



### **India's GDP grows 9.2%**

India's economic growth rate accelerated to 9.2% in the quarter July-September 2006 from 8.4% in the same period of last year. Taken along with 8.9% growth in the first quarter of the current financial year, this comes to 9.1% growth for the first six months of 2006-07. Mr. P. Chidambaram, Indian Finance Minister said that there is no limit to the expectation on GDP growth. He endorsed the Reserve Bank of India's view that it was premature to think of the economy overheating. The slightly high inflation, which is driven by supply side constraints, is one of the worrying factors. The Finance Minister said that India should have an inflation rate below 5% and move towards 4%, which would be a tolerable limit.

### **2006 – The Year of Record Exports**

India's merchandise exports crossed the landmark figure of US \$ 100 billion and reached US \$ 103 billion during the year, recording a growth rate of 24%. At 24% growth in 2005-06 and 27% growth in 2004-05, exports are growing three times faster than the GDP growth. The share of exports in GDP is at present 13%

compared to only 6% in 1990-91. According to Mr. Kamal Nath, Indian Minister for Commerce and Industry, the high rate of growth during 2006 will ensure that the export target of US \$ 125 billion for the fiscal year (2006-07) will be reached.

### **FDI inflow soars 312 per cent to US\$ 1.7 billion in October**

The ongoing economic boom has turned India into a magnet for foreign direct investment (FDI). In October 2006, FDI flows rose by a whopping 312% to touch \$1.7 billion against \$0.412 billion in October 2005. The record-breaking performance is paving the way for a milestone growth in FDI inflows during 2006-07. As of April-October, FDI flows touched \$6.1 billion compared to \$2.6 billion during the first eight months of the previous fiscal, showing a growth of 134%. Interestingly, the strong growth in FDI inflows follows rationalisation of the FDI policy at the beginning of this year to scrap mandatory clearances for several sectors. The government also made a symbolic beginning in opening up the retail sector to FDI by allowing foreign investment in single-brand

retail. The sectors that saw major FDI inflows were services, electrical equipment, cement and gypsum, drugs and pharmaceuticals, hotel and tourism.

### **India Inc. clocks US\$ 24 billion deals in 11 months**

There was no stopping the advance of India, Inc.'s deal wagon this year - the overall value of deals marched ahead hand in hand with the total number. The total value of the 694 deals that India clocked in the first eleven months of 2006 has shot up to \$24.06 billion. This is against the 467 deals worth \$18.2 billion that Indian companies sealed during the whole of 2005, according to data collated by Grant Thornton. Given that, the last word on the Tatas' mega deal is yet to be written, India might end the year with a bumper \$33 billion-plus in M&A transactions.

### **Government Okays FDI in higher education**

A Group of Ministers (GoM) cleared legislation on 29<sup>th</sup> November 2006 that will allow foreign universities to set up campuses in India. Once approved by the Cabinet and passed as law, the Foreign Education Providers (Regulation) Bill will grant deemed university status to such institutions. According to the proposal, the universities will have to set up campuses on their own and will not be allowed to adopt the franchisee route. Prior approval of the University Grants Commission would be mandatory for such a project and the Embassy of the

country of its origin would have to certify the antecedents of any institution. .

### **Tourism projects likely to get tax exemption for 10 years**

Tourism Ministry has proposed to declare a conditional 10-year tax holiday for all tourism projects in the country. While companies would enjoy full tax exemption up to 50% of the profit, for enjoying tax benefits for balance amount they would be required to re-invest that part of the profit in tourism projects. It is proposed that this no-tax regime should operate for at least 10 years beginning from April 1, 2007. The tax concession period will, however, be computed from the date of commencement of commercial operations. The proposed move is aimed at encouraging existing tourism industry to re-invest in the sector.

### **India, EFTA move towards trade and investment agreement**

In December 2006 India and the European Union Free Trade Association, EFTA, (comprising the Member States of Switzerland, Norway, Liechtenstein and Iceland) established a Joint Study Group to explore the possibility of entering into a broad based trade and investment agreement. The agreement was signed at a meeting of the EFTA Council in Geneva in the presence of Mr. Kamal Nath, Indian Minister of Commerce and Industry and Mrs. Doris Leuthard, Swiss Federal Councillor for Economic Affairs.

### **Freight corridors draw global giants**

India's proposed \$ 4.9 billion dedicated freight corridor projects on the eastern and western routes have caught the eye of international transport majors. Companies such as Mitsubishi Corporation, Itochu, Bombardier Transportation, Siemens, GE, and Alstom are keen on being a part of the special purpose vehicle for the dedicated freight corridors. The modalities for private investment in areas such as laying of rail lines, manufacture of locomotives, supply of wagons and signaling communication equipment are being discussed and finalized.

### **Automobile Industry crosses 10-million-unit bar**

The automobile industry is operating at full speed, with production crossing the 10-million-vehicle mark in the first 11 months of 2006. Growing at an impressive 16.82% over last year, the industry produced 10,031,886 vehicles till November 2006, as against 8,587,131 in 2005. The passenger segment, which constituted about 13.6% of the total production, clocked 1,100,799 units, growing at 16.38%. The production of passenger cars grew by 18.59%, while that of multi-utility vehicles grew by 9.24%. The production of goods carriers, including both heavy and light commercial vehicles (CVs), grew by nearly 30%. The vast improvement on the road infrastructure front, especially the steps taken under the Golden Quadrilateral project, has led to an impressive growth in transport

requirements and in the CVs segment in particular. The buoyancy in the economy, increasing purchasing power, and new product launches, coupled with attractive finance schemes from automobile manufacturers and financial institutions, were the main drivers for the industry. Exports also contributed in a major way to this growth story.

### **VW has US\$ 530 million for Pune unit**

Europe's largest car manufacturer Volkswagen has finalised its plans for a manufacturing plant in Pune at an investment of \$ 530 million. The company signed an agreement with the Maharashtra government for the facility in New Delhi on November 29. It will be the forty-fifth manufacturing facility for the Volkswagen group, while India will be the nineteenth country to produce its vehicles. The car-maker plans to roll out the mid-sized Passat brand as its maiden offering in India, which will also be sourced to other Asian markets. The Passat shares the same platform as Skoda's Superb. The company, which has some of the best-known brands under its belt, including Bentley, Bugatti, Audi, Seat, and Lamborghini, is already represented in India by Skoda Auto. It is likely to introduce hatchback models in the future.

### **Daimler Chrysler to set up new factory**

Daimler Chrysler, the world's second-largest luxury carmaker joined Volkswagen, General Motors and

other automakers in setting up new car factories in India where demand for automobiles is rising with an expanding economy and higher incomes. The agreement to set up the new factory was signed with the Maharashtra government. The plant is part of the company's ten-year plan to gradually move out of the existing factory and consolidate its operations in the new factory. Automakers last year announced a combined \$5 billion of investments in new factories in India by 2012.

### **Air cargo sector set for rapid growth**

According to the European aircraft manufacturer Airbus Industries India will require 165 freighters by 2025. Earlier the Ministry for Civil Aviation had estimated that the country would need at least 500 dedicated cargo air planes in ten years, i.e. by 2016. The Government is also gearing up to facilitate freighter boom in the country. With more airlines planning to start dedicated freighter wings, the government is also preparing itself with a policy for equipping all domestic airports for handling international cargo by leasing space and land to private players through open tenders. At present, Airports Authority of India (AAI) is handling international cargo at the four metro airports of Delhi, Mumbai, Chennai and Kolkata and at the four non-metro airports of Nagpur, Guwahati, Lucknow and Coimbatore airports.

### **Airbus to invest US\$ 1 billion in India**

European aerospace major Airbus is planning to invest \$1 billion in India over the next ten years. The areas where the Toulouse-based aircraft maker is looking to invest in India include setting up of training centres, maintenance, repair and overhauling (MRO) facility, engineering centre and design centre. According to the latest Airbus global market forecast, India will become the fastest-growing country for air travel for the next decade. Strong demand in India is being unleashed by Air transport deregulation, the emergence of a number of new operators, low fares and large untapped demand for air travel.

### **Deutsche Bank pumps in US\$ 251 million**

Germany's Deutsche Bank has infused \$ 250 million into its Indian operations to tap growing opportunities in infrastructure financing and retail lending. The capital will facilitate an increase in single borrower limits and risk assets, which will allow it to offer greater local balance sheet financing for its corporate, institutional and retail clients. Deutsche has built a large and diversified business in India and one which it intends to invest in further. The debt, equity, derivatives, transaction banking and advisory businesses are already at the forefront of the market. The bank has rapidly growing retail, asset management and private wealth management divisions.

### **Healthcare outsourcing now \$300m biz, growing at 150%**

Outsourcing in the healthcare sector has come a long way — from low-end claims processing and medical transcription to medical analytics and clinical processing. The US healthcare industry outsource to India not only its medical billing and insurance processes, but also data analysis and software development. Though, at present, only a small percentage of such work is being outsourced to India, medical services outsourcing from the US has seen an increase of 150% in the last two years. The bulk of outsourcing is from the US while some work comes also from the UK and the Middle East.

### **Cisco to ship 20 per cent top executives to India**

In a move to make India one of its global strategic centres, US-based computer network equipment major Cisco Systems said that it would shift 20 per cent of its top executives to India. It also proposes to make India “Cisco Globalisation Centre East.” Addressing a press conference on December 6, 2006 with Telecom Minister Dayanidhi Maran, John Chambers, Cisco’s chairman and CEO, said that India is a very important market for Cisco’s global growth strategy. Cisco will also start a trial factory in Chennai for making Internet protocol-based phones, as part of its \$1.1-billion investment plan for the country. The manufacturing will be done by Cisco’s global partner Foxcon.

### **Nokia Plans in Bangalore**

With a view to augment its market in emerging India, Nokia, the world’s largest handset manufacturer, will start a design facility in Bangalore. India is expected to become the company’s second largest market by 2010. Nokia leads the handset market in the country by a huge margin (about 80% market share) and its design centre basically aims at anticipating trends and designs of mobile users across the country. The new initiative makes sense, as the company expects about 50% of its sales to come from the Asia-Pacific region, including India and China. The firm also has a manufacturing unit in Chennai with a capacity of 20 million handsets a year.

### **European cloth brands make a beeline for India**

What is common to Gucci, Calvin Klein, La Perla, Jimmy Choo, Fcuk, Gloria Vander Bilt, Mango, Nine West, Promod, Crocodile, Daks, Saville Row, Trussardi, Guess, Hugo Boss, Austin Reed, Ermenegildo Zegna, Benetton, Esprit, M&S, NEXT, Debenhams, Pal Zileri, Gas and s.Oliver? They are all foreign clothing brands who are bullish about the Indian retail market and have been making a beeline towards Indian shores. The reasons for the rush are apparent. In men’s apparel, existing players like Madura garments estimate the market size for premium to luxury apparel to be in the range of \$ 236 million. However, the category is expected to grow at a rate of 14 per

cent for premium wear and at 25 per cent for luxury wear till 2011. Retail analysts say that international brands have identified China, Russia and India as the growth drivers for their products thanks to the growing economic strength of these nations that consequently translates to higher disposable incomes.

### **Indian companies among 'Technology Pioneers'**

Indian companies Strand Life Sciences and Drishtee are among 47 'visionary' firms worldwide selected by the World Economic Forum as 'Technology Pioneers 2007' for their life-changing innovations. The Technology Pioneers are nominated by the world's leading venture capital and technology companies and are recognised for their innovations that have the potential for

long-term impact on business and society. Announcing the Pioneers, Managing Director of the World Economic Forum Peter Torreele said it is evident that technology and innovation are playing a key role in the shifting power equation at the global level. Driving this shift is the tremendous amount of innovation taking place outside of traditional hubs. Strand Life Sciences develops algorithms and solutions in the area of bio-informatics. It helps in accelerating the drug discovery process by developing a suite of products for genomics, proteomics and silico-biology. Drishtee is a rural network for delivering services and related information to the village community through an ICT (information and communication technologies) Centre or Information Kiosk.

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