FDI flow to India will continue to remain robust: Report

The global economic slowdown will not affect the foreign direct investment (FDI) flow to India as the domestic demand remains "resilient", investment banker Goldman Sachs said on April 6.

"FDI is showing positive signals," Tushar Poddar, an economist with Goldman Sachs said, adding "we expect FDI inflows to remain significant in 2009-10, given India's resilient domestic demand momentum".

According to the bank, the FDI flow to India during September-January — the months when the credit crisis was at its peak — amounted to $9.2 billion, higher than $7.9 billion in the corresponding period last year.

Pranjul Bhandari, another economist at Goldman, said: "India's balance of payments (BOP) may have had its worst quarter in October-December 2009, when it showed a deficit of $18 billion." However, "in 2009-10, we expect the current account deficit to narrow to 1.3 percent of GDP from 3.5 percent last fiscal with the trade deficit narrowing considerably," she added.

"Portfolio investment and trade credit on the other hand, have fallen sharply and we expect them to remain weak this fiscal," Poddar said.

"NRI deposits showed an uptick last fiscal, but we expect it to remain flat in 2009-10. We expect NRI deposits coming due in the next year ($32 billion) to get rolled over to a large extent, but do not expect large fresh inflows," he added. Notwithstanding the weakness in trade credit and foreign portfolio inflows, the basic balance of payments (BBOP) are expected to move to positive this fiscal, the economists at Goldman Sachs predict.

External commercial borrowings (ECBs) are expected to moderate in the current fiscal.

ECBs have slowed to $9.1 billion during September-February from $11.8 billion in the previous six months. "In 2009-10, we expect ECBs to remain positive due to higher growth and yields in India, notwithstanding the $7 billion of outstanding commercial loans coming due," Bhandari said.

Private remittances from Indians working abroad slowed to $4.3 billion in the October-December quarter from $7.9 billion in the July-September quarter. "We expect this to remain weak, but do not expect much further weakness from current levels," she said.

Bhandari added that the merchandise trade deficit had fallen to $5 billion in February from a peak of $14 billion in August. "This is likely to turn the BBOP into positive from a current negative, and is also expected to make the overall BOP stronger," she said.

Output of core industries up 2.2 pc in February

Despite an 8.3 percent growth in cement production and 6 percent in coal output, the composite index for six core industries logged a 2 percent expansion in February, against 7 percent in the like month of last fiscal.

Data released by the Commerce and Industry Ministry on March 27 showed that the cumulative growth in the six core infrastructure (crude oil, refined petroleum fuel, coal, electricity, cement and finished steel) industries was 3 percent for the first 11 months of this fiscal, against 5.8 percent for the corresponding period of last fiscal.

These six core sectors have a collective weight of 26.7 percent in the Index of Industrial Production (IIP).

The growth in cement production came on top of a 12.8 percent growth last February and that for coal also rose despite a high growth of 11.6 percent, the fresh data showed.

The output of fuel products rose marginally by 0.5 percent against 5.8 percent.

New telecommunication firms to invest $2 billion

Firming up their rollout plans, the new telecom licensees will invest around $2 billion in the next four months for the rollout of their services.

The investment, necessitated by regulations, is significant as it comes at a time when other sectors are shying away from fresh investments due to the ongoing economic slowdown.

"The new players will have to commence operations soon, as the conditions of spectrum allocation require a company to fulfil certain rollout obligations (depending on the circle of operations), including launching of services within a stipulated period," Gartner Principal Research Analyst Naresh Singh said.

The Department of Telecommunications (DoT) mandates that a company has to commence the rollout within six months of getting spectrum.

Companies like Shyam Sistema, Unitech Wireless, Datacom Solutions and Loop Telecom and Swan Telecom are gearing up to commence 2G operations in the next six months. STel and Tata Teleservices (which already has CDMA operations) are also getting ready for GSM operations.

The new telecom licensees were awarded spectrum during the previous allocations in February 2008.

India among top 5 deal makers in Asia-Pac region in Q1

India along with Japan and China is among the top-five countries in the Asia-Pacific region with the highest number of merger and acquisition (M&A) deals in the first three months of this year, even as the economic downturn has impacted the overall M&A activity in the region.

Overall, the M&A activity in Asia Pacific region dropped nearly 30 percent to $160 billion in the first quarter of 2009 as against $223.21 billion in the same period a year-ago, as per data compiled by global deal tracking firm Zephyr.

India is among the top-five countries in the region in terms of the number of M&A activities in the first three months of 2009 with 331 deals, even as the deals saw a 72 percent decline from the same period a year-ago. The country had witnessed 571 deals in the first quarter of last year, while they had been as low as 176 in the fourth quarter of 2008, the report revealed.

Japan is at the top with 904 deals in the first quarter of 2009, followed by Australia (636), Republic of Korea (620) and China (611) and India with 331 deals, the Zephyr quarterly M&A report published by BvDep pointed out.

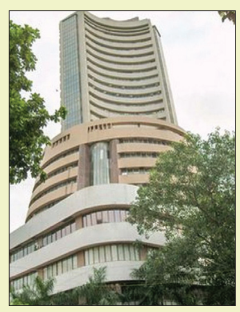
However, in terms of the value of the deals India is at the 8th place with deals worth $6.85 billion in the reviewed period. Interestingly, all the top ten deals in the first quarter were worth over $2,000 million with seven being minority stakes and three acquisitions.

NELP-VIII launched, 70 areas for bidding offered

India on April 9 launched its biggest- ever auction of oil and gas exploration blocks, offering 70 areas for bidding. "We are offering 24 deep-sea blocks, 28 shallow water blocks and 18 onland blocks for bidding in the eighth edition of New Exploration Licensing Policy (NELP)," Petroleum Secretary R.S. Pandey said. Alongside NELP-VIII, the Government also offered for bidding 10 areas for extraction of gas, known as coal bed methane (CBM), from below coal fields.

Bidding for CBM-IV and NELP-VIII rounds will close on August 10, he said. India had offered 57 blocks in NELP-VII last year and awarded 44 to companies like BHP Billiton and Oil and Natural Gas Corp (ONGC).

India's growth to revive in 2010: Barclays



India's growth is expected to revive in 2010 in tandem with the global output that has more than caught up with falling demand, a report by Barclays Capital says.

According to Barclays Capital, India's real GDP (gross domestic product) growth for the calendar year 2009 will be four percent before reviving to 6 percent in 2010.

It had fallen from 9.1 percent in 2007 to 6 percent in 2008, Barclays said.

In its research note 'Global Outlook: Green Shoots have Arrived', the investment banking unit of Barclays Bank said the stabilising consumption demand and falling inventories across the globe set the scene for a positive surprise.

"... At the same time, output is now falling significantly faster than demand, producing a massive decline in inventories that sets the stage for better economic readings," said Larry Kantor, Research Head, Barclays Capital.

The pace of output shedding has exceeded the drop in demand by a large margin, to the point where output is now well below demand, a situation that tends to bring its own reversal relatively quickly, Barclays said in its report.