



## **INDIAN COMPANIES POST 225% INVESTMENT GROWTH AMID GLOOM**

Notwithstanding the global economic gloom, a record 7,068 new projects worth over Rs. 5 lakh crore (US \$ 1163 billion) were announced in the first six months of financial year 2008-09, an increase of a staggering 225 per cent as compared to investments announced in the same period last year. This was revealed in a study "Project Investments in India" for the six-month period from April to September 2008 carried out by Projects Today, India's leading online database on projects investment in India. The study, conducted in the first week of October 2008, covered 27,143 projects entailing a total investment of Rs. 37,68,506 crore (approx. \$875 billion). Of the 7,068 new projects, 240 were of mega size, each with an outlay of over Rs. 500 crore. (US 1.16 billion) The feat also indicated nearly hundred percent rise over fresh projects investment in the first half of 2006-07, the earlier prominent year in which the country had enjoyed buoyant investment. Manufacturing, electricity and services sectors shared the booty almost equally, reveals the study. Contrary to the general fear of a slowdown in announcement of investment intentions, private sector announced a record 3,607 new projects and accounted for nearly two-third of the fresh investment announced during the April - September 2008 period.

## **EXPORTS UP BY 30.9% IN APRIL-SEPTEMBER 2008**

India's cumulative value of exports for the period April- September, 2008 was US \$ 94973 million (Rs.405118 crore) as against US \$ 72556 million (Rs. 296423 crore) registering a growth of 30.9% in

Dollar terms and 36.7% in Rupee terms over the same period last year. Exports during September, 2008 were valued at US \$ 13748 million which was 10.4% higher than the level of US \$ 12455 million during September, 2007. In rupee terms, exports touched Rs.62641 crore, (US 14567 million) which was 24.7% higher than the value of exports during September, 2007.

## **FDI INFLOWS UP BY 259% IN SEPTEMBER 2008**

The Foreign Direct Investment (FDI) equity inflows in the month of September, 2008 were US \$ 2.56 billion. This represented a growth of 259% over the same month in the previous year (during September, 2007, the FDI equity inflows were US \$ 713 million). The FDI equity inflows during April-September 2008 have been US \$ 17.21 billion. This represented a growth of 137% over the previous year (FDI equity inflows during April-September 2007 were US \$ 7.25 billion). The sectors attracting the highest FDI equity inflows during April to August, 2008 have been the services sector (US \$ 2.34 billion), construction activities including roads and highways (US \$ 1.64 billion), housing and real estate (US \$ 1.62 billion) and computer hardware and software (US \$ 1.36 billion). The top investing countries in terms of FDI equity inflows during April to August, 2008 have been Mauritius (US \$ 5.27 billion), Singapore (US \$ 1.72 billion), USA (US \$ 1.15 billion) and The Netherlands (US \$ 580 million).

## **CABINET CLEARS WAY FOR 49% FDI IN INSURANCE**

The Government has decided to increase the Foreign Direct Investment (FDI) limit in insurance firms from 26% to 49%.

The bill would be passed in the next session of the Parliament. The Cabinet has also approved introduction of Life Insurance Corporation (Amendment) Bill in the Lower House of Parliament (Lok Sabha). The bill, after its passage, will allow an increase in equity base of the insurance major from current Rs 5 crore (US \$ 11.62 million) to Rs 100 crore (US \$ 232.5 million). Currently, insurers have to maintain minimum paid-up capital of Rs 100 crore as per the Insurance Regulatory and Development Act (IRDA), but LIC was an exception since it is covered by a separate Act. Insurance industry has been clamouring for the need to bring more capital in order to maintain the growth momentum. The capital requirement for these companies has, in fact, increased recently due to losses on unit-linked products. Currently, total FDI in the insurance sector is pegged at around Rs 2,500 crore (US \$ 5813 million). The industry expects another Rs 7,000 crore (US \$ 16279 million) FDI to flow in once the cap is hiked as several foreign players have shown interest in entering the sector once the cap is raised. After the passage of the bill, IRDA would also get more powers in fixing of agents' commission, opening and closing of foreign offices by insurance companies and expenses being incurred by the management or board of an insurance company.

#### **INTEREST PAID TO FOREIGN COMPANY ON CONVERTIBLE DEBENTURES TAXABLE**

The Authority for Advance Rulings (AAR) has ruled that the interest paid to a foreign company on convertible debentures constituted the foreign company's income and was liable to be taxed in India. Indian companies raise foreign currency denominated funds in the form of external commercial borrowings (ECBs) or foreign currency convertible bonds (FCCBs). While ECBs are pure loans, FCCBs have an in-built option for the lender to convert them into equity of the

companies on maturity. Both in ECB and FCCB, till maturity, the borrower is expected to make interest payments on the amount borrowed. Indian companies are expected to redeem around \$45 billion of foreign debt by December 2009, which they had borrowed for domestic expansion and overseas acquisitions.

#### **BUSINESS LEADERS PIN HOPES ON INDIA**

Over 800 gathered for the India Economic Summit at the Taj Palace Hotel in Delhi. Top business leaders prophesied that while the world economy would continue to crumble, India still held out hope. They highlighted that local demand would drive high single-digit growth and companies would expand and create jobs. Confederation of Indian Industry President and ICICI Bank Managing Director KV Kamath said that India would grow 7 per cent this year and 6 per cent in the next year. Keeping in view the current global situation, the summit focussed on four areas - global shifts, managing risks, inclusive growth and future competitiveness.

#### **S&P OUTLOOK ON INDIA'S LONG-TERM RATING REMAINS STABLE**

International ratings agency Standard and Poor's affirmed its 'BBB-' long-term and 'A-3' short-term sovereign credit ratings on India. The outlook on the long-term rating remains stable. The report by S&P said that the ratings on India reflected the country's strong economic growth prospects and its deep Government debt market, which helps accommodate its weak fiscal position. The report also stated that the stable rating outlook balanced India's good external liquidity and growth prospects with its weak fiscal flexibility. An improvement in the sovereign ratings would depend on resumed fiscal consolidation that would lead to a materially lower debt and interest burden, and additional reforms that would lift the coun-

try's growth prospects and income levels. On the other hand, further fiscal slippage, a marked decline in external liquidity indicators, or policy measures that would weaken economic growth prospects, could lead to downward pressure on the ratings, the report said. The sovereign ratings were also constrained by the low per capita income of the country, which pointed to the challenges of poverty alleviation. Infrastructure needs remained high in both the huge agricultural sector and the industrial sector, the report added.

### **GLOBAL CONSUMER CONFIDENCE SURVEY RANKS INDIA SECOND**

According to a global survey on consumer confidence levels, spending and attitudes to recession, Indians have the second most optimistic attitude on the current world financial crisis after Norway. Conducted by The Nielsen Company in 52 countries, the survey revealed that one in two Indians, 45 per cent of Vietnamese and approximately a third of Russians and Chinese expect the global recession to end within a year. The survey adds that in India, employment rates would rise in inverse proportion to the developed world, aided by the adoption of workforce optimisation. The Nielsen Consumer Confidence Index ranked UAE fifth. Many countries experienced double-digit declines in consumer confidence in the last year including the US, the UK, Hong Kong, Japan, Singapore and Malaysia.

### **MILLIONAIRES TO RISE IN INDIA DESPITE SLOWDOWN**

The number of dollar millionaires in India is set to rise and the Indian wealth management business is set to grow, say Barclay's Wealth executives who have launched their wealth management business in India in Mumbai. The Barclays Wealth Insights report released recently in association with Economist Intelligence Unit forecasts that by 2017,

India is expected to have around 4, 11,000 households with wealth in excess of US \$1 million and the aggregate wealth held by these households will be in excess of \$1.7 trillion. The report also said that India is expected to be the eighth largest market in world in terms of overall net wealth.

### **GOVERNMENT CHANGES CUSTOMS DUTY ON STEEL, SOYOIL**

In wake of the recent fall in international prices of commodities and with a view to safeguard interests of domestic producers, the Indian Government has announced certain changes in customs duty rates effective from Nov 18, 2008. The Government has withdrawn full exemption of customs duty on few industrial and agricultural commodities. Iron and steel items such as pig iron, spiegeleisen, semi-finished products, flat products and long products are now subject to a basic custom duty of 5 percent ad valorem. It has also withdrawn customs duty granted on crude soybean. Consequently, crude soybean oil will be subject to a basic customs duty of percent ad valorem. There is no change in the import duty on refined soybean oil.

### **FORTIS HEALTHCARE EARMARKS US\$ 500 MILLION FOR EXPANSIONS**

Fortis Healthcare is going ahead with its expansion plans. Fortis Healthcare CEO and MD, Shivinder Singh, said that the group had earmarked a fund of around half a billion dollar, which would be spent mainly on acquisitions. The company is also planning to increase the number of its hospitals. The company also announced the opening of 'In Vitro Fertilization Centre' at its hospital Fortis La Femme, New Delhi.

## **GOVERNMENT READIES RS 50,000 CRORE FOR INFRASTRUCTURE PROJECTS**

The Government is planning to set up a special dedicated fund to provide loans to infrastructure projects - roads, airports, power plants or ports - being developed by private companies as well as by government-private joint ventures. The proposed fund is expected to have a corpus of around Rs 50,000 crore (US 1163 billion). One factor that would make the proposal a success in funding collaborative projects would be the ability of the private developer and the partnering state agency to design viable projects. The country needs more than \$500 billion over the next four years to widen existing roads and highways, to modernise 35 non-metro airports, to lay new rails and to provide electricity to all rural households. The Government's ambitious target is to step up investments in infrastructure to 9-11% of the country's gross domestic product from 5% in 2006-07.

## **IREDA GIVES GREEN ENERGY A RS. 17,000 CRORE PUSH**

Indian Renewable Energy Development Agency (IREDA), an enterprise under the Ministry of New and Renewable Energy (MNRE), would pump in approximately Rs 17,000 crore (US \$ 3953 million) to fund renewable energy (RE) sector projects during the 11<sup>th</sup> Five Year Plan. The company would raise Rs 1,000 crore (US \$ 232.5 million) from foreign markets in the current financial year to finance the projects, a company official said. According to the Planning Commission estimates, RE projects worth Rs 80,000 crore (US 18604 million), which are expected to generate 15,000 mw power, would come up in the Plan. Of this, IREDA would pump in Rs 17,000 crore (US 3953 million) to help generate 5,000 mw power via RE. The company will extend its 70% of finance to wind energy sector while the remaining 30% would

cover solar, bio mass and hydro projects. The company is also looking to issue zero coupon bonds to help raise funds. The Government has established IREDA to promote, develop and extend financial assistance for renewable energy and energy efficiency projects by raising funds from domestic and international markets.

## **TAMIL NADU TOPS IN SILK PRODUCTION**

Tamil Nadu has been making rapid strides in mulberry cultivation, raw silk production and productivity per 100 DFLs (disease-free layers) during the last five years. Mulberry cultivation grew from 12,863 acre in 2004-05 to 45,000 acre in 2008-09. Raw silk production increased to 1,500 tonne from 443 tonne in 2004-05. The number of farmers engaged in sericulture also increased correspondingly from 15,000 to 35,000. Tamil Nadu, the fourth largest producer of raw silk in the country, occupies the No.1 position in productivity with 64 kg compared to the national average of 48 kg. It is also the leading state in the production of the bivoltine silk (white silk) for which there is very high demand in overseas markets. Of its 42 clusters for silk production, three are exclusive bivoltine clusters. Bivoltine silk production also made rapid growth from 22.37 tonne in 2003-04 to the current 375 tonne. The State has established proper forward and backward linkages from soil to silk through various institutions.

## **PANDIT BHIMSEN JOSHI TO GET BHARAT RATNA**

Hindustani classical music legend Pandit Bhimsen Joshi was chosen for the Bharat Ratna, the nation's highest civilian honour. The 86-year-old vocalist, who belongs to the 'kirana' gharana and resides in Pune, first performed when he was 19. His singing career of more than seven decades has landed him several distinguished awards, including the prized

Padma Shri, Padma Bhushan and Padma  
Vibhushan.

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**EMBASSY OF INDIA,  
SWITZERLAND**

KIRCHENFELDSTRASSE 28, CH-3005 BERNE

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

E-mail : [india@indembassybern.ch](mailto:india@indembassybern.ch)

Website : [www.indembassybern.ch](http://www.indembassybern.ch)