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News Feature

India exceeds export target for 2007-08, touches USD 163 bn

India exceeded the export target for 2007-08 by 3 billion dollars achieving an overall growth rate of about 29 per cent, appreciation of rupee notwithstanding.

"Exports reached a level of 162.9 billion dollars during 2007-08, registering a growth of 29.02 per cent over the same period last year," according to the final figures released by the Directorate General of Commercial Intelligence and Statistics.

The export target for the fiscal 2007-08 was 160 billion dollars. In the same period, the domestic currency appreciated by about 8 per cent, eroding the profit margins of exporters.

In rupee terms, the shipments for the period recorded a growth of 14.7 per cent to Rs 6,55,864 crore compared to Rs 5,71,779 crore last fiscal, it said.

The major sectors which drove the exports during the period were engineering goods, petroleum products, gems and jewellery, agriculture and allied products and ores and minerals, it said.

Exports of textiles, handicrafts and sports goods, which were badly hit during 2006-07 due to appreciation of rupee vis-a-vis dollar since September 2006, showed improvement in their performance during the year, it added.

The country's export for the first five months of the current fiscal grew by 35.1 per cent to 81.2 billion dollars from that of 60 billion dollars corresponding period previous year.

http://economictimes.indiatimes.com/News/Economy/Foreign_Trade/India_exceeds_export_target_for_2007-08_touches_USD_163_bn/articleshow/3594856.cms

IIP to remain around 6% for FY '08: D&B

Describing the 1.3% industrial growth in August as "aberration", the global business consultant Dun & Bradstreet (D&B) expects 5-6% increase in Index of Industrial Production (IIP) during September. "IIP growth of mere 1.3% during August is worrisome and surprising, however, it could be an aberration. We expect growth in IIP to remain around 6 % during 2008-09", said D&B chief operating officer Kaushal Sampat.

According to the forecast, the industrial production in September is likely to grow by 5 to 6 %. "Although cut in CRR is likely to ease liquidity conditions in the banking system, it might put upward pressure on the money supply thereby increasing inflationary expectations...interest rates will remain unchanged ,," D&B said.

<http://www.financialexpress.com/news/iip-to-remain-around-6-for-fy-08-d&b/373308/>

Overseas Investment

Cabinet to take up FDI cap hike in insurance

The snowballing global financial crisis may have hit the world's biggest insurance players like AIG and Fortis severely. But the UPA government is undeterred by the recent turn of events and is hoping to carry forward its financial sector reform agenda, beginning with a hike in the foreign direct investment (FDI) limit in the insurance business along with a slew of other reforms.

The Cabinet is expected to take up for approval the Insurance Laws (Amendment) Bill that aims to increase the FDI limit in domestic insurance companies to 49% from the existing 26%. The UPA expects to table it in the forthcoming session of Parliament beginning October 17.

The Bill was finally cleared by a group of ministers led by external affairs minister Pranab Mukherjee last month, over two years after the matter was first referred to it. The GoM has also recommended 10 new provisions in the draft Bill.

Besides increasing FDI, the 60-page draft Bill proposes nearly 120 amendments to insurance laws, including amendments to the Insurance Act of 1938, the LIC Act of 1956, and the IRDA Act of 1999.

A key proposal aims to enable foreign reinsurance companies to enter the Indian market. This would benefit a host of firms like Lloyd's of London, Munich Re and Swiss Re to get a full branch status in India. Currently state-owned General Insurance Company is the only re-insurer in the country.

<http://www.financialexpress.com/news/cabinet-to-take-up-fdi-cap-hike-in-insurance-today/373833/>

FDI inflows in FY09 to meet target: Nath

The government said that export growth will be consistent at 30% in October and FDI would touch \$35 billion this fiscal as anticipated earlier.

Speaking at the India-Brazil-South Africa (IBSA) business summit organised by the government and industry associations of the three countries, commerce and industry minister Kamal Nath said that the impact of global meltdown will be minimal on India. "We will achieve our FDI target at least for this year," he said. He estimated that FDI inflows would meet the target of \$35 billion during the current year.

Mr Nath said the recent reduction in cash reserve ratio (CRR) should be able to infuse adequate liquidity in the market. "Indian economy is facing some liquidity issues, not solvency issues. The economy is still in a boom phase and will continue to be so," he said.

When asked about the depreciation of the rupee against the dollar, the minister said that the government doesn't believe in calibration of the rupee. "The government should not intervene unless extraordinary situations arise," he said.

He stressed on the role India, Brazil and South Africa were playing in the emerging economic order and said they had survived the current economic scenario because their financial systems are in the same orbit, unlike those of the developed countries.

He also said if the concerns of the three nations were addressed, the Doha round of multilateral talks could be successfully completed as they collectively represent the voice of 120 countries.

http://economictimes.indiatimes.com/Economy/FDI_inflows_in_09_to_meet_target_Nath/articleshow/3591823.cms

Govt may relax foreign investment norms in banking, telecom

Government is considering relaxing norms for foreign investment in sectors like banking and telecom by treating portfolio FII investment outside the sectoral cap.

At present, foreign direct investment (FDI) and foreign institutional investments (FII) are added to determine sectoral foreign investment cap in banking, credit information companies, broadcasting, commodity exchanges and telecom.

But, with RBI allowing FIIs to acquire shares in companies under the Portfolio Investment Scheme (PIS), the government is now likely to mandate that sectoral caps would henceforth be for FDI investment only, official sources said.

In sectors with caps, the balance equity would specifically be beneficially owned by/held with/in the hands of resident Indian citizens and Indian companies, owned and controlled by resident Indian citizens.

FIIs investing under PIS shall not seek a representation on the board of directors and they will have to give a self-declaration whenever they act in concert with any of the companies that they have invested in.

Sources said investments by registered FIIs under PIS are made under Schedule 2 of the Foreign Exchange Management Regulations and are distinct from FDIs which are made under Schedule 1. FIIs are also permitted to make investments under FDI Scheme under Schedule-1.

PIS cannot cross 24 per cent in any company. At present, banking and telecom have 74 per cent foreign investment cap (FDI plus FII), which would, after the policy is accepted by the Cabinet, be changed to 74 per cent FDI.

Similarly, 20 per cent FDI plus FII limit in FM radio would now be 20 per cent FDI cap, while 49 per cent FDI plus FII in cable network, direct-to-home commodity exchange and CIC would be changed accordingly.

http://economictimes.indiatimes.com/News/Economy/Policy/Govt_may_relax_foreign_investment_norms_in_banking_telecom/articleshow/3590942.cms

PE inflows hit \$10bn mark

Private equity investments in the country have touched nearly \$10 bn in the first nine months of this year with \$3 bn coming in the last three months, a report says.

"Private equity firms invested about \$3 bn in 116 Indian companies during the quarter ended September taking the total investments in the first nine months of the year to over \$9.7 bn across 330 deals," according to the latest report from Venture Intelligence, a research service focussed on private equity and venture capital.

The PE investments in the September quarter was lower than that of the same period last year when \$4.2 bn was invested in 115 deals but it is higher in comparison with the immediate previous quarter (which witnessed 80 deals totalling \$2.9 mn), the report added.

"Pre-IPO placements and buyouts completely dried up during the latest quarter. While late stage investments accounted for a third of the deals during Q3 of 2008, the share of venture capital investments rose to 40 per cent in volume terms," Venture Intelligence Founder and CEO Arun Natarajan said.

The report further highlighted that the July-September quarter saw almost \$1.8 bn being raised by India-dedicated private equity funds. Of this, Sequoia Capital successfully raised a \$750 mn second growth capital fund.

Other firms that closed new funds during the period included Franklin Templeton, Nexus India Capital and Gaja Capital, the report added.

http://economictimes.indiatimes.com/News/Economy/Finance/PE_inflows_hit_10bn_mark/articleshow/3591359.cms

Centre allows Rs 2,704-cr FDI in Birla Telecom

The government gave the green signal to Idea Cellular's subsidiary Aditya Birla Telecom Ltd (ABTL) for foreign direct investment (FDI) to the tune of Rs 2,704 crore. The FDI comes from a Mauritius-based entity P5 Asia Holding Investments (Mauritius) Ltd enabling it to hold 20% stake in ABTL.

With this deal, the total FDI in the GSM service provider goes-up to 74%, the maximum limit of FDI allowed in the telecom sector.

The funds will be used for network rollout and ongoing operations of ABTL in the Bihar circle.

ABTL owns the telecom UAS licenses for the Bihar service area, which covers the states of Bihar and Jharkhand. The area has the second highest population among all service areas of India, but with the lowest mobile penetration. The Cabinet Committee on Economic Affairs has given approval to Aditya Birla Telecom to sell up to 25,00,000 compulsorily convertible preference shares to P5 Asia Holding Investments (Mauritius) Ltd, which is a member of the Providence Equity group, subject to certain conditions. Currently, Idea Cellular operates in 11 circles in India, in June the company had acquired B K Modi's 40.8 % stake in Spice Communications for an all-cash amount of Rs 2,700 crore, which included non-compete fees. Under the deal, Idea Cellular bought Spice Group's shares at Rs 77.30 per share, making the mandatory open offer to Spice shareholders at the same rate. Together Idea and Spice have a subscriber base of around 32 million.

Meanwhile, the Union Cabinet also gave its approval for inclusion of maternity benefit in the Rashtriya Swasthya Bima Yojana, on the condition that the premium is within the existing limit of Rs 750 for every beneficiary. RSBY was launched by the government this year and provides insurance cover to below poverty line families in the unorganised sector.

Construction of a greenfield airport in Pakyong, Sikkim was also given the go-ahead by the CCEA. The airport, 35 km away from Gangtok would have a 1,700 metre long runway with two parking bays for 72ATR type of aircraft.

The government also approved the ministry of tourism's proposal to set up 19 new hotel management institutes, besides introduction of hospitality education through ITIs and government colleges to meet the growing demand for trained manpower in hospitality and tourism sector.

<http://www.financialexpress.com/news/centre-allows-rs-2-704cr-fdi-in-birla-telecom/374441/>

Govt may ease rules for more FDI inflow

Extraordinary situations require extraordinary actions. This appears to be the latest mantra for policymakers and government functionaries. Hectic discussions are on in North Block and Udyog Bhawan to liberalise FDI norms and relax existing regulations in a bid to infuse more investments into the Indian economy.

The Department of Industrial Policy and Promotion (DIPP) and the finance ministry are working together to do away with the cap on FDI in single-brand retail and allow up to 100% foreign investments.

As of now, the policy permits foreign investments up to 51% in single-brand retail. This apart, consultations are on to examine the possibilities of allowing 51% FDI in the multi-brand retail — hitherto an untouchable area for the government.

The government's recent thinking on easing FDI restrictions comes on the back of the current liquidity crisis which has been compounded with a significant outflow of foreign investments by FIIs. Despite the present difficulties, India is expected to sustain an economic growth of 7%-plus in coming years. The government feels that policy measures are needed to prop up India as an investment destination.

http://economictimes.indiatimes.com/News/Economy/Policy/Govt_may_ease_rules_for_more_FDI_inflow/articleshow/3616783.cms

Trade News

Indo-US bilateral trade may top \$50 b in 2008

The United States Commercial Service stated that the total bilateral trade between India and the US is likely to exceed \$50 billion by the end of 2008 against \$41.6 billion last year.

With the signing of the nuclear deal between the two countries recently, the trade volumes are likely to go up further not only with India but other countries too, according to senior US officials.

Of the \$17.6 billion US exports to India in 2007, aviation accounts to about \$6 billion (34.4 per cent). The growth has been quite rapid from \$2 billion in 2006 to \$6 billion in 2007, and there is immense potential for upside, according to Mr Steven White, Charge D' Affairs, US Embassy.

Addressing a press conference, Mr White said that a large contingent of US companies is now in India exploring opportunities for co-operation with their Indian counterparts in the aviation sector.

Unfazed by the current financial turmoil, they believe that China and India are amongst two fastest growing economies having potential for business expansion in several sectors, including aviation, infrastructure and energy.

Citing some of the recent initiatives to fund the aviation industry, Mr Carmine S. Aloisio, Minister Counsellor, US Embassy, said that the Ex-Im Bank had extended a \$549-billion financing as a part of \$1.23 billion loan for purchase of Boeing aircraft to Air India.

<http://www.thehindubusinessline.com/2008/10/17/stories/2008101752371000.htm>

Labour-intensive exports to gain from India-Australia trade pact

The proposed free trade agreement (FTA) between India and Australia could result in better market access for labour-intensive Indian exports including textiles, clothing and footwear where existing tariffs are high in Australia. While the sectors are perceived as

“sensitive” in Australia, the country believes in elimination of tariffs on all sectors in its FTAs, Australian trade officials say.

“We believe in eliminating all tariffs on all goods in our FTAs,” said Todd Mercer, director, WTO, regional and FTAs section of the department of foreign affairs and trade (DFAT). For sensitive products, the time frame could be longer. The catch, however, is that Australia also expects the same of its FTA partners. In its recent FTA with the US, the only product which it allowed the US to keep out of tariff elimination was sugar.

Australia wants the proposed FTA with India to give it more market access in agriculture, mining and financial services sectors. The two sides are hopeful of concluding the FTA by the end of the year. “We were very excited when India proposed a feasibility study on an FTA with India in August this year,” said Michael Wood, director, Australia-India FTA study, DFAT. He added that models showed that both the countries could have GDP gains and trade growth through the FTA, but some adjustments had to be made by the two sides.

http://economictimes.indiatimes.com/News/Economy/Foreign_Trade/Labour-intensive_exports_to_gain_from_India-Australia_trade_pact/articleshow/3600855.cms

Sectoral News

WiMAX to be \$13-b market in India by 2012

India’s broadband usage is set to improve sharply with as many as 27.5 million WiMAX users expected by 2012, according to projections made by industry body, WiMAX Forum.

This means that in the next four years about 20 per cent of the global WiMAX users will be in India, making it a \$13-billion market.

The technology allows subscribers to access high-speed Internet on wireless devices such as mobile handsets and laptops. It will also enable consumers to make telephone calls using the Internet Protocol. This platform also supports broadcast applications.

WiMAX Forum also announced that it is in the early stages of planning a WiMAX Applications Lab at the Indian Institute of Technology, Delhi.

Similar labs are already running in Taiwan and the US. IIT Delhi has a functioning WiMAX test bed and will focus on enhancing the quality of experience and community services for under-served areas.

“Broadband penetration being low, the opportunity for operators to gain large numbers of subscribers through WiMAX is incredible.

Any service provider with innovative service offerings, attractive devices and go-to-market plans that maximise the utility offered by WiMAX technology to price-sensitive Indian

customers can use this ready and proven technology to quickly gain market share,” said Mr C. S. Rao, Chairman, WiMax Forum, India chapter.

The Government has announced its decision to auction WiMAX spectrum by December this year. Reliance Communications, Tata Communications and State-owned BSNL are looking to aggressively deploy the technology to boost broadband penetration.

<http://www.thehindubusinessline.com/2008/10/15/stories/2008101550790400.htm>

Rising exports, output cheer tea sector

There is some cheer in the cuppa as the Indian tea industry is on a comeback mode with production and exports increasing despite competition from several countries such as Vietnam and Bangladesh.

Data available from the Tea Board indicate that exports rose by about 18 million kg (mkg) to 124.04 mkg till August this year, compared with the corresponding period last year.

ON THE BUOY

“The mood is buoyant as the Indian tea industry now beginning to look up. Overseas demand is on the rise and prices are firming up owing to good quality teas, besides shortage of teas in the world market,” an industry source told Business Line. Pakistan, Egypt, Iran and Iraq and West Asian countries occupy the permanent slot in the export list.

Besides these countries, Kenya itself has been buying from India to meet its export obligations, while Pakistan has also begun to buy some quantities to meet the shortage arising out of Kenyan production troubles.

<http://www.thehindubusinessline.com/2008/10/16/stories/2008101651151300.htm>

Aviation sector needs \$300 billion in the next 10-15 yrs: Patel

India needs a whopping \$200 billion-\$300 billion investment in the aviation sector over the next 10-15 years.

The investment will cover the entire spectrum of the aviation industry including the ancillary industries, said civil aviation minister Praful Patel.

Speaking at the inauguration of the India Aviation 2008, first international exhibition and conference on civil aviation being held at Hyderabad, he said, “there is a rough patch in the sector worldwide and India is no exception. But we will be able to progress as the Indian aviation companies have laid a strong foundation for themselves. They fly between destinations far and wide. And the government will do everything possible to support the aviation companies and other ancillary industries.

We do accept that some work needs to be done with the regulatory framework behind the scene”.

In the years to come, the Indian aviation industry is poised to grow and would position itself among the top aviation markets globally. This is very clear from the fact that the country is geographically spread with huge population. Besides, it is becoming an economic power.

“In 2004, the sector started slowly with probably 100 plus aircraft. It was very small then, for a country like India. Though we have not grown big, over the years, the size of the aircrafts which the airline companies have, is a clear testimony to the fact that the aviation industry is here to stay”.

Speaking on the occasion, YS Rajasekhara Reddy, chief minister of Andhra Pradesh said, India has a growing aviation market with wide opportunities and potential.

“Every possible player has to take look at India in a positive manner in terms of investments. We in the state of Andhra Pradesh adopt proactive measures for the benefit of the industry.

In fact, we were the first state to reduce the tax on aviation fuel, helping the industry to a large extent. And in terms of infrastructure development, we are planning for six new airports in the state and we are also in the process revamping two non functional airports.

According to Madhavan Nambiar, secretary, ministry of civil aviation, the industry has contributed significantly to the growth in the country, both directly and indirectly. It has created lot of opportunities for the domestic and international tourism, has facilitated in creation of infrastructure, besides developing ancillary industries.

<http://www.financialexpress.com/news/aviation-sector-needs-300-billion-in-the-next-1015-yrs-patel/373861/>

Seafood exports rises 6%

Increased availability of squid and mackerel has helped Indian seafood exports register a marginal increase in volume and value for the first quarter of the FY 2008-09. Exports have increased by 6% in volume and value for the period, while dollar revenue registered an increase of 8.6% during the same period. It has been a turnaround when compared with the performance of the last FY, when exports fell in both volume and value.

India exported 107,060 tonne of seafood products valued at Rs 1593.07 crore in April-June 2008-09, as against 100,852 tonne valued at Rs 1505.84 crore in April-June 2007-08.

The dollar value has increased during the same period to \$392.34 million from \$361.11 million.

In 2007-08, volume of exports fell by 11.58%, while value declined by 8.88%.

According to estimates of the state-run Marine Products Export Development Authority (MPEDA), exports during the last FY stood at 541,701 tonne valued at Rs 7620.92 crore.

<http://www.financialexpress.com/news/seafood-exports-rises-6/373958/>

News Round – Up

ADB puts India's GDP at \$35 t by 2040

Recently in Singapore The Asian Development Bank reckons that India will grow at 11.5 per cent (average) over the next 30 years.

By 2040, India's GDP will be \$35 trillion at 2007 prices, against \$1 trillion now, said Mr Rajat Nag, Managing Director-General, ADB.

Addressing the Pravasi Bharatiya Divas, a conference of the Indian diaspora here, Mr Nag said that by 2040, India would be the second largest economy in the world, only after China, accounting for 18 per cent of the world's economy, against 2 per cent today.

He said that the Indian rupee would appreciate against the US dollar, contributing to the GDP, which is calculated in terms of the dollar. Of the 11.5 per cent growth projected, 9 per cent would be in terms of 'real effective exchange rate' (REER), and the appreciation of the rupee would account for the rest.

By 2040, India would be the second largest economy in the world, after China. India's population would have risen to 1.7 billion people, but still, the per capita income would be \$20,000.

The transformation of India from 'poor' to 'rich' would happen in one generation, Mr Nag said.

Mr Nag, an alumnus of IIT, Delhi, said that India has an edge over China in terms of demographics. While China's labour force is ageing and will peak in a few years, India's is young and the ratio of labour force to overall population is growing.

<http://www.blonnet.com/2008/10/15/stories/2008101551651000.htm>