of the next week.

Foreign exchange reserves rose above US\$200bn

India is for the first time in April indicating robust foreign funds inflows, which ultimately had a negative impact on the dollar sentiment. Forex reserves, made up mainly of capital and other inflows such as remittances by NRIs, increased by US\$1.141 billion to US\$200.325 billion during the week ended April 6 as against US\$199.179 billion in the previous week. Today, India has the sixth largest forex reserves in the world, after China, Japan, Russia, Taiwan and Korea. The forex reserves have doubled from US\$100 billion in December 2003. In fact, US\$48 billion have been added to the kitty in the last one year alone on the back of strong capital flows.



Source: Cygnus Research



Source: Cygnus Research

EXPORT IMPORT NEWS

India's foreign debt expands to US\$143bn

India's external debt expanded to a staggering US\$142.7 billion despite steps taken by Government over last few years to retire high cost loans and reduce the interest liability. As per the latest data released, India's long-term debt has expanded by US\$6.2 billion in the quarter ended December 2006. The growth in external debt stock is due to an increase in multi-lateral debt, external commercial borrowings and NRI deposits, partly offset by marginal decline in short-term debt. The increase in India's external debt stock has come at a time when its foreign exchange reserves have totalled to over US\$190 billion. Out of the total debt stock, the largest increase has been reported in the External Commercial Borrowings (ECBs) by about 11% over the quarter ended September 2006. Total ECBs as on January 1, 2007 stood at US\$35.980 billion. During the period, the borrowings from multi-lateral agencies have gone up by US\$975m, followed by bilateral debt at a modest US\$36m, while the export credits went up by US\$299m.

Services receipts help reduce current account gap

A doubling of receipts due to services rendered by software companies, tourism earnings and remittances from Indians working abroad helped India reduce its current account deficit for the third quarter of 2006-07. Current account measures the quantum of both trade and services that the country has with the rest of the world. According to statistics put out by the Reserve Bank of India, the current account deficit was at US\$3 billion for the third quarter ended on December 31, 2006, compared with US\$4.7 billion in the corresponding period in the previous fiscal. For the nine-month period (April-December 2006), the current account deficit was at about US\$12 billion, at the same level as in the previous corresponding period. The trade balance continued to be negative as India imported more goods than it exported. Imports during the quarter were worth US\$48 billion, while the country exported goods worth US\$29 billion. A slowdown in exports, principally in manufactured goods, and sharp growth in oil imports as well as other products such as capital goods, gems, precious stones, gold and other metallic ores contributed to the widening gap between exports and imports. Exports grew 14% in the third quarter compared with 21% in the corresponding quarter of the previous fiscal, while imports grew 25% in this quarter as against 17% in the corresponding earlier period.

Exports up 23%; trade deficit continues to grow

India's exports grew 23.83% year-on-year in February 2007 to US\$9.70 billion, while imports were up at 30.10% to US\$14.36 billion, according to the government. In the first 11 months of 2006-07, exports grew 22.95% to cross the US\$100 billion mark at US\$109.1 billion, according to figures released by Department of Commerce. The imports grew 30.59% to US\$164.98 billion, taking the overall trade deficit to US\$55.85 billion, which has grown by 48.6% over the same period the last year. The deficit during the same period the last year was US\$37.57 billion. The increase in trade deficit continued in February despite softening crude oil prices. Crude oil imports registered a negative growth of 1.18% and stood at US\$4.06 billion in February 2007, as compared to US\$4.10 billion in the month of 2006. For April-February, crude oil imports grew 32.52% to US\$52.67 billion. The non-oil imports for April-February 2006-07 grew 25.67% to US\$112.31 billion as compared to US\$89.37 billion in the corresponding period of 2005-06.

Trade policy supplement to provide relief for exporters

The annual supplement to the Foreign Trade Policy (FTP) to be unveiled on April 19 may not have any grandiose schemes other than addressing specific concerns raised by exporters in the implementation of the existing schemes. Some fine-tuning of procedures is also expected to provide a level of comfort to exporters in terms of reduction in transaction cost. Since the forthcoming supplement is the penultimate one to the five-year FTP that was unveiled in 2004, the scope for any innovative schemes or big-bang approach is not evidently much. This is especially so, when the country's exports have been consistently showing more than 20% growth during the last few years. With the Government announcing extension of the Duty Entitlement Passbook Scheme (DEPB) for one more year, exporters contend that all the extant schemes in the FTP (2004-09), including DEPB and Duty-Free Import Authorisation

(DFIA), should be allowed to run concurrently with the five-year policy till end-March 2009. This is to ensure that there are no unexpected shocks in the form of withdrawal of duty remission schemes.

India for more trade with Azerbaijan, Uzbekistan

In a significant move to boost bilateral economic relationship encompassing both trade and investment, the Minister of State for Commerce, had led a multi-sectoral Indian delegation to Azerbaijan and Uzbekistan from April 10-16, 2007. The first-ever agreement with Azerbaijan, for establishing the India-Azerbaijan Intergovernmental Commission on Trade, Economic, Scientific and Technological Cooperation was signed. The ministry will also pursue India's interests for oil and gas exploration in that country. ONGC Videsh has identified some promising prospects, which it would like to develop. The delegation would also explore opportunities for heightened cooperation in gold with Uzbekistan being the fourth largest gold reserves in the world and India being the largest importer of the yellow metal.

Textile exports may touch US\$25bn

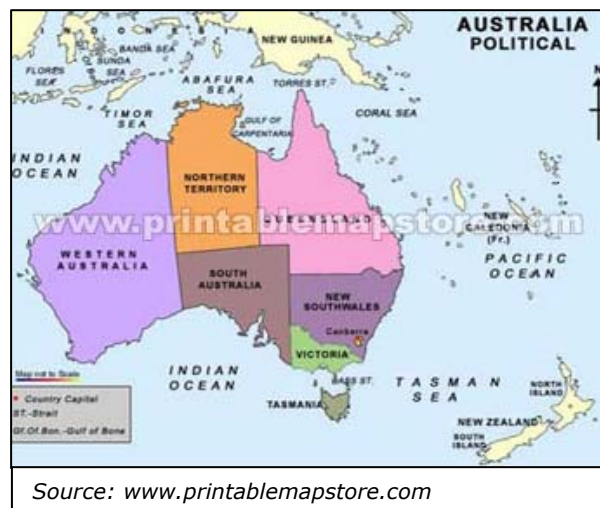
Textile exports from the country will touch US\$25 billion in 2007-08, up from US\$20 billion expected in the fiscal just ended (2006-07). Growth in textile exports by China declined by almost 20% last year due to a higher valued Chinese currency, a cut in export tax rebates and higher labour costs. The 10% cap on Chinese textile exports will continue till 2008. This has provided ample opportunity for India to establish itself in the export market and compete with China when the cap on its textile exports would be lifted. Textile exports and investments will multiply manifold as financial assistance to the textile industry leads to technological infusion in most units that are revamping themselves to take on the global challenges.

COUNTRY FOCUS

Australia

Australia, officially the Commonwealth of Australia, is a country in the Southern Hemisphere comprising the mainland of Australia, the major island of Tasmania and a number of other islands in the Southern, Indian and Pacific Oceans. Neighbouring countries include Indonesia, East Timor and Papua New Guinea to the north, the Solomon Islands, Vanuatu and the French dependency of New Caledonia to the northeast and New Zealand to the southeast.

The Economy of Australia is a prosperous, Western-style market economy, with a per capita GDP slightly higher than United Kingdom, France and Germany. The Australian economy is dominated by its services sector, yet it is the agricultural and mining sectors that account for 65% of its exports. Rich in natural resources, Australia is a major exporter of agricultural products, particularly grains and wool and minerals including various metals, coal and natural gas.



Source: www.printablemapstore.com

Australia’s competitive advantage in primary products is a reflection of the natural wealth of the Australian continent and its small domestic market. Service industries have expanded in recent decades at the expense of the manufacturing sector, which now accounts for less than 12% of the national GDP.

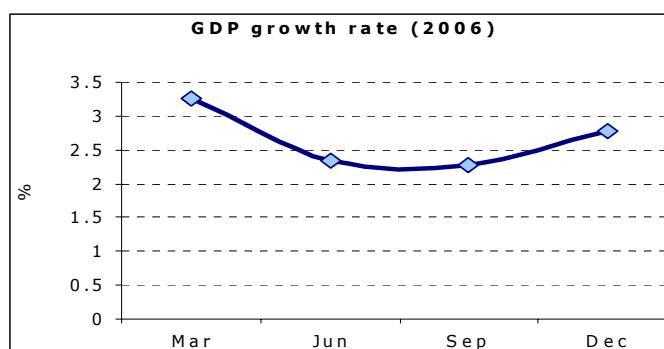
Australia at a glance

Capital	Canberra
Largest city	Sydney
Official language	English
Government	Constitutional Monarchy
Area	7,741,220 sq km
Population	20,788,357 (2007 estimate)
Currency	Australian Dollar
<i>Source: Cygnus Research</i>	

Economic Performance

December quarter shows a revival in decelerating growth rate

The Australian economy, taking cues from the expanding world economy, had been registering a healthy growth rate over the past couple of years. However, in 2006, the growth rate dipped. The factors contributing to the deceleration of the growth rate are – drought like

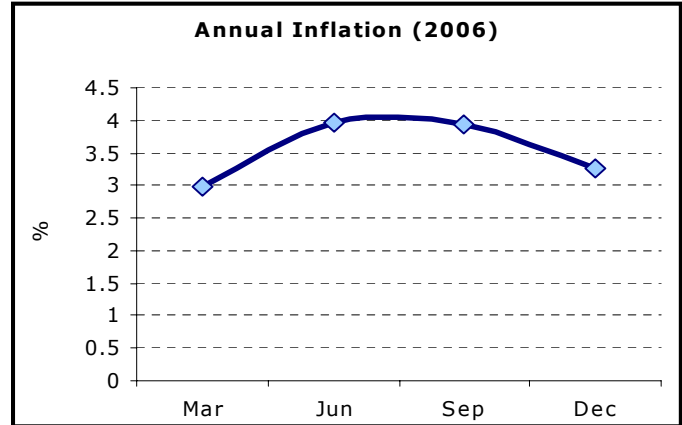


Source: Reserve Bank of Australia (RBA)

conditions adversely affecting farm output, low productivity of resources and the fact that the economy was operating at a near full-employment level. However, for the quarter ended December 2006, the decelerating growth rate showed an upturn. This revival of the growth rate can be ascribed to the buoyant trading conditions and a record high capacity utilisation witnessed during this quarter. Exports too prospered due to high commodity prices.

Stabilising oil and banana prices cool underlying inflationary pressure

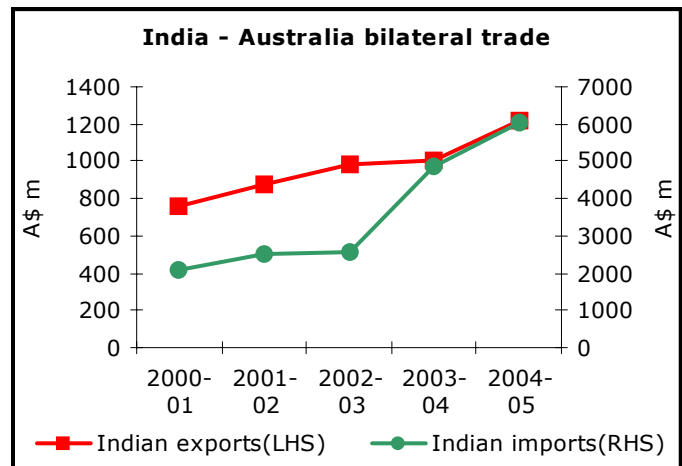
Around mid-2006, despite falling GDP growth rate, inflation had peaked in Australia. This was mainly due to the spiralling oil prices as well as higher fruit prices – especially banana price– triggered off by the Cyclone Larry. However, since then, the inflationary pressure has eased somewhat with stabilising oil prices and the unwinding of higher fruit prices.



Source: Reserve Bank of Australia (RBA)

Flourishing Indo-Australian bilateral trade

Last few years have witnessed a rapid spurt in bilateral goods and services trade between India and Australia. There has also been a significant increase in the Indian and Australian companies in each other’s markets. India is emerging as Australia’s fastest growing trade partner. In 2004-05, India ranked sixth in Australia’s export market. India’s share of Australia’s total exports was 4.8% for that period. India’s share of Australia’s total imports was 0.8% and it ranked twenty-fifth as an import source during the same period.



Source: Indian High Commission in Australia

Indo-Australian bilateral agreements

- Trade and Economic Framework Agreement
- Agreement for Avoidance of Double Taxation and Prevention of Fiscal Evasion with respect to taxes on Income
- Agreement on the Promotion and Protection of Investments
- Air Services Agreement
- Special Agreement on Cooperation in Science and Technology

Outlook

There exists a bilateral trade and economic relationship of an increasingly diverse and considerably large nature between India and Australia. Potential for Indo-Australian cooperation exists in infrastructure development including roads, ports, airports and railways; power sector; mining; oil and natural gas including LNG; biotechnology (both plant and human); drugs and pharmaceuticals; information technology; water management, soil conservation and waste disposal; food processing and agribusiness; film and television; processing of gems and jewellery; tourism; and education. The Commonwealth Games 2010 to be held in New Delhi also provides a significant opportunity for sporting business including infrastructure development and venue management.

Taking cognisance of this fact, the Governments of both countries are taking active steps to further promote trade and economic ties between the two nations. Accordingly, on February 28, 2007, the tenth India-Australia Joint Ministerial Commission Meeting was held. India discussed steps taken by it to ease Foreign Direct Investment - including sectoral caps and simplification of procedures. Meanwhile, Australia informed the establishment of 'Invest Australia' offices in both Mumbai and New Delhi to enable Indian investment into Australia. Such active interest by the respective Governments, helped by the healthy economic growth of both the nations, indicates a promising future for Indo-Australian bilateral trade.

SECTORAL NEWS

India to remain largest recipient of Japan's Official Development Assistance (ODA)

India would remain the largest recipient of the Japanese ODA assistance for the fourth consecutive year in 2007, promoting economic and social development as well as cementing Japan-India Strategic and Global Partnership. India is one of the most important countries of Japan's economic cooperation programme. Under the Official Development Assistance (ODA) loan cooperation, Japan has been assisting India in areas such as infrastructure building, which includes electricity generation and transportation, and water supply and forest sectors. Japan's direct investment in India in 2006 was 59.8 billion Japanese Yen (about US\$5,150m). It was much more than the amount of the direct investment, 29.8 billion Japanese Yen (about US\$2,700m), in 2005. There also exists a prospect of direct investment amounting to about US\$5.5 billion during the period from 2006 to 2010.

Retail, media, FMCG will be active hiring sectors in Q1

Retail, media and FMCG would be active hiring sectors in the first quarter (April – Jun, 2007). According to the third Quarterly Employment Outlook released by TeamLease Services Pvt Ltd, net employment outlook in these three sectors (86 points) is the highest in the quarter, April-June 2007. The net employment outlook increased by 1% over the last two quarters and business outlook decreased by 1% from the previous quarter. The sharpest net increase in employment outlook growth since the last quarter is in Chennai at 19%, followed by Kolkata at 7%, Bangalore and Ahmedabad at 4%. According to the report, middle management hiring increased by 10% since the last quarter, whilst junior level rose by 6%.

Agri-commodities

Centre may consider cut in Palm Oil Customs duty

Speculation is rife in the vegetable oil market over the Union Government's next move to rein in galloping prices. This follows a meeting of a group of secretaries scheduled in New Delhi to consider the situation arising out of lower oilseeds crop, rising international market (due to biodiesel demand) and rising domestic prices. Vegoil prices have risen in the last four months. For instance, in the Mumbai wholesale market, groundnut oil prices increased by 10% to the current level of Rs660 per 10kg trading lot. Traders are convinced there is a strong upside potential for the market, given the relentless increase in overseas prices. The Government's response to the price situation is fraught with various possibilities. There is strong belief that customs duty on palm oil may be reduced further.

Aviation

Jetlite board will need Government nod

The Board of the new airline to be set up by Jet Airways following the Air Sahara buy-out will need to be cleared by the government before it can start operations. A new company is being created and whenever that happens, clearances from the Directorate-General of Civil Aviation (DGCA) are required. Generally, the DGCA gives clearances to the Board after the names have been given security clearance by the Home Ministry. Delay in providing security clearance to the Chairman of Jet Airways, Mr Naresh Goyal, in June last year, resulted in the share purchase agreement for Jet Airways to buy Air Sahara lapsing. Such an eventuality is unlikely now as the Air Sahara buyout has been agreed to after prolonged arbitration and therefore any deviation from the agreed agreement could result in contempt of court.

Automobile

Car sales hit 13-month low

Growing interest rates, price hikes see March 2007 growth rate fall to 2.9%. Hardening interest rates and higher car prices slowed passenger car sales growth to 2.89% in March 2007 over the year-ago period, the lowest in 13 months. The deceleration comes even as passenger car sales grew a robust 20.7% in 2006-07 over the previous financial year.

In contrast, car sales jumped a mere 7.5% in 2005-06 over the previous year, according to data released by Society of Indian Automobile Manufacturers (SIAM). The March deceleration trend also held true for commercial vehicles. Commercial vehicle sales grew 13.2 % over March 2006, a 15-month low. However, commercial vehicle sales in the 2006-07 financial year grew by a whopping 32.4% over the previous year. Industry analysts and auto makers say the impact of the rise in interest rates and increase in car prices could lead to a slowdown in growth, signs of which are clearly discernible in March, traditionally a good month for car sales. The impact of rising car prices and interest rates, which have gone up from 11% to 15-16%, has had an adverse impact on sales in March.

Consumer Durables

Air-conditioner makers eye 40% growth this summer

Mercury is at its peak and summer is expected to be longer this year. As such, the 1.6m units air conditioners (ACs) market is expected to clock 30-40% value growth and 50% volume growth during April – June, 2007. Meanwhile, the 1.5m unit's refrigerator market is eyeing growth of 9-10% in value and 12-13% in volume as against last year's 7% value growth. However, high-end products in both categories – like split ACs and frost free refrigerators – are expected to see a high growth of around 100% because of the low base. Overall market growth is projected to be driven by the availability of a new range of energy-efficient ACs and refrigerators, apart from coloured ACs and refrigerators this summer, according to industry experts.

Engineering

L&T in JV with Mitsubishi; it may tie up with Toshiba

Larsen & Toubro (L&T) is forming joint ventures with Japan's Toshiba Corp and Mitsubishi Heavy Industries (MHI) to set up manufacturing facilities for super-critical turbines and boilers, which are used in coal-fired power generation plants. The two joint ventures will have an aggregate capital outlay of about Rs6 billion. L&T signed an agreement with MHI to float a JV, L&T MHI Boilers for super-critical boiler plant in Tokyo. The JV will be capitalised at Rs3 billion, with L&T owning 51%. Initially, the JV will have a staff strength of 50, which will go up to 1,250 once production achieves momentum. MHI had signed an agreement with L&T in October, 2006 for licensing its supercritical pressure boiler technology.

RPG Cables in expansion mode, infuses capital

The Goenkas of RPG Enterprises are looking to build capacities of RPG Cables. The company also plans to enhance the low tension and power cables capacities produced at its Silvassa and Mysore units, respectively. Besides this, the company may set up a greenfield high-tension manufacturing facility outside Mumbai to cash in on the booming power cables business. The expansion plans for Silvassa and Mysore units have already been initiated, but no decision has been taken on the proposed greenfield venture. The company already produces high tension cables at its Thane unit (Mumbai). No other details in terms of percentage increase in capacities or project cost were available. Incidentally, the company's board on Monday cleared a capital infusion of Rs1.51 billion through a combination of debt and equity by Deutsche Bank AG Hong Kong. The promoters, too, have agreed to infuse Rs220 million into the company as part of the overall financial restructuring package.

FMCG

Nestle rejigs sales structure with focus on modern retail

The Rs28 billion foods major, Nestle India is in the process of reorganising its sales structure to service and address the complexities posed by emerging trade channels, in line with a trend that's being adapted by most FMCG companies. Nestle has created two new divisions – channel and category sales development and national key accounts management organization – to focus on modern formats in retail trade. This is the second internal reorganisation exercise Nestle has undertaken in two years. Last year, it had realigned internal company structures by creating category-specific business units, to cater to individual product categories such as culinary (Maggi noodles and ketchups), chocolates and confectionery (KitKat, Munch, Polo), coffee and beverages and dairy and nutrition (dahi, UHT milk, Cerelac, Nan).

Infrastructure

ADB approves infrastructure support loan for India

The Asian Development Bank has approved a US\$50m loan to India's Infrastructure Development Finance Company Ltd to support the country's huge development needs. Offered without a government guarantee, the loan will allow the company to offer dollar-denominated funds to eligible projects. India needs substantial investment in infrastructure, if it is to achieve its economic growth targets.

EU mulls civil nuke energy deal with India

The 27-member European Union was keen to explore possibilities of cooperation in civil nuclear energy with India and would extend an economic assistance of €470m to New Delhi in the next five years, by 2012. The EU is seeking greater engagement with India in tackling global challenges of common concern including climate change, UN reform, and non-proliferation, promotion of human rights, democracy, regional integration and fight against terrorism. The two sides are currently exploring possibilities of entering into a trade and investment agreement.

Cement, electricity pull down February 2007 industrial index

Lower production of cement and decline in electricity generation pulled down the Index of Industrial Production (IIP) to 7.2% in February 2007 as against 9.1% registered in February 2006. Cement production grew by 5.8% during the period, a steep decline from 16.3% growth recorded in February last year. The electricity sector posted a growth of 3.3% marking a more than 60% fall from 9.1% growth. During April-February 2006-07, the index grew by 8.3% compared with 6.1% during the corresponding period of the previous year. For the 11-month period, cement production increased by 9.5% as against 11.9% in the corresponding period last year. Similarly, electricity generation grew by 7.2% as against 5.3%. Crude petroleum output recovered to touch 4.9% in February this year as against a negative growth of 2.1% in February 2006. For the April-February period, the sector registered a growth of 5.8% compared with the negative growth of 5.5% in the same period of 2005-06.

Oil and Gas

Oil companies may lose Rs500,000m on LPG; kerosene sold below market rates

Under-realisation on selling domestic LPG and kerosene through Public Distribution System (PDS) is likely to be around Rs500,000m during the current fiscal (2007-08). The government and oil companies are providing subsidy of Rs17 per litre on PDS kerosene and Rs177 per cylinder on domestic LPG. In order to protect the common man from the unprecedented rise in international oil prices, the government is bearing the load of under recovery of Rs500,000m during 2007-08.

Gail gives NOC for British Gas move to set up new India arm

Gail India has given a conditional nod to a proposal from its joint venture partner, British Gas (BG) for setting up a wholly-owned subsidiary, BG India Energy Solutions. The proposed new subsidiary would be debarred from entering the city gas distribution business, as it would be in conflict with the interest of their existing JV Mahanagar Gas (MGL). BG and Gail India tied up to form Mahanagar Gas, which provides gas in Mumbai and Greater Mumbai. The BG group has 65.12% equity stake in Gujarat Gas Company (GGCL) and 49.75% stake in MGL. While GGCL is engaged in city gas distribution in Gujarat, MGL has natural gas distribution network in Mumbai and Greater Mumbai.

Pharmaceuticals

Ranbaxy, Jupiter Bioscience enter into marketing tie-up

Ranbaxy Laboratories is about to enter into a ten-year co-marketing agreement with Jupiter Bioscience to tap the US\$6-billion global peptide pharmaceutical market. The specialised organic compounds manufacturer will initially licence out to Ranbaxy Lab, five generic peptide drugs in anti-cancer, anti-diuretic, osteoporosis and growth hormones segments, worth US\$3 billion at innovator's prices. The Ranbaxy will also pick up 3.2m equity share

warrants on preferential basis in the Hyderabad-based company adding up to 14.9% post expanded equity after qualified institutional placement and post conversion of 1.75m promoter warrants into equity shares.

Medical equipment firms ride specialisation boom

As super specialisation becomes a norm in the Indian corporate healthcare industry and companies pump in big money, the medical equipment industry is set for boom time. Indian corporate hospitals are now acquiring state-of-the-art medical equipment. They spend about 35% of their total investment to get the best equipment. According to an A T Kearney study, private sector will pump in about Rs250,000m to Rs400,000m in the healthcare sector in the next five-six years. FICCI has also created a new division, Medical Technology forum with leading medical equipment manufactures such as Texas, GE, Philips, and TCS as members.

Steel

Cold-rolled steel prices may head north

Cold-rolled steel manufacturers are contemplating an imminent price increase in the range of Rs2,000-Rs3,000 per tonne across the board. The move follows the increase in the prices of hot-rolled steel, which accounts for 70-80% of the cost of producing cold-rolled steel. Some major producers have recently informed the cold rollers about the price increases. The government has requested the hot-rolled steel makers to check prices in the wake of rising inflation. And if hot-rolled prices do not go up, cold rollers too may hold prices.

Tatas plan fund raising mix for Corus

Tata Steel has opted for a mix of domestic rights, preference shares and overseas equity in a delicate balancing act aimed at ensuring financial stability and enough room for meeting future growth targets. India's oldest steel company, which has become the fifth largest in the world after buying Corus, will issue shares on a rights basis to raise about US\$862m, while about US\$1 billion will come from another rights issue of convertible preference shares. The company will also mop up about US\$500m either through an ADR or a GDR issue. The company has also invested US\$1.8 billion in a Singapore SPV using its cash reserves. This SPV, on its part, has raised US\$2.66 billion through bridge loans and will also use the US\$2.3 billion proposed to be raised through the just-announced transactions to fund the Corus deal.

Textile

Cotton surges 15% on demand, low supply

Surging domestic demand and low arrivals have fuelled the spot prices of cotton by 15% in the last one month. The benchmark Jaydhar variety rose to Rs4,893 a quintal from Rs4,274 a quintal during the month. V797, a principal cotton variety, jumped by 12.6% to Rs4,527 a quintal from Rs4,049 a quintal. Similarly, NHH shot up by 6.35% to settle at Rs5,174 a quintal. Bucking the trend, 26M dropped by 6.28% to Rs5,230 a quintal. Karanji was another variety that remained in the limelight during the period by gaining 5.55% to hit Rs3,800 a quintal. All the other varieties, however, were hit by lacklustre demand, resulting in prices rising mildly in the range of 2% to 5%.

INDUSTRY FOCUS

Tobacco Industry

India is the second largest producer of tobacco in the World after China. Total tobacco production in India is about 700m kilograms annually. Rich and varied Indian geographic and agro-climatic conditions foster consistent availability of wide range of tobaccos for export all through the year. Indian tobacco, by virtue of its qualities, sheer volumes and diversity, is progressing gracefully to occupy its rightful place in the world tobacco market.

Tobacco types in India

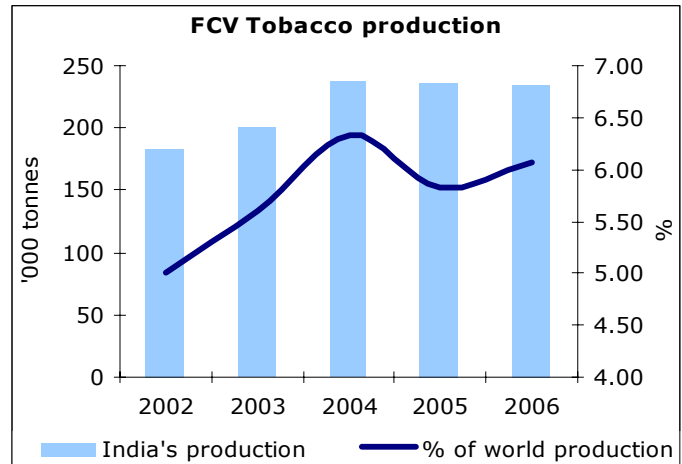
Tobacco type	Planting	Marketing	Colour	Leaf size	Feature
Flue Cured Virginia (FCV)	Mid-Oct to early Nov	Feb - June	Lemon	Medium to large	Neutral character and blends well with any other tobacco
FCV (Mysore)	Early May	Sep - Feb	Lemon to Orange	Large	Low nicotine, neutral filter and blends well with other tobacco types
FCV (NLS)	Early Oct	Feb - June	Lemon to Orange	Large	Ripe tobacco, semi-flavoured to flavoured, with good aroma and excellent ageing properties
FCV (SLS)	Sep - Oct	Jan - June	Lemon to Orange	Small to medium	Good filler with low nicotine and blends well with other tobacco types
Burley	End July to early Aug	Nov - May	Rich tan to brown	Medium to large	High export demand
Dark Cigar	Mid-Aug to Mid-Nov	Feb - June	Nut brown	Medium heavy	Grown under both monsoon and irrigation conditions. Used in cigarettes and pipe mixtures
SC Burley	Oct	May - June	Nut brown	Medium heavy	Used in cigarettes, pipe mixtures and hookahs

Source: Cygnus Research

Stagnating production growth

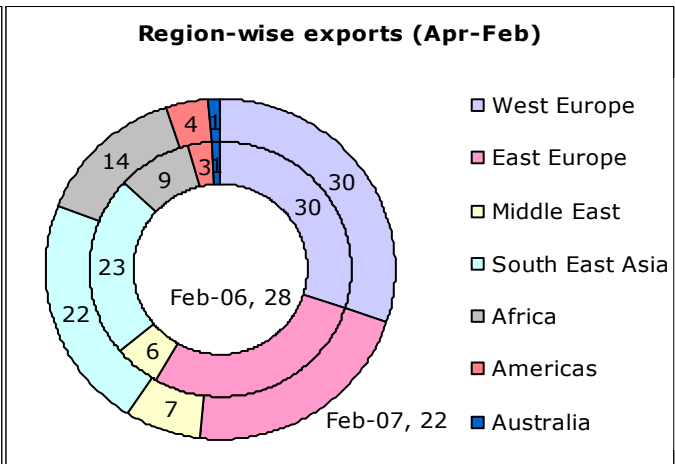
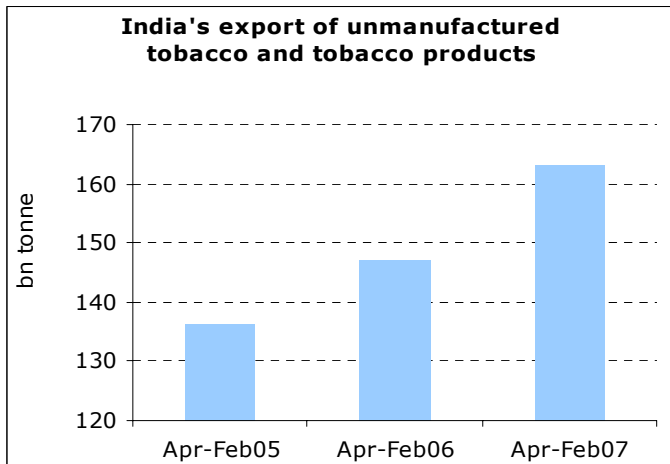
India’s tobacco production continued to rise sharply for a few years, before losing momentum. In fact, over the last couple of years, Indian tobacco production has shown a marginal decline in contrast to its previous increase. Slowing domestic consumption and heightened anti-tobacco campaigns may have led to this dip in production levels.

Similarly, India’s contribution to total world tobacco production, too, recorded a fall in 2005, after a sharp spike. Stagnating domestic production, along with Brazil’s emergence as a hot destination for tobacco manufacturers led to India’s loss in market share.



Source: Cygnus Research

Competitive pricing fuels India’s Tobacco exports



Source: Tobacco Board of India

Despite a fall in the production levels during the recent years, India’s tobacco exports continue to rise in a steady manner. This is mainly due to the competitive edge with regard to pricing that India’s tobacco products enjoy in the export market. Further, by virtue of absence of any governmental protection for this crop, unlike in many tobacco producing countries, Indian tobacco also enjoys favourable terms of trade. This has led to an increasingly better performance by India in global tobacco exports. Among the myriad tobacco products, it was *zarda* or chewing tobacco that drove the export growth.

Outlook

On a global front, tobacco consumption is on a decline, due to increasing awareness about the harmful effects of tobacco usage. Active tobacco control policies implemented by several governments have expedited this decline. Hence, on a long-term, revenues of tobacco companies may suffer, due to which they ought to improve efficiency, in order to sustain profitability.

Over the short to medium-term, however, high income growth, growing population and low taxes for the majority of tobacco consumers, are expected to create a new demand for tobacco products in India, especially cigarettes. Also, as the demand for tobacco products are relatively price inelastic, higher prices on account of higher excise duties are expected to raise the revenues of tobacco manufacturers.

INVESTMENT NEWS

Automobile

Bajaj Auto to invest Rs1.5bn in Uttarakhand plant

Bajaj Auto has plans in Pantnagar, Uttarakhand, for a plant with a capacity to churn out one million motorcycles annually. Sited on a 220 acre plot, the plant will be built on 65 acres, while the balance 155 acres will house clusters of vendors. This is Bajaj Auto's fourth plant and its first manufacturing unit outside Maharashtra. Manufacturing facilities of 16 auto component vendors would be set up in proximity to ensure seamless integration with the main plant. These suppliers will meet 75% of the component requirements of the new plant and operate as an extended factory of the core plant. Bajaj customers would get excise and income tax benefits from the new plant, enabling the company to re-price the Platina at Rs33,000 at ex-showroom price as against Rs36,000 priced earlier. These new manufacturing standards with the incentives have enabled Bajaj Auto to reduce the cost of production.

Consumer Durables

Whirlpool unveils plan for Rs1.56bn investment

Whirlpool India announced an investment of Rs1.56 billion for production and marketing purposes over the next year-and-a-half, in an attempt to capture the numero uno slot in the home appliances category by the end of the year, 2007. It is aiming for the number one position and plans to fill the existing gap with new products and aggressive marketing. It also earmarked Rs700m as its ad spend for the current year, which would include the television campaign for the new products launched to go on air within the next ten days. Whirlpool grew at 19% in the last fiscal (2006-07) and is looking at an overall growth of around 20-25% in the financial year 2007-08. Its turnover for the nine-month period ended on December 31, 2006 stood at Rs13.4 billion.

Electronics

Havell's to raise Rs2,750m to part fund Sylvania buy

Havell's India is going to infuse about US\$65m (Rs2,750m) in the company through an equity issue to part fund the acquisition of SLI Sylvania. Last month, the electrical products manufacturer had announced the acquisition of the Frankfurt-based lighting company in a US\$300m all-cash deal. As per the financing structure of the deal, about US\$40m is budgeted for pension liabilities of the acquired company; the remaining US\$260m to be paid upfront is being funded through debt. Of the total debt being raised, about US\$160m would be raised by SLI Sylvania, while Havell's would service the remaining debt component of US\$100m. Havell's plans to part finance this debt through an equity infusion.

Logistics

Chennai port lines up an investment of Rs15bn

The Chennai Port Trust (ChPT) plans to invest around Rs15 billion in the next two to three years on various projects, including a Rs7.5 billion dedicated elevated expressway from the port to Maduraiyoyal (up to National Highway 4). The Port Trust would modernize the port at a cost of Rs2 billion, and of this Rs400m has been spent on realignment of rail and road network inside the port for quicker movement of cargo.

Blue Dart plans Rs220m expansion in South

Blue Dart Express, the air express, and courier and package distribution company, has earmarked nearly half its planned infrastructure expansion for the year, 2007 in the South. According to company sources, 23 of the 57 facilities coming up at a cost of Rs220m would be in the South in the current year. Chennai will get six of the new facilities. The city has emerged a major hub with the growth of automobile, telecommunication, information

technology and banking and financial services. Blue Dart will also operate a direct ground run between Chennai and Kolkata.

The company is also looking at expanding its aircraft fleet, which is now operating at about 80-85% load factor. The company is also planning additional air capacities. It would induct a Boeing 757 by the year-end to add to its fleet of seven Boeings. Chennai is the headquarters of Blue Dart Aviation and is connected to all the major cities by air.

Power

REL's 2,400MW coal-based power project in Shahapur

Anil Ambani-controlled Reliance Energy Ltd (REL) was left with no alternative, but to accept the Maharashtra government's directive to bifurcate its 4,000MW power project into two parts. REL will set up a 2,400MW imported coal-based project in Shahapur, Raigad district, where the state government has also allocated part of the same land to Tata Power Company (TPC) for its 1,600-MW imported coal-based project. REL will now have to look for necessary land for the balance 1,600MW of gas-based power plant elsewhere in the state. The government has assured REL that it would help in the acquisition of necessary land. REL had originally planned a 4,000MW gas-based project. Government made it clear that it will like both the projects by TPC and REL to come at Shahapur and thus it asked REL to go in for the imported coal-based project there.

NTPC to set up nuclear plant

Power major NTPC plans to set up 6,000MW of nuclear generation capacity over the next few years and is talking to equipment and fuel suppliers for the purpose. The company was talking to equipment and fuel suppliers for the proposed plants. NTPC has been in talks with international players such as GE Energy for setting up the new nuclear facilities and was also engaged in discussions with Thorium Power, a US-based manufacturer of nuclear fuel technology, to establish joint ventures in the country. NTPC is looking at four states, including Tamil Nadu, Madhya Pradesh and Maharashtra, for setting up these nuclear plants.

India currently has a nuclear capacity of about 3,300MW, less than 2% of the total installed capacity of 1,28,000MW, and plans to ramp it to 20,000MW by 2020. State-owned Nuclear Power Corporation of India is so far the monopoly in this sector.

RINL goes shopping in the US; it may soon acquire a coal block

Rashtriya Ispat Nigam Ltd (RINL) is close to acquiring a coal-block in the US. The public sector steel maker has also initiated talks with a number of Australian companies for potential coal block acquisition. The PSU wants to buy a coal-block with a capacity of 100m tonnes of coal, primarily consisting of coking coal. In Australia too, RINL was looking at blocks with similar capacity and would spend around Rs1,500m. The PSU is currently producing 3.6 metric tonnes of steel and has plans to increase its capacity to 6.3 metric tonnes per year at an estimated cost of Rs86,920m. The expansion plan, which will be jointly funded by internal accruals and borrowings from financial institutions, may be completed by 2008-09.

Textile

MAS Holdings to invest US\$700m in textile SEZ

Sri Lanka-based MAS Holdings would invest US\$700m to set up a textile SEZ in the remote Chintavaram village in Andhra Pradesh. The company has already procured 700 acres in the area and would be applying for the Board of Approval's nod soon. MAS Holdings has also assured that in the next 18 months they would provide direct employment to 31,000 people. Pointing out that India currently uses only 21 out of the 101 tariff lines in global textile trade, government. The entry of foreign companies like MAS Holdings and Brandix in the apparel segment is being encouraged to help India get into trading in the other 80 tariff lines.

POLICY NEWS

Changes in SEZ norms

With the political heat over special economic zones mounting by the day, the Union commerce ministry has brought about significant changes in the rules that govern these zones. It will allow developers to acquire more land than initially planned as well as change the nature of the SEZ. In other words, if a 600-hectare textile zone were to acquire an additional 400 hectares, it can become a multi-product zone. According to the original SEZ rules, a change in the classification was not permitted. The commerce ministry has also accepted the demand of SEZ developers to change the definition of contiguous area, which will allow them to acquire land that has public utilities like a road or a railway line running through it. The Board of Approval will have the power to classify a contiguous area as one, which has such public utilities or thoroughfares. This amendment will benefit multi-product SEZ developers (which need a minimum 1,000 hectares of land) like Reliance Industries. It also decreased the validity period of in-principle SEZ approvals from three years to one year. The new rules will also allow sub-contractors of zone developers to avail excise and sales tax benefits.

Government hunts for more foreign money

Indian government wants domestic financial sector regulators to liberalise norms on portfolio investment to allow foreign individuals and more overseas corporates to invest directly in the Indian stock markets. Government has ordered regulators like SEBI and RBI to ease norms for overseas investors in the local stock market to provide for registration and entry of foreign individuals and more overseas corporates. There have also been demands to allow Non-resident Indians (NRIs) direct entry into the market. However, this would need an amendment to the Foreign Exchange Mangement Act.

Government to borrow from World Bank; ADB to lend cheap to HFCs

The government is planning to seek long-term loans from multilateral finance institutions such as World Bank and Asian Development Bank (ADB) to provide credit to domestic Housing Finance Companies (HFCs) at competitive rates. This would enable housing finance companies to provide home loans to customers at a much lower rate. The facility is being considered to provide cheap loans to first-time home buyers. A proposal from housing ministry to offer cheaper loans to first-time home buyers is under consideration of the finance ministry. Once approved, the Centre would work out details of loan agreements with multilateral institutions for this specific use. The new mechanism is being considered to cool down the cost of finance for housing sector.

CCI set to scan foreign M&As with India play

Mega mergers between companies incorporated outside India will soon have to comply with India's competition law, if they have a market presence here. The government is planning to introduce a clause in the proposed competition amendment Bill to make it mandatory for companies that are merging globally to seek the Competition Commission of India's (CCI) approval, if they have a minimum prescribed turnover in India. The turnover for the combined entity in order to establish territorial nexus could be the same threshold prescribed for notifying a merger between two domestic companies. Therefore, if the merging overseas companies have a minimum combined turnover of Rs30 billion in India, they have to get CCI's clearance. Also, if a foreign group taking control of another foreign company through one or more of its subsidiaries has a turnover of more than Rs120 billion in India, it has to seek CCI's nod.

ECONOMY NEWS

IMF forecasts slowdown of Indian economy to 7.8%

With the world economy predicted to slow down this year, the International Monetary Fund (IMF) has forecast that the Indian economy will grow at 7.8% in 2008. Emerging markets and developing countries are expected to continue to grow strongly, albeit at a somewhat slower pace than in 2006. In India, rising revenues are expected to lead to a more than 1% of GDP decline in the deficit (to 6.3% of GDP) in FY07. However, with a public debt ratio of 80% of GDP, further consolidation remains a priority. Inflationary pressures across the region remain generally well contained, although rapid credit growth poses a challenge in a number of countries. The economic outlook points to a global economy that expanded vigorously in 2006, growing by 5.4%. On the other hand, the economy of the US slowed in the face of headwinds from a sharp downturn in the housing market. However, decline in oil prices since August have helped to sustain consumer spending. Upward inflationary pressures and rapid credit growth have prompted the Reserve Bank of India to raise policy rates and the cash reserve requirement for banks. With inflationary pressures still strong, some further tightening is likely to be needed. Comprehensive spending and revenue reforms, including removal of exemptions to corporate income taxes and excise duties apart from elimination of nonessential subsidies, could help achieve fiscal deficit goals, while creating space for priority spending.

Rise of China and India; resetting the terms of world trade

China and India are to lead the league of performing economies; they are emerging as the growth engines of global economy. While China has sustained a GDP growth rate of 10%, India is just a step or two behind, averaging 8-9% the past few years; the global average is 3-4%. According to the US National Intelligence Council forecasts, by 2020, China's GNP will exceed that of all Western economies except the US. India's national income will be very close to achieving that. Goldman Sachs predicts that China's GDP will race past Japan's in 2016 and the US's in 2041, while India will do that in 2032 and 2050 respectively.

Rupee touches 8-year high vs US\$ at 42.51

RBI's attempt to tame inflation by letting the rupee appreciate seems to be paying off. While the latest headline inflation figure for the week ended April 6 dipped to 5.74%, the rupee managed to cross an eight-year high by rising to 42.51 levels against the US dollar. The rise of the rupee will hit exporters, as they will need to rethink on how to protect operating margins. However, importers are not complaining considering that they stand to gain from a lower import bill. Most IT companies are looking to offset the fall in revenues caused by a rising local currency by entering into forward contracts. The other way out is to improve operational efficiencies and productivity by cutting down on administrative costs.

High growth rate leads to inflation

Planning Commission said the signs of overheating of the economy would not continue in the long term. However, the Commission conceded that the high growth rate was leading to inflationary pressures. Inflation has been brought under control as the Government has taken several fiscal and monetary measures. The current upswing in the growth rate is unlikely to sustain for all times to come. Overheating of the economy was a reflection of the fact that the demand for goods was pushing ahead of capacity in certain sectors. This, in turn, was leading to the rise in prices.

Revenue deficit now 99% of target

The government has achieved about 99% of its set target with the country's revenue deficit standing at Rs824 billion till February 2007. According to official statistics, the revenue deficit for 2006-07 is estimated at Rs834 billion. The government, in the previous fiscal, achieved 107% of the set target. Fiscal deficit during the 11-month period of the current fiscal stood at 80% of the target for 2006-07. However, in the corresponding period of the previous year, the government was able to achieve 90.5% of the set target. Meanwhile, Finance minister, P Chidambaram, while presenting Union Budget 2007-08, set a fiscal deficit target of 3.3% of the GDP for 2007-08 against 3.7% of the GDP in 2006-07. The revenue deficit target has been set at 1.5% of the GDP for the next fiscal, while it is expected to clock 2% for the current fiscal.

10th Plan closes in on achieving targets

The Tenth Five-Year Plan, which ended on March 31, has come close to achieving the growth targets set at the outset of the Plan by the Planning Commission. The Plan has ended with an average gross domestic product growth rate of 7.8%, as against 8% estimated for the entire plan period (2002-07). Although the GDP growth is below the Tenth Plan target, it is the highest growth rate ever achieved in any plan period. However, the performance of various sectors including agriculture, health and education has failed to meet the plan targets. If the performance of agriculture is taken out in the last five years, other sectors like industry and services were on target. He added the average growth for the agriculture sector during the 10th Plan period was estimated at 3.4%, which was below the desired level of 4% for the period.

UPCOMING EVENTS

1.	Event	ICON - India International Construction and Contracting Exhibition
	Date	May 03-05, 2007
	Venue	India Expo Centre EXPO XXI, Greater Noida Expressway, New Delhi
	Highlights	ICON is a B2B exhibition aimed at bringing together the entire spectrum of the construction industry. The last edition of the event saw participation from 15 countries including six country pavilions.
	Contact Details	Expomedia Events India Pvt. Ltd 2nd Floor, Som Datt Tower, K-2, Sector 18, Noida, India Tel: +(91)-(120)-2516110/2516144, Fax: +(91)-(120)-2516020
2.	Event	Used Machinery Expo (UMEX 2007)
	Date	May 24-26, 2007
	Venue	Pragati Maidan, New Delhi
	Highlights	Used Machinery Expo (UMEX 2007) is an endeavour designed to present the widest range of used machineries. The event will be promoted nationally to attract visitors from the following industries: automotive, pharmaceuticals, chemicals, earth moving equipment, farm equipment, defence, aerospace, railways, electrical and electronics, printing machinery, textile machinery, food processing equipment, agricultural machinery, plastics, computer peripherals, pumps and diesel engine industry.
	Contact Details	Conventions & Fairs (India) Private Limited 157, Princess Street, Mumbai, India Tel: +(91)-(22)-22060808/22002255; Fax: +(91)-(22)-22080171/22002288
3.	Event	Palm India Expo
	Date	Jun 07-09, 2007
	Venue	Bombay Exhibition Centre - NSE Exhibition Complex, Mumbai
	Highlights	India's only leading exhibition on pro-audio, live sound, lighting, audio visual systems and musician gear. PALM boasts of participation from the audio studios, video studios looking out for their audio visual requirements, music companies, home recording studios, sound recordists and engineers, musicians, live artists, live sound equipment hirers, event management companies, djs, radio stations, discos, pubs, auditoriums, shopping malls, theatres, install sound arena, architects, acousticians and so on.
	Contact Details	Infocast Systems Private Limited 6- C/5, Ground Floor, Sangeeta Apartments, Juhu Road, Mumbai, India Tel: +(91)-(22)-26604560/26603443/26607603, Fax: +(91)-(22)-26604923
4.	Event	The JCK Show-New Delhi
	Date	Jul 07-Jul 10, 2007
	Venue	Pragati Maidan, New Delhi, India
	Highlights	JCK New Delhi is a world-class jewellery event, where International and Indian manufacturers can do business with retailers and manufacturers interested in the latest jewellery, brands and fashions.
	Contact Details	Reed Exhibitions India, U & I Corporate Center, Suite No. 25, Plot No. 47, Sector 32, Gurgaon, India, Tel: +(91)-(124)-4270305, Fax: +(91)-(124)-4109055
5.	Event	India Machine Tools Show
	Date	Jul 24-27, 2007
	Venue	Pragati Maidan, New Delhi, India
	Highlights	India Machine Tools Show is a unique opportunity and offers international facilities for exhibit display, joint ventures and collaboration, business communications, publicity and liaison with government; it has open access to the global markets. It offers the latest developments and technologies for promotion and growth of engineering, machinery and machine tool industries.

	Contact Details	K & D Communications Limited, 4th Floor, Chinubhai House, 7 B, Amrutbaug Society, Near Sardar Patel Stadium, Hindu Colony, Navarangpura, Ahmedabad, India. Tel: +(91)-(79)-26460453/26460624, Fax: +(91)-(79)-26403087
6.	Event	Medicall 2007
	Date	Aug 03-05, 2007
	Venue	Rajah Muthiah Hall, Egmore, Chennai , Tamil Nadu
	Highlights	Medicall 2007 comprises the specialist conference and exhibition of a wide range of medical equipments.
	Contact Details	Medexpert, Isha Homes, Np 74 1st Avenue, Indranagar, Adyar, Chennai, India., Tel: +(91)-(44)-32516661
7.	Event	Food & Technology Expo
	Date	Aug 22-24, 2007
	Venue	Pragati Maidan, Delhi, India
	Highlights	Food & Technology Expo is a three-day exhibition, which will showcase the status of the 'Agrifood Business' in terms of technology, market knowledge and advancements in the processing, milling and packaging of foods.
	Contact Details	NNS Online Private Limited Meri Delhi House, 25/10, East Punjabi Bagh, New Delhi, India Tel: +(91)-(11)-28314001/28314002, Fax: +(91)-(11)-28314620
8.	Event	India Oil & Gas Review Expo (IORS Expo)
	Date	Sep 03- 04, 2007
	Venue	Hotel Taj Lands End, Mumbai, Maharashtra
	Highlights	India Oil & Gas Review Expo (IORS Expo) is focussed particularly on new products and technology so far not introduced in the Petroleum industry. IORS exhibition will highlight the Next-Gen equipment and technology.
	Contact Details	Oil Asia Journal 529-532, Laxmi Plaza, 5th Floor, Laxmi Industrial Estate, New Link Road, Andheri (W), Mumbai, India. Tel: +(91)-(22)-40504900, Fax: +(91)-(22)-26367676
9.	Event	Interphex India
	Date	Sep 12-14,2007
	Venue	Bombay Exhibition Centre, Mumbai, Maharashtra
	Highlights	Interphex India is internationally renowned for bringing together the pharmaceutical sectors' most innovative technologies, equipment, products and services, and the highest level education and insights into international standards, practices and regulation.
	Contact Details	Reed Exhibitions India U & I Corporate Center, Suite No. 25, Plot No. 47, Sector 32, Gurgaon, India., Tel: +(91)-(124)-4270305, Fax: +(91)-(124)-4109055
10.	Event	Biotec India International
	Date	Oct 01-03, 2007
	Venue	India Expo Centre, Noida, Uttar Pradesh
	Highlights	Biotec India International is the ideal platform, where suppliers of equipment & consumables will meet engineers, research-personnel & procurement managers of Indian biotec-companies. Profile for exhibit include analytical instruments & equipment, biotech services, equipment & apparatus for separation processes, bio-process equipment, bio-process control software, purification & disinfection technology, safety equipment, bioinformatics and support services.
	Contact Details	Cidex Trade Fairs Private Limited 1, Commercial Complex, 2nd Floor, Pocket H & J, Sarita Vihar, New Delhi, India. Tel: +(91)-(11)-26971056/26971745, Fax: +(91)-(11)-26971746