



INDIA NEWS

NO. 6

June 2010

Exports rise 36.2 per cent in April 2010

According to quick estimates by the Ministry of Commerce and Industry, India's exports registered a growth of 36.2 per cent year-on-year (y-o-y) to touch US\$ 16.9 billion in April 2010, up from US\$ 12.4 billion in the corresponding month last year. Exports increased on the back of higher demand for Indian gems and jewellery, textiles, petroleum, oil and lubricants and engineering. The sectors which recorded a rise in exports in April 2010 include textile (30 per cent growth), engineering goods (up 16 per cent), marine, petroleum products (80 per cent growth), gems and jewellery (36 per cent increase). Exports of petroleum products registered an annualised 80 per cent jump in April 2010.

India's M&A deal activity logs US\$ 1.7 bn in April 2010

India Inc's merger and acquisition (M&A) deal activity touched US\$ 1.74 billion in April 2010. The total M&A deal value touched US\$ 21 billion so far this year. The M&A deal value during April 2010 rose 57 per cent over the same period last year, according to the monthly deal report of VCCEdge, the financial research platform of VCCircle.Com. The deal count also saw an upward trend and rose to 49 in April compared to 28 in the year-ago period. As per the report, as many as 25 domestic deals worth US\$ 815 million took place in the month of April compared to 13 deals worth US\$ 603 million in the year-ago period. Also, the number of outbound deals surged from eight in April 2009 to 18 this year, posting a double rise. A sector wise analysis in the report shows that consumer goods, manufacturing and finance sectors attracted

deals worth US\$ 694 million, US\$ 526 million and US\$ 303 million, respectively and were the most targetted sectors. The most active sector in terms of deal value was information technology, which struck 10 deals followed by consumer goods makers and manufacturing with eight deals each in April 2010. Jindal Steel & Power US\$ 500 million buyout of Abu Dhabi-based Shadeed Iron & Steel Co and acquisition of Indonesia-based PT Megasari Mamsur by Godrej Consumer Products for US\$ 269 million were also among some of the major M&A transactions in April.

India becomes seventh largest shareholder in World Bank

India will have a larger say in the affairs of the World Bank as it has become the seventh largest shareholder in the multi-lateral lender with 2.91% voting rights. China has overtaken Germany, France and the UK to become the third largest shareholder in the Bank with 4.42% voting rights. Both India and China hitherto enjoyed an identical 2.77% voting rights. World Bank President Robert B Zoellick said that the change in voting power helps the bank better reflecting the realities of a new multi-polar global economy where developing countries were the new key global players. The development committee of the World Bank, which met on 25th April in Washington, decided to increase the financial capacity of the Bank and the role of developing countries in its governance. There is an overall shift of 3% voting share in favour of developing countries, bringing their total vote share to 47%. The change will give emerging nations more say in how the bank is run and how its funds are disbursed. According to the Finance Secretary Ashok Chawla, who led the Indian

delegation to the 2010 Spring meetings of the Bank, these changes "are transformative in nature and will reposition the World Bank Group in the international financial architecture. The development committee agreed to raise the capital base of the Bank through a general capital increase. This increase is taking place after a gap of over 30 years. There is an agreement to raise the authorised capital of the Bank by \$58 billion with a paid-in portion at 6% amounting to \$3.5 billion. The increase in its capital base, along with the capital that would flow in as a result of the realignment in shareholding, would allow the Bank to lend an additional \$86 billion.

Business Confidence of India Inc up: CII

According to the 73rd Business Outlook Survey of the Confederation of Indian Industry (CII), the country's Business Confidence Index (BCI) for April-September 2010-11 rose by 1.5 points to 67.6. CII-BCI is a weighted average of the Current Situation Index (CSI) and the Expectations Index (EI). CSI has registered an increase of 5.5 points for the period April-September 2010-11, compared with the previous six months. The EI, which reflects the expectation of the Indian industry with regard to the performance of companies, sectors and the economy, for the period April-September 2010-11, has improved by 7.7 points over the corresponding period of last year. According to the survey, the business prospects for companies in the services sector, primarily outsourcing companies, was improving on the back of economic recovery in the developed countries. The BCI for the services sector stood at 68.9 for the period April-September 2010-11. The survey, based on a sample of 458 companies, revealed that 73 per cent of the respondents planned to increase investments and 79 per cent expected the value of production to increase during April-September

2010-11. 66 per cent of the respondents expressed confidence in the expansion of exports during the same period.

UN pegs India's growth at 8.3 per cent in 2010

According to a recently released report of the United Nations, India is estimated to post a robust economic growth of 8.3 per cent in 2010. The report titled 'Economic and Social Survey of Asia and the Pacific 2010' is an annual publication of the United Nations Economic and Social Commission for Asia and the Pacific (ESCAP). According to the report, the outlook for 2010 has improved significantly, with India projected to grow at the rate of 8.3 per cent. The report also added that the growth rate of developing economies in the Asia-Pacific region was expected to be 7 per cent in 2010. The survey provides Governments of the Asia-Pacific region—representing 62 per cent of the world's population—a roadmap towards a more inclusive and sustainable development path. It gives a number of regional policy recommendations for inclusive and sustainable growth, such as strengthening social protection and enhancing financial inclusion.

\$75 bn global risk capital to flow into India: IDG

According to data collated by early stage venture capital firm IDGVentures, India is set to be the next big market for global risk capital. The firm estimates that \$75 billion of private equity and venture capital will flow into India over the next five years, nearly double the \$40 billion capital that came into the country between 2004 and 2009. While nearly a tenth of the money is expected to fund early stage, high-risk ventures in the technology segment, over half this capital inflow will go to new businesses in sectors such as information technology services, manufacturing, healthcare, engineering and construction. India is now an attractive market for global risk

capital, as the economy expands at an average of 7% and the appetite for such capital shrinks in the US, the world's largest market for private equity and venture capital, following the global economic slowdown. Since 2004, India has seen a steady increase in risk capital inflows, reaching a peak of nearly \$14.5 billion in investments in 2007, accounting for 1.2% of gross domestic product. In the five years up to 2009, venture capital accounted for \$3.3 billion out of a total capital flow of \$40 billion. This is set to change according to the IDG report that predicts nearly \$10 billion of capital flowing into early stage companies between 2010 and 2015. The IDG report estimates that over \$7.5 billion of venture capital invested in India over the next five years will fund the development of new technology-based companies. However, scepticism over the prospects of the Indian risk capital industry is centred around lack of an adequate ecosystem for entrepreneurial development. As a number of venture and PE-backed companies offer profitable exits to investors, the flow of capital to the country is expected to grow. Of the \$40 billion invested in the five years up to 2009, \$15 billion has been returned to investors. Most of these exits happened through mergers and acquisitions that accounted for over half of the 114 exits while 15 companies listed their shares in the open market.

'India will be among top-5 civil aviation markets in 5 years'

While inaugurating the new integrated terminal building of Mangalore airport, the Union Minister of State for Civil Aviation, Mr Praful Patel said that the country would be in the top-five civil aviation markets in the world in the next five years. He underlined that substantial improvements had been made in the civil aviation sector in the country, which has led to India becoming the ninth largest civil aviation market in the world.

European bloc will remain major outsourcing market: Nasscom

A report by Nasscom stated that Indian IT industry's revenue from Germany, Austria and Switzerland could increase four fold to \$10 billion by 2020, as potential clients mull nearshore and off-shore options to overcome cost pressures and resource crunch. Large Indian tech vendors such as TCS and Infosys currently offer application development, infrastructure services, engineering services, production support, and BPO services to clients in the region, although Indian industry's total revenue from this market has been less than \$2.6 billion. The IT services market in the Germanic countries is estimated to be \$100 billion, of which \$46 billion is purchased (that is outsourcing and offshoring). Close to \$5.6 billion worth of services are offshored, almost \$1.4 billion comes to India. For the record, Germany is the largest IT market in the pack, purchasing over \$36 billion worth of IT services, followed by Switzerland (\$7 billion) and Austria (\$3 billion). Nasscom highlighted that the BPO market alone was estimated to be \$4 billion and offshored engineering services around \$3.4 billion. Manufacturing, BFSI, automobile, and logistics sectors are the most attractive targets for Indian companies – these four verticals together consume IT services worth over \$30 billion. Apart from RIM and application development, the low hanging fruits for Indian companies would be package product maintenance and implementation services. Considering the language sensitivities, voice-based contact centre services should be taken up only after acquiring the relevant expertise. Also given its language-independent nature and the obvious cost benefits attached to offshoring, engineering services (automobile, energy, telecom and industrial design) could become a large opportunity for technically equipped Indian firms, the report pointed out.

Nokia-Siemens to source components from India

Telecommunication equipment major Nokia Siemens is planning to source components worth Euro 500 million, an increase of around 50 per cent compared to last year. Meanwhile, the company has developed renewable energy solutions for telecoms operators. The solution would help the operators to handle frequent power cuts in rural parts of India and will reduce the operating cost, according to company's senior official. Speaking to Business Standard Nokia Siemens Networks Operations-Head Herbert Merz, who was here recently to inaugurate new 3G manufacturing production line at Oragadam facility, said that in 2009 the company had sourced components worth €350 million from India and this will be increased to around €500 million. The company sources high-volume components locally such as the mechanicals, cables and packaging and are being exported to Europe and West Asia. Nokia Siemens recently inaugurated its Chennai facility for the manufacture and distribution of mobile communications infrastructure in 2008, for an investment of \$70 million. The facility, with until now was involved in the manufacture of 2G communication infrastructure for local and global customers.

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 : 031-350 11 30 Fax : 031-351 15 57

E-mail : india@indembassybern.ch

Website : www.indembassybern.ch