



# INDIA NEWS

No. 12

December 2007

## **Minister of Overseas Indian Affairs visits Switzerland**

Mr. Vayalar Ravi, Hon'ble Minister for Overseas Indian Affairs visited Zurich, Switzerland from 24-27 December 2007. During his visit, he interacted with members of the Indian community in functions/receptions organized by Indian Association, Zurich, Swiss Malayalee and Pravasi Swiss in Winterthur. Hon'ble Minister also took the opportunity to launch a charity project and inaugurated the website of Swiss Malayalees, Winterthur.

## **Government proposes 100 per cent FDI in titanium mining**

The Government proposes to allow 100 per cent foreign direct investment (FDI) in mining and mineral separation of titanium bearing minerals and ores. The proposal is also applicable to the value-addition and integrated activities subject to regulations. The proposal has been finalised by the Department of Industrial Policy and Promotion and is likely to be presented to the Union Cabinet soon. The companies will be allowed 100 per cent FDI for mineral separation only if the value-addition facilities are set up within the country, along with the transfer of technology," an official said. Companies also have to follow the disposal of tailing during the mineral separation in accordance with the regulations framed by the Atomic Energy Regulatory Board. As per the existing FDI rules, up to 74 per cent is permitted in pure value-addition and integrated activities. This is permitted provided the level of value-addition is maximum as per the prevailing international levels of value addition to the products of mining.

## **Cabinet to consider 49 per cent FDI in PSU refineries**

The Petroleum Ministry has asked the Cabinet to raise the cap on foreign direct

investment (FDI) in government-owned refineries to 49 per cent from the current 26 per cent. A senior petroleum ministry official said allowing higher foreign capital flow into refineries would help make the country a refinery hub. India is already a net exporter of petroleum products. In private sector refineries, 100 per cent FDI is allowed. The policy change would also provide financial support to state-run refiners which also market petroleum products.

## **FDI in food processing seen trebling by 2009**

The Government is looking forward to a three-fold increase in foreign direct investment (FDI) in the food processing sector over the next couple of years. According to Food Processing Industries Minister Subodh Kant Sahay that FDI in the sector has almost been trebled in the past two years, going up to US \$ 110.25 million in 2007 from US \$ 43.50 million in 2005. If the government's estimates come true, the FDI inflow into the sector would be US \$325 million in 2009. The food processing ministry is demanding more incentives for the sector in the 2008 budget, so that more FDI could be attracted. The Ministry plans to start a nationwide entrepreneurship development programme. The Government will also undertake programmes to provide farmers with linkages to the retail market or industrial users. This will lead to elimination of middlemen and result in substantially higher economic gains to the farmers. As international retailers like Wal-Mart, Carrefour and Woolworth are taking interest in the Indian market; food processing is emerging as one of the fastest growing sectors.

## **M&As, PE deals total US\$ 63.5 billion till October**

It's a total rock fest on deal street. For the first 10 months of the year, the total value

of mergers & acquisition (M&A) and private equity (PE) deals involving India Inc has more than doubled to a staggering \$63.5 billion compared to \$30.3 billion in the same period last year. While the billion-dollar strategic M&A deals hogged the limelight in the early part of this year, PE investments are leading the way in the second half. For instance, the total value of PE deals between January and October has shot up to \$13.62 billion against \$5.93 billion in the corresponding period last year, according to the latest deal tracker by advisory firm Grant Thornton. During the period, the volume of PE deals increased by 32% to 380 deals. This means that the average size of PE deals this year also increased from \$26 million to \$40 million. There was a similar increase in size of the average M&A deal which was expected given the multi-billion deals of Tata-Corus, Vodafone-Hutch, among others. While volume of strategic M&A deals rose 53% to 582 in the first 10 months of 2007, the average size of M&A deals increased from \$64 million to \$85 million this year. Out of 34, 20 cross-border deals were outbound deals (Indian companies acquiring businesses outside India) and the rest were inbound deals where multinationals acquired equity stake in Indian companies. The value of inbound and outbound M&A deals stood at \$270 million each.

### **Nearly 50 FIIs apply for licences**

Less than three weeks after the curbs on participatory notes (P-notes), overseas investors are rushing to invest in the booming Indian stock markets directly by applying for Foreign Institutional Investor (FIIs) licences. Nearly 50 applications for FII registrations, including from Morgan Stanley, Citigroup, Bank of America, CLSA and hedge fund DE Shaw, have been cleared since October 16 when the curbs on P-notes, derivatives that allowed foreign investors to trade on the Indian markets, were imposed by the Securities and Exchange Board of India (Sebi). Twenty of the new registrations are for conversion of sub-accounts by the big Wall Street firms into FIIs, said sources. According to the Sebi website, there are 1,147 FIIs as on November 12 and 3,482 sub-accounts of FIIs. Before the P-note curbs, there were 1,113 FIIs and 3,445 sub-accounts. The latest numbers do not reflect the conversion of 20 sub-accounts into FIIs.

### **Manufacturing beats IT, pharma in returns**

According to a study released by the Boston Consulting Group (BCG) and the Confederation of Indian Industry (CII), the manufacturing sector was the top performer in creating shareholders value. Three manufacturing sectors (engineering and construction, industrial commodities and materials and commodities) created more value for its shareholders in last five years than IT or pharmaceutical companies. Engineering and construction companies, led by Larsen & Toubro and BHEL, posted a total shareholder return (TSR) of 81 per cent in the last five years trailing March 31, 2007, the BCG-CII study showed. They were followed by companies in the industrial and manufacturing sector (like Crompton Greaves or Thermax), which posted a TSR of 72 per cent, followed by companies in the materials and commodities sector (cement, steel) which delivered a TSR of 57 per cent in the last five years. Sectors that followed the manufacturing sectors in creating value in the last five years were telecom (51 per cent), banking (49 per cent), chemicals and fertilisers (47 per cent), automotives (46 per cent). Compared to that, IT and pharmaceuticals posted returns of 26 per cent and 28 per cent, respectively over the last five years.

### **Indian telecom market to be at US\$ 87.33 billion by 2012**

According to a report, the Indian telecom industry is expected to reach a size of US \$ 86230.25 million by 2012 at a growth rate of over 26 per cent, and generate employment opportunities for about 10 million people during the same period. The telecom industry had a market size of US \$ 26321.75 million in 2006. The sector would create direct employment for 2.8 million people and for 7 million indirectly, according to a Frost and Sullivan report. India currently has 250 million telephone subscribers and the numbers are expected to reach 500 million by 2010 and 650 million by 2012.

### **Overall economic situation still buoyant**

According to Dr C. Rangarajan, Chairman, Economic Advisory Council to the Prime Minister, the overall economic situation remains buoyant despite some sectors in

the economy showing weakness in terms of growth. Speaking at the TiE-ISB Connect 2007, Dr Rangarajan said that contrary to the concerns of overheating, some concerns have been expressed about the possible slowdown. The Rupee appreciation has its impact on exports and domestic production. Nevertheless, we should be able to achieve 8.5 per cent to 9 per cent growth this year. To sustain the current growth rate and translate growth into poverty reduction, there were many challenges to be tackled such as stepping up agricultural growth, infrastructure development, fiscal consolidation, building social infrastructure, managing globalisation and good governance, he opined.

### **Forex Kitty swells US \$3.7 billion**

India's forex kitty swelled by \$3.663 billion to \$270.181 billion for the week ended November 9. The reserves had increased by \$4.068 billion to touch \$266.518 billion for the week ended November 2, 2007, according to the Reserve Bank of India's Weekly Statistical Supplement.

The foreign currency assets increased by \$3.659 billion at \$261.923 billion.

### **Per capita income may rise to US\$ 1,000**

Finance Minister Palaniappan Chidambaram said that India's per capita income is expected to rise to \$1,000 by the end of the 2007/08 fiscal year on the back of a 9 per cent economic growth. Per capita income stood at \$797 in 2006/07, according to data from the central bank's Web site: [www.rbi.org.in](http://www.rbi.org.in), nearly double from \$460 in 2000/01 thanks to robust economic growth.. Mr. Chidambaram said that Per Capita will double every nine years. By 2016/17, per capita will be \$2,000 if we grow at 9 per cent and in another nine years, by 2025, per capita would be \$4,000 and that will make us a middle-income country.

### **Kamal Nath stresses on public private partnership for new infrastructure in health care**

Mr. Kamal Nath, Union Minister of Commerce & Industry, has stressed on developing new infrastructure for the healthcare sector in view of the tremendous opportunities that are

available for public-private partnership. Speaking at the 4th India Health Summit "Healthcare Engagement: Strategies and partnerships", the Minister said: "Large windows of opportunities are opening up. To give just one example, Indian medical tourism was estimated at \$350 million in 2006 and this has the potential to grow into a \$2 billion industry by 2012". According to the joint study by CII and McKinsey on this sector, Mr. Kamal Nath informed: "During the 1990s, Indian healthcare grew at a compound annual rate of 16%. Today the total value of the sector is more than \$34 billion. This translates to \$ 34 per capita, or roughly 6% of GDP. By 2012, India's healthcare sector is projected to grow to nearly \$ 40 billion".

### **India's clinical trials market to grow at 15% a yr: ICRI**

India's \$300 million clinical trials market is expected to grow at an annual growth rate of 15 per cent over the next four years, a top official with the Institute of Clinical Research India (ICRI) said. According to ICRI's Chief Executive Officer Anthony Woodman, this will bring nearly 15 per cent of the total global clinical trials to India by 2011 and will generate annual revenue of \$1 billion. He said that currently, there are 268 approved clinical trials in India, as compared to a global total of 1,80,000. The value of the current clinical trials in India is USD 300-million. ICRI is India's premier institution for clinical research and has four campuses in Mumbai, Delhi, Ahmedabad and Bangalore

### **Canadian PPFs looking at India's core sector for investment**

Enthused by the huge opportunities in the country's infrastructure sector, a clutch of Canadian Public Pension Funds (PPFs) are believed to have started talks with various infrastructure funds and entities for investment. Market sources told media that at least six funds, with a total corpus of around \$900 billion, have initiated talks with local companies here and are very optimistic of the future of country's infrastructure sector. An estimated \$500 billion investment in infrastructure is expected in India during the 11th plan ending 2012.

### **India, ASEAN to hold talks on free trade pact**

India and Southeast Asian nations were engaged each other in complex negotiations to seal a free trade pact during their top leaders met for summit-level talks. Prime Minister Manmohan Singh, who led the high-level Indian delegation for the top summit, had wide ranging discussions with the leaders from the Association of South East Asian Nations (ASEAN) aimed at sorting out FTA issues to bolster the two-way trade which crossed \$30 billion in 2006-07. Leaders of ASEAN, signed a blueprint for creating a vast single market and production base covering about 570 million people by 2015.

### **Tata, ISRO team up to launch hydrogen-powered vehicle**

India's largest automobile maker Tata Motors and space agency Indian Space Research Organisation (ISRO) are likely to launch next year, the prototype of the world's cleanest vehicle that will run on hydrogen and leave behind nothing more than a trail of water vapour. Mr. G. Madhavan Nair, Chairman of the ISRO said that the proposed hydrogen vehicle would use ISRO's rocket technology. It would not have any engine as it would be completely electric-driven. He said that Hydrogen and atmospheric oxygen will combine together in the fuel cell and electricity will be produced. An agreement for the pilot project to see whether hydrogen can be used to fuel automobiles has been signed and the work started, said that builds satellites as also their launch vehicles.

### **World takes note of Mumbai start-up's waste-to-fuel tech**

Mumbai's company Sustainable Technologies and Environmental Projects Ltd (STEPS) claims the fuel obtained through its technology meets standards prescribed by ASTM International, a body that sets standards that are widely accepted and used across various industries. The STEPS technology uses a proprietary catalyst that converts plastic into a mix of liquid fuel (85% of the output), liquefied petroleum gas (around 15% of the output), and coke (5%). The fuel can be used in furnaces, generator sets having mixed fuel combustion options or further refined to obtain petrol,

kerosene, diesel and light diesel oil. And the LPG generated from the process is sufficient to power the conversion plant. Apart from plastic, the STEPS, technology can also work on organic waste. In Malaysia, for instance, the company has a joint venture with Greenbase Sepadu Sdn Bhd, and has tested the technology on branches from which the palm fruit (used to make palm oil) has been harvested. Ali Mohammad Mamat, managing director of Greenbase, said that the joint venture would commercialize this technology before the end of the year.

EMBASSY OF INDIA,  
SWITZERLAND  
KIRCHENFELDSTRASSE 28, CH-3005 BERNE  
TEL : 031-351 11 10 Fax : 031-351 15 57  
E-mail : [india@spectraweb.ch](mailto:india@spectraweb.ch)  
Website : [www.indembassybern.ch](http://www.indembassybern.ch)

**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.*