



Economic And Commercial Digest

Monthly News Letter

Vol VI No.12

December, 2006

I. KUWAIT - INDIA

Launch of 'Trade India Fund'

The Commercial Bank of Kuwait (CBK) launched the 'Tijari India Fund' it is first of its kind launched by any Kuwaiti bank. The Fund has a variable capital ranging from KD 5 – 100 million (US \$ 17.3-346 million). The Fund duration is ten years. While launching the Fund the Chairman and Managing Director of the CBK lauded India's economic achievements and saw it as the investment destination for the future. On being asked specifically as to why India and not China was the focus of such Fund by the Bank, he said that India was a more reliable and vibrant market.

India reference section in Kuwait

Kuwait University has set up an India Reference Section in Asian Studis Unit at the Faculty of Social Sciences in December 24, 2006. The Ambassador of India Mr. M. Ganapathi donated sets of books on Indian History & Culture, Economy, Science and Technology and on various other topics to the Centre.

II. ECONOMY

India's growth story just got better

India's economic growth rate accelerated to 9.2% in the July-September quarter from 8.4% in the year-ago quarter on the back of a strong performance by the manufacturing and services sectors, raising the likelihood of interest rates being raised in January 2007. Taken along with 8.9% growth in the first quarter of the current financial year, this comes to 9.1% growth for the first six months of 2006-07. Finance Minister P. Chidambaram said this was the highest first-half GDP growth since 1991-92, when economic reforms were initiated. "Higher growth rates were only seen in the fourth quarter of 2005-06, which saw 9.3% growth and in the third quarter of 2003-04, which saw 11.3% rise. This, however, was on a low base of 1.5%," he said.

Indian economy can grow 8% in FY07: ADB

The Asian Development Bank said India's GDP can grow in excess of 8% this fiscal, higher than its earlier projection of 7.8%. "Growth is buoyant and in 2006-07 it could exceed 8%," said ADB's Rajat Nag, Managing Director and Special Advisor to ADB President. He complimented the government

finances as fiscal deficit was declining and tax revenue was growing. Current account deficit of India, is likely to hit 2% of GDP for the whole fiscal year, he said adding that foreign exchange reserves are quite healthy.

Organised retail's share up 6%

Organised retail's share of the total Indian retail market has increased, albeit marginally, to 6% from the earlier penetration of 3%, although retail is a significant contributor to India's economy accounting around 39%, according to findings by AT Kearney. Organised retail is expected to grow at a rate of approximately 35% per annum till 2010. When it comes to retail, India scores over China in that it is at the 'peaking' stage in the evolution of markets as compared to China which is in the 'declining' stage, states the CII-AT Kearney Retail report released at the National Retail Summit 2006 held in Mumbai. Markets that are in the 'peaking' stage are those that are developing quickly and are ready for modern retail. The markets that are in the declining stage are still big and growing but the space for new entrants is getting tighter. India has been ranked as the most attractive market for global retailers to enter now, according to AT Kearney's Global Retail Development Index for 2006.

Forex reserves jump by US\$ 5.9 billion in November

The country's foreign exchange reserves rose sharply by US\$ 2.427 billion to US\$ 172.782 billion, for the week ended November 24. This is the sixth week in a row forex reserves have risen and the second consecutive week when they have gone up by over US\$ 2 billion. In the previous week, forex reserves moved up by US\$ 2.071 billion to touch US\$ 170.355 billion. FII inflows into the equity markets during the week were around US\$ 621.6 million, according to SEBI figures.

Indian Economy

India's economy is on the fulcrum of an ever increasing growth curve. With positive indicators such as a stable 8% annual growth,

rising foreign exchange reserves of close to US\$ 172.782 billion a booming capital market with the popular "Sensex" index topping the majestic 14,000 mark, the Government estimating FDI flow of US\$ 12 billion in this fiscal, and a more than 22% surge in exports, it is easy to understand why India is a leading destination for foreign investment.

- The growth rate has been spurred by the manufacturing sector, which has logged an 11.3 % rise in Q1 '06-07, according to the GDP data released by the Central Statistical Organisation. It was 10.7% in the corresponding period of the last fiscal year.
- Agriculture, which accounts for nearly a quarter of the GDP, has also grown by a healthy 3.4%, unchanged from the corresponding period of last fiscal.
- Other propellers of GDP growth for the first quarter this fiscal have been the trade, hotels, transport and communications sector which grew by 9.5 % and construction, which grew by 13.2 %. In the corresponding period of last fiscal, these sectors grew by 11.7% and 12.4%, respectively.
- Electricity also grew by 5.4% this first quarter as opposed to 7.4% in the same period last year. The overall growth in this sector was fuelled by growth in July and August. The services sector also grew by 10.6% in the first quarter of '06-07. It was only 9.8 % last year in the same period.
- There has been exceptional growth rate in some specific industries, like commercial vehicles at 36%, telephone connections, by 48.9% and passenger growth in civil aviation by 32.2 %.

Some highlights:

- India has more billionaires than China. This year there were 15 billionaires in China but last year in India, there were 20 billionaires, according to the Forbes magazine.

- India has emerged as the world's fastest growing wealth creator, thanks to a buoyant stock market and higher earnings.
- A number of Indian companies surpassed last year's net profit in just six months of the current fiscal, reflecting an accelerated growth in corporate earnings.
- 44% of Top 100 Fortune 500 companies are present in India.

With its manufacturing and services sector on a searing growth path, India's economy may soon touch the coveted 10 % growth figure.

III. INDIA & OTHER COUNTRIES

India-Canada business ties get a boost

The India story appears to have entered the virtuous cycle. That is the impression you get when you hear the plans Canada's government and companies have for India. Having realised that Canada's trade with India was miniscule, and no Canadian company had a significant exposure to India, Canada is now trying to engage India at multiple levels. From federal government, to provinces, and finally individual corporates, at all levels there is a realisation that business with India can be larger. In recent months, there have been visits by government and business delegations at various levels. What they want to stress is the similarity of business strengths between Canada and India. Key sectors in Canada are IT, life sciences, multimedia, aerospace, mining and infrastructure. Many of these are high growth areas in India too.

India, Europe trade bloc sets up joint study group

In a significant bid to step up trade and investment flows, India and the European Free Trade Association (EFTA) bloc, comprising the member-countries of Switzerland, Norway, Liechtenstein and

Iceland set up a Joint Study Group (JSG) to explore the possibility of entering into broad-based trade and investment pact. The agreement to set up the JSG was signed at a meeting of the EFTA Council in Geneva in the presence of Union Commerce and Industry Minister, Mr Kamal Nath, and Ms Doris Leuthard, Federal Counselor, Federal Department of Economic Affairs, Switzerland. The Chairperson of the EFTA Council and Ministers from all other member States were also present. The study would examine all aspects of bilateral economic relationship and recommend measures to deepen engagement through an expansion of two-way trade and investment flows. This would also entail trade facilitation, technical standards, sanitary and phytosanitary standards, intellectual property rights and dispute settlements, besides, trade in goods and services. The JSG would be co-chaired by the Additional Secretary, Europe Division in the Department of Commerce, Mr Rahul Khullar, from the Indian side, while his counterpart official is to be designated by the EFTA.

VI. FOREIGN INVESTMENT

Number of FII's 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 FIIs 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 FIIs opened their offices in India during the current calendar year. This is the highest number of registrations by FIIs in a year till date. In the last two months, 57 new FIIs 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 US\$ 9,185.90 million against US\$9,521.80 million in 2005.

FII investment zooms past US\$ 50 billion

US\$ 49.98 billion invested in equities, US\$ 1.08 billion in debt. Foreign Institutional Investors' (FIIs) net investment in India has surpassed US\$ 50 billion. Ever since the government opened the doors for the overseas portfolio investors in 1993, FIIs have invested US\$ 49.98 billion in the equities.

Taking into consideration their US\$ 1.08 billion investments in the debt market, total FII investment was pegged at US\$ 51.06 billion. In rupee terms, their investments were 2,16,048 cr. (US\$ 48.35 Billion) Between April 1993, when the FIIs started investing in Indian markets, and now, they have bought shares worth Rs 12,83,336 crore (US\$ 287.23 billion) and sold shares worth Rs 10,67,319 crore (US\$ 238.88 billion). Although their investment aggregated at US\$ 50 billion now, the market value of the investment at the current exchange rate of Rs 44.68 per dollar is a whopping US\$ 117.13 billion (Rs 5,25,280 crore). This essentially means that apart from the huge dividend that the foreign players have received from the Indian corporations, the value of their investment in India has grown by 135%.

15 venture funds to invest in real estate

Around 15 venture funds from the US and Southeast Asia will be making investments in the Indian real estate sector through the FII route. The average ticket size of the investments likely to be made by these funds is around US\$ 200-250 million. Funds that are presently making enquiries on investing in the real estate sector in India include the Blackstone Group, Berkshire Hathaway, JP Morgan, CalPERS, Lehman Brothers and GIC, according to a report by real estate consultant Jones Lang La Salle. Eight to ten venture funds both from India and overseas have already announced plans to foray into the real estate sector. The funds include big names like ICICI and the US based Tishman Speyers, Ascendas, GE of Singapore and US, HDFC, US based IREO, Fire Capital, an India based fund, Morgan Stanley, Merrill Lynch, New Vernon, and the US based Xander. With

the entry of 15 more funds, the total size of foreign investments in the Indian real estate sector will increase to US\$ 5 billion. According to Lang Salle, the objective of the existing funds varies as both investors and developers are setting up these funds.

17 FDI proposals worth US \$ 794.61 million cleared

Italian auto major Fiat SPA's proposal to enhance investment in its Indian arm, Fiat Indian Automobiles Pvt Ltd, by US\$ 449.44 million is among 17 foreign direct investment proposals cleared by Finance Minister P. Chidambaram. The 17 proposals involve a total FDI inflow of US\$ 749.61 million and are recommended by the Foreign Investment Promotion Board (FIPB) for clearance. Fiat would be making the investment to manufacture fuel-efficient passenger cars in Pune.

US-based Fox International Channels' proposal to invest US \$ 34 million through its Indian arm to undertake television broadcasting business of non news and current affairs television in India has also been cleared by the FIPB. The media firm proposes to invest up to 100% in equity and preference shares of a company that has proposed to undertake television-broadcasting business.

Mauritius-based Essar Telecommunications' offer to invest US\$ 51.68 million was also cleared by the FIPB. The company proposes to act as a foreign-owned Indian holding company to further acquire additional 5.85% stake in Hutchinson Essar Ltd.

FDI may fly up to 74% in airline sub-sectors

The government is planning to raise the foreign direct investment (FDI) limit to 74% for non-scheduled airline operations, helicopter services and regional airlines using small aircraft. The current FDI ceiling for airline services is 49%. The proposal for hike in FDI limit in these sub-sectors, mooted by Civil Aviation Minister Mr. Praful Patel, is to

catalyse growth in these key areas, a government official said. However, FDI in domestic airlines will be retained at the existing level of 49%. The move involves ushering in a different FDI ceiling for these sub-sectors while retaining the limit for the chunk of domestic scheduled operators at the current level.

While Indian aviation is growing at an impressive double-digit pace, the benefit is flowing mostly to high-density metro routes, which have been the focus for all major airlines. However, non-metro routes, which can be profitably served by smaller airlines and helicopters, has not shown similar growth. Hence the plan to increase FDI limit as a booster dose for these lagging areas which need more connectivity.

Hospitals look to skies for medical tourism

Leading corporate hospitals like Apollo, Fortis and Wockhardt are eyeing alliances with foreign airlines to reach out to prospective markets. The alliances provide a win-win situation, as foreign carriers are also believed to be exploring similar opportunities in India. While Kolkata's Apollo Gleneagles is in talks with Biman Bangladesh to offer "medical packages" at competitive prices, Wockhardt Hospitals is also talking to several carriers. The Fortis chain and Escorts Heart Institute are also in the fray to explore potential alliances with foreign airlines.

Coal mining opened up to private investment

The government has opened the doors for private investment in the coal sector by allowing domestic and overseas mining companies to directly access captive coal blocks reserved for cement, steel and power sector players. In all, 38 coal blocks with reserves of over 6 billion tonnes have been earmarked for allocation under the new dispensation that is expected to see interest from multinational biggies like BHP Billiton, Rio Tinto and domestic companies like Sesa Goa, Runta Mining, Essel Mining.

Export graph zooms to US\$ 9.6 billion in November

India's exports during November 2006 stood at US\$ 9.68 billion, a healthy 57 % increase on a year-on-year basis, as compared to US\$ 6.16 billion in the same month last year.



Liberalised foreign investment policy early next year

The government is planning another booster dose to make the country more attractive for foreign investment. A comprehensive review of the foreign direct investment (FDI) policy would be carried out in early 2007 to open up more areas to foreign investment. Various areas including financial services, civil aviation, trading, information & broadcasting and real estate are expected to benefit from the policy review. The FDI policy liberalisation would be similar to the comprehensive review undertaken earlier this year, highly-placed government sources said. We are now planning to make FDI policy review an annual exercise, they added. The liberalisation resulting out of the FDI policy review could be announced in Budget 2007. It is expected that the unresolved aspects related to hike in insurance FDI cap would also be resolved by then. The UPA government carried out its first comprehensive review of the FDI policy earlier this year. The review resulted in liberalisation of the FDI policy in the case of mining, manufacturing, greenfield airports and cash-&-carry wholesale trading. Moreover, FDI regulations were liberalised for areas such as coal, petroleum & natural gas and mining of precious stones.

VII. INFORMATION TECHNOLOGY

PC mart grows 24% in Q3, HP remains No 1

The Indian PC market - desktop and notebook - grew by 24% year-on-year during the third quarter this fiscal with HP retaining the top slot with 21% market share, according to research firm IDC. The number of unit shipments in the client PC market stood at over 1.4 million during the quarter, according to IDC's India Quarterly PC Market Tracker for the third quarter this year.

VII. EVENTS & NOTICES

Global Health Conference

The Federation of Indian Chambers of Commerce and Industry (FICCI) in partnership with UK Trade and Investment (UKTI) is organizing a two-day Global Health Conference on "Promoting Partnerships" on 15th-16th, January 2007 at FICCI, Federation House, New Delhi. Healthcare in India has emerged as one of the largest service sectors, employing around 4 million people. The total Indian healthcare market including Pharmaceutical and Health Insurance currently estimated to be US\$ 22.2 billion (5.2% of GDP) is likely to rise to US\$ 50 billion - US\$ 69 billion (6.2-8.5% of GDP) by 2012. A large proportion of this projected healthcare spending is by the private sector, rising from US\$ 14.8 billion to US\$ 33.6 billion in 2012. Realising the potential in Indian Healthcare sector UK and other countries are coming forward to promote partnership ventures based on mutual benefits.

For further details please contact Ms. Shobha Mishra, Deputy Director / Ms. Debasmitta Jena, Research Associate, FICCI, Federation House, 1, Tansen Marg, New Delhi - 110 001, Tel: 011 233 57253, 324 04289 (D), 011 2373 8760 - 70 (Extn. 468 / 474), Fax:

011 2332 0714, 011 2372 1504
Email: healthservices@ficci.com

India Engineering Meet and Exhibition

The Engineering Export Promotion Council, under the sponsorship of Ministry of Commerce, Government of India is organizing "India Engineering Meet and Exhibition" at India Expo Centre, New Delhi Greater Noida Expressway from January 22-25, 2007. The event also includes Buyer Seller Meets.

For more details, the organizers can be contacted at the following address: Shri. C. S. Shukla, Executive Director, Engineering Export Promotion Council, Vandhna Building (4th Floor), 11, Tolstoy Marg, New Delhi - 110001, Tel: 91-11-23711124 / 25, 23353353, Fax: 91-11-23310920, Email: eepcto@eepc.gov.in, Website: www.indiaexpoctr.com.

INDIA STONEMART – 2007

The Centre for Development of Stones (CDOS), an autonomous organization promoted by Rajasthan State Industrial Development & Investment Corporation Ltd (RIICO), Government of Rajasthan and the Federation of Indian Chambers of Commerce & Industry (FICCI) are jointly organizing the 4th International Stone Industry Exhibition - INDIA STONEMART – 2007, at Export Promotional Industrial Park, Jaipur, from 1st to 4th February, 2007.

India, the largest producer and exporter of natural stones and stone products in the world, is endowed with over 300 varieties of dimensional stones viz., marble, granite, sandstone, slate, flaggy limestone, quartzite etc. Availability in vibrant colours, hue & textures, conforming to world standards, large reserves, competitive prices and skilled workforce are some of the features of Indian stone industry. Also technology, machinery, equipments, tools and consumables used are highly advanced.

For more details about the exhibition, the organizers can be contacted at the following

address: Mr. R.K. Gupta, Chief Executive Officer, Centre for Development of Stones, SP-8, Sitapura Industrial Area (Phase – IV), Sitapura, Jaipur – 302022, Rajasthan. Tel: 0091-141-5122610 / 5122609, Fax: 0091-141-5122610, Email: info@cdos-india.com , Website: www.stonemart-india.com .

Packaging Technologies and Machinery for Food Processing Sector

The Department of Scientific and Industrial Research (DISR), Ministry of Science & Technology, Government of India, is organizing an International Orientation Programme on Packaging Technologies and Machinery for Food Processing Sector from February 6-15, 2007 at Nerul, Navi Mumbai. The objective of the programme is to share the trends & developments in the area of Packaging technologies and machinery for food processing sector that have taken place in India and other countries in the recent past and discuss opportunities for international technology trade and business.

For more details, the organizers can be contacted at the following addresses: SIES School of Packaging / Packaging Technology Centre, Plot-1C, 1D, 1E, Sector-V, Nerul, Navi Mumbai - 400706, Tel: 0091-22-27713841 / 7937/ 3357, Fax: 0091-22-27718620, Email: siessopptc@vsnl.net / siescom@vsnl.net , Website: www.siessopptc.com / www.siespackaging.in or, Department of Scientific & Industrial Research (DSIR), Ministry of Science & Technology, Government of India, Technology Bhavan, New Mehrauli Road, New Delhi – 116016. Tel: 0091-11-26866123 / 26590257, Fax: 0091-11-26960629.

Aero India 2007

The Department of Defence Production, Ministry of Defence, Government of India in association with the Federation of Indian Chambers of Commerce & Industry (FICCI) and Farnborough International Ltd., is organizing the 6th International Aerospace & Defence Exhibition “Aero India 2007” (IITF) at Air Force Station, Yelahanka, Bangalore from

February 7 to 11, 2007, an event that will bring to fore new opportunities for the aviation and aerospace industry. Dedicated to the entire range of aerospace and aviation business activities – from parts suppliers to aircraft manufacturers, from technology providers to services, it allows the aviation and aerospace industry to promote and showcase their products and services to an international business / professional audience.

For more details, the organizers can be contacted at the following address: FICCI Trade Fair Secretariat, Federation of Indian Chambers of Commerce & Industry, Federation House, Tansen Marg, New Delhi-110001. Tel: 91-11-23357082 (D), 23738760 - 70, Fax: 91-11-23359734 (D), 23721504, 23320714, Email: ficciexhibition@ficci.com , Website: www.aeroindia.gov.in .

Note: The information / material contained in this bulletin are sourced from Weekly Economic Bulletins of Federation of Indian Chambers of Commerce and Industry (FICCI) (www.ficci.com), India Brand Equity Fund (www.ibef.org) and The Economic Times of India.

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