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FDI in SSI units may be freed from export strings

In a move that comes as a big boost to foreign companies looking to invest in sectors reserved for small-scale units, the government plans to scrap the mandatory export obligation imposed on such investments. As of now, FDI in sectors reserved for SSIs is permitted only if the company concerned agrees to export 50% of the production. As many as 114 items are reserved for SSIs and the list includes espresso coffee maker, electric kettle, chemicals, dyes, PVC footwear, pens and steel items. Foreign investors have been demanding that export obligation on investment in these areas should be scrapped. Scrapping the mandatory export obligation would lead to simplification of the procedure. Clearance from the Foreign Investment Promotion Board would then not be necessary for such investments.

India ahead of China in 2007 PE inflows

India has seen US \$3.7 billion in PE investments during January-June, 2007. This puts it just behind Japan, which drew PE funds worth US \$4.91 billion, but ahead of China's (including Hong Kong) US \$2.6 billion in the same period. For the first half (H1) of 2007, Australia has dropped from last year's first position to sixth this year, with Japan being number one, followed by India and People's Republic of China. In Asia (including Japan), India has been fourth in investment volume for 2004-2006. The average deal size in India is on the rise. The average deal size for the first half of 2007 is US \$43 million compared to US \$31 million for the first half in 2006. The largest deal in the country thus far in 2007 is US \$650 million, which is the Carlyle Group's commitment to Housing Development Finance Corp,

FII investments cross US \$10 bn this year

Net investments by foreign institutional investors (FIIs) crossed the US \$10 billion-mark in the current calendar year. The net investment touched US \$10.16 billion from January to July 2007, much higher than US \$7.99 billion in the entire 2006 calendar year. July has also seen the highest single month net FII inflow at US \$5.81 billion. Apart from participating in mega public offers, ADRs, and FCCB conversions, FIIs have started investing in the secondary markets.

Foreign investors, hedge funds may get FII tag

The government and securities market regulator SEBI have agreed to allow foreign individuals, corporates and other investors such as hedge funds to register directly as foreign institutional investors — a move designed to increase transparency and reduce transaction costs for these investors. By facilitating the entry into local markets without the need to lean on well-entrenched large foreign broking firms registered with SEBI, policy makers hope to see a waning of participatory notes (P Notes). P Notes are derivative instruments issued by FIIs to overseas investors who may not be eligible to invest directly. They offer underlying Indian stocks, with the holder of the instrument entitled to benefits such as dividends and capital appreciation.

Japan keen on Delhi-Mumbai corridor

India and Japan have stepped up negotiations on an economic pact and the multi-billion dollar Mumbai-Delhi industrial corridor. Japanese Trade Minister Mr. Akira Amari led a business delegation of top 15 corporate leaders including Suzuki Motor chairperson

Osamu Suzuki. India has fine-tuned the ambitious plan for the industrial corridor project now expected to cost US \$90-100 billion. The project entails the development of infrastructure along the 1,483-km dedicated freight corridor between New Delhi and Mumbai that includes the building of airports, setting up of several agro-processing parks and special economic zones, creating 4,000 MW of power generation facility and two ports in Gujarat and Maharashtra. The first phase of the project is expected to be completed by 2012. The second and the last phase of the project are expected to be completed by 2016. Japan is keen to invest in India's infrastructure and make it a hub for production and exports to Europe and West Asia.

Going Global -- India Inc. in the United States of America

Backed by a buoyant Indian economy, Indian companies are on a global expansion mode and the US provides a suitable platform for entry into North-American markets. Mergers and acquisitions in the US are also expected to rise, even as Indian companies continue to increase their foothold in the global market. The increasing engagement of Indian companies in the world markets, and particularly in the US, is not only an indication of the maturity reached by Indian Industry but also the extent of their participation in the globalisation process. The 'Going Global: India Inc. in the United States of America' study was released by Commerce and Industry Minister, Mr. Kamal Nath, on 27 June 2007, at the United States-India Business Council (USIBC) Annual Summit, in Washington DC, attended by an impressive 400-strong business audience.

Telcom plan US \$ 14.63 billion expansion

Indian telecom companies are investing over US \$ 14.63 billion in 2007-08 to finance a massive expansion of their mobile networks, infrastructure and subscriber numbers. The money being invested in just 12 months is equivalent to 60 per cent of the cumulative investments in their wireless mobile business since the sector was opened up

for private investment in 1995. As many as 80,000 new towers are in the process of being built across the country, almost doubling the number of towers in existence (1,00,000). In 2007-8, the target is to add around 80 million new mobile subscribers — more than half the current total mobile base — taking the total figure to 230 million.

India to become handset super-power

Apart from being the world's fastest growing telecom market, India is also emerging as a handset super-power as more manufacturers set up base in the country. India is expected to register a handset production of over 51 million units this year to record the highest growth in the Asia-Pacific region, technology research firm Gartner has predicted. India produced nearly 31 million mobile phones in 2006 worth about US \$5 billion. This represented the largest contribution to overall electronics production revenue and to the total available market for semiconductors. For 2007, it has forecast that handset production will increase by 68% in units and 65% in value terms. It is expected that production volumes will reach nearly 95 million units and to register a compound annual growth rate (CAGR) of 25% between 2006 and 2011. Starting from a small base, next five years will see high growth. Over six million users are being added every month and there is a captive local market for mobile manufacturers.

Agri biotech among fastest growing in India: USDA

Riding on the success of Bt cotton, agriculture biotechnology has emerged as one of the fastest growing biotech industries in India in recent years, according to latest report of the US Department of Agriculture (USDA). It is the third largest contributor among various biotech sectors with total revenues of more than 229 million dollars in 2006-07 fiscal, registering a growth of 55 percent. Export revenue from agriculture biotechnology has grown to

11.6 million dollars in 2006-07 from around 8 million dollars in the previous year. Bt cotton coverage has surged over the past five years to cover 70 percent of total cotton area in 2007.

IT, ITeS revenues touch US \$ 39.6 billion mark

Buoyed by growth in exports and strong domestic demand, the Indian IT-ITeS industry has recorded US \$39.6 billion in revenues in 2006-07, up 30.7 per cent against a projected growth of 27 per cent, according to Nasscom. The industry body also projected revenue of US \$49-50 billion in 2007-08 at a growth rate of 24-27 per cent. The tremendous double digit growth on a large base indicated that the fundamentals were very strong. The IT industry is growing well ahead of the global industry, which is growing at about 10 per cent a year. The domestic firms are launching new service lines and new products to increase the size of the addressable market. The industry's competitiveness has been demonstrated with Indian IT firms' enhanced role in global trade. The platform has been set for continued growth and India will continue to be the largest IT services provider. In 2006-07, software and services exports grew by 33 per cent to register revenue of US \$31.4 billion, whereas the domestic segment grew by 23 per cent to US \$8.2 billion. Within exports, IT services touched US \$18 billion, a growth of 35.5 per cent, while ITeS/BPO exports grew by 33.5 per cent to clock revenue of US \$8.4 billion. Engineering services and products exports registered revenue of US \$4.9 billion, up 23 per cent over the previous year. From a market opportunity perspective, the indicators continue to be positive with a potential addressable market of over US \$300 billion, driven by growth of existing business and new service line opportunities. The software and services industry continues to exceed forecasts year after year and there is confidence that the revenue would be US \$50 billion in FY08. . Of the US \$50 billion revenue projected for FY08, Nasscom estimated that the IT software and services exports would contribute US \$28-29 billion, followed by ITeS/BPO between US \$10.5-11 billion. The domestic market is expected to reach US

\$10 billion, at a growth rate of 20-22 per cent. It is expected that apart from the traditional financial services and telecom, the domestic market will see increasing traction from the transportation, retail and hospitality sectors.

Gems & jewellery exports up 13 pc

The country's gems and jewellery exports have registered a 12.89 per cent and 21.58 per cent growth in the rupee and USD terms respectively in the first quarter ending June 30, despite a sharp rupee appreciation against the dollar in the last six months. According to figures released by the Gems and Jewellery Export Promotion Council (GJEPC), the provisional net exports of gems and jewellery stood at US \$ 4.5 billion in April-June this year as compared to US \$ 3.97 billion in the same period last year. India is the largest importer of rough diamonds.

Centre expects to create 3-5 million jobs through SEZs by 2009

The Centre expects investments to the tune of US \$ 73.17 billion to flow into special economic zones with a potential to generate 3-4 million jobs, both directly and indirectly, by 2009 once all SEZs get notified. There are 133 notified SEZs in the country now which have attracted investments to the tune of US \$10 billion. Over 35,000 people have been employed directly in these SEZs, besides generating double the number of jobs indirectly to support SEZ operations. The investment is expected to go up to US \$ 24.39 billion creating one hundred thousand jobs by the end of the year in the 133 notified SEZs.

Single-brand retail may get 100 per cent FDI

Foreign direct investment of a maximum 100% in single-brand retail could get a look-in as part of a dual-option strategy being fine-tuned by the government. A new strategy paper prepared by the government has proposed the hike in FDI for single-brand retail. The other option is to permit 49% FDI in multi-brand retail in an effort to widen the scope of foreign investment in the sector. In retail, 100% FDI is allowed only for back-end

operations like wholesale trade. Organised retail in India is slated to grow by over 400% within the next three years and yet be less than 10% of the total global retail segment, which is estimated to be around US \$ 500 billion

JP Morgan looks at doubling investment in India

US major JP Morgan is looking at doubling its proprietary investments in the country over the next 6-12 months. The bank currently has investments of around US \$500-750 million spread across a host of sectors. The bank is fast expanding its investment banking, corporate finance and capital market business in India. The group has made proprietary investments in mostly unlisted companies across different sectors including cement, pulp, infrastructure, general manufacturing, healthcare and BPOs and is looking at doubling these investments in India in the next 6-12 months.. Other than helping corporate raise money in the equity capital markets and debt markets in recent times, a number of MNC banks like Citi, Merrill Lynch and others have been investing their proprietary capital in India. These banks have been picking up stake both in listed and unlisted companies across the sectors. Proprietary investments would mean investment of own capital, rather than that of investors, like in case of private equity. The current proprietary book of JP Morgan is believed to be at around US \$500-750 million. It has made investments in a number of companies including Binani Cement, L&T-

IDPL and Apollo Hospitals. This route gives foreign majors flexibility in structuring a deal.

Steel magnate L N Mittal offers biggest FDI

Arcelor Mittal intends to set up fresh steel capacity of 24 million tonnes a year through separate plants in Orissa and Jharkhand. Raw material and infrastructure support from the government were a must for setting up this capacity - which is double the capacity the company originally planned to create in India at an investment estimated at US \$18 billion. Though Mittal is a latecomer to India, the investment will make him the single-largest FDI investor in India.

S&P gives better rating to its India focus

Two Years after its successful open offer for Crisil, Standard & Poor's (S&P) has drawn up a plan to make India a strong regional base. S&P will also be applying for a licence to set up a credit information bureau in India through its local arm Crisil. India is now one of the fastest-growing markets and a regional hub, accounting for a third of S&P's total manpower. This includes close to 2,500 employees under the Crisil group and the rest employed by CapitalIQ — an S&P company that provides workflow solutions to financial institutions across the world

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