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News Feature

India receives $27 bn remittances in first six months of current fiscal

India received remittances to the tune of $27 billion in first six months of the current financial year, retaining its top position in the sector.

Overseas Indian Affairs Minister Vayalar Ravi said as per a World Bank report India continued to be the largest recipient of the remittances from diaspora in 2010.

He said India received a total of $53.9 billion as remittances in the year 2009-10 while in 2008-09, the amount was $46.9 billion.

"As per World Bank report, India continues to be the largest recipient of the remittances from diaspora in 2010," he said.

The World Bank had earlier in a report said Indian expatriates are expected to remit about $55 billion into the country this year.

India is likely to stay as the top receiver of remittances in 2010, as inflows of $51 billion to China keep it a place down while Mexico at third spot is expecting $22.6 billion from its overseas population.

The World Bank in its 'Migration and Remittances Factbook 2011' report had said worldwide inflows are expected to reach $440 billion by the year end, with remittances to developing nations likely to reach a record $325 billion from the 2009 figure of $307 billion.

The top remitting countries in 2009 were United States ($48.3 billion), Saudi Arabia ($26 billion) and Switzerland ($19.6 billion).

Remittances remained resilient of external financing during the recent global financial crisis and were steady despite the pangs of financial reconstruction in the developed world, the report had said.

http://economictimes.indiatimes.com/news/economy/indicators/india-receives-27-bn-remittances-in-first-six-months-of-current-fiscal/articleshow/7719130.cms

New fiscal to begin with $7.3 bn cash surplus: Finmin

The government is likely to open the year starting April 1 with a minimum cash surplus of R3.3 crore ($7.3 billion), a finance ministry official said, bolstering its effort to slash the budget deficit to the lowest in four years.

The government won't borrow substantially in the second-half of the next financial year to avoid competing for funds in a period when demand for loans from the private sector typically rises, said the official.

India's bonds have rallied in the past two months as higher revenue collections enable the government to cut its budget deficit. Oil prices, which have surged 23% in the past year, could derail plans as government subsidises state-run firms for selling fuel at lower than market prices.

The surplus "is positive but the risk of borrowings overshooting next year remains because of food and fuel subsidies," Shubhada Rao, chief economist at Mumbai-based YES Bank explained. "The surge in oil prices is clearly worrying."

Finance minister Pranab Mukherjee has forecast the deficit to narrow to 4.6% of gross domestic product in the 12 months through March 2012, the lowest since 2008. The deficit is pegged at 5.1% in the current financial year.

The government and central bank officials are scheduled to meet on March 25 to fix the borrowing calendar for the first six months of next fiscal year, the official said. Borrowings for the year ending March 31 may be lower than forecast in Mukherjee's budget, as the cash surplus may allow the government to refrain from selling more debt, the official said.

The yield on the 8.08% bond due in August 2022 has dropped 13 basis points over the past two months. India plans to borrow R4.17 lakh crore next fiscal, from R4.47 lakh crore this year, according to Mukherjee's February budget proposal.

Faster economic activity has boosted revenue collections by 28% to R4.2 lakh crore in the ten months to January from a year ago, meeting about 80% of the target, according to the latest government data.

India's $1.3-trillion economy may expand by as much as 9.25% in the year starting April from 8.6 % in the previous year, the finance ministry forecast last month. The central bank raised interest rates on March 17 to control inflation and said higher global oil prices could derail growth.

The Reserve Bank of India raised its inflation forecast for the second time since late January as it lifted the benchmark repurchase rate by a quarter-point to 6.75%, the eighth move in a year.

http://www.financialexpress.com/news/new-fiscal-to-begin-with-7.3-bn-cash-surplus-finmin/764881/0

Overseas Investment

Govt mulling scrapping of Press Note 1 to encourage FDI

In order to liberalise the FDI regime, the government is likely to dispense with a norm that requires foreign investors to seek local partner approval for setting up units in the same area of business.

The decision to do away with the Press Note 1, according to sources, is likely to be taken by the Committee of Secretaries (CoS) which will meet under the chairmanship of Cabinet Secretary KM Chandrasekhar.

"CoS will take up the issue tomorrow...it needs to be scrapped as it is restricting several foreign firms to invest in India," sources said.

Press Note 1 of 2005 seeks to protect the interest of domestic companies in joint ventures by ensuring that foreign companies obtain the permission of their local partner, if they decide to go it alone or partner with another Indian company in the same line of business as the existing venture.

Industry sources said scrapping of the Press Note will help the country to attract more FDI, at a time when India's foreign direct investment has shown a fall.

India's FDI during April-January 2010-11 declined by 25 per cent to USD 17 billion from USD 22.9 billion in the same period last year.

Department of Industrial Policy and Promotion, which deals with FDI related matters, is of the view that scrapping of Press Note 1 would go a long way in attracting FDI. It would also send a very positive message to foreign investors investing in India.

If the CoS makes the changes in the FDI regime, it would be reflected in the Consolidate FDI document scheduled to be released on March 31.

http://economictimes.indiatimes.com/news/economy/policy/govt-mulling-scrapping-of-press-note-1-to-encourage-fdi/articleshow/7707880.cms

Govt for 49% cap on cable TV FDI

In order to encourage a speedy conversion of analgoue to digital cable services, the government is set to bat for a 49% cap on foreign direct investments for the local cable operators or LCOs. The Telecom Regulatory Authority of India (Trai) — also the broadcast sector regulator — had recommended lowering of FDI cap for LCOs, i.e. from 49% to 26% last year as part of its overall review of foreign investment levels in media.

However, the information and broadcasting (I&B) ministry has supported a 49% FDI cap for LCOs while broadly agreeing with rest of the Trai's recommendations, i.e, 74% for all non-news media entities and 26% for news entities. The I&B ministry is said to have forwarded its views to Trai following which it will be placed before the Cabinet for its approval, sources told.

"Since there is a difference between what Trai suggested and what the government feels, the law demands that such a move should be vetted by Trai before forwarding the same for the Cabinet's approval. Once Trai gives its views, which should be very soon, the proposal will go for Cabinet's approval," a top government source said.

In its recommendation on FDI in media last year, Trai suggested lowering of the FDI cap for LCOs. This is because Trai maintained that a bulk of the 5,000-plus LCOs in the country were distributing the cable services via the traditional analogue (copper wire) system which does not demand overseas capital compared to those who needed the capital expenditure involved in converting the analogue system into a digital, addressable cable delivery system via a set-top-box.

According to estimates, installation of a digital head-end and other infrastructure for supplying digital cable signals requires a minimum capex of R5-10 crore. Experts are keenly awaiting the government's nod to a comprehensive FDI policy for the media sector as it would determine the inflow of close to $500 million in overseas investment in the cable distribution sector alone

http://www.financialexpress.com/news/govt-for-49-cap-on-cable-tv-fdi/764570/0

FIIs get bullish, put in $1b in Mar so far

Foreign institutional investors (FIIs), the major drivers of Indian equity markets, have turned net buyers this month after a two-month selling spree. The inflows come in the wake of the announcement of the Union Budget, which was largely viewed favourably by investors. The subsequent poor global cues, post earthquake in Japan, while affecting sentiments also didnt roil equity markets much.

FIIs bought shares worth $0.54 billion in March compared with share sales totalling $2.19 billion in January and February. In the year-till-date they have offloaded shares worth $1.68 billion.

Interestingly, FIIs have been buying in the corporate debt market as well.

In March, they invested about a billion dollars into the debt market, almost twice the amount invested into equities.

In the year-to-date, they have invested a total of $2.47 billion in the debt market. This is mostly because of the prevalent risk aversion among institutional investors and healthy short-term yields in the range of 9-10% for one year papers.

Despite the inflows into equities, however, FIIs are likely to be net sellers for the next few months. On Thursday, FIIs sold shares worth R1,128 crore, according to provisional figures from the BSE. “Risk aversion is increasing in view of the developments in the Middle East and Japan. This means FIIs would want to park their money in safer assets going forward,” said Sashi Krishnan, CIO, Bajaj Allianz Life Insurance.

http://www.financialexpress.com/news/fiis-get-bullish-put-in-1b-in-mar-so-far/764077/0

Trade News

Britain hopes for EU-India free trade accord this year

British Trade and Investment Minister Stephen Green said he hoped the Free Trade Agreement (FTA) between India and the European Union (EU) would be concluded by the end of this year.

Speaking to reporters,Green said: "We hope the European Union-India Free Trade Agreement may be there by the end of this year. I had discussed this issue with Indian government officials."

According to him, there are "some sensitive areas" for both the parties in the deal. For India it may be opening up of its services sector while for some countries in the EU the proposal relating to agriculture and movement of people are sensitive issues.

He said FTA is not a zero sum game but is advantageous to both the parties signing the deal.

He said the United Kingdom is also keen on early completion of the Doha Round of talks because a successful conclusion at Doha will add $160 bn to the global economy.

India is the 18th largest market for Britain, for both export and import of merchandise goods. India's exports in 2009-10 were $6.23 bn and imports were valued at $4.42 bn.

Britain is also the fourth largest inward investor into India, after Mauritius, Singapore and the US. Its share is above 5 percent of the total foreign investment.

The cumulative total of equity invested in India till September 2010 stood at $6.21 bn. Now India is also emerging as one of the largest investors in Britain, with some big ticket buy-outs such as steelmaker Corus and automakers Jaguar-Land Rover.

Queried about his meeting with Reserve Bank of India (RBI) Governor Duvvuri Subbarao during his current visit, he said: "We discussed about monetary policy. The UK welcomes the RBI's idea of having foreign bank branches as Indian subsidiaries rather than being a branch."

While stating that foreign banks in India should also play their part in financial inclusion, he also said Indian banks like State Bank of India (SBI) were doing good business in the UK.

http://economictimes.indiatimes.com/news/economy/foreign-trade/britain-hopes-for-eu-india-free-trade-accord-this-year/articleshow/7736693.cms

India, Nigeria trade to touch $ 12 bn in 2010-11

The bilateral trade between India and Nigeria is expected to touch USD 12 billion in the current fiscal, Commerce and Industry Minister Anand Sharma said.

In 2009-10, trade between the two countries stood at USD 8 billion.

In a bilateral meeting with Nigerian Foreign Minister Henry Odein Ajumogobia, Sharma said that the bilateral trade between the two countries has been growing at a healthy rate. "The annual trade is expected to reach USD 12 billion in 2010-11."

In the last fiscal, India exported goods worth USD 1.4 billion to Nigeria, while imported products worth USD 7.2 billion.

Major export items to Nigeria comprise machinery and instruments, pharmaceuticals, transport equipment and electronic goods, while imports include petroleum, crude and products, non-ferrous metals, wood and cashew nuts.

Further, Sharma informed the Nigerian Minister that the total Indian investment in Nigeria was estimated to be about USD 5 billion in 2010.

Over 100 Indian companies are operating in Nigeria mainly in automobiles, telecom, hydrocarbons, textiles, chemicals, electrical equipment, pharmaceuticals, plastics and IT industry.

http://economictimes.indiatimes.com/news/economy/foreign-trade/india-nigeria-trade-to-touch-12-bn-in-2010-11/articleshow/7718211.cms

Close Indo-US ties defining partnership of 21st century: US

The US described its deepening ties with India as “one of the defining partnerships” of the 21st century, but underlined that it was not at the “expense” of China.

“First of all, the United States considers (the ties with) India to be probably one of the defining partnerships for us in the 21st Century,” Robert O Blake, US assistant secretary for South and Central Asian affairs, told the media here after his talks with Chinese officials.

Blake said President Barack Obama’s announcement extending US support for India’s candidacy as a permanent member of UN Security Council “reflects our sense that India is first of all going to be a very important partner for the United States going forward, but also is a very constructive force in the world”.

“Things like non-proliferation, climate change, and we’re very pleased that India is working closely with us in such areas as Afghanistan, helping to address poverty in Africa, and issues such as that,” he said when asked on the Indo-US ties.

http://www.financialexpress.com/news/close-indous-ties-defining-partnership-of-21st-century-us/764839/0

Sectoral News

Exports from SEZs up 46.7% during Apr-Dec

Exports from special economic zones (SEZs) grew by 46.7% year-on-year to Rs 2.23 lakh crore during April-December period of the current fiscal, Parliament was informed.

"The total physical exports from SEZs in the first three quarters of the current financial year has been to the tune of Rs 2,23,132 crore approximately registering growth of 46.7% over the exports of corresponding period of the previous year," Minister of State for Commerce and Industry Jyotiraditya Scindia told the Rajya Sabha.

Scindia said that a total of 130 tax-free enclaves are currently exporting goods. "This include seven central government SEZs and 12 state/private sector SEZs set up prior to the enactment of SEZ Act, 2005," he said. SEZs have emerged as major route for attracting investments and increasing exports. The SEZs contributed about one-fourth to the country's overall exports.

Highest number of SEZs are operational in Andhra Pradesh (32) followed by Tamil Nadu (22), Karnataka (20), Maharashtra (16), Gujarat (13), Kerala (7), Uttar Pradesh (6), West Bengal (5) and each in Chandigarh, Madhya Pradesh and Orissa.

He further said that as on December 2010, an investment of Rs 1,95,348 crore has been made in SEZs and the total direct employment has been generated for 6,44,073 persons. Shipments from SEZs increased by 121% to Rs 2,20,711 crore in 2009-10 over the corresponding period last year.

SEZ units are eligible for 100% tax exemption for first five years and 50% for the next five. The developers of the zones also avail 100% income tax exemption for 10 years.

http://economictimes.indiatimes.com/news/economy/indicators/exports-from-sezs-up-467-during-apr-dec/articleshow/7724069.cms

Indian media industry jumps 11%: KPMG

The Indian media and entertainment industry grew 11 percent in 2010, driven largely because of a jump in advertising revenue, an FICCI-KPMG report said.

* Forecasts industry to grow 13 pct in 2011

* 2010 ad spend rose 17 pct to 266 bln rupees

The report forecasts the 652 billion Indian rupee ($14.5 billion) media and entertainment industry to grow by 13 percent in 2011.

The resurgence in advertising, growth in subscription revenues, thrust on digitization, and emerging avenues for content monetization were the key growth drivers for the Indian media and entertainment industry in 2010, Rajesh Jain, head of media and entertainment at KP said.

Advertising spend in 2010 rose by 17 percent to 266 billion rupees, the report said.

However going forward, it will become imperative for media companies to reset their business models and build greater focus on profitability and changing consumer preferences, Jain said.

Although television and print continued to dominate the media and entertainment sector, areas like gaming, digital advertising and animation showed high growth rates, the report said.

http://www.financialexpress.com/news/indian-media-industry-jumps-11-kpmg/765216/0

Luxury car sales ride high on price rise expectation

The new definition for completely knocked down (CKD) units of vehicles introduced in the Budget for 2011-12 has pushed up sales figures of luxury cars. With no clarity coming from the government on the changed rule more than two weeks after it was announced, dealers of Mercedes-Benz, BMW and Audi said demand for models assembled in India has increased by, at least, 25 per cent.

Those models include the C, E and S class of Mercedes-Benz, 3 and 5 Series of BMW and A4 and A6 Audi. If the proposal to change the definition of CKD operation stays, there will be a uniform price rise of 50 per cent or more on these models.

"People are taking ready delivery of the 3 and 5 series through cash payment. We are presently selling 25 per cent more units of both the models than a usual month, including our internal targeted growth," said a BMW dealer from the western part of the country.

The new definition of CKD, as proposed by the finance ministry, defines it as a CBU (a completely built imported unit) rendering the assembly operation fruitless. According to the present duty rates, a CKD attracts a total duty of 40 per cent while a CBU attracts 110 per cent duty.

Indian buyers purchased 4,835 units of the 3 and 5 Series last year or more 13 units every day. The two sedans are the highest selling premium sedans in the country presently and are produced through an assembly operation from Chennai.

While the 3 Series range starts from about Rs 27 lakh, the price of the 5 Series sedan begins at Rs 37 lakh. Both the models are sold in several variants of petrol and diesel. A 50 per cent increase in price will position the 3 Series at Rs 40 lakh and the 5 Series at Rs 55 lakh.

The 3 Series was the entry level model for BMW in India before it introduced the X1 sports utility vehicle recently, which is also brought in through the CKD route. However, due to a long waiting period, a customer booking the X1 now can only get the delivery of the vehicle in September.

"The BMW Group is evaluating the interpretation of the CKD definition. We are confident the government will issue a clarification in the best interests of the Indian auto industry," said a BMW reply. The company has invested ¤17 million in India since 2007.

Similarly, dealers at Mercedes-Benz are also dealing with increased demand for the C and E Class sedans. Both of which are assembled at Mercedes' Chakan facility near Pune. Demand for the S Class, however, hasn't moved much due to its premium price tag of more than Rs 80 lakh.

http://www.business-standard.com/india/news/luxury-car-sales-ride-highprice-rise-expectation/428869/

Iron ore exporters see long-term demand from Japan

Despite a short-term dip in demand, Indian iron ore exporters see a pick up in orders from Japan in the long term once the earthquake and tsunami-battered nation embarks on initiatives to rebuild the infrastructure.

Japan is the second largest market for Indian iron ore accounting for about five per cent of the total exports.

“There could be a decline in demand in the short term. However, we expect a pick-up in demand in the long term once Japan starts the rebuilding process,” said Mr R.K. Sharma, Secretary General, Federation of Indian Mineral Industries (FIMI), the apex body of iron ore producers and exporters.

Companies such as NMDC and Sesa Goa are among those which export to Japan. Goan exporters account for more than half of Indian exports to Japan estimated to be over 6 million tonnes a year.

“It is too early to comment on the impact. However, there have been no order cancellations,” said Mr S. Sridhar, Executive Director, Goa Mineral Ore Exporters' Association (GMOEA). “The steel mills in Japan are largely unaffected by the earthquake. Only one or two are affected. It is too early to say about the demand as people have not been coming to offices. If they require steel to rebuild, they will obviously need iron ore,” Mr Sridhar said.

Sources at NMDC Ltd said the company's long-term agreements (LTAs) with Japanese buyers are coming to an end this month. “LTAs are currently being worked out. Only once they are finalised, we will get a clear picture,” they said.

http://www.thehindubusinessline.com/todays-paper/tp-economy/article1538260.ece

News Round-Up

Asian nations, India to record high growth in 2011: S&P

Global rating agency Standard & Poor's said India's GDP would moderate to 8-8.5 per cent in 2011, though Asia would continue to record robust economic growth despite uncertainties in Japan.

India's growth rate, according to the 'Asia-

Pacific Markets Outlook 2011' report released by the S&P,would moderate to 8-8.5 per cent this year, from 8.6 per cent in the previo US year.

"We expect the region to record another year of solid growth in 2011 after 2010 proved that Asia is emerging from the crisis in a strong position, even as the economic picture for Japan following the recent earthquake remains less clear," S&P Asia-Pacific Head Tom Schiller said.

According to projections by S&P, China would grow by 9.1-9.6 per cent in 2011, while Japan could post 1.3-1.8 per cent growth in the year.

Japan, which had expanded by 4 per cent in 2010, is currently battling the impact of a devastating earthquake, followed by Tsunami last week, which triggered a radiation leakage from one of its nuclear plants.

According to S&P, the Asia-Pacific economies is poised to post solid growth in 2011. "...We expect GDP growth rates in 12 of the 14 major regional economies to moderate from 2010 growth rates, given that US economic conditions remain soft and doubts remain over the sustainability of the euro zone recovery," it said.

In the APAC region, Australia and New Zealand are expected to grow at a faster pace in 2011.

"Our baseline forecasts suggest that China, India, Vietnam, and Indonesia will show the strongest GDP growth in 2011. We believe that 2012 promises stronger growth rates across most of the region," the report said.

According to S&P, South Korea is projected to grow by 4.3 -4.8 per cent in 2011.

Within Southeast Asia, Singapore's growth could moderate to 4.5-5 per cent, from 14.5 per cent in 2010, while Malaysia is expected to grow by 4.8-5.3 per cent and Indonesia could see an expansion of 5.9-6.4 per cent in 2011.

http://economictimes.indiatimes.com/news/economy/indicators/asian-nations-india-to-record-high-growth-in-2011-sp/articleshow/7717578.cms

India joins top 10 Wiki donors club

It is not only the Indian billionaires who have realized the power of giving, small donors also seem to have caught the "giving" fever. India has moved up the rank of donors to the Wikimedia Foundation to become the sixth largest donor in 2010-11 after donors from the US, Canada, Japan, Spain and the UK.

Nearly 11,000 Indians donated $ 193,657 to the foundation, which raised a total of $ 14.81 mn through donations from across the world.

Donors from the US contributed over $ 10 mn, the highest among all countries.

In 2007-08, India ranked 18th in the list with merely 583 donors contributing about $ 12,532. A year later, 2008-09, India was at 15th rank with 1759 donors contributing $ 38,776. In 2009-10, the country slipped one place to the 16th rank with 2956 donors contributing $ 52,156. An average Indian who donated gave $ 18.5 to the foundation this year up from the previous average of $ 17.6 last year.

http://economictimes.indiatimes.com/news/economy/indicators/india-joins-top-10-wiki-donors-club/articleshow/7731981.cms

Investment inflow into India in long term will be robust'

Inspite of the global economic slowdown, investment inflow into India, in a long term perspective will be robust, a Mumbai-based financial services expert has said.

"In the next few months you may not see great inflow. But from a longer-term perspective, yes, the inflow will continue to be robust," Krishna Kumar Karwa, managing director, Emkay Global Financial Services Ltd said on Saturday.

Speaking at the end of 'Confluence', a two-day investor meet held in London, Karwa said,

"The response from the prospective investors was overwhelming".

In all, representatives of 15 Indian corporate houses spent two days holding 180 meetings to show-case the potential of investing in India, explaining India's growth strategy and how beneficial it is to the international investors. "We are inherently optimists and from investors point of view, this is the right time to invest in India. If you are not investing in equities, I think you will miss big time opportunities in a growing economy like India," Karwa told investors at the meet.

Emkay, which earned a profit of Rs 13 crore in 2010, planned to expand its product offering in high-networth-individual areas.

"This is the first time Emkay is organising Confluence in the UK. It has already organised four such conferences three in India and one in November 2010 in the USA. which was quite successful," he said.

During the course of the year, the company, with a clientele of over 200 corporate houses would organise 10 more meets of this kind in India, almost one in a month.

A large number of investment bankers and corporate heads attended the meet in London.

http://www.financialexpress.com/news/investment-inflow-into-india-in-long-term-will-be-robust/765159/0

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