



## **Official Indian participation at WEF**

The World Economic Forum (WEF) at Davos took place from 28 January – 1 February 2009. The Indian delegation consisted of Mr. Kamal Nath, Hon'ble Minister for Commerce & Industry; Mr. Kapil Sibal, Hon'ble Minister for Science & Technology and Earth Sciences; Mr. Montek Singh Ahluwalia, Hon'ble Deputy Chairman, Planning Commission and Mr. Praful Patel, Hon'ble Minister of State (IC) for Civil Aviation. Besides numerous members of the Indian industry and CII, Hon'ble MPs, Mr. Rahul Bajaj and Ms. Shobhana Bhartia also participated in the annual meet. The Davos Crystal Award was presented to Mr. Amitabh Bachchan and Ms Mallika Sarabhai.

## **Indo-EFTA negotiations on an Agreement on Trade and Investment**

The second Round of negotiation on the Indo-EFTA Trade and Investment Agreement was held in Geneva from 16-19 December 2008. The Indian delegation was headed by Mr. Rahul Khullar, Special Secretary, Department of Commerce.

## **Select FIIs may get direct India entry**

The Securities and Exchange Board of India (SEBI) is working on a policy to allow certain categories of foreign investors to invest in Indian securities markets through the automatic route, without having to register themselves with the regulator, as is the current norm. The proposed automatic approval would be subject to KYC (know-your customer) requirements being complied by brokers and custodians, through whom foreign investors carry out their transactions. FIIs such as pension funds, endowment funds, university funds, insurance com-

panies, banks and mutual funds are likely to be among the foreign institutional investors that may be allowed to invest directly in the Indian market, officials familiar with the development. Financial sector regulators are also looking at the issue of distinction between foreign direct investment (FDI) and foreign institutional investment. Their view is that portfolio investment should not be considered for FDI limit since portfolio investors just have trading interests. Another important move being considered by policy makers would be to allow any overseas entities, including NRIs (non-resident Indians) and OCBs to invest in the local stock markets, provided they identified themselves under the KYC norms.

## **India targets US \$ 58 billion software export this fiscal**

The ninth edition of the largest IT global networking event in India, INDIASOFT 2009, to be held in Kolkata, is targeting the new emerging markets of South Africa, Spain, France and Germany for software exports and services. Last fiscal, the country exported software worth US \$ 45 billion and the target this fiscal is around US \$ 58 billion. Out of this, US \$ 3.6 billion has been earmarked for electronics hardware and US \$ 55 billion for software and services. INDIASOFT 2009 will have around 120 buyers from these focus regions and also from Latin America. The event will be held in Kolkata on February 26 and 27, 2009. Around 80 domestic exhibitors will participate in the event. When asked about the last fiscal figures of the IT industry, Mr. D.K Sareen, Executive Director of Electronics & Computer Software Export Promotion Council (ESC) said that the industry did a business of US \$ 25 billion from April to September, involving US \$

2 billion in the electronics hardware and US \$ 23.65 billion in software services segment. Mr. Sareen pointed out that the industry had already achieved 45% of the total target of US \$ 58 billion in the first six months. The first six months recorded a growth rate of 30%.

### **In meltdown, 2 big BPO deals cheer India**

Two major outsourcing deals in the hospitality and the pharma sectors have been signed which should bring hope and cheer for the Indian BPO sector. The world's premier hotel company, Chicago-based Global Hyatt Corporation, has outsourced part of its financial and accounting transaction services to India's Genpact. The Hyatt agreement is a trend-setting move in the hospitality industry and follows in the footsteps of other global banking and insurance giants who outsourced a large part of their processes to India's BPO sector to save costs. In the other major deal, the US \$ 30-billion global pharma giant Astra-Zeneca has outsourced its end-to-end maintenance services for a variety of corporate services (such as human relations, finance) to Bangalore-based Infosys. The Hyatt Corporation chain - which manages over 365 hotels and resorts worldwide under a variety of brands, such as Hyatt, Hyatt Regency, Grand Hyatt, Hyatt Summerfield Suites and Andaz-has awarded a five-year contract to Genpact, covering its North American hotels.

### **Immense possibility for joint investments in IT, Telecom, Banking and Power Mr. Kamal Nath addresses India Russia CEOs Council Meeting**

Mr. Kamal Nath, Union Minister of Commerce & Industry, has stated that there was immense possibility for joint investments in the areas like banking, information technology, tele-communications, high-technology sectors, power, pharmaceuticals and textiles. Addressing the In-

dia-Russia CEOs Council Meeting, Mr. Kamal Nath said that India and Russia have managed to sustain strong business vibes in recent years and added that the India-Russia Forum on Trade & Investment has underscored the need for investment cooperation in a large number of sectors. He said that Indian companies were quickly establishing themselves in Russia and the cumulative Indian investments in the Russian economy amounted to US \$ 744.1 million as of March 31, 2008. Bilateral trade between India and Russia during 2008-09 (April-July) was to the tune of US \$ 1613.56 million. Major items of export are drugs, pharmaceuticals & fine chemicals, RMG cotton including accessories, tea, coffee, tobacco un-manufactured, processed minerals, plastic & linoleum products, machinery & instruments, transport equipments, electronic goods etc. Major items of import are iron & steel, non-ferrous metals, coal, coke, newsprint, silver, synthetic & reclaimed rubber etc. Cumulative FDI inflows from Russia till August 2008 were US \$ 144 million. The top sectors that attracted FDI inflows were medical & surgical appliances, hotel & tourism, food processing industries etc.

### **Sino-India trade increases 69%**

According to trade sources, Sino-India bilateral trade continues to grow by leaps and bounds, with the trade value in the first half of calendar year 2008 hitting the \$29 billion mark, recording a 69% jump over the corresponding period last year. India and China are on course to raise bilateral trade to US \$ 60 billion by 2010, which was the target set by the Prime Ministers of both the countries in 2005. Bilateral trade in calendar year 2007 stood at US \$ 38.65 billion, registering an increase of 56% over the previous year. China's trade with India is growing at a faster rate than China's trade with any other major trading partner. With Western countries in the throes of a recession the two Asian gi-

ants—India and China, both of whom have a huge domestic economy—are coming closer than ever before and are likely to become the most important trading partners for each other before 2015. More than US \$ 5 billion worth of contracts are signed by Chinese companies for implementation of infrastructure projects in India during the first three quarters of 2007. This was also the highest value for contracts signed by China with any other country in this time period. For India, China is a bigger trade partner than Japan, the US, or the entire world. For China, India is already one of its top trading partners only after Japan and USA. Of course, China's trade with India is growing much faster than with any of the other country making India an increasingly important trading partner for China.

### **Govt issues guidelines for publishing Indian edition of foreign news magazines**

The Government issued guidelines for publication of local editions of foreign magazines by Indian publishers in the news and current affairs arena. A decision to ease restrictions on inclusion of local content and advertisement was cleared by the Cabinet in September, 2008. These guidelines are for the publication of Indian editions of foreign news magazines by Indian entities with or without any foreign investment, an official statement said. Publishers of such editions will be eligible for 26 per cent foreign investment. Also, such magazines would be allowed to add local content and advertisements. This move is aimed at giving a boost to the magazine industry and the reader's access to foreign news magazines at much lower prices. Several Indian publishers have been looking at launching the local editions of foreign magazines for a long time. Currently, the India Today group distributes the international edition of 'Fortune' magazine, while the Anand Bazar Patrika (ABP), the publisher of the

'The Telegraph' newspaper, would be launching the Indian edition of Fortune magazine. Another international news magazine, 'Forbes', has already announced the Indian edition in a venture with the Network 18 group. Several other foreign news magazines like 'Newsweek' and 'Business Week' have shown interest in the past to start a local edition. They will now be encouraged to launch these publications soon, an industry source said. The broad parameters for granting such permission stated that the publisher or owner of the foreign magazine (of which the Indian edition is proposed to be published) should have sound credentials. Only those publishers who are registered as an Indian company with the Registrar of Companies under the provisions of the Indian Companies Act, 1956, will be eligible for the permission. Publishers from the Netherlands and the United Arab Emirates (UAE) have got the approval from the Foreign Investment Promotion Board (FIPB) for launching Indian editions of foreign publications like lifestyle and technical magazines through their local partners. Both lifestyle and technical publications are allowed up to 100 per cent foreign investments, according to the norms laid out by the Ministry of Information and Broadcasting (I&B).

### **Huge investment potential exists in infrastructure, manufacturing and services: Mr. Kamal Nath addresses India-Spain investment and business cooperation forum**

Addressing the India-Spain Investment and Business Cooperation Forum, Mr. Kamal Nath, Union Minister of Commerce and Industry observed that Spain could probably take advantage of the opportunities of huge investment potential in India in the next few years in modernisation of highways; railways; power sector; telecommunication and urban infrastructure as Spain is a big investor globally. Speaking on the occasion, Mr. Nath highlighted that major sectors that have

attracted FDI investment in India include: ceramics, telecommunications, metallurgical industries, cement & gypsum products, construction activities, computer software & hardware, automobile industry etc. He further added that a few Indian companies have also established their presence in Spain

### **Foreign investors too can subscribe to tax-free IIFCL bonds**

As per the economic stimulus package announced, the tax-free bonds to be issued by India Infrastructure Finance Company Ltd (IIFCL) for refinancing infrastructure projects, would be open to both domestic and foreign investors. These bonds would be issued in tranches till March 31, 2009 to raise Rs 10,000 crore (US \$ 2 billion). The interest rate on these bonds is expected to be equivalent to at least the rate on a 10-year government bond paper, which comes close to 8 per cent.

### **India, Russia ink nuclear deal; nine other agreements**

India and Russia strengthened their ties further by inking 10 agreements, including a pact on civil nuclear cooperation and decided to intensify their cooperation in combating terrorism. The agreements signed in the presence of Prime Minister of India, Dr. Manmohan Singh and Russian President Mr. Dmitry Medvedev was in diverse areas ranging from space and defence to finance, human space programme and tourism. The Russian President was accompanied by a host of officials and businessmen from various state-run and private agencies and companies. Under the agreement, Russia will build four additional atomic reactors in the Kudankulam nuclear plant in Tamil Nadu. Russia agreed in January 2007 to help India in the construction of four energy blocks at the atomic plant in Kudankulam and nuclear power plants at new sites in India. Separately, OAO Tvel, the Russian nuclear-fuel monopoly,

agreed to deliver fuel worth US \$ 700 million to other Indian power stations. Russia's space agency signed a new document with ISRO on cooperation in space exploration, which included plans to send two Indian astronauts to space on board a Russian Soyuz spacecraft in 2013. Russia and India have seen a growth in bilateral trade this year, which increased in the first nine months of 2008 by 41.6% to US \$ 3.8 billion dollars year-on-year. The two countries plan to increase trade to US \$ 10 billion by 2010 from this year's expected level of US \$ 7 billion and diversify economic cooperation in the future. Russia's Statistics Service earlier said that accumulated Indian investment in Russia totalled US \$ 821 million, including US \$ 718 million of foreign direct investment. Russia invested US \$ 18 million in India in the first half of 2008.

### **Govt looking to allow up to 49% FDI in FM radio**

Foreign Direct Investment (FDI) limits in FM radio could soon be increased to 49 per cent for non-news channels and up to 26 per cent for news channels. Mr. Anand Sharma, Minister of State, Information and Broadcasting stated that special incentive were being considered for the expansion of FM radio coverage in the North Eastern States, Jammu and Kashmir and island territories. Pay TV homes are projected to increase from 74 million in 2007 to 115 million in 2012 and the Government reiterated its commitment to digitisation of television. The Government was also looking at reforms in the cable laws and the digitalisation of cable services.

### **Govt approves 32 FDI proposals, includes Fed-Mogul**

The Finance Ministry stated that the government had approved 32 foreign investment proposals with the total value of US \$ 172 million, including a proposal by Federal-Mogul, an auto-parts supplier

company controlled by billionaire Carl Icahn. Federal-Mogul will invest US \$ 15.12 million to set up manufacturing facilities for sealing products. Foreign direct investment (FDI) in India from March-September 2008 increased by 137 per cent to US \$ 17.21 billion, due to the inflows into construction, real estate, services, computer hardware and software firms. The Government also said that it would attract US \$ 35 billion of FDI in the current year to March 2009.

### **MVNOs to get advance licence**

The Government is going to make it easy for Mobile Virtual Network Operators (MVNOs) to enter the country. The Department of Telecommunications (DoT), which is in the process of finalising a policy to this end, has decided to grant licences to prospective MVNOs before they tie-up with any telecom service provider. In doing so, DoT has improved upon the Telecom Regulatory Authority of India's (TRAI) recommendation that MVNOs be granted licence only after they tie up with a licensed service provider. Under MVNO, an operator does not have a telecom licence or infrastructure but buys airtime in bulk from a licensed mobile network operator and uses its own brand to sell it to subscribers. The billing is done under the MVNO's brand. Analysts said if MVNOs are granted licences prior to any formal tie-up with a service provider, it would tilt the scale in favour of MVNOs while negotiating with the service providers. The step is a facilitating one and quite akin to what DoT did while formulating the 3G

policy, where it allowed foreign telecom players to bid for spectrum as 100% foreign entity and enter into a joint venture with Indian players only after being successful. The MVNO route is likely to see the entry of international players who either find the alternative routes too expensive or are unable to enter via the 3G route owing to the limited number of slots available for auction. Currently, world over there are more than 360 MVNOs.

### **US tower firm slots US \$ 500 mn for India buy**

US-based American Tower Corporation (ATC) has earmarked an investment of about US \$ 500 million to acquire a stake in an Indian telecom tower company. The company is looking at setting up 6,000 towers by 2010. They are setting up anywhere between 50 and 100 towers a month, aiming at a target of 4,000-6,000 towers by the next couple of years and on those towers we expect to have at least two tenants, so that would amount to about 12,000 contracts for us. The company is banking on the introduction of 3G services as well as the entry of new players to fuel its growth.

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