



MONTHLY ECONOMIC REVIEW

FEBRUARY 2009

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Guest Editorial

A sudden stumble

*Harshavardhan Neotia
Chairman, Ambuja Realty Group*

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*Mr Neotia is a Member on the Board of Governors of **Indian Institute of Management, Kolkata**. Mr Neotia is the former Chairman of CII, Eastern Region and also a member of its National Council. He is also the Honorary Consul of **Israel** in West Bengal.*

Ever since the introduction of the Industrial Policy in 1994, there has been a slow but steady increase in investor confidence. Over the last 3-4 years in particular, there has been a perceptible increase in investor interest, both Indian and foreign alike, in the potential of West Bengal and its industry friendly government. All of us who live here and have invested

substantially in the state felt optimistic about the possibilities. This was until Nandigram and Singur happened. Two events that severely daunted the dream run. The agenda clearly shifted from nature of industrialization to challenges of land acquisition.

Challenges

The new challenge was how to find suitable land, in continuous large tracts, in close proximity to developed infrastructure and at reasonable prices. The success of land reforms that had resulted in the economic empowerment of the farmers and the consequent agrarian success, had also resulted in fragmentation of holdings. 3 to 8 families were dependent on 1 acre of land. Besides, almost all land in the immediate proximity of large settlements was cultivable, fertile and in many cases inhabited by village clusters. The bountiful sunshine, the rich alluvial soil and abundant rainfall which had helped create the 'Sonar Bangla' allure had now become the nemesis for making land available for industrial development.

It is hardly possible to acquire large contiguous tracts of land through private acquisition. Acquisition by government seems to be a necessary recourse but is often deeply resisted by the people due to two reasons - failure to provide adequate compensation and perceived unfairness in forcibly acquiring someone's land and livelihood for private profit.

The major urban centres of West Bengal are located in areas surrounded by extremely fertile and irrigated land. The few locations in West Bengal where you can find some tracks of uncultivable land are remote and infrastructurally poor.

Land

The long term option would be to acquire very large tracts of land in locations presently un-served by modern infrastructure and where lands are less cultivable. Land acquisition may be easier and the required compensation to be paid would be reasonable. The money thus saved could be used to build proper connectivity and infrastructure.

For the short term, we need to find a process that delivers the benefit of industrial development in a particular region to the land-losers. One way could be to acquire 25% more land than what is needed by the project and redistribute this as small parcels of developed land to the land losers. This would be in addition to the financial compensation. These parcels of land can then be utilised by the land-losers to build homes, commercial establishments or can be sold off by them when the price of land escalates

Roadways

There has been a significant improvement in the National Highway which connects Kolkata to the rest of India. However, the North-South corridor that links Siliguri to Kolkata is in need of urgent attention. It is a major lifeline and its strengthening and widening can play a significant role in spurring economic activity along these corridor.

Power

For the past few years, we have had a very stable and sufficient power situation in West Bengal. However, with demand continuously increasing due to industrial and



domestic needs, there is a looming danger of shortages coming back to haunt us in the near future. One reads about many power initiatives taken up by the State Electricity Board and private enterprise but fruition seems delayed. It would be worthwhile to put in all efforts to remove any bottlenecks that may be delaying these projects.

Tourism

With its bounty of nature and strong cultural traditions, West Bengal can be one of India's most popular tourism destinations. However, tourism has never been developed in a systematic manner. Interestingly, Bengalis love travelling and are found at tourist destinations all over the country and the world. There is, therefore, a strong home market if a Bengal tourism circuit is developed by connecting interesting destinations and building the necessary infrastructure.

Instead of stretching resources, it would be advisable to pick up one or two locations at a time and develop it in a comprehensive manner. Tourism also is the highest employer per rupee invested. It provides penetration of economic activities to remote corners and helps promote state produce like handicrafts.

As a resident of Bengal, I have closely watched and experienced the changes happening in its society. We are today more prepared than ever to address the challenges and embrace the opportunities arising in the new economy. I believe that we are poised to regain our leadership position in the pecking order of economically prosperous states. Therefore, a few setbacks should not deter us but should only nudge us to make course corrections and continue with our journey. We need to provide jobs to our youth. For that we need to develop and grow our economy. This is what the people expect from us – the government and the business community.

Disclaimer: The views expressed in this article are entirely personal.

Global Update

■ **Barack Obama** has been sworn in as the 44th U.S. president shattering racial barriers as the first black leader of a country gripped by profound economic troubles and at war in two distant lands. Deepening economic crisis, two ongoing wars overseas and the global threat of terrorism are the top priority of the new president.

■ The US House of Representatives passed President Barack Obama's **USD 819 billion** stimulus package, aimed at lifting the economy out of recession through tax cuts and more than a half-trillion dollars in new spending.

■ China's gross domestic product (GDP) grew 6.8 per cent in the fourth quarter of 2008 over the corresponding quarter last year, the slowest pace in the last seven years as the global slowdown hurt exports.

■ The Canadian telecommunications giant **Nortel** filed Chapter 11 bankruptcy for protection from creditors in Canada, United States and Europe. Nortel, one of Canada's

World Interest Rate

Central Bank	Current Interest Rate
Bank of Canada	1.00 %
Bank of England	1.50 %
European Central Bank	2.00 %
Federal Reserve	0.25 %
Australia	4.25 %
China	5.58 %
Hong Kong SAR	0.50 %
India	5.50 %
Japan	0.10 %
Taiwan	1.50 %
Czech Republic	2.25 %
Hungary	9.50 %
Iceland	18.00 %
Switzerland	0.50 %
United Kingdom	1.50 %

Source: FXstreet.com

Markets At Close

	28th Jan	Pts Chg	% Change
Asian Market			
Sensex	9,257.47	(458.69)	(4.72)
Nifty	2,823.95	(155.55)	(5.22)
Nikkei	8,106.29	(753.27)	(8.50)
HangSeng	12,578.6	(1,656.90)	(11.64)
Shanghai	1,990.66	140.18	7.58
US Market			
DowJones	8,149.01	(519.38)	(5.99)
Nasdaq	1,507.84	(42.86)	(2.76)
European Market			
FTSE	4,190.11	(202.59)	(4.61)
CAC	3,009.75	(207.38)	(6.45)
DAX	4,428.11	(276.75)	(5.88)

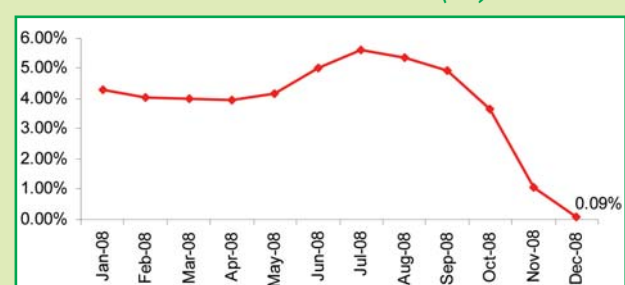
Source: Bloomberg

biggest companies, supplies BT with the equipment to provide internet access, call centres and fixed phones for the Olympic site.

■ **The Bank of Japan (BOJ)**, held its key interest rate unchanged at 0.1 percent . For fiscal 2009, the central bank lowered its estimate for real GDP growth from earlier predicted 0.6 percent expansion to 2.0 percent contraction.

■ **Citigroup Inc** posted an \$8.29-billion fourth-quarter loss, completing its worst year, as the credit crisis eroded mortgage-bond prices and customers missed more loan payments.

US Consumer Price Index (%)



Source: inflationdata.com



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**CENTURY PLY
ADVERISEMENT**

India Update – All India Policy Tracker

■ India's **wholesale price index** rose **5.64 percent** in the 12 months to Jan. 17, slightly above the previous week's annual rise of **5.60 percent**.

■ India's central bank kept interest rates unchanged after lowering them to a record this month to shield the economy from a global slump. The Reserve Bank of India left the reverse repurchase rate at 4 percent and the repurchase rate at 5.5 percent.

■ The government is planning to introduce the concept of "golden share" in infrastructure projects being executed through the **public-private partnership (PPP) mode**. The "golden share", which will be owned by the government, will ensure that it has a say in all major decisions taken by the private concessionaire.

■ International governments and global tobacco players from Switzerland, Japan and the US have come together to lobby against Indian government move to ban Foreign Direct Investment (FDI) in tobacco.

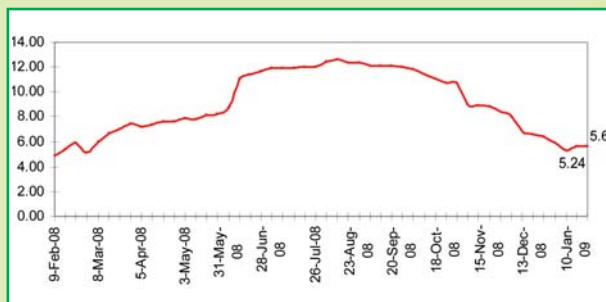
■ The country's exports fell by **9.9 per cent** to **\$11.5 billion** in November 2008, as compared with \$12.76 billion in the same month in 2007. In October 2008, exports declined by 12.1 per cent for the first time in more than five years.

■ India unveiled a second package of stimulus measures and the central bank slashed its main policy rates in coordinated moves to protect faltering economic growth amid the global slowdown.

Highlights of the major steps taken by the Government:

- The "all-in-cost" ceiling on external commercial borrowing (ECBs) to be scraped, under the approval route of the RBI.
- To facilitate access to funds for the **housing sector**, the "development of integrated townships" would be permitted as an eligible end-use of the ECB, under the approval route of the RBI.
- Non-banking financial companies, or NBFCs, dealing exclusively with **infrastructure financing**, would be permitted to access ECB from multilateral or bilateral financial institutions, under the approval route of the RBI.

WPI Inflation Rate (%)



Source: Office of Economic Advisor

- In order to give a boost to the **corporate bond market**, FII investment limit in rupee-denominated corporate bonds in India would be increased to \$15 billion from \$6 billion.
- To help maintain the momentum of expenditure at the state government level, states will be allowed to raise in the current financial year, additional market borrowings of 0.5 percent of their Gross State Domestic Product (GSDP), amounting to about 300 billion rupees, for capital spending
- **India Infrastructure Finance Company (IIFCL)** is being enabled to access in tranches an additional 300 billion rupees by way of tax free bonds once funds raised in the current year are effectively utilised.
- Duty Entitlement Passbook scheme for exporters to be extended until Dec. 31, 2009.
- Duty drawback benefits on certain items including knitted fabrics, bicycles, agricultural hand tools and specified categories of yarn to be enhanced. Changes to take effect retrospectively from Sept. 1, 2008.
- EXIM Bank has obtained from RBI a line of credit of 50 billion rupees and will provide pre-shipment and post-shipment credit, in rupees or dollars, to Indian exporters at competitive rates.
- Withdraws exemptions from countervailing duty (CVD) on TMT bars and structurals, and from CVD and special CVD on cement.
- Withdraws exemption from basic customs duty on zinc and ferro alloys, which was also provided to contain inflation.
- Accelerated depreciation of 50 percent to be provided for commercial vehicles to be purchased on or after Jan. 1, 2009 up to March 31, 2009.



Special Feature

Global Meltdown and its effects on Indian Real Estate

Pradip K. Chopra

*Mr. Pradip Chopra is currently the **Chairman and Managing Director** of **PS Group** of Companies. He is the founder Regional Chairman of the Export Promotion Council for EOUs and SEZ Units. He is also the governing Board Member of CREDAI (Confederation of Real Estate Developers Association of India) He has been the past President of Faltta Chamber of Commerce and also the Past Honorary Secretary of Indian Plastic Federation. He has been awarded the prestigious Plasticon 2000 award from Plast India Foundation for developing an Eco friendly wood substitute Eco-Wud out of Municipal Solid Waste.*



The collapse of Lehman Brothers have resulted into series of bankruptcy in the USA including the failure of several banks and financial institutions like FreddieMac and FreddieMai.

This triggered one of the worst recession in the US history which spread very fast to Europe and countries like Japan, South Korea, Taiwan and other economies like China, Malaysia, Indonesia, Thailand whose economies was heavily dependent on exports to US.

India was also not spared though its impact had minimum effect on Indian economic fundamentals. The effect was more because of the psychological reason. The Indian economic fundamentals are still strong due to the following facts.

- a) 60 percent of Indian population is dependent on agriculture and this segment of Indian economy is absolutely independent of global slowdown and is dependent more on the monsoon. The demand of goods and services in rural areas of India is more dependent on the crop productivity and fortunately both the Khariff and Rabi crop this year has been good.
- b) Save and except IT Exports most of the Indian goods are heavily dependent on imports and therefore lesser exports will also be lesser import of raw material.
- c) India is heavily dependent on oil import. Almost 66 percent of the country's requirement is met



through imports. India imports almost one billion barrel of oil every year and reduction in price of oil from US \$ 147 per barrel to 45 \$ per barrel would help India save almost 100 billion dollar a year.

- d) The remittance of Indians working abroad have not reduced because Indians are being paid the lowest salary abroad and are therefore are the last to be fired due to economic slowdown. Their jobs are comparatively safer than other workers who are paid higher salaries.
- e) India's IT and IteS exports will have mixed effect due to global slowdown. Part of the exports would be effected due to slowdown but part of the exports will get a boost. Bankruptcies, Restructuring, mergers and acquisition etc. are already providing big boost to Indian LPOs (Legal Process Outsourcing) & Consultancy Solution providers for cost cutting and efficient management. Increase on Outsourcing would also result due to cost cutting measures taken by American companies in the process of restructuring and becoming more efficient. India has one of the largest foreign exchange reserve of over USD 250 billion which is still growing. Though the Indian Rupee post slowdown has lost substantially against dollar it is likely to come up to Rs. 40-42 per USD.
- f) It seems that the overall impact of the global slowdown would be more beneficial than harmful for Indian economy on a long run. India would therefore, emerge much stronger and would be able to continue on its growth path at the annual rate of over 7 per cent.
- g) The slowdown in the Indian Real Estate sector happened much before the global slowdown as it

started facing slowdown in sales and thereafter in prices right from April 2008 when the interest rates on home loan went up from 7 per cent to as high as 14 percent in some case.

- h) This slowdown was also due to sudden and substantial rise in the prices which was partially due to speculation and partially because of rising cost of construction due to high inflation worldwide caused due to substantial rise in prices of crude oil, steel, cement and other construction material.
- i) The price of real estate at present have come down substantially in most parts of our country. In some places it is as much as 50 per cent and in most areas the fall in prices has been to the tune of 20-30 per cent. Real Estate once again have come within the affordability limits of a large section of home buyers. The cost of construction have also come down due to lowering of oil and commodity prices worldwide. It would remain also low for some time to come due to recession and deflation worldwide.
- j) Over 750 million Indians are below 35 years of age of which 540 million are below 25 years of age.
- k) During the nest 15 years India's urban population is likely to double from its present (28% of 1 billion) 280 million (42% of 1.25 billion) 525 million creating tremendous demand for Urban Housing, Commercial spaces, IT Parks, Shopping & Entertainment Centers, Hospitals, Schools, SEZ etc.
- l) Owing one's own home is the only investment opportunity available to a middle class Indian family to ensure complete financial security as well as the



best investment opportunity to create substantial wealth for his retirement years.

- m) The option of Reverse Mortgage has made it even more attractive and compulsory.
- n) Today owning one's own home is still the top priority for every Indian Family or a working couple or even for anyone starting his or her career.

The reduction in interest rates on home loan have also started which will also lead to increase in affordability as it would result in reduction in EMI on the same

amount of home loan. It would also increase the borrowing capacity of most of the home buyers. The low interest rate regime also would continue for some years because of lowest interest rate worldwide and due to appreciation of rupee in the forthcoming future. Our views are that after 14th April 2009 i.e. Poila Baisakh the sale of apartments would pick up though there would not be a substantial increase in real estate prices which is in a way good for the industry ad the prices of real estate and cost of funds such as home loan would remain within the affordable limit of most buyers.

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Sector News in January 2009

Agro Business

- The government increased the **Minimum Support Price** (MSP) of wheat by Rs 80 to Rs 1,080 a quintal for the 2009-10 season to provide better remunerative prices for farmers and boost procurement.
- India, the world largest buyer of vegetable oil after china, ruled out import duty on crude palm oil as prices of domestic oilseeds stay above the assured rates the government pays the farmer.
- Cultivation of hybrid rice is to be promoted in a big way by offering heavy subsidies in areas where the paddy yields have reached the plateau. This will help lift the rice production and productivity to the next higher level from the record **83.25 million tonnes** bagged in the last kharif season.

Pharmaceutical

- The Government-assisted retail stores to sell unbranded generic medicines have begun to open across certain States as part of the Centre's multi-stakeholder strategy to get affordable medicines to people.
- Even as India is working hard to allay the doubts of African countries on the quality and safety of medicines supplied by its domestic companies, Kenya, the third-biggest African market for Indian medicines, is planning a new legislation against "counterfeiting" that could seriously jeopardise India's medicine exports to that country.

FMCG

- Global beverages major **Coca Cola** is going ahead with its 250 million dollar investment plans for India notwithstanding the ongoing slowdown and hopes to add more products into its portfolio.

- Diversified business conglomerate **ITC** plans to introduce organic spices in the overseas market, in a move to expand the segment in order to garner Rs 300 crore in the next two years from the division.

- Rural consumers are displaying considerable resilience in spends on fast-moving consumer goods (FMCG) despite the economic slowdown. While overall consumer spends (urban+rural) on FMCG are showing smart rates of growth, the growth in rural markets at 20% plus has overtaken urban markets, which is growing at 17-18%, according to industry estimates.

Metal & Mining

- The Union Minister of State for Commerce and Power, Jairam Ramesh said that the center would formulate a policy to locate export oriented power projects in coal bearing states.

- Global steel output plunged **24.3 per cent** year-on-year in December as recession bites into nearly all the major steel producing countries.

- On the back of rising demand from China, the country's iron ore exports jumped **39%** to **13.6 million tonne** in December, 2008 against **9.8 million tonne** in the same month a year ago.

- Steel producers like **SAIL, Tata Steel, JSW, Essar and Ispat** asked the government to pump in more liquidity into the system to stimulate demand for the commodity from sectors like automobile and construction.

- In a move to meet the growing market requirement for normalized plates, **Bhilai Steel Plant (BSP) of Steel Authority of India Limited (SAIL)** has installed a second normalizing furnace in the Plant's Plate Mill with in-house efforts and expertise.

- The **Essar group** has bagged a mineral concession in **Amapa, North Brazil**, which will cater to its proposed steel plant in Trinidad and Tobago in the South Caribbean. P R



Dhariwal, chief executive officer (CEO) for the project said that the group would go ahead for a full scale mining license based on the results of the exploration.

Coal

■ Largest coal producer **Coal India Limited** (CIL) and the largest power producer **NTPC Ltd** have decided to sign an agreement to always maintain 75 per cent fuel supply for the power entity.

■ The government urged power utilities to import coal as a short term measure to tide over the shortage in supplies. Coal Minister **Santosh Bagrodia** said that although there was actually no shortage of coal supplies in the country, power utilities should also import coal for meeting short term crisis.

Textile

■ Exporters fear **10 million** job losses. Labour-intensive sectors like textiles and jewellery have registered a sharp fall in exports in December 2008, leading to concerns about large-scale retrenchment in these industries.

■ Union Textile Minister **Shankersingh Vaghela** said investment in textile sector is likely to cross **Rs 1,50,000 crore** by 2012 and generate about **17.37 million** jobs.

Cement

■ Cement prices may stay firm in the northern region after the government restored the **counter-vailing duty (CVD)**

and **special CVD** on imported cement, which was removed 19 months ago to contain inflation. The domestic players have been demanding the reimposition of CVD on imported cement in order to have a level-playing field. Cement from Pakistan without any import duty and CVD made it cheaper by around Rs 20 for a 50-kg bag in the domestic market. This took away almost 30-35 per cent of the market share in the northern states of Punjab, Haryana, Uttarakhand and Jammu & Kashmir.

Energy & Power

■ Reliance Power bagged its third **4,000 MW Ultra Mega Power Project**, at Tilaiya, in Jharkhand.

■ Two out of every three firms, which have received power trading licence, are yet to start business, as private firms say the **four paise cap** on their margins imposed by the electricity regulator has made trading business unremunerative.

■ The power sector has tied up **Rs 2,24,000 crore** worth of investments to build power plants with **70,000 MW** aggregate capacity in the next three years at a time the global economy is reeling under liquidity crunch, according to Power Minister **Shri Sushil Kumar Shinde**. The country had added **12,000 Mw** capacity at an investment of **Rs 48,000 crore** in the 11th Five-Year Plan (2007-12) so far and tied up funds to complete the projects under execution.

■ **Refex Energy** based in Mumbai and part of Chennai-based Refex refrigerants is setting up a **50 MW** solar PV power plant in Gujarat. The energy firm signed a MOU with energy and petrochemicals department in the State at the recently held vibrant Gujarat global investors summit.

Peak Demand and Energy estimates

	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
Energy (Mus)	68187	78287	86101	94703	104040	113602
Demand (MW)	10879	12281	13364	14538	15836	17291

Source: Powerline

Planned transmission line addition (ct km)

Sector	2008-09	2009-10	2010-11	2011-12
400kv	520	2218	909	1785
220kv	1516	412	377	647
132kv	1406	563	517	548

Source: Powerline

■ Power regulator **CERC** increased the rate of return on equity from **14 per cent to 15.5** per cent for determining tariff as part of various incentives being offered to invite greater investments. This will help power generating and transmission companies get higher profitability, and thus, attract increased private investment.

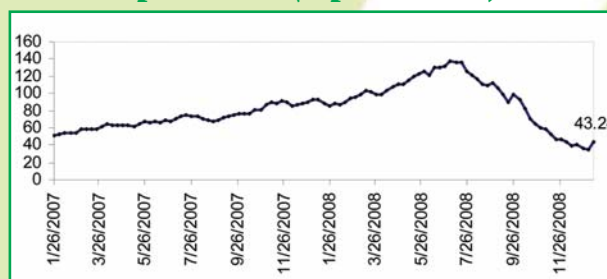
■ India's top construction and engineering firm, **Larsen & Toubro**, signed a memorandum of understanding with **Westinghouse Electric**. Company to build 1,000 megawatt nuclear plants in India. L&T will be responsible for construction and fabrication while Westinghouse's will provide design, engineering and procurement of major components.

■ State-run power generator **NTPC** said its board has approved an investment of **Rs 59.15 billion (\$1.2 billion)** to set up a **1,000 megawatts** power project in the central India.

■ **Jindal group** announced setting up of **2,000 MW** power plant near Simar port, along the coastline of Gujarat with a proposed investment of **Rs 10,000 crore**.

Oil & Gas

World Spot Price (\$ per barrel)



Source: IEA

■ For the second time in as many months, the government cut the prices of petrol by **Rs 5 a litre** and diesel by **Rs 2 per litre**, while the domestic LPG rate was also slashed by as much as **Rs 25 per cylinder**.

■ The Supreme Court has allowed public sector **GAIL India** to lay a pipeline for transportation of natural gas to a power project that will supply electricity for the Commonwealth Games in Delhi next year. The pipeline, which will transport regasified liquefied natural gas (RLNG)

Oil Proved Reserve at the end of 2007

Area	Tb Million Barrels	Share of Total Prod	R/P Ratio
Total N America	69.3	5.6%	13.9
Total S & Central America	111.2	9.0%	45.9
Total Europe & Eurasia	143.7	11.6%	22.1
Total Middle East	755.3	61.0%	82.2
Total Africa	117.5	9.5%	31.2
Total Asia Pacific	40.8	3.3%	14.2

R/P : Reserve to Production Ratio

Source: BP Statistics



from **Vijaipur to Dadri**, will also supply gas to **Madhya Pradesh, Rajasthan, Haryana, Uttar Pradesh and Delhi**.

■ **GAIL India Ltd's** ambition to set up a petrochemical plant overseas has got a boost with energy-rich Kazakhstan inviting the state-run firm, along with **Indian Oil Corporation**, for talks to set up the mega chemical unit.

■ **Mangalore Refinery and Petrochemicals (MRPL)** will complete expansion of its refining capacity to 15 million tonne by March 2012.

IT & Telecom

■ The communication ministry said the government was working on a new spectrum allocation policy. The current policy of allotting spectrum to operators has led to fragmentation. Indian operators have been given very little spectrum compared to telecom companies in other countries.

■ Two months after raising Rs 1,500 crore (\$310 million) from financial institutions, **Tata Communications (TCOM**, earlier VSNL) is planning a Rs 250-crore bond issue ahead of the WiMax spectrum auction this quarter.

■ **Vodafone's** global CEO **Vittorio Colao** said that India must offer increased clarity on its foreign direct investment (FDI) policy across sectors. The FDI policy in India is complex and lends to multiple interpretations.

■ A draft note prepared for the cabinet by the **Department of Telecommunications (DoT)** has recommended raising the base price for an all-India licence for spectrum for third-generation, or 3G services from Rs 2,020 crore to Rs 3,540 crore. The government is auctioning a maximum of five blocks of 3G spectrum of 5 MhZ each in the note to the cabinet.

■ The biggest corporate scam in India has come from one of the most respected businessmen. Satyam founder Ramalinga Raju efforts to fill the "fictitious assets with real

ones" through Maytas acquisition failed, after which he decided to confess the crime. With a fraud involving about Rs 8,000 crore (-Rs 80 billion), Satyam is heading for more trouble in the days ahead. India's fourth largest IT company lost a staggering Rs 10,000 crore (Rs 100 billion) in market capitalisation as investors reacted sharply and dumped shares, pushing down the scrip by 78 per cent to Rs 39.95 on the Bombay Stock Exchange.

■ The World Bank disclosed that apart from Satyam Computer Services Ltd, it had barred **Wipro Ltd** and **Megasoft Ltd** from doing any work for it for "providing improper benefits to bank staff" in the first instance, and "participating in a joint venture with bank staff while also conducting business with the bank" in the second.(Hindu)

Automobile

■ Passenger car sales continued to decline for the fourth straight month in December and fell 7% to 82,105 cars from 88,272 cars in the same month last year despite the government's decision to reduce excise duty on cars. The government had announced a stimulus package in December reducing excise duty on small cars (hatchbacks) to 8% from 12% and banks reduced interest rates to boost consumer demand..

■ German auto major **Volkswagen AG** is embarking on an auto component sourcing drive from India, which will see the company ordering materials worth **one billion euro** for its global operations, within the next two years. The company is also aiming at about 70 per cent localisation of its cars produced in India within two years of starting operations at its manufacturing unit at Pune in Maharashtra..

■ Car majors have withdrawn discounts and raised prices by **2-3%** across a range of products this month citing rising input pressures. Rising costs of steel, aluminium, plastic rubber and petroleum products are putting pressure on manufactures to increase prices.

Roads & Railways

■ Delay in implementation of infrastructure projects has cost the Indian Railways dearly with original cost of rail projects almost doubling in the delay period. Indian Railways' total project cost over-run shot up **93% to Rs 72,728.67 crore** as in August 2008. The delay in execution and completion of several railway projects range from a few months to as many as six years.

■ The Railways Ministry has invited applications for the development of multi-modal logistic parks proposed to be set via public-private partnerships. The Railway Board on behalf of the ministry recently invited expressions of interest (EoI) for such projects. These parks will be built along the railways' much-vaunted flagship project, the 3,300-km Dedicated Freight Corridor (DFC).

■ The freight traffic of Indian Railways has continued to grow in the last few months, albeit at slow pace, indicating only marginal impact of the global recession on the Indian economy. Freight loading during November and December grew by **1.29%** and **3.08%** to **66.62 million tonnes** and **72.13 million tonnes**, respectively, over the corresponding months last year.

■ Indian Railways have posted **13.87%** growth in its revenue to **Rs 57,863.90 crore** during April-December this fiscal. The total revenue earnings from goods went up by **14.53%** to **Rs 39,085.22 crore** during this period. "The total passenger revenue earnings during first nine months of the financial year 2008-09 stood at **Rs 16,242.44 crore** compared to **Rs 14,526.36 crore** during the same period last year, registering an increase of **11.81%**," an Indian Railways statement said.

Port

■ **Kolkata Port Trust (KoPT)** is planning to rely on rail and inland water connectivity to for 95 per cent of cargo evacuation from the upcoming container terminal at Diamond Harbour, 40 kilometers off Kolkata.

■ The **Cochin Port** is investing about \$2 billion (Rs 10,000 crore) for setting up a new International Container Transshipment Terminal (ICTT), an LNG terminal, and for reconstructing old berths. The investments include \$500 million (Rs 2,500 crore) from Dubai Port World for the ICTT coming up on the Vallarpadam Island on a build, operate and transfer basis. It would be commissioned in November 2009 with a capacity to handle three million containers a year.

■ **Paradip Port Trust (PPT)** has commissioned its dry dock constructed at a cost of Rs 18.5 crore which includes the cost on dredging. With the commissioning of the dry dock, PPT can save additional costs and the time spent on sending the vessels to Kolkata and Visakhapatnam.

Aviation

■ After eight consecutive cuts, the **aviation turbine fuel (ATF)** prices increased by over **3 per cent**. The reduction in ATF prices had eased the burden on airlines' balance sheets. The increase across four metros - Delhi, Mumbai, Kolkata and Chennai - ranges from Rs 1,039.31 to Rs 1,089.12 per kilolitre.

■ 25 percent FDI is not enough for airlines. Even through Civil Aviation Minister Praful Patel is moving keenly to allow foreign carriers pick up a 25 per cent stake in Indian airlines, this will help mop up not more than Rs 1,000 crore — which is only a fifth of the capital requirement of the industry, led by Jet Airways and Kingfisher Airlines.



Watch on Eastern & North-Eastern Region

East

Government

- The West Bengal urban development department is expecting the modified draft of its urban infrastructural development model for public private partnership (PPP) mode to be cleared by February 2009.
- Banking on the **Rs 5,000 crore** worth investments in renewable energy sector projects by 2012, West Bengal government plans to raise the minimum offtake limit from renewables for its distribution company to **10 per cent** from **4.8 per cent** now. Currently, around **20,000 million units** of power is available with the West Bengal State Electricity Distribution Company Ltd (WBSEDCL) for distribution.
- West Bengal may face long hours of load shedding from March onwards if the state does not receive a tapering linkage from the union coal ministry soon, as coal production from its captive block allotted some times in 2002 can start production only by 2011 due to a delay in receiving environment clearance.
- The State Level Single Window Clearance Authority (SLSWCA) headed by Orissa chief secretary Ajit Kumar Tripathy approved 2 thermal power projects with combined investment of **Rs 16,140 crore**. This includes **1680 Mw** thermal power project proposed by **L & T** with an investment of **Rs 10,200 crore** near Dhamra in Bhadrakh district and **1000Mw** thermal power plant proposed by **Jindal Steel and Power Ltd (JSPL)** at Baina in the Dhenkanal district with an investment of **Rs 5940 crore**.
- West Bengal power department plans to introduce a penalty clause on power distribution companies failing to

source and wheel out at least 10% of the power distributed from renewable sources.

- The first airport city project in the country will come up near Durgapur in West Bengal by 2011 as the process of acquiring 2,363 acres of land has begun with the issuance of a notification to this effect recently. The aerropolis, or an airport city, proposed to come up in the Andal-Faridpur block of Bardhaman district will have an airport and related infrastructure spread over 650 acres, an IT and industrial park on about 550 acres, a housing project on 650 acres and a hospital, schools, community shopping areas and other structures on another 450 acres.

- The West Bengal government is now fearing that real estate major **DLF** might not go ahead with the **Rs 33,000 crore** township project at Dankuni, as the company has not shown "any interest" in executing it in the recent months.

- With prices of essential commodities easing a little, fresh crops of Bengal gram and red gram have started arriving at the market. While the best quality Bengal gram is fetching Rs 2,100 per quintal, other types are being sold at Rs 1,800 per quintal.

Corporate

- **Jamshedpur Utilities & Services Company (JUSCO)** started construction of its new 25 million gallon per day (MGD) water treatment plant at **Geonkhali** at Haldia in West Bengal.

- **Coastal Energy Ltd** has announced the production of biodiesel in the eastern part of the country at its plant in Falta.

- Despite the economic meltdown, **Sinosteel India**, largest exporter of iron ore from India to China, is expecting



to supply more than last year. China's steel service company and the largest importer of iron ore into China, Sinosteel, will be investing in a one million steel plant in West Bengal. The earlier plan was to have a forged roll centre facility in the state but now over and above that Sinosteel would be setting up a steel plant.

■ **Unitech Wireless**, the telecom arm of real estate major Unitech Ltd., said it has received 4.4 megahertz (MHz) of spectrum in the 1,800 MHz GSM band in the West Bengal telecom circle.

North-East

Government

■ The **Public Investment Board** (PIB) has given its approval to go ahead with the proposed **Monarchak power** project in **West Tripura district**. The Ministry of Power is preparing its note for placing the proposal to the Cabinet Committee on Economic Affairs (CCEA) for final approval.

■ The Assam government has sought the petroleum ministry's help in putting **Assam Hydrocarbon & Energy Co Ltd (AHECL)** "on the oil map of India". Requests for assistance include "special consideration" by the petroleum ministry for awarding the marginal oil fields to the firm.

■ The government has approved an ambitious proposal aimed at improving road connectivity in Arunachal Pradesh linking all its 16 district headquarters, besides improving

connectivity in Assam, Home Minister P Chidambaram said. Arunachal Pradesh is all set to become more accessible with the government granting **Rs.125 billion** for constructing a **1,412 km** trans-state highway and another 847 km of roads, a move that will also benefit several hydro-power projects in the state.

■ India's nuclear reactors are running at half their capacity, all because there is an acute shortage of nuclear fuel uranium. Uranium deposits were discovered in the hills of Meghalaya 25 years ago. Yet most of it lies untapped. The Department of Atomic Energy stopped its preliminary mining activities due to strident tribal protests.

Corporate

■ **Emami Ltd**, the Rs 700 crore personal and healthcare product manufacturer, has set up its second production facility in Assam for an investment of Rs 50 crore.

■ **Assam Petrochemicals** announced a substantial drop in standalone net profit for the quarter ended December 2008. During the quarter, the profit of the company declined 59.80% to Rs 16.04 million from Rs 39.90 million in the same quarter previous year. Due to decline in sales and the low operating margins, the company witnessed a substantial drop in earnings.

■ **Assam Company Ltd** expanded its exploration and production asset portfolio by adding 'AA-ONN-2005/1', the only block in Assam Arakan basin offered under NELP-VII.

References / Sources

Leading business newspapers and magazines, economic journals, newsletters and web portals.

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Activities at ICC in January 2009

- Session with Dr J J Irani on “Future Outlook for Indian Economy”; Date: 5th January, 2009



The Indian Chamber of Commerce organized an exclusive interactive session with **Dr. Jamshed J Irani**, Director, Tata Sons and a doyen of Indian Industry, on the 5th of January, 2009 at Kolkata on the “Future Outlook for Indian Economy”. The main focus of the event was to analyse whether India would be able to cope up with the global meltdown and sustain its growth path in the future.

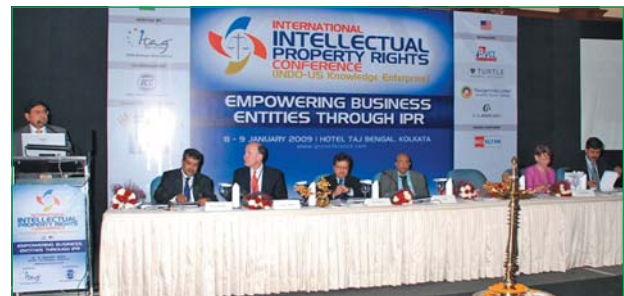
- Interactive Session with Ambassador of Denmark; Date: 7th January, 2009



ICC organized an exclusive Interactive Session with **H. E. Mr. Ole Lonsmann Poulsen**, Ambassador of Denmark to India on January 7, 2009 at Kolkata. The

Ambassador’s presentation and comments mainly focussed on the current Denmark-India bilateral trade scenario and the areas for future mutual co-operation.

- International Conference on IPR; Date: 8th-9th January, 2009



In order to deliberate and explain the key issues of IPR and share the practical experience of the best experts in this field with the participants, the Indian Chamber of Commerce jointly with ITAG Business Solutions Ltd. organised a Two-day International Conference on IPR, viz. “Empowering Business Entities through IPR” on 8th & 9th January, 2009. The programme was inaugurated by **Mr. V Ravi**, Controller General, Indian Patent Office. **Ms. Beth Payne**, Consul General, US Consulate General, Kolkata graced the occasion.

- Healthcare Summit; Date: 14th January, 2009

Healthcare Summit, the first Summit of ICC in 2009 witnessed large footfall both from the health and the corporate sector. **Dr. Surjya Kanta Mishra**, Hon’ble



health minister spoke at length about the scope of private sector investment in pharma and medical equipments in West Bengal. **Dr. Debesh Das**, Hon'ble IT minister of West Bengal opined that IT could play a much bigger role in the healthcare sector by providing support for video conferencing and telemedicine.

■ **Members Meet, 14th January, 2009**

Members Meet was convened by the President at Bengal Club on 14th January, 2009 in the evening to have the benefit of their guidance and valuable inputs on how to make the Chamber a true leader in the industrial map of the country and how to take this institution to greater heights. There were many valuable suggestions from members, which included the request for launching a Committee on Women Entrepreneurship. Members also suggested that the Chamber should analyze the composition of its membership in order to provide more focused service tuned to their specific needs.

■ **Interactive Session on “Managing Difficult Times” with Shri Abhishekji Goswami, a spiritual Guru from Vrindavan; Date: 15th January, 2009**



The Indian Chamber of Commerce together with Ladies Study Group and Young Leaders Group organized a Session with **His Holiness Sri Goswami Abhishek Ji Maharaj** on “Managing Difficult Times” on 15th January, 2009. Sri Abhishek Ji, in his short but captivating discourse, thought that the best way of one’s life would be a holistic way of life and the call of the day would be to bring a combination of management with spirituality.

■ **Executive Committee Meeting at Nicco Park; Date: 16th January, 2009**

Executive committee meeting of ICC was held at Nicco Park on 16th January 2009. All the committee members were present at the meeting. The members discussed the effect and aftermath of the global economic meltdown on the Indian economy. They welcomed the measures taken by the Indian government to fight recession but also felt that more positive steps were needed to provide impetus to the economy.

■ **YLF Programme on “Kolkata- Today & Tomorrow”, Date: 17th January, 2009**



The Young Leaders Forum of Indian Chamber of Commerce organized an enlightening panel discussion on 17th January, 2009 on the various aspects of the present scenario the future prospects of Kolkata, ‘The City of Joy’. Various distinguished individuals attended the panel discussion, aptly named **‘Kolkata-Today and Tomorrow’**. The seven-member panel consisted of **Ms. Beth A. Payne**, US Consul General of Kolkata, **Mr. Goutam Mohan Chakrabarti**, Commissioner of





Kolkata Police, **Mr. Suman Mukhopadhyay**, Film Director and Theatre Personality, **Mr. Sumit Mazumdar**, Managing Director, TIL Ltd., **Mr. Sumanta Chaudhuri**, CEO, WBIIDC, **Mr. T. Singh**, GM, The Taj Bengal and **Md. Salim**, Hon'ble Member of Parliament have graced the occasion.

■ **Energy East & North East 2009; Date: 20th-21st January, 2009**



Indian Chamber of Commerce organized a two day summit on Energy East and North East 2009 on 20th and 21st of January at Kolkata. **Shri Santosh Bagrodia**, Hon'ble Minister of State, Ministry of Coal, Government of India had inaugurated the summit. The conference witnessed participation from government like **Shri Mrinal Banerjee**, Hon'ble Minister-in-Charge, Department of Power and Non-Conventional Energy Sources, Government of West Bengal, and Hon'ble Minister-in-Charge, Department of Labour,



Government of West Bengal, **Mr Sunil Mitra**, Additional Chief Secretary Department of Power & Non Conventional Energy Sources, Government of West Bengal, **Mr Malay K De** Chairman -West Bengal State Electricity Distribution Company Limited and also from industry leaders like **Mr Sanjiv Goenka**, Vice Chairman CESC Ltd, among other dignitaries. The Summit was attended by over 200 delegates, and was very well covered by media houses. The response of this event was highly encouraging.

■ **Interactive session on Financing & New Schemes for MSMEs; Date:21st January, 2009**



Due to the present crisis in the Global Economy, the leading economies slid into Recession & the effect is evident in the Indian MSME sector also. With a view to extend the service to this vital sector of economy, Indian Chamber of Commerce organized a half-day Interactive Session on 21st January, 09 at Kolkata. The focus of the Interactive Session was on Financing of MSMEs & Sensitization and other components of National Manufacturing Competitiveness Programme (NMCP). **Shri Manabendra Mukherjee**, Hon'ble Minister-in-Charge, Department of Micro & Small Scale Enterprises and Textiles, Government of West Bengal and **Dr GD Gautama**, IAS, Principal Secretary Department of Micro & Small Scale Enterprises and Textiles, Government of West Bengal had graced the occasion.



■ Training Programme on Export Import Trade Finance; Date: 22nd January, 2009



Recognizing the need for sufficient knowledge and understanding on export import trade finance for the exporters and importers, the Indian Chamber of Commerce (ICC) organised a one day Workshop on “How to Finance Export & Import Trade” at on 22nd January, 2009. The Programme was inaugurated by **Mr. Sanjeev Nandwani**, Jt. Director General, DGFT. The Workshop conductor was **Dr. R K Wadhwa**, Associate Professor, IIFT, New Delhi

■ Interactive Session with BSE Chairman Shri Jagdish Capoor; Date: 22nd January, 2009



ICC organized an exclusive interactive session with **Mr. Jagdish Capoor**, Chairman, Bombay Stock Exchange Ltd., on the 22nd of January, 2009, at Kolkata. The Session provided the participants with the scope of interacting with the BSE Chairman on important issues like the possible future growth path of the Indian economy, particularly after the global financial meltdown; the role of the Stock & Capital Market in sustaining a steady growth, in a dynamic, globalised economic framework, etc.



Forthcoming events of ICC



Indian Chamber of Commerce

SHIPORT EAST 2009

Strategies to sustain during global slowdown

Oberoi Grand, Kolkata, 10 February, 2009

Conference Focus

- Shipbuilding
- Risk management in shipping
- Coastal Trade opportunities
- Ship acquisition and finance-asset pricing and debt structuring
- Infrastructural Challenges for Eastern Ports
- Insights into India's Container Port Industry: Now & Future
- Leveraging World Class Port Technologies to fulfill unique competitive advantages in port management
- Differential Tariff Rates: A concern for Port users

Confirmed Speakers

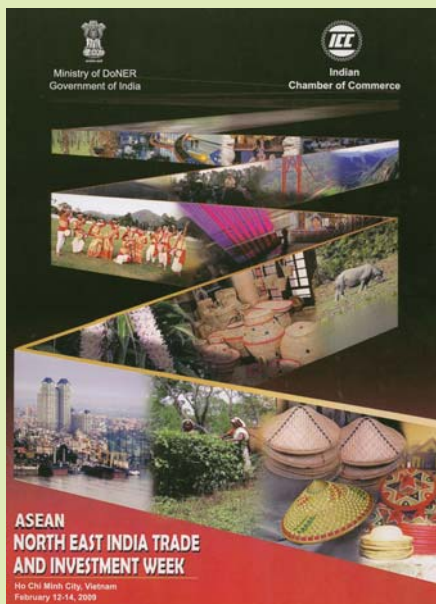
- **Shri APVN Sarma**, Secretary, Ministry of Shipping, Roads, Transport & Highway, GoI
- **Shri V Chhiber**, Additional Secretary & Financial Advisor, Ministry of Shipping, Roads, Transport & Highway, GoI
- **Shri Rakesh Shrivastava**, Joint Secretary (Ports), Ministry of Shipping, Roads, Transport & Highway, GoI
- **Capt. P V K Mohan**, Chairman, National Shipping Board
- **Mr S Hazara**, Chairman, Shipping Corporation of India
- **Dr Anup Kumar Chanda**, IAS, Chairman Kolkata Port Trust
- **Mr K Raghuramiah**, Chairman, Paradip Port Trust
- **Mr S K Mahapatra**, Chairman, Dhamra Port
- **Mr Dibyendu Bose**, Chairman- Shiport East 2009 & MD, TM Logistics Ltd.

For Details Contact:

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ASEAN-North-East India Trade & Investment Summit

Convention Center, White Palace, Ho-Chi Minh City, Vietnam: February 12-14, 2009



Indian Chamber of Commerce and the Ministry of Development of North Eastern Region, Government of India are organizing the ASEAN-North-East India Trade & Investment Summit in Ho Chi Minh City, Vietnam, during February 12-14, 2009.

The Summit will highlight the need for regional integration among the South East Asian Countries to unfold and unlock these business opportunities. This mega event, would include a three-day conference on Agriculture & Food Processing, Infrastructure, Tourism etc. followed by One-to-One Meetings, Cultural shows, Dinner, and an Exhibition to showcase the potential of North East India.

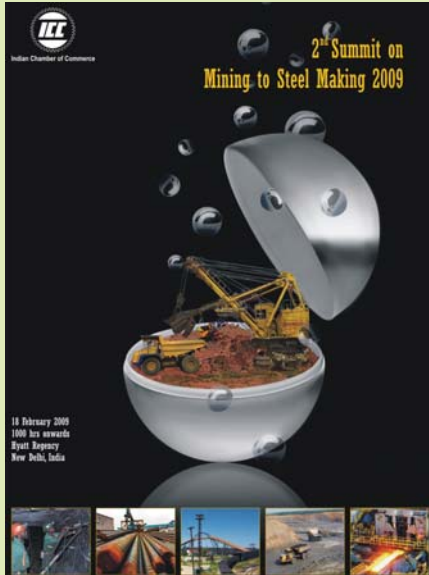
Several senior Ministers, senior Government Officials and Industry Delegations from India, Vietnam and other ASEAN countries to attend the Summit.

Registration begins at 2.45 PM at the Venue and the Inaugural Programme starts at 3.30 PM on February 12, 2009 and the Valedictory Programme will be held at 9.30 AM on February 14. (There is no participation fee). For further details please contact Indian Chamber of Commerce, Calcutta, or Indian Consulate General, Ho Chi Minh City, Vietnam.

Contact details : ceo@indianchamber.net, nebs@indianchamber.net



2nd Summit on Mining to Steel Making 2009



18 February 2009, 1000 hours onwards
Hyatt Regency, New Delhi

Summit Focus

- Predictions on demand and supply for 2009 and beyond
- Future strategies
- Understand restraints and opportunities due to recent market collapse
- Role of Small and Medium scale steel making plants

Confirmed Dignitaries

- **Shri Ram Vilas Paswan**, Hon'ble Union Minister, Ministry of Fertilizers, Chemicals & Steel, Govt of India
- **Shri Jitin Prasada**, Hon'ble Minister of State for Steel, GoI
- **Mr P K Rastogi**, Secretary, Ministry of Steel, GoI

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Ph: 33 22534278/4254, Fax : 33 22313377/80, Email: econ2@indianchamber.net, sme@indianchamber.net

Environment Partnership Summit 2009

Strengthening global ties for greener business

19th- 21st February 2009, Hotel Hyatt Regency, Kolkata



Focus Area

- Industrial water & waste water treatment, water recycling
- Community water purification & supply
- Municipal waste water treatment
- Industrial and community rainwater harvesting
- Recent International climate change policies and deals and their implications on the national economy
- CHG Accounting, carbon sequestration & CDM
- Renewable energy & Energy efficiency

Confirmed Dignitaries

- **Shri. Buddhadeb Bhattacharjee**, Chief Minister, Govt. of West Bengal
- **Shri. Namo Narayan Meena**, Union Minister of State, Ministry of Environment & Forests, Govt. of India
- **Dr RK Pachauri**, Chairman, Inter-Governmental Panel on Climate Change

For further details, please contact :

Mr Nilanjan Choudhury, Assistant Director, Email: mktg@indianchamber.net, Ph:22534223, Fax: 2231 3377/80

1. Sodexo Meal Pass helps in employee motivation and retention.

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