

String of SEZs



THE Indian government's plan to establish a string of Special Economic Zones (SEZs) across the country has started eliciting good response. The government has received about 180 proposals for starting SEZs, especially near the metros and other major cities.

The government has cleared the proposals for about 150 SEZs, which are expected to attract investments of over \$20 billion. Most of these SEZs are expected to come up around the major metros, including Mumbai (Navi Mumbai) and Delhi (Gurgaon).

Reliance Industries Ltd, India's leading private sector group, is promoting three major SEZs in Navi Mumbai, Gurgaon and Jamnagar in the western state of Gujarat. The group signed an agreement with the Haryana government in May, for its

sprawling 25,000-acre SEZ bordering the national capital.

US major Dow Chemicals plans a downstream unit at the Reliance-promoted SEZ in Jamnagar, where Reliance Petroleum is setting up a \$6 billion refinery.

Several information technology majors are also expected to set up SEZs over the coming months, especially near cities like Bangalore, Hyderabad, Chennai and Pune. Many international companies are also planning to take advantage of the new SEZ policy, and want to invest into this burgeoning sector.

Singapore-based companies have shown keen interest in investing in SEZs in India, and many proposals are expected over the coming weeks.

S&P raises outlook on India to positive

STANDARD & Poor's, a leading international ratings agency, has revised its outlook on India to positive from stable. According to the agency, the outlook revision reflects the improved prospects for the stabilising of the debt burden, based on greater efforts across all levels of governments to consolidate their fiscal positions.

S&P noted that India's economic prospects were stable and strong, and projected that incremental structural reforms would raise GDP trend growth over 7 per cent. Further reforms and fiscal consolidation would help India reach 'investment' grade over time, it added.

Moody's Investors Service, another international rating agency, has also upgraded India's domestic currency debt rating to stable from negative. Moody's cited India's "robust nominal gross domestic growth and cost savings achieved as lower interest rates mitigated the costs of servicing an ever-higher debt," as one of the reasons for the upgrade.

Software exports up by 36%

INDIA'S software exports have been growing rapidly in recent years. According to figures released by the Software Technology Parks of India (STPI), exports by its members soared by 36 per cent during financial year 2005-06 to \$22 billion.

The southern Indian state of Karnataka accounted for the maximum exports (\$8.22 billion), followed by Maharashtra (\$3.45 billion) and Tamil Nadu (\$3.1 billion). Software exports from Karnataka and Maharashtra grew by a brisk 34 per cent, while Tamil Nadu saw exports climb by 29 per cent.

But the fastest clip was registered by another southern Indian state, Andhra Pradesh, which saw exports soar by 51 per cent to touch \$2.77 billion. The three southern states - Karnataka, Tamil Nadu and Karnataka - together account for nearly two-thirds of India's total software exports.

Bangalore, Chennai and Hyderabad, the capital of the three southern states respectively, have attracted major international and domestic IT firms. Dozens of software parks are also being built in and around the three cities.

Other states that show promise include Haryana (Gurgaon, a suburb of Delhi, is located in this state), which saw a 43 per cent growth in exports from firms located at parks affiliated to the STPI, Uttar Pradesh (Noida and Greater Noida, which are also suburbs of the national capital, and are located in this state), with a 43 per cent rise in software exports, and Delhi (also with a 43 per cent growth).

About 6,000 units are located in different software parks affiliated to the STPI. Firms in these parks are considered to be 100 per cent export-oriented units.

RBI leaves interest rates unchanged



DESPITE soaring oil prices - which touched a new record of \$75 a barrel on April 21 - inflation is well under control in India. The Reserve Bank of India (RBI), the country's central bank, in its slack season policy, noted that inflation was under 3.5 per cent, and decided not to go in for any interest rate hike.

The central bank has projected inflation at around 5.0 to 5.5 per cent for the rest of the fiscal. RBI Governor Y.V. Reddy noted that the central bank would continue to closely monitor the situation and would come out with an appropriate policy response - which could include a hike in interest rates - at the right time.

The Indian central bank last raised short-term lending rates in January - by 0.25 per cent - which was the fourth rate hike in 15 months. Short-term interest rates are at 5.5 per cent, though the RBI raised the interest rates on rupee deposits for Non Resident Indians (NRIs).

The RBI projects continued rapid economic growth in India in the current fiscal (April 1, 2006 to March 31, 2007). It has estimated a GDP growth rate of 7.5 to 8.0, slightly down from last year's rate of 8.1 per cent.

The Indian stock markets have flared up during 2006, with the Sensex, the benchmark index, topping the 12,000-mark in April. It has gone up by nearly 25 per cent over the past five months, and 100 per cent in the last one year. International rating agency Standard and Poor's (S&P) has revised the outlook for India to 'positive' from 'stable'.

Mutual fund assets soar

INDIA'S mutual fund industry continues to grow rapidly. According to the Association of Mutual Funds in India (AMFI), in April total assets under management amounted to over \$57 billion, a growth of about \$5.3 billion over the figures for March.

The bull-run on the stock markets has attracted thousands of small investors, who have responded overwhelmingly to the new fund offers (NFO) of several mutual funds. Reliance Mutual Fund raised over \$1.27 billion through an NFO recently.

AMFI meanwhile has set up a committee to draft guidelines for overseas investments by mutual funds in India. In the recent budget, the government allowed domestic mutual funds to invest up to \$2 billion in overseas instruments.

Briefs

Primary market boom

IT is not just the secondary markets that are booming; even the primary markets are witnessing a massive flow of capital. For the financial year ending March 31, 2006, Indian firms raised a record \$5.2 billion by way of new issues, a more than 10 per cent growth over the previous year.

The primary market boom - with companies raising funds through initial and follow-up public offerings - is expected to continue this year as well, and market analysts expect a huge 30 per cent growth.

Auto component exports to touch \$25 billion by 2015

India's software exports are growing by over 35 per cent, but traditional engineering items are not far behind. Automobile component exports have recorded a compounded annual growth rate (CAGR) of 33 per cent over the last three years.

The Engineering Export Promotion Council of India (EEPC) estimates auto component exports are likely to touch the \$25 billion-mark by 2015.

India needs \$150 billion for infrastructure development

INDIA'S infrastructure sector - including roads and highways, power plants, and airports and seaports - is growing rapidly, but the backlog is huge and it would require another \$150 billion in funding over the next few years, according to Prime Minister Manmohan Singh.

Billions of dollars are also being invested in upgrading and modernising Mumbai and Delhi airports, and building a network of highways across the sub-continent. Likewise, mega power plants, special economic zones and dozens of ports are being developed, all contributing to the brisk GDP growth rate.

IFC to invest in Indian infrastructure

The International Finance Corporation (IFC) plans to invest \$150 million in the Indian infrastructure sector. According to the IFC, during 2006-07, it would be investing between \$400 million and \$500 million in India, in different sectors including power distribution and generation, road and water.