Bombay Stock Exchange's Sensex Expected to Cross 21K This Year

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--- General Elections: Vote For UPA Government - Advantage Reforms and Development

--- Potential Investments Worth $700 billion To Go On Track

--- Power & Energy, Infrastructure, Telecommunication and Pharmaceuticals To Drive The Next Wave Of Investments

New Delhi & London; May 18, 2009 – India’s Dalal Street, home to the Bombay Stock Exchange was a busy address on Monday, May 18th creating history with euphoric investors leading the Sensex, the benchmark index to surge more than 17% or 2,099.21 points higher at 14,272.62, the highest ever increase in a day anywhere in the world, so much that the trading had to be halted for the day. The Sensex touched the upper limit twice, earlier opening at 10.73% or 1,305.97 points higher at 13,479.39.

“The overwhelming response on the first trading day following the verdict of the people in the General Elections for the 15th Lok Sabha or the House of the People, in favour of the Indian National Congress led United Progressive Alliance (UPA) is an affirmation of its economic policies of continued liberalization and the stock market’s vote for stability and continuity.” says Bundeep Singh Rangar, Chairman, IndusView Advisors Ltd, the India-focused cross-border advisory firm.

“India’s high gross domestic savings rate of 30.7% compared to the 1.8% in the U.S. and 1% in the U.K. is indicative of the lower propensity to invest among Indian households and hence signifies the scope of potential investments that can move in to the Indian Equity Markets if these households are assured stability and increased return on investments.” says Rangar

“Increasing Indian households exposure to the Stock markets along with the FIIs, who made net investments worth $74 million in equities so far this year and other investors could result in the BSE’s Sensex scaling the high of 21,000 level before the close of this year, the level last seen in January last year.” added Rangar

The first signs of the investors’ confidence in the expected outcome of the elections came on Friday, May 15, as Foreign Institutional Investors (FIIs) made a net investment of $205 million (Rs 983.86 crore) while domestic institutional investors made a net investment of $90 million (Rs 432.47 crore) in equities, taking the BSE's benchmark index to cross 12,000 level.

Both the Congress and BJP led governments have successfully accelerated India’s GDP growth rate to about 7% today from 1.4% in 1991-92. This momentum peaked at 9.7% in the fiscal year 2006-07, under the current Congress led government, before slowing down on account of the worldwide recession.

The outcome of the General Elections will usher a new wave of confidence globally in the Indian economy with expected ramp up in economic activity, brought about by the urgent need to develop world class infrastructure, globally competitive pharmaceutical sector, telecom and augmentation of power generation.

“The government will have its task cut out with more than $700 billion worth of investments to be channeled in to India’s infrastructure, power, telecom and pharma sectors over the next five years to provide the country a strong foundation to achieve the aspirational growth of 10%.

The General Elections this time witnessed a three-way contest between the Indian National Congress led United Progressive Alliance (UPA), Bharatiya Janata Party (BJP) led National Democratic Alliance (NDA) and Third Front, comprising of the Communist Parties and smaller regional parties, attempting to offer another alternative.

“The Government would be best served if it continued and augmented the ‘India Shining’ policies that currently sustain a Gross Domestic Product (GDP) growth of more than 7% as India continues to defy negative GDP growth seen in many Western economies.” says Rangar

Investment in Energy

India’s power deficit entails an estimated investment of up to $150 billion by 2012. To meet the growing demand, the government plans to add 90GW over the same period to its existing generation capacity of 145GW.

“India will become a lucrative market for nuclear energy equipment makers as soon as The United States-India Peaceful Atomic Energy Cooperation Act of 2006 between India and the U.S. starts to show the benefits of investments coming in to the country.” says Rangar

Nuclear energy makes up only 3% of total installed capacity in India and its domestic uranium reserves are also limited. India’s Atomic Energy Commission estimates that domestic resources could support only 10 GW of installed nuclear capacity, signifying the potential of a multifold ramp-up.

Favourable policy initiatives could see global energy companies such as Areva SA, Alstom SA and Électricité de France (EDF) of France; the U.S.-based General Electric Co., Russia's state-owned nuclear company Rosatom State Nuclear Energy Corporation and Toshiba Corp., a diversified Japanese conglomerate, among others vying to enter India’s nuclear energy market.

Infrastructure: Foundation of Growth

India's challenge is not only to augment its antiquated infrastructure, but also to build new infrastructure to keep up with its $1 trillion economy and the aspirations of its 1.2 billion population that grows by 16 million people each year.

Recognising that good infrastructure are a vital pre-requisite to build a strong nation, infrastructure development has been accorded key priority for the 11th Five-Year-Plan for the years 2007-2012 and the 12th plan period 2012-2017 with projected investment requirement of $500 billion and $1.5 trillion respectively by the Prime Minister's Committee on Infrastructure.

“The Interim Budget for the financial year 2009-10 announced in February by the Finance Minister of the ruling United Progressive Alliance (UPA), focused on infrastructure development, easing of Foreign Direct Investments (FDIs) norms and economic stimulus packages announced last year had set the ground for how the alliance was approaching the General Elections." said Rangar

The government's spotlight on Infrastructure Development heralds the importance it attaches to the sector as a means to counter the prevailing economic woes. The minister responded to an urgent demand for new infrastructure, announcing that 9% of the country's GDP will be spent on infrastructure by 2014, from the current 5%. Estimates suggest that a third of this investment will come from private companies, paving the way for unprecedented investment opportunity

Telecom: Dial India For Growth

"India's mobile telecommunication services sector has defied the economic recession. The incumbent mobile telecommunication service providers collectively add about 10 million new subscribers a month, which is more than the population of Finland, home country of largest mobile handset manufacturer Nokia Corp., taking the country's total tally of wireless subscribers to 362 million." explains Rangar

To ensure quality service to match the growing subscriber base and achieve the target of 45% tele-density, the telecom sector is estimated to need about $73 billion during the next five years.

The world's fastest-growing mobile telecom services market estimated to reach a subscriber base of about 650 million by 2012, exposes the growth potential for global mobile telecom service providers who are not yet present in India. Such service providers are missing out on opportunities to grab a share of the projected mobile services revenues of more than $37 billion by 2012 growing at a CAGR of 18%, while the profitability of their operations in saturated developed markets continue to be under pressure.

Of significance is the fact that the government has granted new licenses and spectrum to aspiring operators such as Datacom Solutions a subsidiary of one of India's leading consumer durables company Videocon Industries Ltd; Loop Telecom, a BPL Mobile Communications group company; S Tel Ltd, joint venture between Skycity Foundations and Telecom Investments (Mauritius) Ltd; among others which are likely targets – but within the regulatory purview as an overseas entity's stake in the domestic company cannot exceed 74%.

Indian Pharma: Prescription for Growth

The Indian Pharmaceutical sector is positioning itself to be among the top five centres of global innovation as the Department of Pharmaceuticals (DoP), Government of India outlines its roadmap for the sector up to the year 2020 (Vision 2020). It foresees investments of about $2 billion annually, under the public-private partnership model.

The initiative will open avenues of growth for global pharmaceuticals companies and fuel the next wave of mergers and acquisitions (M&As) in a market where consumer spending on healthcare increased to 7% in 2007 from 4% of the Gross Domestic Product (GDP) in 1995 and is expected to rise to 13% of GDP by 2015. India also offers the benefits of low cost research and development (R&D), a domain in which it is estimated to capture about 10%-20% share of the world's R&D business by 2020 from less than 1% currently.

Expansion by global pharmaceutical companies in to emerging markets like India becomes imperative as about $103 billion worth of patented drugs will go off patent in the next few years. This will further hit the already sagging fortunes of global pharma companies which are trying to augment their revenues by acquiring or aligning with companies in the generics business.

With such sectoral growth indicators, the need of the hour is to take existing initiatives to the next level of implementation and completion, with enough scope of ramping up and innovation.

About IndusView

IndusView advises multinational companies on business opportunities emanating from India’s fast growing economy. It de-risks the growth ambitions of multinational companies operating as a trusted partner that understands the complexities of the Indian market and the commercial drivers of western enterprises. IndusView provides strategic insight, competitive intelligence, research and execution capabilities to manage large vendor and corporate finance transactions.

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