



Highlights of the Union Budget (interim) for the year 2009-10

Following are the highlights of the Union Budget (interim) presented by Minister for External Affairs Pranab Mukherjee in the Lok Sabha:

- ◆ India remains second-fastest growing economy in the world
- ◆ Economy expected to grow 7.1 percent this fiscal
- ◆ Need to make economic growth inclusive
- ◆ Government spent Rs.70,000 (Rs.700 billion) crore on 37 infrastructure projects in 2008-09
- ◆ Under public-private partnership (PPP), 54 central infrastructure projects approved
- ◆ Total expenditure of PPP projects estimated at Rs.67,700 crore (Rs.677 billion)
- ◆ India Infrastructure Finance Company to raise Rs.10,000 crore (Rs.100 billion) by end- March
- ◆ India has weathered inflation crisis, but no room for complacency
- ◆ Country's agriculture outlook is encouraging
- ◆ Focussed attention to agriculture
- ◆ Plan allocation for farm sector hiked 300 percent in past five years
- ◆ Three-fold increase in short-term agriculture credit to Rs.250,000 crore (Rs.2,500 billion)
- ◆ Farm debt worth Rs.65,300 crore (Rs.653 billion) waived
- ◆ Government will continue to provide additional subsidy to farmers
- ◆ Corpus of Rural Infrastructure Development Fund hiked to Rs.14,000 crore (Rs.140 billion) from Rs.5,500 crore (Rs.55 billion)
- ◆ Outlay for higher education hiked 900 percent for 11th Five Year Plan
- ◆ Country's social security net will be strengthened
- ◆ Record foreign direct investment of \$32.4 billion attracted
- ◆ Global economic situation not encouraging
- ◆ Extraordinary situation merits extraordinary measures
- ◆ Need to consider additional fiscal measures in regular budget
- ◆ Financial sector reforms need to be accelerated
- ◆ In past three years, India grew by average of over 9 percent
- ◆ Per capita income expanded by 4.7 percent per annum
- ◆ Fiscal deficit was brought down from 4.5 percent to 2.7 percent
- ◆ Revenue deficit was cut from 3.6 percent to 1.1 percent
- ◆ Exports increased 26.4 percent per annum
- ◆ Foreign trade increased from 27.3 percent to 35.5 percent
- ◆ Tax to gross domestic product ratio expanded by 9.2 to 12.5 percent
- ◆ Agriculture grew by 3.7 percent per annum

(To view the full details of the Union Budget, please visit: <http://indiabudget.nic.in>)

India's exports increase from \$ 63.8 billion in 2003-04 to \$ 119.3 billion in 2008-09 Apr-Nov -SEZs generate employment year end review of Department of Commerce

India's merchandise exports increased from US \$ 63.8 billion in 2003-04 to US \$ 162.9 billion in 2007-08 recording average annual growth rate of 26.4% during the last four years. This was on account of important steps taken by the Government to arrest deceleration of export -- (1) Excise duty was reduced across the board by 4% for all products

except petroleum products and those products where current rate was less than 4%; (2) Interest subvention of 2% has been provided till 31.3.2009, to the following labour intensive sectors for exports: Textiles (including Handlooms), Handicrafts, Leather, Gems & Jewellery, Marine Products and SMEs; (3) Additional funds of Rs.350 crore provided for export incentive Schemes; (4) All items of handicrafts included in Vishesh Krishi and Gram Udyog Yojana; (5) Back-up guarantee to ECGC for up to Rs.350 crore; (6) Rs1,100 crore provided to ensure full refund of claims of CST/Terminal Excise duty/ Duty drawback on deemed exports; (7) Additional funds of Rs.1400 crore provided for textile sector to clear the backlog claims of TUF; (8) Export duty on iron ore fines eliminated, and for lumps, reduced to 5%; (9) Import duty on naphtha for power sector eliminated; (10) Some pending issues relating to Service Tax refund on exports – resolved.

Special Economic Zones

SEZs have created employment for large number of unemployed rural youth. Even in the services sector, 12.5 million sq meters space was expected in the IT/ITES SEZs which as per the NASSCOM standards translated into 12.5 lakh jobs. It is, therefore, expected that establishment of SEZs would lead to fast growth of labour intensive manufacturing and services in the country. The total investment in the SEZs, as on 30th September 2008, were Rs.93507.23 crore (US \$ 18701.4 million) and the total employment generated so far to 3,62,650 persons. Out of the 531 formal approvals given till date, 174 approvals were for sector specific and multi product SEZs for manufacture of Textiles & Apparels, Leather Footwear, Automobile components, Engineering etc. which would involve labour intensive manufacturing. Exports from SEZs during the year 2007-08 was to the tune of Rs.66,638 crore (US \$ 13327.60 million) with a growth of

92% over 2006-07 (overall growth of exports of 381% over past four years (2003-04). The export projection for 2008-09 is Rs.1, 25,950 crore. (US \$ 25190 million).

Gems & Jewellery

During the year 2007-08, exports in gems & Jewellery sector were worth US \$ 19,657.36 million dollars and registered growth of 23.13% as compared to the year 2006-07. During the period April-July of the current fiscal exports worth US \$ 6296.14 million were effected as against US \$ 6141.92 million during the corresponding period previous year.

Anti-dumping Investigations during 2008

During the year 2008, the Directorate General of Anti Dumping had initiated 18 fresh anti-dumping investigations (till 8.12.2008). The products involved were Cable Ties, All Fully Drawn or Fully Oriented Yarn/Spin Draw Yarn/Flat Yarn of Polyester, Plain Medium Density Fibre Board, Power Steering Gear System, Thyionyl Chloride, Plastic Processing Machinery, Cathode ray Television Picture Tube – III, Nylon Tyre Cord Fabrics, Flax Fabrics, Ceramic tiles, Tyres Curing Presses, Radial Tyres, Pencillin – G, Phosphoric Acid, Diethyl Thio Phosphoryl Chloride, Cold Rolled Products of Stainless Steel, Hot Rolled Steel Products and Axle Beam and Steering Knuckles. The countries involved in these investigations were China PR, Thailand, Vietnam, Malaysia, New Zealand, Sri Lanka, European Union, Indonesia, Belarus, Hong Kong, Korea RP, Japan, South Africa, Taiwan, USA, Iran, Kazakhstan, Saudi Arabia, Russia, Romania, Turkey and Ukraine.

Performance of Plantation Sector

COFFEE – The Government of India approved the Development Support

Scheme for coffee sector with a total financial outlay of Rs.310 crore (US \$ 62 million) during the month of March 2008. An area of 47776 hectares was brought under plantation from January to November 2008. A new scheme on Export Promotion of Coffee and the scheme on Support for Coffee Processing has been approved by the Government of India with a total financial outlay of Rs.45 crore (US \$ 9 million) on April 10, 2008. The total export for the period from January to November 2008 was 2,08,023 tonnes earning a foreign exchange of Rs.2,271.81 crore (US \$ 454.36 million) against 2,04,538 tonnes earning a foreign exchange of Rs.1,773.50 crore (US \$ 354.70) during the same period last year.

RUBBER – India is the fourth largest producer of rubber with a share of 8.3% in the world production. The rubber sector accounted for 93% of the production and 89% of the area with an average holding size of 0.5 hectare. Natural rubber export and import was expected to reach 72,000 tonnes and 80,000 tonnes respectively in 2008. The Rubber Training Centre received ISO: 2000 certificate in June 2008.

SPICES – Indian spices industry recorded an export of 4,44,250 tonnes worth over US \$ 1 billion during the year 2007- 2008. It marked a quantum leap of 19 per cent in volume and 24 per cent in rupee value. Mumbai was the major hub for export of spices and has alone accounted for 39% in volume of the total spice exports during the last financial year.

TOBACCO – India earned a foreign exchange of Rs.2,022.78 crore (US \$ 404.55) and Rs.10,271.55 crore (US \$ 2054.31) as excise revenue in the year 2007- 2008. The exports of tobacco and tobacco products during 2007- 2008 was valued at Rs.2022.78 crore (US \$ 494.55 million). During April-October 2008, exports of tobacco and tobacco products

were valued at Rs.1952.43 crore (US \$ 390.48 million). During April-October 2008, unmanufactured tobacco exports was valued at Rs.1623.10 crore (US \$ 324.62 million) and exports of tobacco products were valued at Rs.329.33 crore (US \$ 65.86 million). Going by the current trend exports of tobacco and tobacco products are expected to cross US \$ 600 million during 2008- 2009.

Exports up by 19.4 percentage in April-November 2008 India' s foreign trade data November 2008

India's Cumulative value of exports for the period April- November, 2008 was US \$ 119301 million (Rs.523879 crore) as against US \$ 99912 million (Rs.404417 crore) registering a growth of 19.4 per cent in Dollar terms and 29.5 per cent in Rupee terms over the same period last year. Exports during November, 2008 were valued at US \$ 11505 million which was 9.9 per cent lower than the level of US \$ 12768 million during November, 2007. In rupee terms, exports touched Rs.56374 crore (US \$ 1127.48 million), which was 12.0 per cent higher than the value of exports during November, 2007.

Agri cos record biggest profit gains in first half

One out of every five listed companies in India declared higher profits in the first half of fiscal 2008-09. The farm inputs and farm machinery companies were the biggest gainers, while TTK Healthcare, NIIT, Whirlpool, Punjab Alkalies and Ban-nari Amman saw their profits rising by more than 500% during the period. List of outperformers included 750 companies belonging to various sectors, including consumer durables, metal & mining, banks, IT, sugar, oil & gas, infrastructure construction and pharmaceuticals. In the farm inputs and machinery sector, Coromandel Fertiliser, RCF, Excel Industries, Punjab Tractors, Excel Crop Care, Liberty Phosphate, Swaraj Engines, Nagarjuna.

Agrichem and VST Tillers Tractors reported higher profit growth in the first half of the fiscal year.

Fundamentals are strong, says PM

On 9th January 2009, while inaugurating the Pravasi Bhartiya Divas 2009, a conglomeration of overseas Indians, held for the first time in Chennai, Prime Minister Dr. Manmohan Singh affirmed that despite the global meltdown, the fundamentals of Indian economy continued to remain strong. He expected India to achieve a growth rate of about 7% during financial year 2008-09, which would be among the highest in the world. He highlighted that much of India's growth was internally driven and he expected that the country could maintain a strong pace of growth in coming years. The Prime Minister also spoke about India's active involvement with G-20 countries, in creating a new global financial structure.

India Inc improves capital productivity by 36%

India Inc improved capital productivity by 36% between 2001-02 and 2007-08. The rise in capital productivity coincided with the six year period of high economic and corporate growth in the country. Capital productivity of industrial sector rose from 1.13 in FY02 to 1.54 in FY08. This basically meant that the revenue generated by companies for every Rs 1 crore (US \$ 0.2 million) worth of their fixed assets rose from Rs 1.13 crore (US \$ 0.22 million) in 2001-02 to Rs 1.54 crore (US \$ 0.30 million) in 2007-08. This was due to better sales growth compared to increase in capital (machinery, funds etc). The ratio, which stood at 1.20 in FY01 declined in FY02 but has seen a consistent improvement thereafter. But, the increase was marginal last year when it moved from 1.52 in FY07 to 1.54 in FY08. This could be due to modest performance by the core manufacturing sector, accounting for 87% of sales

and 70% of fixed asset base. Core manufacturing sectors saw a marginal decline in capital productivity from 1.96 to 1.94 between FY07 and FY08. The top 50 companies had even better ratio of 1.83, up from 1.22 in FY02 i.e., a capital productivity growth of 50% for the six year period.

Services sector retains growth rate of 10-20 per cent

As per the survey by the Federation of Indian Chambers of Commerce and Industry (FICCI), some segments of India's services sector, including IT, education and organised retail, retained growth rate of 10-20 per cent this fiscal. The number of wireless subscribers grew 50 percent in April-November 2008 compared to the same period last year. Additionally, Internet subscribers grew 26 per cent and broadband subscribers went up 87.7 per cent during the period. During 2007-08, the services sector grew 10.7 percent, higher than the 8.8 per cent growth in the manufacturing and 4.5 per cent growth in the agriculture sectors. Furthermore, sectors such as housing finance, entertainment and media industry, IT and IT-enabled services, organised retail trade, education and training also witnessed a "high growth of 10-20 per cent" in April-November 2008. Railway's revenue earning from passenger traffic and freight traffic, and exchange earnings from foreign tourists also reported a similar growth rate.

M&M venture with BAE among 34 proposals cleared by FIPB

The proposal of Mahindra and Mahindra (M&M) to set up a joint venture company with BAE Systems was approved by the Foreign Investment Promotion Board (FIPB). Mahindra and Mahindra is to hold a 74 per cent stake in the new joint venture, while BAE Systems is to hold the remaining 26 per cent. This was among the 34 proposals involving foreign direct investment of about Rs 1,614.90 crore

(US \$ 322.9 million) in various fields, including information technology, financial services, steel, road transport and highways and telecommunication, which were approved by the FIPB.

India will continue to be a magnet for FDI funds

Addressing the Partnership Summit 2009 "Trade & Investment: Focussing on Opportunities and Growth", Mr. Kamal Nath, Union Minister of Commerce & Industry, stated that even in the current global crisis, India would continue to be a magnet for foreign direct investment (FDI) funds. The Minister said that during April-October 2008, the FDI inflows to India stood at \$ 18.7 billion, which was more than double the inflow during the same period last year. The Summit, which was organized by the Confederation of Indian Industry (CII) was attended by a large number of Ministers from India and abroad, representatives from trade and industry.

Despite slowdown, prospects for FDI inflows look promising

The continuing global economic meltdown has reduced the country's capability in attracting higher foreign direct investments (FDI) but the momentum gained by FDI inflows in the months prior to October has helped India get record inward investments. While the FDI inflow from April to September rose 137% at \$17.21 billion compared to a year ago, October saw a fall of 26% at \$1.49 billion. The total inflow during April-October was still higher by 80% than the corresponding period of the previous year. The sectors that got highest FDI inflows from April to August were services (\$2.34 billion), construction including roads and highways (\$1.64 billion), housing and real estate (\$1.62 billion) and computer hardware and software (\$1.36 billion). During April-August, Mauritius invested the most at \$5.27 billion, while \$1.72 billion came in

from Singapore, \$1.15 billion from the US and \$580 million from the Netherlands. During the year, the Government approved the Delhi-Mumbai Industrial Corridor project, with an aim at doubling the employment potential, tripling the industrial output and quadrupling exports from the region in the first five years. It is also trying to replicate the model of this corridor in southern states with Chennai-Bangaluru-Mumbai Industrial Corridor (CBMIC) project. The work of preparation of the concept paper for the CBMIC project has been assigned to IDFC Projects Ltd. For modernising and strengthening the intellectual property office, the government also approved a Rs300-crore plan for implementation during the 11th Plan (2007-2012). As part of this scheme, 414 new posts have been created in intellectual property office.

Government clears Rs 25,000-crore support for NBFCs

The Union Cabinet has approved liquidity support for non-banking finance companies (NBFCs) through a subsidiary of state-run lender Industrial Development Bank of India (IDBI). Home Minister P Chidambaram stated that the Reserve Bank of India would provide the facility to the IDBI arm, which in turn would lend money to the cash-strapped NBFCs. Mr. Chidambaram further stated that the liquidity facility would be worth Rs 20,000 crore (US \$ 4000 million) - 25,000 crore (US \$ 5000 million) and would be used by the NBFCs only to repay existing liabilities. The liquidity facility was part of the second stimulus package announced by the government on January 2 to spur economic activity, which has been impacted by the global financial turmoil. The Stressed Asset Stabilisation Fund, set up for acquiring the stressed assets of IDBI, would function as a Special Purpose Vehicle (SPV) to provide money to the NBFCs that are lending to critical sectors of the economy. The SPV would issue government

guaranteed securities, subject to a total amount of securities not exceeding Rs 20,000 crore (US \$ 4000 million) with an additional Rs 5,000 crore (US \$ 1000 million), if needed, he added. These securities would be purchased by the RBI and the funds would be used by the SPV to acquire only investment-grade commercial paper and non-convertible debentures of NBFCs. The RBI will issue guidelines for pricing and lending in consultation with the Department of Financial Services. The move is likely to take care of the liquidity needs of the NBFCs for the next six months.

Rs 1,00,000-crore infrastructure push likely

The Government is targeting an investment of Rs 1,00,000 crore (US \$ 20000 million) in the infrastructure sector within the next two years. To bankroll the plan, the Government may ask Infrastructure Investment Finance Company Ltd (IIFCL) to put together a corpus of over Rs 40,000 crore (US \$ 8000 million). With companies and business houses in a financial bind, this scheme aims to take up infrastructure projects under public-private partnership with minimal private investment. Under the proposed formula, a private sector company can start an infrastructure project with just 15 per cent of the required capital and the balance will be provided by government-owned agencies. Most infrastructure projects are financed three parts by debt and one part by equity. In case the promoter is unable to put together the entire equity capital, IIFCL would offer quasi equity of up to 10 per cent of the project cost. This would bring down the private promoter's contribution down from 25 per cent to 15 per cent. Apart from quasi equity, IIFCL would re-finance up to 60 per cent the banks which lend to such projects.

Wipro buys Citi Tech for \$127 mn

In a move that could send out a signal

to the industry about the state of affairs in the captive delivery centres of global banking giants in India, Wipro Technologies announced its decision to acquire Citi Technology Services for \$127 million (around Rs 609 crore) in an all cash deal. Citi Technology Services is the captive delivery centre of IT services and solutions centre of Citigroup in India. This is Citigroup's second India-based asset that is being sold out to one of its service providers. The company had recently sold its captive BPO arm, Citigroup Global Services, to TCS for about \$505 million.

Infosys in top 20 of MAKE study

Infosys Technologies has been recognized amongst the top 20 global companies to be listed in the Most Admired Knowledge Enterprises (MAKE) study, 2008. Infosys has won this award for organizational learning for its concerted effort over the last decade to provide an integrated knowledge management (KM) solution to meet the knowledge needs of the organization through content sharing, collaboration and professional networking. India's second largest IT services company has been a five-time Global MAKE Winner.

Telecom industry revenue touches US\$ 7.62 billion in July-September 2008

According to the Telecom Regulatory Authority of India (TRAI), the Indian telecommunications sector continued its robust growth with the wireless market increasing at 9.91 per cent and garnering revenues worth US\$ 7.62 billion for the second quarter ending September 2008, The adjusted gross revenue (AGR) for the period was placed at US\$ 5.60 billion as against US\$ 5.52 billion for the previous quarter, thereby showing an increase of 1.36 per cent.

3.3 million active internet users in rural India

advisory firm Emergent Ventures.

Rural India has 3.3 million active internet users, a new report by the Internet and Mobile Association of India (IAMAI) states. Since rural India was mapped for the first time, the year-on-year growth of internet users in rural India could not be estimated. The research — part of the ongoing I-Cube 2008 being jointly undertaken by IMRB International and IAMAI— also noted there were 5.5 million people who claimed to have used internet at some point. The research also noted that due to various Government and private sector initiatives to connect rural India, especially the government-led National e-Governance Programme, it was important to bring rural India under the survey.

PEs inject into cleantech despite downturn

According to data from Venture Intelligence, in 2008, about 15 deals worth \$604 million were struck in the renewable energy segment, which was one of the major areas in the cleantech sector. In comparison, 8 deals worth \$218 million and 3 deals worth \$121 million were struck in 2007 and 2006 respectively in the segment. Last year, IDFC PE, the major investor in cleantech, entered into three deals: it co-invested \$100 million in Moser Baer PhotoVoltaic; it invested \$91 million in SE Forge Ltd, a components manufacturing subsidiary of Suzlon; and \$10 million in carbon credit

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

EMBASSY OF INDIA, SWITZERLAND

KIRCHENFELDSTRASSE 28, CH-3005 BERNE

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

E-mail : india@indembassybern.ch

Website : www.indembassybern.ch