

India Notes

India Inc hiring activity rises 22% in Sept

Hiring by India Inc surged by 22 per cent in September this year, driven by improved confidence in the economy, a report by job portal Naukri.Com said. According to the monthly Naukri Job Speak Index, hiring level rose to 943 in September this year, from 773 in the same period last year. The stability of the Naukri Job Speak index for the past four months clearly indicates a steady hiring scenario and improved business sentiment in the country. As per data available with Naukri.Com, the maximum hiring activity has been witnessed in IT sector, which has significantly ramped up recruitment activities with the job index steadily moving in a positive direction and touched its highest ever point at 1,047

IMF projects India's economic growth at 9.7% in 2010

The International Monetary Fund has projected the Indian economy will grow by 9.7 per cent in 2010 and 8.4 per cent in the next fiscal, driven by robust industrial production and macro-economic performance. India's neighbour China is expected to grow at an even faster rate of 10.5 per cent in 2010 and 9.6 per cent in 2011, driven by domestic demand, the IMF said in its latest World Economic Outlook report.

Rising demand lifts office rentals in top cities

Rentals for office space in top Indian cities are firming up due to increased demand, as per an industry study that suggests revival in one of the few real estate segments yet to come out of a slowdown.

There has been moderate quarterly rise in office rentals across Grade A projects in the central business districts of Delhi (4%), Mumbai (3%), Bangalore (3%) and Pune (4%) with Kolkata clocking the highest increase (10%), according to a report by commercial real estate services firm CB Richard Ellis India . The study for the three months ended September that covered top office space rentals across Delhi NCR , Mumbai, Bangalore, Chennai, Hyderabad, Pune and Kolkata found rentals in Chennai and Hyderabad remained static compared with the quarter ended June.

Investor Update September, 2010

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Economy & Markets

India Inc hiring activity rises 22% in Sept

Hiring by India Inc surged by 22 per cent in September this year, driven by improved confidence in the economy, a report by job portal Naukri.Com said. According to the monthly Naukri Job Speak Index, hiring level rose to 943 in September this year, from 773 in the same period last year. The stability of the Naukri Job Speak index for the past four months clearly indicates a steady hiring scenario and improved business sentiment in the country. However, when compared to the data in August 2010, the job index in September has seen a marginal drop of 1.2 per cent. As per data available with Naukri.Com, the maximum hiring activity has been witnessed in IT sector, which has significantly ramped up recruitment activities with the job index steadily moving in a positive direction and touched its highest ever point at 1,047.

The sector moved up by 45 per cent from 718 in September last year. Hiring activity in the IT sector is back to the pre-recession levels. Key IT players in the country are acquiring multiple projects from India as well as overseas, which has led to this boom. Software professionals can hence look forward to a favourable hiring environment over the next few months.

Apart from IT, telecom and pharma sectors also maintained steady hiring levels. However, the insurance sector has witnessed the highest-ever decline in September. Hiring activity in the sector fell by 58 per cent in the period under review when compared to the same time a year ago. As against August this year, the ITES and insurance sectors saw the steepest monthly decline with the index dipping by 14 per cent and 29 per cent, respectively in September over previous month. Almost, all the other key industry sectors, auto, construction, oil & gas and banking have registered a dip in their indices ranging from 2-5 per cent. Among cities, Mumbai, Bangalore, Kolkata and Chennai saw an upsurge in jobs in September.

IMF projects India's economic growth at 9.7% in 2010

The International Monetary Fund has projected the Indian economy will grow by 9.7 per cent in 2010 and 8.4 per cent in the next fiscal, driven by robust industrial production and macro-economic performance. India's neighbor China is expected to grow at an even faster rate of 10.5 per cent in 2010 and 9.6 per cent in 2011, driven by domestic demand, the IMF said in its latest World Economic Outlook report.

Advanced economies, on the other hand, are projected to grow by just 2.7 per cent in 2010 and 2.2 per cent in 2011, the IMF report said, adding that global trade is forecast to expand by 4.8 per cent in 2010 and 4.2 per cent in 2011, with a temporary slowdown during the second half of 2010 and the first half of 2011. India's macroeconomic performance has been vigorous, with industrial production at a two-year high. Leading indicators -- the production manufacturing index and measures of business and consumer confidence -- continue to point up according to the IMF. Growth is projected at 9.7 per cent in 2010 and 8.4 per cent in 2011, led increasingly by domestic demand. Robust corporate profits and favorable external financing will encourage investment.

Recent activity (10 per cent year-over-year growth in real GDP at market prices in the second quarter) was driven largely by investment and the contribution from net exports is projected to turn negative in 2011 as the strength in investment further boosts imports. According to the World Economic Outlook report, growth in emerging Asia economies stands at about 9.5 per cent, with robust demand from China, India, and Indonesia benefiting other Asian economies. In China, a major fiscal stimulus, a large expansion of credit and a number of specific measures to boost household income and consumption increased domestic demand growth to

almost 13 per cent in 2009, contributing to a large decline in the current account surplus. The recovery is now well established, and a transition from public stimulus to private-sector-led growth is underway, it said. Latin America has also recovered strongly, with real GDP growth at about 7 per cent. The recovery in Latin America is being led by Brazil, where real GDP growth has been close to 10 per cent since the third quarter of 2009 and the economy is now showing signs of overheating, the report said.

Asian Currencies Rise for a Third Week, Led by India's Rupee, on Inflows

Asian currencies strengthened for a third week, led by India's rupee, as global investors pumped more funds into the world's fastest-growing economies. The Bloomberg-JPMorgan Asia Dollar Index climbed to its highest in more than two years month and the MSCI Asia Pacific Index of shares advanced as stock markets in India, South Korea and Taiwan each attracted more than \$1 billion from abroad. China's yuan had its best week since May 2008 as the U.S. called for faster appreciation and government reports showed pickups in industrial output, retail sales and inflation.

The rupee appreciated 1.3 percent this week to 45.845 per dollar in Mumbai, according to data compiled by Bloomberg. The yuan was 0.7 percent stronger at 6.7235, the Korean won climbed 0.4 percent to 1,160.70 and Taiwan's dollar advanced 0.5 percent to NT\$31.739. Thailand's baht rose 0.4 percent to 30.72, a seventh straight weekly gain.

Net FII inflows for the current year crossed the magic figure of € 14 billion (\$20 billion) even as the country's central bank sounded caution about these unabated flows. SEBI data showed that this year's flows are already at record levels, beating the € 12.8 billion (\$17.7 billion) net inflows recorded in 2007, just before the US subprime-led financial troubles spread across the globe.

The data showed that while the bulk of the inflows — € 11 billion (\$15.3 billion) — came through the secondary market route, € 3.6 billion (\$5 billion) was infused into the country through IPOs, QIPs, rights offers and other equity issuances by Indian companies to foreigners. In the debt segment too net FII inflows crossed the € 7.3 billion (\$10 billion) mark SEBI data showed.

Domestic Demand Going Strong

India to drive past China to record world's fastest auto sales growth

India's top gear drive in automobile sales will help it pip China as the fastest-growing market in the world. According to a study by global consultancy firm Ernst & Young, the Indian market will clock the fastest compound annual growth rate between 2009 and 2020, more than double that of China and the triad of North America, Europe and Japan. India's CAGR between 2009 and 2020 is likely to be 14% compared with China's 6%, other emerging markets' 6% (which includes Bric nations) and the triad's 4%.

The study, done for component apex body ACMA (Automobile Component Manufacturers' Association), also predicts India's car and SUV sales to double from 2.2 million units in 2009 to just over 5 million units in 2015 and just short of 10 million by 2020.

India Equity Markets Shine

Indian markets are in euphoric times. In September 2010, Nifty crossed the landmark 6,000 and Sensex breached 20,000, levels last seen 32 months ago in January 2008. The Indian markets are valued at 16x FY12E earnings, at a premium to other emerging markets. YTD CY10, FII inflow stands at over € 14 billion (\$20 billion), the highest ever so far. The euphoria is also spreading to the primary markets. CY10 is likely to end up as the year of highest domestic fund-raising in the primary markets. Technical indicators such as traded volumes and open interest are significantly higher compared to last market peak of January 2008.

Growth is back and the major drivers are in place. While official pronouncements of FY11 GDP growth are being revised upwards,

- A good monsoon has raised expectations of a bumper crop in FY11 and the broader agricultural growth is likely to turn up to 3.8%.
- Industry is riding on a capex boom to clock 10.3% growth (FY11E).
- The service sector is also likely to emerge from a slowdown to register a growth of 9.7%.

India's August exports up 22.5% at \$16.64bn

Exports grew by 22.5 per cent in August to € 12 billion (\$16.64 billion) year-on-year on improved global demand for Indian merchandise, raising hopes that the € 145 billion (\$200 billion) target for the fiscal will be easily achieved. Imports, however jumped by a higher rate of 32.2 per cent to € 21.5 billion (\$29.7 billion) in August, resulting in a trade deficit of € 9.5 billion (\$13.06 billion), which is a cause for worry.

During April-August this fiscal, exports grew by 28.6 per cent to € 61.8 billion (\$85.27 billion) vis-a-vis the same period last year. Shipments had grown by 13.2 per cent in July. Expressing satisfaction about the healthy growth in exports in the past few months, the Federation of Indian Export Organisations (FIEO), the apex body of exporters, said the country could even surpass the € 145 billion (\$200 billion) target set by the Commerce Ministry for 2010-11.

Base Rates go up: Home, auto loans get costlier

Banks have begun to raise rates, including prime lending and base rates. In the first week of October, private sector majors HDFC Bank and ICICI Bank hiked their base rates, indicating a rise in cost of borrowing for customers. ICICI Bank also raised deposit rates for various tenures. The hike in base rates means that new customers taking housing and car loan from ICICI Bank and car loan only from HDFC Bank will have to pay higher rate of interest

On October 1, banking major SBI had raised deposit rates but held on to its base rates "for the time being", indicating it could also raise its base rate any time soon. HDFC Bank said it has increased its base rate by 25 basis points to 7.5% per annum from 7.25% earlier, while ICICI Bank too raised its base rate by 25 basis points to 7.75%. These hikes came as a reaction to the RBI's decision on September 16 to hike repo rate (the rate at which banks borrow money from the central bank) and also reverse repo rate (the rate which RBI pays to banks when they park their excess liquidity with the central bank), mainly to rein in the runaway inflation.

Real Estate

Indian Real estate under construction projects market value crosses USD 100 bn

A Real Estate Intelligence Service (REIS) report prepared by Jones Lang LaSalle Meghraj says the total market value of under-construction projects in India has crossed the € 72.5 billion (\$100 billion) mark. The market value and costs of development have been estimated at prevalent property prices and costs of construction, considering the variance in asset classes and geographical locations, it added.

The residential component contributes 66% (€ 48.2billion) (\$66.5 billion) of this € 73.40billion (\$ 101.3 billion), while the rest is contributed to by commercial office and retail space combined. The premium segment comprises only 4% of the saleable area being developed, but to 24% of the market value. While NCR-Delhi leads in terms of volume of residential properties being developed, Mumbai contributes a larger share to the market value.

On the other hand, the market value of commercial office and retail under construction has remained range-bound during 2006-2010 due to the effect of an increase in construction activity offset by a fall in capital values. However, the contribution of residential has amplified due to a confluence of increase in construction activity and rapid recovery of property prices.

The market value of commercial (office and retail) real estate under construction is € 25.2 billion (\$34.8 billion) and commercial office space under development contributes to 74% of the estimated market value being developed in the commercial sector. As of 2Q10, Tier-I cities of Mumbai, NCR-Delhi and Bangalore contribute to 70% of the market value of under-construction commercial office space, while Tier II cities of Chennai, Pune, Hyderabad and Kolkata contribute to 21% of the pie. Other investment grade developments in Tier III cities contribute to a mere 9% of the pan-India market value being developed in India today.

Residential property: Luxury housing back in vogue

The first half of 2009 saw developers cut prices by 25-30% and started to concentrate on middle-income residential property. This implied lower prices, lower unit sizes, and no frills. The central bank reversed four years of tightening through a cut in policy rates (Repo) and the cash reserve ratio (CRR). Sales of middle-income residential property surprised positively as consumers took advantage of improved affordability, especially in the NCR.

Prices in general moved up by 10-15% from the bottom reached in early 2009. In areas such as Mumbai, the lack of supply has led to price increases, in some cases by 10-20% beyond the 2007 peak. The Delhi and Gurgaon markets also appreciated 25-30% in prices since the bottom last year because of strong demand. We expect the prices in NCR to remain stable from here on, while Mumbai prices could soften a bit as volumes have started dipping since the sharp price increases in the last 12 months. But in South India and other Tier 2 & 3 locations, price increases continue to be moderate with volumes achieving good traction.

High-end residential, which had not had a major pick-up in 2009 (except Mumbai and parts of NCR), is also starting to turn around with the revival in the economy.

Retail property: Some rays of hope

Massive store rollout plans by domestic and foreign retailers led to a flurry of supply in 2005-07, but also resulted in skyrocketing rents till supply actually hit the market. The market, therefore, saw rents fall dramatically, driven by a high base effect, oversupply, and the downturn in the economy. The pace at which rents dropped has decreased, but they remain under pressure due to weak volume. As retailers move back into expansion mode, volumes are picking up in some areas such as Mumbai and select micro markets. Rents are likely to stabilize by the second half of 2010. In some markets (like Mumbai), they may start inching up due to a pick-up in demand and limited supply in 2011.

Commercial property: Revival underway

Rising demand lifts office rentals in top cities

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A large number of companies are reviving their expansion plans, while demand is also increasing for SEZ office space. This is indicative enough of a revival of demand and substantial improvement in the market activity across the country. There has been considerable increase in the transaction volume in almost most metros, including Pune and Kolkata. Hyderabad is expected to witness higher rentals because of increased demand for commercial office space by year end, added the report. Rental increase will remain in check in the medium term due to the ongoing supply.

In the top cities, occupiers and companies look to shift to secondary markets and alternate locations for several reasons such as location advantage, metro connectivity, quality construction and infrastructure, more efficient buildings and competitive rentals. It is imperative for developers to take a cautious approach towards rental expectations during this rising yet fragile market.