



INDIA NEWS

NO. 5

May 2010

FII's March investment in stocks at six-month high

Foreign funds are pouring money into domestic debt and equity markets. In March alone, foreign institutional investors (FIIs) pumped in over \$4 billion (Rs 18,000 crore) in equity and over \$2.2 billion (Rs 9,900 crore) in debt markets. Last month, FIIs invested Rs 18,833 crore (US \$ 4.4 billion) in stocks, the highest investment in a single month by foreign players in six months. This helped the Bombay Stock Exchange's benchmark Sensex gain 7.6 per cent, while mid-cap stocks gained 7.3 per cent and small-caps gained 7.9 per cent. In debt markets, FIIs invested over Rs 10,137 crore (US \$ 2.26 billion) in March.

SEBI extends Asba to institutional investors

In line with its aim of improving the primary market's efficiency, the Securities and Exchange Board of India (SEBI) has extended the ASBA (application supported by blocked amount) facility to institutional investors. Currently, it is only available for retail investors and high net worth individuals. The new norms would be applicable for all public issues from May 1. Under ASBA, introduced in September 2008, money is blocked in the investor's account while he bids in a public or a rights issue. The money is debited from the account only at the time of allotment. If there is high oversubscription and the investor is not allotted any share, no money is debited from his account. This, in turn, simplifies the refund process, reducing the timeline of initial public offers (IPOs). According to SEBI estimates, 15-20 per cent retail bids were through the ASBA facility in some recent issues. The SEBI move coincides with the new norms on margin payments for qualified institutional buyers (QIBs). At its board meet last month, SEBI had said that QIBs would have to pay 100 per cent money upfront while applying in issues that open on or after May 1. Currently, QIBs pay only 25 per cent of the money while bidding. According to market players, extending ASBA to QIBs will

reduce the timeline for public issues. SEBI has already reduced the timeline between issue closure and listing to 12 days for all issues that open on or after May 1.

Education becomes a fundamental right

Education has now become a fundamental right in the country with the Right to Education Act coming into force. The announcement on the operationalisation of the Act was made by Prime Minister Dr Manmohan Singh. The Right of Children to Free and Compulsory Education Act enacted by the Parliament in August, 2009 has come into force from April 1, 2010. The fundamental right to education as incorporated in Indian Constitution through Article 21 (A) has also become operative. The Prime Minister, in his address to the nation, said that the Right to Education Act had become a fundamental right and that the Government was pledged to providing education to every child in the country. He said that the Act would realise the dreams of many children and that education would empower the children to become better citizens. The Prime Minister called on teachers and State Governments to join the effort and added that parents had an important function to play in this effort.

Govt launches new foreign investment policy document

The Government launched a new policy document consolidating the plethora of rules and norms governing foreign investment in the country under one comprehensive document. The move is aimed at making available all information on FDI policy in one place. It will lead to simplification of the policy; greater clarity of understanding of foreign investment rules among foreign investors and sector regulators, as also predictability of policy direction. About the consolidated policy, Commerce and Industry Minister Anand Sharma said that the current exercise had been initiated with the aim of integrating all prior regulations on FDI, contained in FEMA, RBI circulars and various press notes into one consolidated document.

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IMF pegs India growth at 8.75% in 2010

On the back of strong domestic demand and robust business confidence, the Indian economy is projected to grow at 8.75 per cent in 2010 and 8.5 per cent in 2011. According to the World Economic Outlook report (2010) by the International Monetary Fund (IMF), the Indian growth story will be supported by a resurgence in demand from the working class on the back of resilient business confidence that will result in more investments. The report said that the domestic demand would strengthen as the labour market improves, and investment is expected to be boosted by strong profitability, rising business confidence and favourable financing conditions.

M&As gather pace, value shoots up in March

Mergers and acquisition (M&As) values gathered momentum and registered a sharp increase in March, primarily in the wake of Bharti Airtel's acquisition of Zain Africa. A total of 86 deals were registered during the month, surpassed the number struck in both 2009 (67) and 2008 (33). The total value of deals (including M&As and PE) touched \$13.83 billion, which was higher than \$2.57 billion and \$4.83 billion registered in corresponding month of 2009 and 2008 respectively. The deal activity has been steadily rising over the last couple of months, with the average size pegged at \$195 million during the month. Inbound values were pegged at \$415 million during the month with 9 deals,

higher than the value of last year — \$278 million with 6 deals. The value of outbound deals was pegged at \$12.3 billion, significantly higher than the value registered in March 2008 and 2009.

India's drug market to be worth \$50 billion

India is likely to be one of the top 10 drug markets in the next 10 years and will be worth at least \$50 billion (Rs2.2 trillion) by then, a report has predicted. The country is now the 14th largest market in the world with annual sales of \$19 billion as of March 2009. The report by consultancy company PricewaterhouseCoopers (PwC)—“Global pharma looks to India: Prospects for growth”—says that Indian industry was likely to become a competitor to global drug makers in certain areas and a potential partner in many others such as contract manufacturing, clinical trials and drug research. The report noted that India has “considerable contract manufacturing expertise, and leadership in the production of generic or off-patent drugs and vaccines”. India already produces at least 20% of the world's generics. The report also says foreign firms will increasingly explore investment opportunities in India in outsourcing production and services, setting up research centres and licensing products and technologies. In manufacturing, pharma companies are deepening relationships with Indian firms to service global markets through marketing alliances such as the partnership between Glaxo SmithKline Plc and Dr Reddy's Laboratories Ltd. Glaxo SmithKline Plc and Dr Reddy's Laboratories Ltd.

PE firms invest \$2 billion in Q4

According to a study by Venture Intelligence, a research service focused on private equity and M&A transaction activity in India., Private equity (PE) firms invested about \$2 billion (around Rs 8,890 crore), the highest in the last six quarters, across 56 deals during the March quarter. While the corresponding quarter in the previous year saw investments worth \$620 million across 58 deals, the preceding quarter witnessed investments worth \$1,681 million across 102 deals. The largest investment during the March quarter was the \$425 million (around Rs 1,900 crore) investment into power generation firm Asian Genco by General Atlantic, Morgan Stanley, Norwest, Goldman Sachs and Everstone. Other

top investments reported during the quarter included Quadrangle Capital Partners' \$300 million (around Rs 1,350 crore) investment into telecom tower infrastructure company TowerVision India; StanChart PE, KKR and New Silk Route's \$217 million (around Rs 976 crore) investment into Coffee Day Resorts and TPG Growth's \$115 million (around Rs 517 crore) investment into Clean Tech firm Greenko Group.

Government approves establishment of National Knowledge Network

The Government has given its nod to the establishment of the National Knowledge Network (NKN) which proposes to connect 1500 educational institutes around the country through a high-speed data communication network. The establishment of the network—with an outlay of US\$ 1.32 billion—was approved by the Cabinet Committee on Infrastructure (CCI), chaired by Prime Minister Dr Manmohan Singh. The NKN would be implemented over a period of ten years by the National Informatics Centre. The network will feature 25 Points of Presence (PoPs) as well as 600 secondary PoPs and is expected to stimulate collaborative research, specialised resources and knowledge-sharing. The NKN will have a scalable architecture and will feature an ultra-high speed core, with speeds in multiples of 10 Gbps, which will be complemented by a distribution layer.

Foreign venture capitalist funds bet big on Rising India

Early stage funding for promising start-up firms appears is set to receive a boost with local and foreign venture capital (VC) investors lining up investment plans as the economic recovery gains strength both in India and abroad. Over 30 new VC funds have started putting money in start-ups across various sectors such as clean technology, micro finance, rural technology and genomics apart from conventional segments, a marked contrast to the bleak days of 2007-08 when the global financial crisis hit these investors hard. The pace of economic recovery now coupled with factors such as higher investment returns and easier exit options have triggered off fresh interest among both domestic and foreign VC firms to invest in India. Amongst foreign VC (FVC) firms, funds such as Artiman Ventures, BAF Spectrum, ATEL Ventures, Blue

Orchard, Mercatus Capital and Foundation Capital have already made the initial investments in Indian start-ups. Newly-set domestic venture capital (VC) funds such as Aavishkaar Goodwell, Ambit Pragma, Axis Holdings, Rabo Equity and VC Hunt are also cutting deals across sectors, according to data maintained by private equity tracker- Venture Intelligence. VC firms invested \$475 million over 92 deals in India during calendar 2009. In the quarter to December alone, VC firms logged 42 investments worth \$265 million — significantly higher than that during the same period in 2008. According to analysts, one of the main reasons for VC gathering pace in India is higher returns and easier exit options. Most VC funds expect a return of 25-30% on their investments annually. VC funds that invested in listed companies — or had investments at the time of going public — exited these stocks at high prices when markets were climbing in mid-2009

India Inc boasts highest ever order inflow

India Inc's order book doubled in the fourth quarter (January-March) of the last financial year compared, to the year-ago period. At Rs 92,290 crore (US \$ 20.64 billion), it was also the biggest ever order inflow in any quarter, beating the earlier high of Rs 74,775 crore (US 16.72 billion) recorded during the quarter ended September 2009. Data, culled by Business Standard Research Bureau from announcements made to the stock exchanges, showed that the engineering and construction sector accounted for the highest position (35.5 per cent) of the total inflow. Power followed closely with 34.4 per cent. The order — from private sector and Central and State Governments — are for building power plants, roads, and factories and houses, in addition to capital equipment and engineering. Others are equally optimistic. Take Larsen & Toubro. The engineering giant has become the first private sector player in the country to achieve a cumulative Rs 1,00,000 crore (US \$ 22.37 billion) plus order book. The company, which had an order book of Rs 91,104 crore (US \$ 20.38 billion) as on December 31, 2009, got another lot of orders worth more than Rs 9,000 crore (US \$ 2.01 billion) in the past two-three weeks. "It's a stupendous achievement," said L&T Chairman and Managing Director A M Naik. In the January-March quarter, around 16.5 per orders were to build highways while the remaining 13.6 orders were for water projects, IT,

crore (US \$ 2.90 billion) to built highways, road side tunnels and state roads on the build-operate-transfer model. The listed public sector undertaking (PSU) awarded engineering, construction and power equipment contracts worth Rs 18,000 crore (US \$ 4.02 billion). The State Government awarded contract worth Rs 20,141 crore (US \$ 4.5 billion) for construction, power and water projects. The private companies also showed capex spending, awarding engineering and construction projects worth Rs 23,500 crore (US \$ 5.25 billion).

IIP growth maintains momentum

According to data released by the Central Statistics Office of the Ministry of Statistics and Programme Implementation, the Index of Industrial Production (IIP) grew by 15.1 per cent year-on-year in February 2010, reflecting pick-up in capital investment and higher consumer confidence. The cumulative growth for the period April-February 2009-10 stands at 10.1 per cent over the corresponding period of the previous year. The Indices of Industrial Production for the Mining, Manufacturing and Electricity sectors for the month of February 2010 stand at 205.5, 345.1, and 227.0 respectively. The corresponding growth rates of these sectors stand at 12.2 per cent, 16.0 per cent and 6.7 per cent as compared to February 2009. The cumulative growth during April-February, 2009-10 over the corresponding period of 2008-09 in the three sectors have been 9.7 per cent, 10.5 per cent and 5.8 per cent respectively, which moved the overall growth in the General Index to 10.1 per cent. As many as 14 out of the 17 industry groups (as per 2-digit NIC-1987) have shown positive growth during the month of February 2010 as compared to February 2009. The industry group 'Metal Products and Parts, except Machinery and Equipment' have shown the highest growth of 57.0 per cent, followed by 40.4 per cent in 'Machinery and

Equipment other than Transport Equipment' and 36.4 per cent in 'Transport Equipment and Parts'. The Sectoral growth rates, as per the use-based classification in February 2010 over February 2009 are 8.4 per cent in Basic goods, 44.4 per cent in Capital goods and 15.6 per cent in Intermediate goods. The Consumer durables and Consumer non-durables recorded growth of 29.9 per cent and 2.3 per cent respectively, with the overall growth in Consumer goods being 8.9 per cent.

Coal India to invest Rs 6,000 crore in foreign acquisitions

Coal India Ltd (CIL) plans to invest Rs 6,000 crore (US \$ 1.34 billion) in foreign acquisitions this financial year and is currently evaluating 10 overseas proposals that include five proposals for equity infusion. The proposals cover mining assets in countries such as the US, Australia and Indonesia. CIL Chairman P S Bhattacharyya said that the US-based Peabody Energy Corp is one of the companies that had offered to work in partnership with CIL, either through equity stake or forming a joint venture with an offtake contract. He said that the PSU would invest about \$2 billion (about Rs 9,000 crore) over the next four years in foreign acquisitions and expected 50 million tonnes per annum coal from such ventures to meet the domestic demand

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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

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