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Contents

- | | | |
|---|--|----------|
| 1 | News Feature | Page 1 |
| | <ul style="list-style-type: none">• Number of FIIs in India crosses 1000 | |
| 2 | Overseas Investment | Page 1-3 |
| | <ul style="list-style-type: none">• FDI inflows to grow by 100% this fiscal: Nath• FDI in homegrown airlines may soar up• FM radio to get FDI boost• Lenovo looks to expand operations in India | |
| 3 | Trade News | Page 3-4 |
| | <ul style="list-style-type: none">• Handicraft exports up 13.71% in April-Nov• Ripe US policy invites Indian mangoes• US, India set up forum to boost trade in legal services | |
| 4 | Sectoral News | Page 5-7 |
| | <ul style="list-style-type: none">• Select retail may get 100% FDI• Govt mulls 100% FDI in mineral prospecting• IOC plans to spend Rs 2k cr on retail infrastructure• Indian stationery biz set to grow 30 pc | |
| 5 | News Round-up | Page 7 |
| | <ul style="list-style-type: none">• Cos tweak global business models | |

News Feature

Number of FIIs in India crosses 1000

The number of foreign institutional investors (FIIs) registered with the Securities and Exchange Board of India (Sebi) crossed the 1,000 mark.

The total number of FII's having their offices in India has now increased to 1,030. In the beginning of calendar year 2006, the figure was 813.

As many as 217 new FII's opened their offices in India during the current calendar year. This is the highest number of registrations by FII's in a year till date. The previous highest was 209 in 2005.

As many as 37 foreign entities registered with the market regulator till December 28, highest ever single month registrations by the FII's since their entry into Indian market in 1993. In the last two months, 57 new FII's opened their offices, while the last six months' figure was 102 as against 92 in 2005.

The net investments made by the institutions during 2006 was \$9,185.90 million against \$9,521.80 million in 2005.

<http://www.businessstandard.com/common/storypage.php?autono=269521&leftnm=0&subLeft=0&chkFlg=>

Overseas Investment

FDI inflows to grow by 100% this fiscal: Nath

The foreign direct investment (FDI) inflows into the country this fiscal are set to grow by around 100 per cent, crossing the \$11 billion mark, as compared to \$5.5 billion in 2005-06.

Giving an overview of the performance of the department of industrial policy & promotion (DIPP) during the current fiscal, Commerce and Industry minister Kamal Nath said, "Once the reinvested earnings of foreign companies, already present in India, are also taken into account in the inflows, which is a world-wide practice, the total FDI inflows in the fiscal 2006-07 could be as high as \$14 billion, compared to \$7.7 billion last year".

He added that the country is well on its way of reaching the export target of \$120 billion set for this fiscal. "Growth in exports is needed to achieve a target of 10 per cent GDP growth," the minister said.

According to Nath, the software industry, the financial services segment and the manufacturing sector have seen huge investments.

"Investments in the manufacturing sector are first-mile investments and are likely to be followed up by further funding for completion of the projects and also for their further expansions," he added.

He also pointed out that compared to last year, the manufacturing sector had grown by 11.2 per cent in the April to October period and this rate was likely to be sustained.

"The targeted rate of growth of 12 per cent in the sector during the 11th Plan was likely to be achieved in the terminal year of the 10th Plan itself," the minister said.

http://www.businessstandard.com/common/storypage_c.php?leftnm=10&autono=269359

FDI in homegrown airlines may soar up

The government is considering a proposal to increase the foreign direct investment (FDI) limit in scheduled domestic carriers to 74% from 49%. The idea is being mooted to increase the funding options for domestic airlines that have drawn up huge expansion plans. Domestic carriers are expected to buy close to 480 aircraft in five years involving an investment of \$30 billion.

“The government may hike the FDI cap to facilitate funding options for airline companies,” a senior official in the civil aviation ministry said. The idea of hiking FDI in domestic carriers has been doing the rounds for quite some time, but the government now seems to have reached a broad consensus on the issue, he added. A review panel set up by the civil aviation ministry would suggest detailed policy changes in this regard early next year.

The proposed increase in FDI in domestic carriers would, however, come with a rider. Though FDI in the sector is allowed, no foreign airline company can have a direct or indirect stake in domestic carriers. Even foreign equity funds in which airline companies have a stake are barred from investing in domestic carriers.

http://economictimes.indiatimes.com/FDI_in_domestic_airlines_may_soar_up/articleshow/969198.cms

FM radio to get FDI boost

The government is likely to increase the foreign investment cap in private FM radio to 49% from 20% now, and also allow news and current affairs programmes.

Foreign institutional investors, who can now hold up to 20% in FM broadcasters, will be permitted to hike their stake to 49%, government officials said. This could give a big push to FM radio companies that plan to tap the capital markets.

It is estimated that Indian FM radio companies need investments of over Rs 3,000 crore to complete their rollout plans. In the second phase of FM frequency auctioning, companies had coughed up as much as Rs 1,100 crore in licence fees.

http://www.financialexpress.com/fe_full_story.php?content_id=150115

Lenovo looks to expand operations in India

Lenovo has major expansion plans in India. To begin with, it has formally launched its first ‘Innovation Centre’ in India — the other two being located in the US and Beijing.

It has also announced it would expand the presence of Lenovo products in multi-branded outlets and exclusive retail outlets.

The company currently has 60 exclusive retail outlets, which it plans to increase to 100 by March 2007. Similarly Lenovo product showcased in almost 350 multi-branded outlets are expected to rise to 500 by March 2007.

“Our decision to base the third Innovation Centre in India is testimony to the importance Lenovo ascribes to India as one of our fastest growing markets and recognition of the unique, large enterprise and mid-market customers here. Solutions and technologies that are incubated, developed and showcased here will be driven by customer requirements,” said Neeraj Sharma, Managing Director, Lenovo South Asia.

http://www.businessstandard.com/common/storypage_c.php?leftnm=10&autono=269557

Trade News

Handicraft exports up 13.71% in April-Nov

Handicraft exports from the country surged by 13.71 per cent in dollar terms in April-November 2006 to touch \$1.99 billion compared with \$1.75 billion recorded in the corresponding period of the previous year.

In rupee terms, handicraft exports increased by 16.59 per cent in April-November 2006 to Rs 9,116.81 crore compared with Rs 7,819.68 crore in the corresponding period of the previous year.

The handicraft export target for 2006-07 has been pegged at \$3.73 billion (Rs 16,500 crore). "Going by the current trend, it would be difficult to achieve this target. But we will try and make it there to achieve this target," Mr Rakesh Kumar, Executive Director, Export Promotion Council for Handicrafts (EPCH), told Business Line.

<http://www.thehindubusinessline.com/2006/12/30/stories/2006123004790300.htm>

Ripe US policy invites Indian mangoes

It Seems Indian mangoes can finally make their way into the US market in the summer of 2007. After dilly-dallying for nine months, the US department of agriculture has started acting on US President George Bush's promise to lift a 17-year-old ban on Indian mangoes.

The US has notified to the World Trade Organization (WTO) its intention to amend its fruit and vegetables regulations to allow import of mangoes from India under specified conditions.

A deadline of January 16, 2007, has been fixed by the US for WTO members to come up with any comment or observation on the proposal following which steps would be taken to bring about the required amendments.

President Bush had promised to allow Indian mangoes in the US market during his visit to New Delhi in March 2006, and the two sides had also signed a related agreement.

Premier varieties of Indian mangoes such as Alphonso, Chausa and Langra are exported to more than 80 countries including Japan, Canada and a number of countries in Asia and Europe.

http://economictimes.indiatimes.com/News/Economy/Foreign_Trade/Ripe_US_policy_invites_Indian_mangoes/articleshow/1003098.cms

US, India set up forum to boost trade in legal services

The United States said Thursday it has set up a forum with India to facilitate trade in legal services. "Legal services are integral to today's complex global economy," Deputy US Trade Representative Karan Bhatia said as he announced the formation of a working group of US and Indian legal experts.

Bhatia and his Indian counterpart, Commerce Secretary Gopal Pillai, agreed on establishing the forum during recent meetings in New Delhi, said a statement from the US Trade Representative's office in Washington.

"It is a priority in our bilateral dialogue," Bhatia said of the Bilateral Working Group on Legal Services comprising prominent legal professionals, including representatives of US and Indian law firms, the American Bar Association and the Bar Council of India.

The forum would "promote greater interaction between legal professionals in India and the United States and to facilitate trade in legal services between the two countries," the statement said.

http://economictimes.indiatimes.com/News/Economy/Foreign_Trade/US_India_set_up_forum_to_boost_trade_in_legal_services/articleshow/969622.cms

Sectoral News

Select retail may get 100% FDI

Sectors include electronics, sports goods, building equipment and stationery.

The commerce ministry will soon put up a note to the Cabinet seeking to permit foreign direct investment (FDI) in at least five speciality retail areas, including electronics, sports goods, building equipment and stationery.

Although pharmaceutical retailing will not be brought under this move, there is a strong likelihood that furniture may also see a similar relaxation.

Highly placed sources in the government said Commerce Minister Kamal Nath had discussed the matter with Prime Minister Manmohan Singh, who is understood to have directed him to bring the matter to the Cabinet for discussion.

The commerce ministry is also initiating a discussion with the Department of Consumer Affairs on this proposed move, which is likely to take shape in a month or so.

When asked, Nath confirmed that the move was being considered. "I am looking at this," he said. The logic behind the move, which comes amid the Left parties' opposition to FDI in the retail sector, is that this relaxation will not impact any domestic interest groups.

For instance, with the Commonwealth Games scheduled to be held in New Delhi in 2010, Nath feels that there will be a need for good sports goods stores.

Interestingly, Nath made it clear that he was personally opposed to diluting FDI norms for retail in a manner that would impact neighbourhood grocery stores.

http://www.businessstandard.com/common/storypage_c.php?leftnm=10&autono=269311

Govt mulls 100% FDI in mineral prospecting

The government is looking at allowing up to 100 per cent foreign direct investment in mineral prospecting. The move, which Commerce Minister Kamal Nath today said was aimed at exploiting the country's huge mineral reserves, would lead to investment and technology inflows into the country.

"FDI has to be channelised to sectors where growth has not taken place and mineral prospecting is an area where we need to attract FDI. Today we have large reserves of coal, iron ore, magnesium, but new technologies are needed for mineral prospecting. Efforts will be made to attract FDI in mineral prospecting, and if needed the policies may be changed," Nath added.

The relook at FDI norms in mineral prospecting is part of a larger review, similar to the one undertaken early this year, officials said.

"The exercise for 2007 has already started and would be completed before the Budget session of Parliament," the officials said.

Around the world, mineral prospecting attracts huge investments. Nath said this move would lead to the entry of global companies, although he agreed that there were a number of difficult issues that would need resolution. "We have to look at our prospecting policy in the long term", he said.

The Indian mining sector was opened for FDI in 1993, after the announcement of the new mineral policy.

http://www.businessstandard.com/common/storypage_c.php?leftnm=10&autono=269334

IOC plans to spend Rs 2k cr on retail infrastructure

Indian Oil Corporation (IOC) has earmarked an investment of Rs 2,000 crore by March 2007 to improve its retail-marketing infrastructure across the country.

The investment would involve the creation of 1,000 fully automated retail outlets (ROs), 200 auto LPG stations and conversion of petrol pumps into branded retail outlets. The oil marketing major has also set a target of creating 2,000 automated ROs by March 2008.

“We have firmed up our strategy to convert 1,000 ROs into fully automated ones by March 2007 from 80 such ROs at present. In the next fiscal, 2007-08, we hope to create another 1,000 fully automated ROs across the country,” GC Daga, director (marketing), IOC, said.

“We want to offer our customers the best value proposition through accurate billing and have plans to automate all ROs which register sales of more than 200 kilo litres per month,” Mr Daga added. IOC will spend close to Rs 160 crore on these automated outlets in 2006-07. Another Rs 57 crore will be spent on adding some 114 new auto LPG stations to take the total number of such ROs to 200.

<http://economictimes.indiatimes.com/News/News By Industry/Energy/IOC plans to spend Rs 2k cr on retail infrastructure/articleshow/956467.cms>

Indian stationery biz set to grow 30 pc

Make a greeting card, gift a pencil box or a sketchbook - this is the time of the year when even adults become children and need felt pens and cart sheets. The market for writing instruments and notebooks in India - estimated at over Rs 45 billion (\$1 billion) is witnessing a sharp growth of 30 per cent per annum the past three years, experts said at an event over the weekend.

The growth is likely to last at least for the next five years, they added.

The industry players - representing a wide range of writing instruments - were taking part in Kidex 2006, an event focusing on children that was organised by the Confederation of Indian Industry (CII).

According to industry participants, while market for writing instruments was estimated at Rs 15 billion, that for notebooks was twice the size. The market is also set to witness increased competition from global players at the premium end and at the low-end segments from Chinese imports, experts added.

They said that with increased affordability, supply patterns in the recent years have undergone a drastic change, with consumers increasingly opting for new pens instead of refills.

An important trend is that leading firms are choosing notebooks and stationery markets for diversification, realising the potential for children's products in generating a strong and positive brand loyalty.

<http://economictimes.indiatimes.com/News/News By Industry/Cons Products/FMCG/Indian stationery biz set to grow 30 pc /articleshow/934994.cms>

News Round – Up

Cos tweak global business models

In a global world, India and Indian companies are becoming more integrated with their global peers. It is no longer possible for a Fortune 500 company anywhere in the world not to have India in its strategy. The strategy component is not just about tapping Indian market, it is about leveraging the massive talent base in IT, BPO, pharmaceuticals and product development.

Indian talent is helping global companies build and manage their IT networks, do their core finance, marketing, and other operations. Indian companies are helping their global peers in developing, testing and bringing to market everything from a new drug to a new model of a car.

Indian companies are tweaking and turning the business model of global companies upside down. They are forcing the board of global corporation to look at their cost base in a more global manner. They want to control the cost or spending budgets of companies across industries. The beginning in this area was made by the IT companies, but it is spreading to other sectors very fast.

<http://economictimes.indiatimes.com/Cos tweak global business models/articleshow/969130.cms>