

Indian economy likely to expand by 7 to 7.5 per cent in current fiscal

WHILE the global economic slowdown has had its impact on specific segments of the Indian economy, overall the country's gross domestic product (GDP) is still expected to expand at between 7 per cent and 7.5 per cent in the current fiscal.

D. Subbarao, governor of the Reserve Bank of India (RBI), says the central bank will take a re-look "with a downward bias" at its earlier estimates of 7.5 per cent to 8 per cent growth rate.

The International Monetary Fund (IMF) revised its global forecast recently, reducing global growth rates for 2008 from 3.9 per cent to 3.2 per cent. Similarly, for 2009, global growth rate estimates have been slashed by the IMF from 3.7 per cent to 2.2 per cent. For emerging economies, it has reduced GDP growth rate from 6.1 per cent to 5.1 per cent for 2008.

The Centre for Monitoring Indian Economy (CMIE), a leading think-tank, has also gone in for a downward revision of India's GDP growth rate – from 8.2 per cent to 7.5 per cent. While the global liquidity crisis is likely to hurt growth prospects significantly in the third quarter of the fiscal (October–December 2008), the CMIE expects the economy to recover in the fourth quarter, which is likely to see a 7.7 per cent GDP growth rate. This is mainly because of the series of measures initiated by the government and the RBI to ensure growth.

"Fiscal 2008-09 is expected to end with a growth of 7.5 per

cent," points out the CMIE. "This is much lower than our earlier forecast of 9.4 per cent that has been revised progressively since the global liquidity crisis to 8.7 per cent and 8.2 per cent in October and November 2008, respectively," adds a report by the centre. India's GDP expanded by 7.8 per cent in the first-half of the current fiscal.



India ranks 4th in terms of Internet users

INDIA, with 81 million Internet users or 6.93 users per 100 inhabitants ranks fourth in a list of 10 top countries in terms of Internet usage, according to the Internet Governance Forum (IGF). "In 2007, there were about 13.5 million Internet subscribers in India, representing 1.15 per 100 inhabitants," notes the IGF, which held its third annual meeting in Hyderabad recently.

The forum is an outcome of the Tunis phase of the World Summit on the Information Society, which took place in 2005.

According to the IGF, broadband subscribers accounted for over 3.1 million of the 13.5 million Internet subscribers in India. The total number of Internet users (81 million in India) includes those who report that they have online access, but do not subscribe to the service.

Worldwide, there has been a surge in the number of people accessing the Internet: from 70 million (or 1.7 per cent of the world's population) in 1997 to 1.34 billion users a decade later. Asia has the highest number of Internet users (568.7 million), followed by the Americas (377.9 million), Europe (335.9 million), Africa (51.8 million) and Oceania (14 million).

The top three nations in the world in terms of Internet users include the US (220 million), China (210 million) and Japan (88.1 million). India, however, does not feature in the top 10 broadband-

connected countries, which is led by the US (73.2 million), followed by China (66.4 million) and Japan (28.28 million).

Akamai Technologies, Inc, a Nasdaq-listed firm that powers rich media, dynamic transactions and enterprise applications online, in its 'State of the Internet' report, points out that India ranked number 20 in terms of the observed IP (Internet Protocol) addresses with 2.6 million connections.

There was a 23 per cent growth in the third quarter of 2008 in Indian IP addresses. The US had 109 million unique IPs and China about 38 million.

About five per cent of Internet connections in India had speeds above 2 Mbps (mega bit per second); there was also a 16 per cent growth in such high-speed Internet connections in Q3 of 2008, says the report by Akamai Technologies. Likewise, 74 per cent of Internet connections in India had speeds above 256 Kbps (kilo bit per second).



Asian emerging markets to perform 'reasonably well': report

ASIA'S emerging markets, comprising 10 countries, are expected to perform reasonably well in 2008 and 2009, according to report by Allianz Dresdner Economic Research. The report by the research unit of the German bank notes that emerging markets in Asia will clock a growth rate of 7.2 per cent in fiscal 2008 and 5.9 per cent in 2009.

"No region is immune to the financial crisis," points out Michael Heise, chief economist of Allianz Dresdner Economic Research. "Asian economies will also see a slowdown in growth, but not a contraction. Emerging markets in Asia will still show a considerable degree of resilience."

Asia's export growth is expected to be hit considerably by the decline in consumer spending in the US and Europe. However, strong domestic demand, led by consumer spending, will support economic growth, in particular when compared with the rest of the world.

Allianz expects the growth of real GDP to slow markedly in the first two quarters of 2009, but to re-accelerate in the second half of 2009. It should reach 7.5 per cent in China and 6.5 per cent in India for the whole year. "Emerging Asia will shore up worldwide trade and growth also in 2009," Heise adds. Japan's GDP is expected to stagnate.

The foreign exchange and capital controls still in place in India and China have shielded both countries from volatile short-term capital movements, according to Heise. Other factors helping to insulate Asia from the international financial fallout are record-high foreign currency reserves, low external indebtedness and substantial current account surpluses.



ALLIANZ DRESDNER ECONOMIC RESEARCH Emerging Markets Asia: Real GDP growth (in %)

YEAR	2004	2005	2006	2007	2008e	2009f
China	10.1	10.4	11.6	11.9	9.5	7.5
South Korea	4.7	4.2	5.1	5.0	4.0	2.0
India	7.5	9.3	9.6	9.0	7.0	6.5
Taiwan	6.2	4.2	4.9	5.7	4.0	2.5
Indonesia	4.9	5.7	5.5	6.3	5.5	4.8
Hong Kong	8.5	7.1	7.0	6.4	3.5	2.5
Thailand	6.2	4.5	5.1	4.7	3.0	1.0
Singapore	9.0	7.3	8.2	7.7	3.0	1.0
Malaysia	6.8	5.2	5.9	6.3	5.5	4.0
Philippines	6.4	4.9	5.4	7.2	4.0	3.5
Emerging Markets Asia	7.8	7.9	8.8	9.0	7.2	5.9
Japan	2.7	1.9	2.4	2.0	0.8	0.8

e: Estimates, f: Forecast

Reliance Money in Malaysian foray

Reliance Money, part of the Reliance Anil Dhirubhai Ambani Group, has joined hands with Infinity Financial Solutions, one of Malaysia's major financial products and services distribution companies, as part of plans to expand its global footprint.

"This is our first move to reach out to the large base of NRIs in Malaysia with our unique, cost-effective and efficient bouquet of products and services," says Sudip Bandyopdhay, director and ceo, Reliance Money. "Our presence in Malaysia will complement our efforts to have a larger role in the region."

Reliance Money provides customers with access to equities, equity and commodities futures, mutual funds, life and general insurance products, and off-shore investment.

According to Ben Bennett, director, Infinity Financial Solutions: "The new venture will help us augment our service

portfolio and provide the large NRI population in Malaysia with a cost-effective and efficient platform to transact in Indian financial instruments."

Reliance Money would be launching its portfolio management services (PMS) apart from other investment services. It will offer PMS in Malaysia at a threshold level of US\$50,000.

Reliance Money, one of India's largest broking houses, is already present across Asia, Europe and Africa, and plans to expand its operations in over 15 countries by next year.

"We aim to generate 50 per cent of our revenues from overseas markets by 2012 and capture a bigger share of the record US\$195 billion invested in India last year by overseas funds," points out Bandyopadhay. Reliance Money has 2.5 million customers and a network of over 10,000 outlets in 5,000 locations.

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Science, engineering research body to be set up

THE Indian government is setting up the Science and Engineering Research Board (SERB) as an autonomous body through an Act of Parliament. The board will be advised by an oversight committee of experts and will be chaired by a scientist of international repute. SERB is being set up for promoting basic research in science and engineering, and to provide financial assistance to scientists, academic institutions, R&D laboratories, industrial concerns and other agencies for such research.

ELGI Equipment sets up JV with German firm

ELGI Equipment Ltd (EEL), an integrated manufacturer of air compressors, is setting up a joint venture with J.P. Sauer & Sohn of Germany. "The joint venture would provide advanced compressors, indigenised for customers like the Indian Navy, marine and special segments of the industry," said Dr Jairam Varadaraj, managing director, EEL. The German firm will have a 74 per cent stake in the new venture.

Michelin Tyres OE partner for new Honda City

MICHELIN India Tyres Pvt Ltd, as part of its focus to strengthen its presence in India, has become an original equipment (OE) partner for the new Honda City and will supply the Energy XM1 tyre for the new model.

"This initiative is part of our long-term strategy for India and has also strengthened our relationship," said Jean Paul Caylar, ceo, Michelin India.

The Energy XM1 tyres, designed for cars in the mid-sized segment, have been developed using the 'Green X' silica-based compound, which reduces rolling resistance and fuel consumption.

Huge investments being made in logistics sector

THE logistics sector in India has attracted investments of over US\$4 billion during the first half of 2008, according to a 'technology survey' of the industry.

India spends 13 per cent of its gross domestic product (GDP) on logistics, says the report brought out by Kale Consultants, a global airline solution provider, in partnership with Feedback Business Consulting Services. This is higher than the amount spent by other leading economies including the US (10 per cent of GDP), Europe (11 per cent) and Japan (10 per cent).

"There is a lot of activity happening in this highly fragmented market," explains Sumeet Nadkar, head, logistics strategic business unit, Kale Consultants. "Family-owned businesses are growing in stature, while global majors have committed huge investments for their Indian operations."

According to Kale Consultants, about US\$6 billion are expected to be invested in airports over the next four years. IT spends by airports add up to over 1 per cent. Warehousing is another sub-sector in logistics, with maximum technology spends, which is expected to see brisk growth. Technology spends in the sector are expected to increase from US\$10 million to US\$25 million by 2013.

The massive expansion in the retailing industry has had its impact on the warehousing sector; the market size is likely to reach US\$1.5 billion from about US\$615 million at present.

Technology spends in the freight forwarding business are also likely to see a 160 per cent growth, touching US\$4.35 billion by 2013.

US\$150 billion investment opportunities in 'clean technology'

INDIA provides about US\$150 billion of climate change investment opportunities between now and 2017, according to a report by HSBC. "Against the backdrop of the current weak macro situation, we believe that responding to climate change presents long-term growth opportunities for investors in India," says the report 'India's climate investment opportunities revealed' by HSBC. The National Action Plan on Climate Change, launched in June, has triggered off investment in climate-friendly projects in the country, mainly in the areas of clean coal, bio-fuels and wind energy.

Investment opportunities in clean coal technology amounts to over US\$35 billion, bio-fuels at US\$30 billion and wind at US\$27.6 billion, says the HSBC report. There are nearly a dozen areas of clean technology that offer opportunities for investors. India aims to add about 80,000 MW of power capacity during the Eleventh Five Year Plan (2007-2012), as against 21,180 MW in the previous plan period. The country has the fourth-highest installed wind power capacity, but it still adds up to just over 6 per cent of its gross wind power potential of 45,000 MW, points out the HSBC report.

There will be growing opportunities in bio-fuels, requiring an additional 600 million litres of ethanol. Use of super-critical and ultra super-critical technologies to ensure efficient coal generation will also require huge investments.

Though India is the world's fourth-largest emitter of greenhouse gases (after China, the US and Russia), per capita emissions are just 2 tonnes, compared with 20 tonnes in the US.

US firms may accelerate outsourcing

AMERICAN companies not only plan to continue to implement their current strategies for sourcing some functions offshore despite the current worldwide economic slump, the financial downturn may even accelerate such plans.

These are among the findings of a study into the effects of off-shoring trends on American competitiveness, as part of ongoing research by the Center for International Business Education and Research's (CIBER) Offshoring Research Network (ORN) at The Fuqua School of Business at Duke University and PricewaterhouseCoopers. The survey, designed to capture business managers' sentiments in the midst of the current global slump in financial markets, covered nearly 100 firms from the US and Europe and their plans to source some job functions and business processes offshore.

"Our research shows as companies grow the scale and scope of sourcing programmes, average efficiency decreases," said Arie Lewin, professor of strategy and international business and executive director of CIBER. "Enhancing efficiencies has become more urgent in recent months as pressure on margins forces companies to increase productivity while spending less."

According to Hari Rajagopalachari, executive director, PricewaterhouseCoopers: "Redesigning business processes is not equivalent to end-to-end process re-engineering, which requires a significant commitment of resources. Our findings indicate companies can't wait that long and can't spare those resources; they want to improve their existing organisational capabilities for managing their off-shoring strategies."

Wipro acquires Citi Technology Services

WIPRO, India's third-largest software services company, has bought Citi Technology Services Ltd (CTS), part of Citigroup, for US\$127 million in cash. CTS provides software and solutions to the banking industry and has 1,650 employees.

According to Wipro, Citigroup will also source services worth about US\$500 million over the next six years from Wipro as part of the agreement. "The transaction is consistent with our efforts to improve our operating leverage, while we focus on our core banking operations," said Don Callahan, Citi's chief administrative officer.

The US banking giant Citigroup has taken a US\$60 billion hit in write-downs and credit losses following the global financial crisis. In October, it sold its back-office unit in India to Tata Consultancy Services (TCS) for US\$505 million in cash.

CTS was established in 2005 and operates out of Mumbai and Chennai. Revenues in 2008 were projected at US\$80 million. Wipro acquired Infocrossing Inc in 2007 for nearly US\$550 million. Indian IT majors are on the prowl for acquisitions, especially after the global slowdown. HCL Technologies, the country's fifth-largest software firm, made the largest acquisition buying UK-based SAP consulting company, Axon Group Plc, for US\$658 million.



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Astra Microwave wins ISRO order

ASTRA Microwave Products Ltd, Hyderabad, a leading provider of microwave wireless technologies for use in defence, space and telecommunications, has won a US\$2.83 million order from Antrix Corporation Ltd, the commercial arm of India's Department of Space that markets products and services related with space exploration to global customers. The order is for the supply, installation and commissioning of remote unmanned weather stations in 500 locations across India.

Yahoo acquires 30 per cent stake in Call Ezee

YAHOO has acquired a 30 per cent stake in Indian telephone-directory search service Call Ezee, which is owned by Network Management Co. The move will help Call Ezee expand its reach from covering 14 cities to up to 50, besides growing its information database five-fold, to 10 million. Call Ezee generates about 10,000 calls a day.

Darjeeling tea region to get AEZ status

THE Darjeeling tea region is being declared as an agri-export zone following an agreement between the Tea Board of India and the West Bengal Industrial Development Corporation. About 10 million kg of Darjeeling tea is produced every year, with half of it comprising first and second flush tea that attract a huge premium. The first flush tea is exported to Europe and the second flush ones to Japan and the US.