



INDIA NEWS

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Following are the highlights of the Budget 2008-09 :

India has registered a growth of over 8% for 12 successive quarters till Dec 2007 Focus next year to be management of supply side of food, market, capital inflows Keeping inflation under check to be the focus Agriculture disappointing at average annual growth of 2.6% Total agri production to be 219.32 million tonnes at all time high Agri credit doubled in first two years Focus on achievement of self-sufficiency in food grain Agriculture credit to touch Rs. 2,40,000 crore (US \$ 6 billion) in 2008 Gross Budgetary support to be Rs 243,386 crore (US \$ 6.084 billion) about Rs 38,286 cr (US \$ 957 million) more than 2007-08 Education & health to get 20% more from Rs 28,674 cr (US \$ 7.1 billion) to Rs 34,4000 cr (US \$ 8.6 billion) Bharat Nirman allocation to go up from Rs 31,280 cr (US \$ 7.8 billion) from Rs 24,603 cr (US \$ 6.1 billion) About 6,000 high quality schools to be built by 2009 3 IITs to be set up in Bihar, AP, Rajasthan 16 new Central universities to be built Healthcare allocation to be raised by 15% Rs 85 crore (US \$ 21,2 million) sanctioned for scholarships to students pursuing science education. National Rural Health Mission to get Rs 1,250 cr (US \$ 312.50 million) budgetary allocation for Integrated Child Development Service increased to Rs 6300 crore. (US \$ 1575million) A national programme for the elderly to be started at a cost of Rs. 400 crore (US \$ 100 million) Rs 992 crore (US \$ 248 million) for national AIDS programme Rashtriya Swasthya Bima Yojna for 30,000 workers in organised sector in BPL category IT industry gets Rs 100 crore (US \$ 25 million) for connecting knowledge institutions National Rural Employment Guarantee Scheme to be extended to 596 rural district with an outlay of Rs 16,000cr (US \$ 4000 million) North East region to continue getting special attention Sanitation to get Rs 1,200 cr (US \$ 300 million) Allocation of Rs 75 cr for 2008-09

for the Rajiv Gandhi felicitation programme Rs 3,966 cr (US \$ 1000 million) for SC/STs schemes Rajiv Gandhi drinking water mission to get Rs 7,300 cr (US \$ 1825 million) 54 departments to be set up gender budgeting divisions 288 public sector bank branches to be opened in areas with concentration of minorities Schemes for woman to get Rs 11,460 cr (US \$ 2865 million) this fiscal Child related schemes to get Rs 33,434 cr (US \$ 8358 million) Mobilisation of additional resources of Rs 10,000 cr (US \$ 2500 million) as planned capital expenditure under Plan-B Allocation for Ministry of Minorities doubled to Rs 1,000 cr (US \$ 250 million) Schemes for woman to get Rs 11,460 cr (US \$ 2865 million) this fiscal Agriculture share in total investment up from 10.2% in 2003-04 to 16% during the 11th Plan Agri credit target to be Rs 2,80,000 cr (US \$ 7 billion) for 2008-09 LIC to cover all woman SHGs linked to the bank National Horticulture Mission to get Rs 1,100 cr (US \$ 275 million) Govt sets up irrigation and water resource finance corp with an initial corpus of Rs 100 cr (US \$ 25 million) Schedule Commercial Banks farm credit 75% Micro irrigation scheme gets Rs 500 cr (US \$ 125 million) to cover 4,00,000 additional hectares Marginal farmers holding 1 hectare land and small farmers holding up to 2 hectares of land to be waived Agri loans disbursed by rural banks, RRBs and Cooperative banks before March 2007 and overdue on Dec 2007 waived Debt waiver scheme and relief to small and marginal farmers Special purpose tea fund gets Rs 40 cr (US \$ 10 million) Tea Research association gets Rs 20 cr (US \$ 5 million) One time settlement agreement offered to other farmers with loans overdue on Dec 31, 2007 with a 25% discount Loan waiver amounts to 4% of total bank loans 3 cr (30 million) small and marginal farmers and 1 cr (10 million) other farmers to be covered under the waiver and one time settlement scheme Implementation of waiver to be completed by June 2008 Farmers eligible for fresh agri

loans post the waiver or one time settlement OTS to cost Government Rs 10,000 cr (US \$ 2500 million) Farmer loan waiver to cost govt Rs 50,000 cr (US \$ 1.2 billion) Overdue agri loans amount to Rs 50,000 cr (US \$ 1.2 billion) under the waiver and 10,000 cr (US \$ 2500 million) under the OTS FDI in Apr-Dec at \$12.7 billion, FII inflow over \$18 billion PNB says banks to be reimbursed accordingly National fund for transmission and distribution reforms for power sector Move towards nutrient-based fertiliser subsidy stressed NHDP allocation up from Rs 10,866 cr (US \$ 2716 million) to Rs 12,966 cr (US \$ 3241 million) SITP gets 450 crore (US \$ 112.50 million) Rs 275 crore (US \$ 68.75 million) earmarked for state data centres All 30 integrated textile parks approved Rs 340 cr (US \$ 85 million) insurance scheme to cover 17 lakh farmers and weavers NABARD gets Rs 5,000 cr (US \$ 1250 million) fund for refinancing National Housing Bank gets Rs 1,200 cr (US \$ 300 million) for refinancing Government asks commercial banks to add 250 rural household accounts every year in rural and semi-urban banks States urged to open bidding for 5 more ultra mega power projects Exchange traded forex, rate derivative market to be launched Rs 450 crore (US \$ 112.5 million) provision for textile parks Coal regulator to be established Requirement of PAN extended to all financial transactions SIDBI gets 2 funds of Rs 2,000 cr (US 500 million) 300 more ITIs to be upgraded with an investment of Rs 750 cr (US \$ 187.50 million) PAN to be sole identification in securities market Haryana and Chandigarh to introduce smart card based delivery system under PDS 22 Sainik schools get Rs 44 crore (US \$ 11 million) 3 new schemes for unorganised sector workers social security Haryana and Chandigarh to introduce smart card based delivery system under PDS Defence allocation up by 10% from Rs 96,000 cr (US \$ 2.4 billion) to Rs 1,56,000 cr (US \$ 3.9 billion) 6th Pay Commission report by March 2008 Special grant of Rs 100 cr (US \$ 25 million) to 3 institutes of excellence One time grant of Rs 50 cr (US \$ 12.5 million) to National Tiger Conservation Authority Estimated planned expenditure at Rs 2,43,086 cr (US \$ 6.07 billion) and non-planned expenditure Rs 57,409 cr (US \$ 1.4 billion) Scheme monitoring system under Plan Panel to be unveiled Commonwealth Games allocation of Rs 624 crore (US \$

156 million) Central Plans Scheme monitoring system under Plan Panel to be unveiled Tax to GDP ratio at 9.2% in 2004 up by 12.5% in 2007-08 Revenue Deficit is Rs 55,184 cr (US 1.37 billion) at 1% of GDP and fiscal deficit is Rs 1,33,287 cr (US \$ 3.3 billion) at 3.1% of GDP Proposal to reduce custom project imports from 7.5% to 5% Non-agri peak rates for customs raises to 10% from 2% in 2004 Tax to GDP ratio at 9.2% in 2004 up by 12.5% in 2007-08 Custom duty on some bulk drugs cut from 10% to 5% Custom duty on steel scrapped Set-top boxes to become cheaper Custom duty on vitamin pre-mixes to lower from 30% to 20% Proposal to reduce custom project imports from 7.5% to 5% Non-agri peak rates for customs raises to 10% from 2% in 2004 money changers and people running gains of chance and tour operators to be brought under service tax net Two wheelers to cost less, excise duty reduced by 10% Excise duty on pharma goods reduced to 8% Excise on packaged software to lower from 8% to 12% Bulk Cement to attract 400 per metric tonnes or 14% at advalorem whichever is higher No excise duty on refrigerating equipments Anti-Aids drug exempted from excise duty Excise duty on small cars reduced from 16% to 12% CENVAT rates reduced from 16% to 14% on all goods Phosphoric acid custom duty reduced to 5% Import duty on Naptha restructured (For full details on Budget 2008-09, please visit: [www:indiabudget.nic.in](http://www.indiabudget.nic.in))

India will continue its dynamic growth in 2008: UN

According to the UN Economic and Social Commission for Asia and the Pacific (ESCAP) report, India will continue to witness dynamic growth in 2008, driven by investment in the manufacturing and service sectors, and will be "largely insulated from weakness in the global Economy". It further predicted that the Asia-Pacific region as a whole is also likely to continue to see strong economic growth this year, despite uncertainties posed by a slowing United States Economy. Developing economies in Asia posted a growth rate of 8.2 per cent in 2007 and is expected to grow at a "slightly lower but still robust" rate of 7.8 per cent this year.

Despite global crisis, India will sustain growth: PM

At the joint press conference with the visiting French President, Mr Nicolas Sarkozy, Prime Minister, Dr Manmohan Singh, said that India was not immune to the ongoing turmoil in international financial markets, but asserted that the country would sustain the growth momentum of 9-9.5 per cent despite the international situation. He further stated that the Indian economy would not be much affected by the international market turmoil, as the fundamentals of the economy are strong. He expressed hope that the US government would take "appropriate and credible measures" to contain the damage caused by the sub-prime crisis that has threatened the stability of international financial system. The Prime Minister also noted that the Indian banks were unlikely to face the problem being faced by the French Bank Societe General, where fraud by a single trader caused a loss of €4.9 billion.

Foreign Trade Policy to focus on simplified procedures

The final year annual supplement to the Foreign Trade Policy (FTP) would have a simplified policy regime cutting out clutter of procedures for ensuring reduction in transaction cost to trade and industry. The policy, to be unveiled on March 31, would focus on laggard export segments and labour-intensive exports.

50 patents granted every day this fiscal

In the first three quarters of this fiscal, the four patent offices in India granted 10,132 patents between April and December 2007, a period in which they received about 30,000 applications. This was more than double the annual number they granted just two years ago. India, which has one of the most stringent patenting regimes in the world after Japan and Germany, has been granting an average 50 patents a day. This rate is comparable to the patent grants made in advanced intellectual property regimes such as the US and the EU when measured as a proportion of patents granted to the number of applications made.

India lifts FDI caps in key sectors

India raised caps on foreign investment in civil aviation, refineries, some mining of minerals, and commodity exchanges as it hopes to hook more overseas money for its fast-growing economy. It is particularly looking abroad for financing of infrastructure improvements, including in its refining sector, and for producing key minerals such as titanium. India hopes to attract foreign investment of \$26 billion in the 2007/08 fiscal year that ends in March, substantially higher than \$16 billion a year earlier. The Cabinet raised the foreign equity cap for oil refineries involving state-run and overseas firms to 49 percent from the current 26 percent, and said from now on projects could be approved by the Foreign Investment Promotion Board. The Cabinet also approved ending a rule which made it mandatory for foreign firms to shed up to 26 percent of equity in favour of Indian partners or the public within five years for ventures involving the trading and marketing of petroleum products. India hopes to turn itself into an oil refining hub. India already allows 100 percent foreign investment for refining in the private sector. Foreign holdings in commodity exchanges would now allowed up to 49 percent, the first time an upper ceiling has been formally set, with foreign direct investment to the tune of 26 percent permitted. Another 23 percent can be held by foreign institutional investors.

India committed to success of SAFTA

Addressing the Executive Committee meeting of the SAARC Chambers of Commerce and Industry (SCCI) in New Delhi, the Minister of State for Commerce, Mr Jairam Ramesh, stated that India was committed to the success of SAARC Free Trade Agreement (SAFTA) and complete integration of the eight members of the South Asian Association for Regional Co-operation (SAARC). He emphasized that even though India has been in an FTA (free trade agreement) mode with ASEAN and other countries in different geographical regions and plans to globalise itself through heightened co-operation with world trade majors such as the US and the European Union (EU), India's foundation was in SAARC.

GDP growth at 18-years high

Releasing the revised estimates, Finance Minister P Chidambaram said the government was confident of achieving "a close-to 9%" growth rate in the current fiscal. The Economy grew an impressive 9.6% in 2006-07, the highest in the past 18 years. This translates into an almost Rs 1,700 rise in every Indian's annual income. Per capita income, or the income each citizen would receive if national income were equally distributed, grew at 8.1% to Rs 22,553.- (US \$ 563.82) in 2006-07, from Rs 20,858.- (US \$ 521.45), in 2005-06. The government's Central Statistical Organisation (CSO) had earlier estimated growth in gross domestic product (GDP), a measure of overall domestic income, at 9.4% for 2006-07. The upward revision comes as a result of higher growth in the banking & insurance sector at 13.9%, instead of the estimated 10.6%. Sector-wise, growth in manufacturing has slightly eased while construction has improved to 12% from 10.7%.

Semiconductor policy logs Rs 40,000-cr commitment

The Government has now received cumulative investment commitment worth almost Rs 40,000 crore (US \$ 1 billion) under the scheme to promote semiconductor fabs and other micro and nano technology units. While three companies had applied earlier, two more firms, Signet Solar and KSK Surya Photovoltaic Venture Pvt Ltd, have submitted applications to avail themselves of the incentives under the policy. The investment proposals of the two new applicants add up to nearly Rs 19,000 crore (US \$ 4750 million). While Signet Solar's proposal entails Rs 9,000 crore (US \$ 2250 million) investment blueprint to manufacture solar photovoltaic modules, KSK has outlined about Rs 10,000 crore (US \$ 2500 million) investment plan. Earlier Moser Baer, Videocon and Titan Energy had submitted formal applications to the Government, with combined investment value touching Rs 20,000 crore (US \$ 5000 million). Moser Baer plans to manufacture solar photovoltaic cells/modules; Titan Energy Systems would start with solar cells and modules project and get into wafer and poly-silicon, at a

later stage. The proposal by Videocon pertains to an LCD unit.

Petrochemical sector set for US\$ 37.94 billion funding

The Indian petrochemical industry is expecting a whopping upstream investment of Rs 80,000-1,00,000 crore (US \$ 2.5 billion) in the next three to four years, while the downstream segment would get another Rs 50,000 crore (US \$ 1.25 billion). At present, Companies like ONGC, RIL, IOC, and Essar are the major players who have invested in this segment. Industry sources said that with the recent introduction of the petrochemical policy, the country is also expecting an investment from global players like Exxon Mobil, SABIC and ELF, among others. The country's petrochemical industry is poised for a growth of over 10% over the next five years from 2006. According to industry sources, at current prices, downstream petrochemical production is expected to increase from current levels of \$15-18 billion to \$30-35 billion over the next five years.

India may turn big producer of GM rice, vegetables by 2010

According to a research report by Rabo India Finance Ltd on the Indian agri-biotech sector, India has the potential to become a major producer of transgenic rice and several genetically modified (GM) or engineered vegetables by 2010. It has emerged as one of the leading destinations for investment in biotechnology in the recent years. It is also emerging as an important destination for both biomarkers and validation services, the report said. According to the report, there is an increasing use of molecular markers in crop breeding and a growing realisation that some of these new technologies could lead to future growth in the productivity and quality of crops such as rice, wheat, eggplant (brinjal), tomato and okra (lady's finger).

Overseas hydel firms look to tap potential in India

Companies from Russia, Scandinavia and France are looking to form joint ventures (JVs) with Indian firms to set up hydroelectric power projects in India, a business in which the country is just

beginning to tap some of its considerable potential. Presently, India has exploited only 25% of its hydropower potential. The government plans to set up 16,553MW of hydropower capacity in the five years to 2012, and another 30,000MW in the five years to 2017. Big hydropower companies from these regions include Electricity De France and Norwegian state-owned electricity company Statkraft. The government is hoping the involvement of foreign firms will boost growth in the sector. These firms have the technical and construction expertise for setting up projects which are more complex to build, and need specialized technology and design inputs.

Exports up 16.04 per cent to US\$ 12.31 billion in December 2007

India's exports registered a growth of 16.04 per cent to 12.31 billion dollars in December 2007, as against 10.61 billion dollars in the same month of 2006. For April-December period of 2007-08, India's exports stood at 111 billion dollars, registering a growth of 21.76 per cent, from 91.20 billion dollars in the corresponding period of the previous fiscal.

Indian IT market to grow to US\$ 10 billion: Gartner

According to IT research company Gartner Inc, Indian IT services market is pegged to grow to \$10.73 billion by 2011 with anticipation of more contracts from firms, which are grappling with high attrition of IT staff. It identified agility, growth, cost takeout and innovation as the key factors driving this growth. Growth of IT services market is primarily being driven by growth of the Economy, small and midsize businesses, government projects and increased customer focus. The market segments that are expected to witness strongest growth are consulting, IT management and business process management (BPM) services with five year CAGRs of 28.1, 23.8 and 27.1 per cent respectively.

29 India-based IT companies among world's best 100

A survey by CyberMedia and Global Services Magazine has listed twenty-nine India-based companies among the best 100 IT service providers. The survey was

carried out with a view to assist business heads of major outsourcers identify reliable, innovative and tech savvy partners. The toppers from each of the 10 categories that were identified included four companies each from India and the US and one company each from China and Mexico. They included India's Tata Consultancy Services, HCL Technologies, Genpact, WNS Global Services, America's EDS, Sitel, EPAM Systems and Computer Sciences Corporation, Mexico's Softtek and China's Neusoft. India has emerged as the hub for global delivery with 57 per cent of the employees engaged in delivery centers located in India, followed by 18 per cent in the US.

India's outsourcing revenue to hit US\$ 50 billion

As per the study by leading IT lobby group Nasscom and consulting firm Everest, India's revenue from back-office outsourcing was expected to surge nearly five-fold to \$50 billion by 2012 despite a possible recession in the key United States market. It identifies skills shortage, creaky infrastructure in smaller towns and cities and rapidly rising wages as major challenges. The sector has logged 35 percent annual growth over the last five years to hit annual revenues of about \$11 billion, with the bulk coming from exports. India's back-office firms like Infosys BPO, a unit of No. 2 software firm Infosys Technologies, have thrived by providing Western firms with services such as processing insurance claims, managing payrolls and customer support. The boom in business process outsourcing, or BPO, is built on a large, skilled and cheap English-speaking workforce. The sector employs 700,000 people and is expected to provide direct employment to about 2 million by 2012.

India Inc's M&As rise 150 % in 2007

India Inc announced deals worth \$70 billion in 2007, up 150% over the previous calendar year. Significantly, even though this is a mere 1.5% of the estimated value of global deals struck during the year, in terms of actual increase Indian companies was a much bigger contributor. Total merger and acquisition (M&A) and private equity (PE) deals in India, which were \$ 42 billion more than their 2006 tally, accounted for about 5% of the increase in

the value of global M&A deals, which rose to \$870 billion last year. The value of total deals announced in India during the year stood at \$70.14 billion as against \$28.16 billion in 2006. The volume of deals involving Indian companies also crossed the 1,000 mark for the first time last year. Out of the total, \$51.11 billion was the value of strategic M&A involving Indian companies, either as sellers or buyers, and the remaining \$19.03 billion was the result of PE deals. Given the multi-billion dollar M&A deals: Tata-Corus, Vodafone-Hutch and Hindalco-Novelis, which constituted a little more than half of the total M&As involving Indian companies during the year, strategic acquirers clearly overshadowed PE funds on dealstreet. The year 2007 would go down as the year when strategic M&As were clearly dominated by cross-border transactions. Cross-border deals, including both Indian companies acquiring abroad and multinationals acquiring equity stakes in Indian companies, accounted for 94% of the M&As by deal value last year as against just about 55% of the total in 2005.

NRIs contribute 5 per cent in Britain's GDP

Britain lauded the Indian community living in UK for their role in the country's economic growth. British High Commissioner to India Richard Stagg told a gathering of NRI's at the Pravasi Awards presentation ceremony organised by the NRI institute that the Indian community was one of the largest communities living in Britain and had contributed five per cent in the country's GDP. Describing the relationship between the two countries as "long, large and complex", he invited people from India to invest in his country.

Air traffic likely to be more than double by 2010

Market research firm PhoCus stated that domestic air traffic was likely to more than double and touch 86.1 million passengers by 2010, up from 32.2 million passengers in 2007. According to the firm, growing internet penetration and increasing air connectivity through low-cost carriers would push domestic air traffic by 2010 to 84.1 million passengers. As many as 32.2 million passengers travelled by air on domestic routes during 2006. It has also

predicted a major boost in online travel reservations (including hotels, air and rail tickets) by 2010, a majority of which is expected to be for air ticket bookings. Online travel reservations last year contributed 11% to India's total travel revenues of 15.95 billion dollars at 1.75 billion dollars.

India's luxurious trains among world's top 25

As per the Society of International Railway Travellers, an organisation of travellers in India, which celebrates its 25th year in 2008, India's luxurious trains "Deccan Odyssey", "Palace on Wheels" and the 100-year-old steam "Toy Train" figure in the top 25 trains in the world.

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