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India's industrial production growth rate scales 11 year high

India's industrial production has scaled new highs with 11% rise in the Index of Industrial Production (IIP) during 2006-07 recording the highest growth in the last 11 years, compared with 8.2% growth in 2005-06. Industrial Production Index posted a growth of 13% in the month of March 2007, an improvement of 400 basis points (bps) from 8.9% in the same month last year and an improvement of 190 bps from 11% in February 2007. Among the industry groups that form the index, 10 out of 17 groups achieved double digit growth during the fiscal year.

Manufacturing segment, which represents more than 75% of the industrial output, grew by 14% in March 2007 against 10% a year ago and 12% in February 2007. The recent hikes in the interest rates, however, have impacted the consumer durables segment that grew by only 2.7% in March 2007 compared with the 9% average rate during 2006-07. The consumer non-durables segment, on the other hand, recorded 18.5% growth during March 2007, taking the composite growth rate of consumer goods sector during the month at 14%.

India to become fifth largest consumer market by 2025: McKinsey

India will be the world's fifth largest consumer market behind the U.S., Japan, China and the U.K. from its current 12th rank, surpassing countries such as Germany and Italy by 2025, according to a report by global management consultancy firm McKinsey & Co. The report titled The Bird of Gold: The Rise of India's Consumer Market forecasts that the aggregate consumption (private and government consumption) in India will grow fourfold in real terms to \$1,700 billion (Rs.70,000 billion) by 2025 from \$415 billion (Rs.17,000 billion) at present. It highlights that the figure of India's aggregate consumption will stand at \$8,200 billion, if purchasing power parity (PPP) was taken in to account.

Income growth will be the biggest driver of increasing consumption, far outweighing population growth or any change in savings behaviour, says the report. The average real household income will grow to about \$7,800 (Rs.318,896) in 2025 from about \$2,780 (Rs.113,744) in 2005, a compound annual growth rate (CAGR) of 5.3%. In terms of PPP, it stands to be equivalent to about \$40,000. With the rising income, India's middle class will grow by more than ten times to 583 million people from its current size of 50 million, and more than 291 million people will move up from desperate poverty to a more sustainable life. By 2025, more than 23 million Indians -- more than the population of Australia today -- will number among the country's wealthiest citizens.

The estimates of this report are based on the premise that Indian economy will expand at a CAGR of 7.3% during the 20-year period of 2005-25. McKinsey has termed this expectation reasonable instead of being too pessimistic or optimistic, as the forecasts for India's real GDP growth rate over the coming two decades generally range between 6% and 9% per year.

Reliance, Cairn announce important Oil & Gas discoveries

Reliance Industries Limited (RIL), the largest private sector company of India, has made two new discoveries, one in the deep waters of East coast and another in the shallow waters of West coast of India. These are in the well KG-D6-R1 in block KG DWN 98/3 (KG D6), and in the well GS01 B1 in block GS-OSN-2000/1 (GS01). The well KG-D6-R1 is RIL's fiftieth exploratory well located at a water depth of 2,010 meters, which is the deepest location to be drilled to date in this block. The well was drilled to a total depth of 4,860 meters. This Block was awarded to the consortium of Reliance Industries Ltd and Canadian Niko Resources Ltd (RIL-90% and NIKO - 10%) under the NELP-I round of bidding. The well GS01 B1 off the west coast in the state of Gujarat - Saurashtra basin of India - is the fifty-first exploratory well drilled by Reliance and was drilled at a water depth of 78 meters and to a total depth of 2,282 meters. This shallow water block was awarded to the consortium of RIL (90%) and Hardy Exploration (10%) of U.K. under the NELP-II round of bidding.

Cairn India Ltd, a subsidiary of British firm Cairn Energy Plc, has also announced two new oil and gas discoveries in its Rajasthan block. The company, however, said that there was further work required to evaluate these discoveries and commenting on the size of the new discoveries would be premature.

SEBI clears the mega-IPO of DLF

Securities and Exchange Board of India (SEBI) has cleared the initial public offering (IPO) of India's largest real estate company DLF Ltd. Although the company is yet to announce the exact timing and pricing of the IPO, it is expected to be the largest IPO of India raising about \$2.5 billion or more than Rs.10,000 crore by diluting about 10% equity. DLF had earlier filed a draft prospectus with SEBI in May 2006, but subsequently withdrew the same three months later following a controversy involving its minority shareholders. The revised IPO will offer 175 million shares to institutional, non-institutional and retail investors. The Reserve Bank of India (RBI), the central bank of the country has allowed foreign institutional investors (FIIs) to invest in the IPO, according to a DLF executive quoted in media reports.

Equity mobilisation reaches a record high in 2006-07

Indian companies have mobilised \$6.14 billion (Rs.24,993 crore) through public equity offerings during the fiscal year 2006-07, which is the highest-ever in the history of the Indian capital market, according to the annual report by Delhi-based primary market research firm PRIME Database. It was an year of initial public offerings (IPOs), as 76 IPOs out of the total 85 public issues collectively raised \$5.82 billion (Rs.23,706 crore) or 95% of the total amount. On the other hand, there were only 9 follow-on public offerings (FPOs) raising only 5% of the total mobilisation.

The total number of issues, however, declined to 85 in 2006-07 from 102 in 2005-06. The real estate/construction sector had the dominant share with 14 companies, followed by 13 in the textiles sector and 8 in the media/ entertainment sector. The largest IPOs during the year were from oil explorer company Cairn India Ltd (\$1.42 billion or Rs. 5,789 crore), oil refining company Reliance Petroleum (\$662 million or Rs.2,700 crore) and Idea Cellular (\$600 million Rs.2,444 crore).

Below \$20 mobile handset brings a million new subscribers

Reliance Communications Ltd, the largest code division multiple access (CDMA) operator of India and part of the Reliance-Anil Dhirubhai Ambani Group has attracted a million new mobile subscribers with its offer of below \$20 (Rs.777) handsets in just one week of the beginning of the offer. Following this offer of monochrome handsets, the company has begun a similar campaign with an offer of colour handsets at about \$30 (Rs.1234). Colour handsets account for more than 65% of the Indian market. Although these attractive prices are a part of limited period promotional campaign, they have set new benchmarks globally in terms of lower prices of handsets.

Airbus plans to invest \$1 billion in India

Airbus S.A.S, the European aircraft manufacturer has announced its plans to invest more than \$1 billion in Indian aviation in the next 10 years. The company will invest in setting up training and maintenance facilities and a design and engineering centre. It expects Indian companies to place orders for 1,100 passenger and freighter aircraft worth \$105 billion in the next 20 years. Recently, it won a \$1 billion-plus firm order from an Indian cargo company, which will deploy six freighter variants of A330-200 Airbus aircraft.

Sinosteel to build \$4 billion plant in India

Chinese mineral trading company Sinosteel Corporation plans to build a \$4 billion steel plant in India for tapping the rich iron-ore reserves of eastern state of Jharkhand. The investment that will be made in the next eight years is the largest in India by a Chinese company. In the first phase, it wants to build a 5 million tonne plant in the next three years with an investment of more than \$500 million. Sinosteel currently imports about 10 million tonnes of iron ore from India every year.

India's Matrix Labs a key factor in Merck's generic business acquisition

The U.S.-based generic drug-maker Mylan Laboratories Inc's \$6.63 billion (Rs.27,200 crore) acquisition of Merck KGaA's generics unit is set to bring India on the global map of pharmaceutical manufacturing. Mylan, which becomes the world's third largest generic drug-maker from the current ninth position following this acquisition, will be the first global company of this size to have a large manufacturing base in India through its subsidiary Matrix Laboratories Ltd. Mylan had acquired 71.5% stake in Hyderabad-based Matrix earlier this year. Mylan will be in a position to leverage its India advantage as six manufacturing facilities of Matrix are already approved by the U.S. Food and Drugs Administration (U.S. FDA).