

Weekly Economic Bulletin

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News Feature

FDI in telecom raised to 74%

In a move that could bolster investment in the fast growing telecom sector, the government today decided to raise Foreign Direct Investment up to 74 per cent, up from prevailing ceiling of 49 per cent.

Along with raising the FDI limit, the Union Cabinet also approved revised conditions for such direct investment, Information and Broadcasting Minister P R Dasmunsi said after a meeting of the Cabinet, chaired by Prime Minister Manmohan Singh.

http://www.financialexpress.com/latest_full_story.php?content_id=158678

Overseas Investment

Govt approves 27 FDI proposals

Finance Minister, P Chidambaram has approved 27 proposals of Foreign Direct Investment (FDI) amounting to Rs.829.93 crore based on the recommendations of the Foreign Investment Promotion Board (FIPB), .

The proposals relate to Ministries/Departments, namely, Commerce, Civil Aviation, Food Processing Industries, Heavy Industry, Industrial Policy & Promotion, Information & Broadcasting, Petroleum & Natural Gas, Revenue, Telecommunications, Textiles, Urban Development and Economic Affairs.

The major investment proposals pertain to the Ministry/Departments of Food Processing Industries, Information & Broadcasting, Revenue, Urban Development and Economic Affairs.

Also, based on the recommendations of Foreign Investment Promotion Board (FIPB) in its meeting held on 20th March, 2007, Finance Minister, Shri P. Chidambaram has approved 2 proposals of Foreign Direct Investment amounting to Rs. 7.727 crore. The proposals relate to Department of Commerce and Ministry of Information & Broadcasting.

http://economictimes.indiatimes.com/News/Economy/Policy/Govt_approves_27_FDI_proposals/articleshow/1799819.cms

Morgan Stanley to enter new businesses in India

Global investment bank, Morgan Stanley is looking at expanding in India by entering into fixed income business, building a strong team to explore opportunities in private equity space and foraying into private wealth management business.

The new plans would supplement the US-based firm's existing businesses in the country like institutional equities, asset management and investment banking.

http://www.businessstandard.com/common/storypage_c.php?leftnm=10&autono=278337

Benfield set to make India foray

Benfield, the third largest reinsurance broker in the world with an annual turnover of \$590 million, will enter India shortly through a joint venture with IRICS, a Mumbai-based firm. Benfield will pick up 26 per cent in the venture while IRICS will have the balance 74 per cent as per the current law.

Benfield has been represented in India by IRICS for over 20 per cent now. "We are formalising the relationship which has been based on trust," Andrew Clarke, managing director of Benfield told a visiting team of Indian journalists here.

Benfield joins a growing queue of reinsurance companies led by Munich Re, which want to come to India. So far 29 of these companies have registered in India to conduct reinsurance business, of which only four have a reinsurance-only licence. "India has 195 insurance and insurance brokers. And a majority of them are 100 per cent local-owned. Benfield will bring in the edge of its international expertise," Clarke said.

Clarke said India has tremendous potential but the development of the non-life insurance sector has a lot of catching up to do. Despite its huge population, India accounts for just \$4.8 billion non-life insurance premium compared to \$106 billion in Japan, \$20 billion in South Korea and \$17 billion in China. The second most populous country in the world is placed 27th in the world and fifth in Asia in non-life premium.

http://www.business-standard.com/common/storypage_c.php?leftnm=10&autono=278325

Schaffler Group to invest Euro 110 mn by 2010

Bearings and automotive components major Schaffler Group is planning an investment of Euro 110 million in three of its Indian units by the year 2010.

The Euro 8.3 billion German conglomerate has three units in India — FAG Precision Limited, in Vadodara, Gujarat, LUK in Hosur, Tamil Nadu, and INA Bearings India Pvt Ltd, at Navlakhumbre, near Pune, in Maharashtra.

Maria-Elisabeth Schaffler, head of the Schaffler Group and partner of the group's supervisory board, told media persons that the investments were meant to increase the production capacities of the Indian operations as a response to the market demand.

"India is important for us and we see a potential to expand business in this market," she said.

The group also announced the inauguration of INA Bearings plant at Navlakhumbhre with an installed capacity to make 40 million pieces annually. The plant will make needle cages, drawn cup bearings, clutch release bearings, water pump bearings as well as engine components such as roller finger follower.

"We intend to invest Euro 40 million in the plant by 2010, a major chunk of which is already invested," said Biswaroop Dhar, managing director of the plant. Dhar said the group also planned to set up an engineering and testing centre in the plant about the middle of the year.

http://www.businessstandard.com/common/storypage_c.php?leftnm=10&autono=278238

Trade News

63 SEZs exports cross Rs 21,632cr

The commerce ministry has projected Rs 21,631.94 crore worth of exports from the 63 special economic zones (SEZ), which have been notified since February 2006. Till date, Rs 13,435 crore has been invested in these zones.

In addition, the ministry has also estimated a 201 per cent increase in export earnings from all the SEZs at Rs 67,299 crore, over Rs 22,309 crore in 2005-06. Export figures of SEZs in 2006-07 are being compiled and would be available after this month.

According to the commerce ministry projections, the seven government SEZs are likely to export goods worth Rs 25,550 crore in the financial year 2007-08, which is 30 per cent higher than Rs 19,656.7 crore in 2005-06.

Zones which were set up prior to the SEZ Act in February, 2006, are expected to increase their exports by a staggering 532 per cent to Rs 20,117.68 crore in 2006-07, compared to Rs 3,182.86 crore in 2005-06. At the moment, there are 12 such zones while in 2005-06, only eight of them existed.

Among the 63 notified zones, which came into existence after the SEZ Act, the Flextronics' electronic hardware zone near Chennai has the highest projection of exports at Rs 6,901 crore. The 440-acre zone has seen investments worth Rs 200 crore till now.

The 247 acre Essar-Hazira zone for engineering products in Gujarat is expected to garner exports worth Rs 3,300 crore. Already, Rs 2,000 crore has been invested in the SEZ.

http://www.businessstandard.com/common/storypage_c.php?leftnm=10&autono=278144

Canada willing to boost ties with India

Canada is willing to boost its bilateral relations with India especially in the field of trade and investment, the country's Governor General has said.

"Closer ties between Canada and India in the trade, investment and other economic fields can effectively boost economic and bilateral cooperation between the two countries as well as open a new chapter in mutual relations," Canada's Governor General Michaëlle Jean said while accepting the credentials of the new Indian High Commissioner to Canada Rajamani Lakshmi Narayan.

http://www.financialexpress.com/latest_full_story.php?content_id=158776

India, Bahrain to strengthen business ties

India and Bahrain will intensify their cooperation in combating terrorism and hold the next meeting of their joint business and technology panel later this year.

"The two sides denounced terrorism in all its forms and manifestations and reaffirmed their intention to strengthen their cooperation in combating terrorism at the bilateral level and within the multilateral system of the United Nations," the statement said.

"The two sides while discussing the regional situation emphasized the importance of dialogue and negotiations in a peaceful environment to solve all issues of concern," it added.

http://economictimes.indiatimes.com/News/Economy/Foreign_Trade/India_Bahrain_to_strengthen_business_ties/articleshow/1795271.cms

Now, imported liquor may cost less

Imported liquor is all set to become cheaper with the government likely to bring in a bill in Parliament next month to scrap additional customs duty on wines and spirits, a move that will also pacify the country's top trading partners - the US and EU.

The finance ministry has agreed to the proposal which will soon be taken to the cabinet for approval. The bill is likely to come when Parliament meets after a three-week recess, said, highly placed official sources.

At present, India imposes a basic customs duty of 100-150 per cent and additional customs duty (ACD) of 25-150 per cent on wines and spirits. The total incidence of tax is between 250-550 per cent depending on the import price of products.

The proposed legislation would retain the basic duty but abolish the ACD. It will also empower states to impose an extra levy equivalent to the excise on domestic wines and spirits. This will bring imported and domestic products on an equal footing, the sources said.

http://economictimes.indiatimes.com/Now_imported_liquor_may_cost_less/articleshow/1801132.cms

Sectoral News

PC market to grow double

Indian PC market is expected to grow at double the rate of the world PC market, this year. According to Gartner, worldwide PC shipments are forecast to grow to 255.7 million units in 2007, a 10.5% increase from 2006. On the other hand, Indian PC shipments are set to grow by 20% this year. Microsoft's Vista will, however, have little impact on PC Shipments, said Gartner.

Worldwide PC revenue is projected to reach \$213.7 billion, a 4.6% increase, according to the latest forecast by Gartner. The Indian PC market, however, is still small at just five million PC sales, last year. "Emerging markets and mobile PCs will continue to provide growth. However, falling average selling prices (ASPs), slowing replacement activity, and further declines in mature market desk-based PC shipments will keep PC vendors under pressure to rationalise their operations or exit the market," said George Shiffler, research director for Gartner Dataquest's Client Platforms Markets Group.

According to Gartner, Indian PC market will grow at 20% this year, which is five percentage points lower than last year. According to IDC, the Indian PC shipments grew 25% in 2006. Commenting on the India market, Diptarup Chakraborti, principal analyst at Gartner India, said, "The consumer and the SMB segments will be the major drivers of the Indian market. High demand for mobile PCs bolstered the growth, overtaking sales in the desk-based segment. In addition, with a greater focus given to e-governance, the government spend is expected to propel the market further."

http://economictimes.indiatimes.com/PC_market_to_grow_at_double_the_global_rate/articleshow/1785770.cms

Corporates to tap Rs 70,000 crore mobile retail market

Organised mobile retailing is set to become the talk of the town with big corporate houses chalking out aggressive plans to tap over Rs 70,000 crore market.

Two diversified business conglomerates — Essar and Spice group — had recently announced combined investment plans of Rs 1,850 crore to set up pan-India mobile retail chains. Even hypermarket chains like Subhiksha have started exclusive stores for mobile retail — Subhiksha Mobile and Big Bazaar with M Bazaar.

Mobile users are expected to cross 220 million by the year-end and 500 million by 2010 as about six million subscribers will be added every month.

The retail market for mobile phones — handsets, accessories and airtime — is over Rs 70,000 crore and growing at the rate of 15-20 per cent.

Earlier this year, even the market leader Nokia reworked its 10-year alliance with its distribution partner HCL Infosystems, which has led to Nokia venturing into direct distribution and sales.

The multi-service outlets by the companies would offer end customers not just mobile handsets but also mobile accessories, new connections, value added services, after sales support and electronic products such as digital cameras, iPods and other gaming devices.

http://www.businessstandard.com/common/storypage_c.php?leftnm=10&autono=278095

News Round – Up

EU expects USD 25 bn FDI from India in 2007

The Foreign Direct Investment (FDI) outflow from India to the European Union (EU) can cross the 25 billion dollar (Rs 1,12,500 crore) mark this year, according to a joint finding by two European investment bodies from France and Germany.

The trade bodies-'Invest in France' and 'Invest in Germany' expect the FDI inflow in EU from India to rise over 56 per cent from an estimated USD 16 billion in 2006.

“Indian companies are investing in Europe mainly through big acquisitions and with more number of acquisition and investment proposals coming from the Indian companies we expect the investment figure to well cross 25 billion dollars this year,” French Ambassador for international investment and President of Invest in France Philippe Favre said.

http://www.financialexpress.com/latest_full_story.php?content_id=158670