



Exports up by 13.2 per cent in April 2008 - January 2009 India's Foreign Trade Data: January 2009

India's cumulative value of exports for the period April, 2008 - January, 2009 was US \$ 144266 million (Rs.645572 crore) as against US \$ 127454 million (Rs.512945 crore) registering a growth of 13.2 per cent in Dollar terms and 25.9 per cent in Rupee terms over the same period last year. Exports during January, 2008-09 were valued at US \$ 12381 million which was 15.9 per cent lower than the level of US \$ 14717 million during January, 2008. In rupee terms, exports touched Rs.60460 crore (US \$ 12092 million), which was 4.3 per cent higher than the value of exports during January, 2007-08.

India is one of the world's attractive destinations: WEF

India has moved up three places on the list of the world's attractive destinations, according to a report released by the World Economic Forum (WEF) on March 4, 2009. WEF said that India was ranked 11th in the (Asia-Pacific) region and 62nd overall, up three places since last year. As with China, India was well assessed for its natural resources (ranked 14th) and cultural resources (24th), with many World Heritage sites, both natural and cultural, rich fauna, and strong creative industries in the country. The report said that India had a good air transport network and a reasonable ground transport infrastructure. The rankings are based on the Travel and Tourism Competitiveness Index (TTCI), which measures the different regulatory and business-related issues that have been identified as levers for improving travel and tourism competitiveness in countries.

January FDI figures bring renewed hope for India

India has managed to garner Foreign Direct Investment (FDI) worth US\$ 2.7 billion in January 2009, up 58.8 per cent from January 2008, thereby remaining a favourite destination for overseas investments. The FDI inflows for the April-January 2009 period aggregated to US\$ 23.8 billion, against US\$ 14.5 billion in the year-ago period. Till September 2008, the monthly inflows were in excess of US\$ 2 billion. The inflows by way of overseas investments declined in the next three months due to global crises. The January figures indicated that India continued to be eyed as a favourite by cross-border investors.

India could be an engine for global economic revival: RBI Governor

The Indian economy is likely to recover much earlier from the impact of the global downturn than other countries, according to Reserve Bank of India (RBI), the country's central bank's Governor, Mr D Subbarao, who however did not forecast the timeline for the same. Mr Subbarao, who participated in the Group-20 meet being held at London, told a prominent global broadcaster that India could be an engine for global economic revival.

India to become member of Basel, FSF

In a meeting held on March 10-11, 2009 the Basel Committee on Banking Supervision (BCBS) has decided to expand its membership and invite India as a new member. The other countries that are invited to become members were Australia, Brazil, China, Korea, Mexico and Russia. The Basel Committee's govern-

ance body would also be enlarged to include the central bank governors and heads of supervision from these new member organisations. Meanwhile, the Financial Stability Forum (FSF), established by the G7 finance ministers and central bank governors in 1999, has also decided at its plenary meeting in London, on March 11-12, to broaden its membership and to invite India as a new member. Other countries invited to become as new members are the G-20 countries that were not currently in the FSF and these, apart from India, are Argentina, Brazil, China, Indonesia, Korea, Mexico, Russia, Saudi Arabia, South Africa, Turkey, Spain and the European Commission.

SEBI measures to provide world class standards to stock exchange

In order to make Indian stock exchanges one stop financial shopping malls for various categories of investors with world class standards, the Securities and Exchange Board of India (SEBI) appointed Derivatives Market Review Committee, has recommended a slew of measures. The important measures includes physical settlement of derivative contract first in options and then in futures segment, revision in eligibility criteria for introduction of F&O on stocks and indexes, upward revision of position limits, revisiting Securities Transaction Tax (STT) and basing it on premium instead of strike price and simplification of margin requirements. In addition to this, the Committee has also recommended to widen the range of new products introduced recently like introduction of mini contract in single stock F&O, options contract with longer life/tenure up to even five years to be made available on more equity indexes and single stocks, introduction of F&O contracts on the volatility index and bond indexes, exchange traded credit derivatives, over the counter products and exchange traded third party products that will be

able to meet the needs of various classes of products. Further the committee has also recommended the introduction of 'options on futures' on currency futures traded on the exchanges and further extending it to index futures, stock futures and interest rate futures. The committee in its report noted that each class of these products needs to be carefully designed and risk management specified by the exchanges with due approval by SEBI. On the physical settlement in the derivative segment, the committee has recommended physical settlement at the choice of buyer (long party), to be started with single stock options contract and to be extended to cover single stock futures. With regards to the revision in the eligibility criteria for stocks to qualify for the F&O segment, the SEBI appointed committee has recommended the selection of stocks from the top 500 in terms of daily average market capitalisation and average daily traded value in the previous six months on a rolling basis. Further the stocks median quarter sigma order size over the last six months shall not be less than Rs 0.5 million and the market wide position limit in the stock shall not be less than Rs 100 crore (US \$ 20 million). The modification of the eligibility criteria assumes significance since the existing criteria has allowed a large amount of illiquid stocks getting admitted to F&O trade. Further the absence of physical settlement of derivative contracts has resulted in a heightened speculative activity on the bourses often taking a particular stock to unusual levels on either side.

New cargo handling norms to ease ops

In a bid to streamline cargo operations in the country, the Central Board of Excise and Customs has come out with Handling of Cargo in Customs Area Regulations, 2009 which would provide a comprehensive mechanism for handling of goods in a customs area and set out the terms and conditions for all facilities

where customs cargo is handled. The regulations, which also spell out the infrastructure facilities in customs area and have called for appointment of customs cargo service providers, have been framed based on the recommendations of the Public Accounts Committee in 2005-06. All customs facilities including ports, airports, Inland Container Depots, Container Freight Stations, and Land Customs Stations would be termed as a 'customs area' and now come under the new rules. The cargo service providers would be expected to keep a record of the imported goods and also keep an eye on exports coming into the country. To ensure that there is no duty evasion, they can not permit any export cargo to enter the customs area without a shipping bill or export bill. They would also be responsible for the safety of the cargo and will be liable to pay duty on goods pilferaged after entry in customs area. They will also be responsible for disposing off any imported or export goods lying unclaimed, uncleared or abandoned in customs areas. Further a person applying for the position would have to enter a bond agreement with the department. The bond would be equal to the average duty to be paid in importing the goods and 10% of the value of export goods that are expected to be stored in the customs area during a period of 30 days.

Govt clears 55 FDI proposals worth Rs 1,658.91 cr

The Government approved 55 Foreign Direct Investment (FDI) proposals that would bring in Rs 1658.91 crore (US \$ 331.78 million) into the country including AAPC Singapore's Rs 365 crore (US \$ 73 million) hotel project. AAPC plans to set up a wholly-owned subsidiary in India for its hospitality venture. NEO Sports Broadcasting's plan to invest Rs 258.53 crore (US \$ 51.70 million) was among the proposals approved on the recommendation of Foreign Investment Promotion Board (FIPB). A proposal from NSK

Holdings to pump in Rs 214.49 crore (US \$ 42.89 million) to make downstream investment has been cleared, while Samvardhana Motherson Finance's plan to invest Rs 208.53 crore (US \$ 41.70) to increase equity participation also got approval. John Deere Construction would bring in Rs 84 crore (US \$ 16.80 million) to set up a joint venture to carry out the manufacturing, marketing and distribution activities. The Government has also allowed ABG Bulk Handling's plan to convert its operating company into an operating-cum-holding company. It proposes to make downstream investments of Rs 90 crore (US \$ 14 million). Other proposals cleared by the government include Rs 50 crore (US \$ 10 million) investment proposal of Cinema Capital Ventures Fund, US-based Telcordia Technologies' plan to induct foreign equity up to 74% in the mobile number portability solutions business and Telcordia plan to invest Rs 45 crore (US \$ 9 million) in its Indian operation. Poltrona Frau's proposal to set up a single brand retail joint venture (JV) with Tata group company Eward also got the government's nod, the statement said. The foreign company would invest Rs 21 crore (US \$ 4.2 million) in the proposed JV.

Emerging economies attract venture capitalist investments worth US\$ 13 billion in 2008

According to Dow Jones VentureSource, venture capitalists (VCs) invested over US\$ 13 billion in emerging economies, including India and China, in 2008, despite the global economic slowdown. According to VentureSource, India was the only region to see its deal size hold firm year-on-year, remaining unchanged at US\$ 8 million in 2008. Further, investments into India-based companies rose 3 per cent to US\$ 864 million in 2008 with 80 deals completed, up from US\$ 842 million in 85 deals last year. Most of the investments in 2008 were made in business and financial companies which accounted for US\$ 368 million through 26

deals. While investments in energy and utilities went up by about 75 per cent to touch US\$ 70 million, investments in the IT industry dropped in 2008. In China, venture capitalists invested a record US\$ 4.2 billion in 245 deals in 2008, up from US\$ 2.8 billion in 290 deals in 2007.

India second favourite investment destination among Japanese firms

A survey by the Japan Bank of International Cooperation (JBIC) has revealed that India remains the second favourite investment destination for Japanese companies. About 58 per cent of the 620 companies surveyed said they found India a promising investment destination, compared with 50 per cent in last year's survey. The report observed that though China retained the top position, its percentage share decreased to 63 per cent from 68 per cent. According to the data available with JBIC, a financial institution based on that country's external economic policy, Japanese FDI into India tripled to \$5.4 billion in 2008 from \$1.78 billion in the previous year. The key reason for the increasing momentum of Japanese investments in India is the growth potential of the local market. Moreover, cheap labour and qualified human resources also contributed to large investment flows to India. A JBIC release said that 108 companies had concrete plans to enter the Indian market in 2008, as against 89 in the previous year. Japanese automobile and general machinery companies were the most interested in India as an investment destination.

German companies defy downturn, look to invest in India

Defying the downturn, German firms are continuing to focus on India. Despite the global economic slump, German managers regard India as an attractive long-term growth market and continue to invest strategically there. Two high-level

business delegations visited India in March.

India surpasses China on engineering goods

The African and ASEAN countries are shifting their focus from China to India for meeting major supply requirements of engineering goods and equipment. Speaking on the sidelines of the concluding day of the Reverse Buyer Seller Meet (RBSM) organised by EEPIC India, Mr. R P Sehgal, Chairman of EEPIC India, Eastern Region (ER) said that though these countries predominantly buy engineering goods from China, but last year they faced some difficulties, so now they want India to be developed as a major second supplier. He added that earlier, if these countries were buying 80 per cent goods from China and 10 per cent from India, now they wanted to keep China at 60 per cent and the rest could shift to India. India's engineering exports to the ASEAN region rose from \$12.6 billion in 2006-07 to \$15.7 billion in 2007-08, whereas to Africa it has grown from \$3 billion in 2006-07 to \$3.9 billion in 2007-08. The RBSM, a five day event, had been organised in six major cities starting with Delhi, Chennai, Bangalore and Ahmedabad including Kolkata, with the aim of promoting overall trade and investment of the country.

Apparel exports grow 11% over Dec

After a long spell of gloom, things have started looking up for exporters of ready-made garments. Chasing away months of consistent decline, Indian apparel exports grew 5 per cent in January 2009 over the same month last year. On a month-to-month basis, it is an increase of 11 per cent at \$972 million, compared with \$871 million in December 2008, according to the Apparel Export Promotion Council (AEPIC). For India, the US, which imports \$70 billion worth of textile products every year, is the largest market, accounting for nearly a fourth of ready-

made garments exported.

Novartis plans open offer for 39% stake

The US \$ 41.5 billion Swiss drug-maker, Novartis AG, said that it bought an additional 39% stake in its Indian subsidiary, Novartis India Ltd. This was done through an open offer to public shareholders at a 27% premium over the day price of 30th March 2009, which was Rs 275.60 per share on the Bombay Stock Exchange. Basel-headquartered Novartis AG would spend Rs 440 crore (about \$87 million)—at the current offer price of Rs 351 a share—to raise its stake in the Indian subsidiary from 50.9% to about 90%, the company said in a note to the BSE. Institutional investors hold close to 20% in the company while the remaining 25.55% is with the public. The plan, therefore, potentially opens the way for the delisting of Novartis India from the stock exchange as SEBI norms allow companies to do so once the public float goes below 10%. The company statement said the offer for these shares is expected to open in May 2009 and is subject to regulatory approvals. Novartis India, a leading provider of preventive vaccines, diagnostic tools and consumer health products, has the most-sought after pain killer drug, Voveran, as its flagship brand. Calcium Sandoz is another popular brand of Novartis, sold through its generic arm, Sandoz. For FY08, Novartis India had an income of Rs 612.39 crore (US \$ 122.47 million) and a net profit of Rs 97.23 crore (US \$ 19.44 million).

India less affected by financial crisis: UBS

In a recent report, UBS had upgraded India from moderate underweight to overweight as it felt that valuations had improved substantially and that the Indian economy is less affected by the global financial crisis than most other markets. The foreign financial major, however, does expect further weakness

in the coming quarters. Among Asia's leading economies, China remains UBS' largest overweight, followed by India, Hong Kong, and Singapore. It advises caution on Korea, Malaysia and the Philippines. UBS said that earnings growth has been declining sharply and it expects further weakness in the coming quarters. However, it added that they maintain that Indian earnings in 2009 would be less at risk than those of the other Asian markets. UBS is also more positive on the Indian economy than on those of most other Asian countries because India, with an export-to-GDP ratio of 13%, remains an overwhelmingly domestic-oriented economy.

India bright spot in MNC gloom story

Indian subsidiaries, relatively minor cogs in the wheels of large multinational companies until 2007, have emerged as crucial profit generators, as earnings in developed western markets tumble amid the worst economic downturn in a generation. Barring a few exceptions, the locally-listed units of companies such as ABB, Glaxo, Siemens, Cummins, Oracle, Suzuki, Whirlpool, Nestle and Areva have increased their contribution to the global consolidated earnings, as growth remains robust in various sectors of Indian industry. The Indian unit of engineering group ABB contributed 18% of global profits in the last quarter. ABB India posted a net profit of Rs 193 crore (\$50 million) in the October-December quarter of 2008, up 7% from the year-ago period. The parent company, by comparison, posted a nearly 88% drop in net income globally for the fourth quarter at \$213 million. Diesel engine maker Cummins reported a 78% jump in net profit to Rs 133 crore (US \$ 26.60 million) in the fourth quarter of 2008 at its Indian operations. This comes at a time when its parent's net earnings more than halved to \$43 million. As a result, Cummins India's contribution to global earnings has jumped to almost 63% from about 10% in the Q4 of 2007. Ditto with

business software major Oracle, which acquired Indian banking software company i-flex (now Oracle Financial Services Software) four years ago. It posted a 74% increase in profits (Rs 193 crore – US \$ 38.60 million) from India for the October-December quarter. For the same period, Oracle's global earnings fell 0.7% to \$1.29 billion. India's biggest car-maker, Maruti Suzuki, has helped its Japanese parent despite lower profits. Suzuki's losses during the last quarter would have been higher by 32% (around 4 billion yen) had it not been for the contribution from Maruti. Similarly, consumer durables company Whirlpool India reported lower earnings for the October-December quarter, but still contributed a higher percentage of profit, which rose to 3.2% from 1.1%. Despite a drop in revenues during the fourth quarter, Siemens India's contribution to its parent's earnings has risen to around 4% from 0.5%, while in the case of GlaxoSmithKline, which has two separate listed companies in India, the combined profits from its consumer goods and pharma units more than doubled to Rs 240 crore (US \$ 48 million). The UK parent reported a 10% drop in earnings to £1 billion during the quarter. Some like Colgate reported better earnings growth in India compared to the global firm, but a 25% depreciation in the rupee's value against the dollar over the past one year brought down its contribution to the consolidated earnings. The past two years have seen a sea change in the profile of a majority of Indian arms of multinationals, from being revenue drivers for their parents; they have now metamorphosed

into significant profit generators. Nestle India reported a 29% jump in net profit for 2008, while its Swiss parent posted a 17% drop in profit, excluding a one-time gain from a stake sale in a company. Profits apart, for many global firms, India is generating better revenues too. For the world's largest mobile operator, Vodafone, its Indian subsidiary Vodafone Essar posted a 37.3% jump in revenues to \$674 million for the quarter ended December 31, the highest in percentage terms among the 30-plus countries it operates in. Two of every three new mobile customer that Vodafone added during the quarter globally were in India. For GlaxoSmithKline's consumer health-care business, India is among the top five markets globally in terms of sales. The company believes its focus on local brands is giving it the edge. "Only 5% of our sales in India come from global brands, the rest is from brands managed locally. This speaks of the potential the local arm has," said executive vice-president for marketing Shubhajit Sen.

DISCLAIMER

The information given in the Newsletter is prepared on the basis of various inputs available to the Embassy and is for general reference. It should not be construed as an endorsement of the views contained therein

EMBASSY OF INDIA, SWITZERLAND

KIRCHENFELDSTRASSE 28, CH-3005 BERNE

TEL : 031-351 11 10 Fax : 031-351 15 57

E-mail : india@indembassybern.ch

Website : www.indembassybern.ch