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Finance Minister confident of 9% growth in 2008-09

Speaking after tabling the Economic Survey 2007-08 in Parliament, Finance Minister Mr. P. Chidambaram said that he was confident of achieving 11th Plan target of 9% growth. He commented, with the better targeting of government reserves and increase in quality, we can ensure the overall welfare of the common man in terms of both private consumption and supply of public goods. He emphasized that the economy has precisely moved to higher growth trajectory during the five years up to 2007-08 in terms of GDP with an average growth rate of 8.7% per annum during these five years. The growth rate of approximate 9% translates into an almost Rs 1,700 (US \$ 42.50) 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 \$ 564.-) in 2006-07, from Rs 20,858,- (US \$ 521.-) 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%. CSO has also revised the growth estimate for 2005-06 to 9.4% from 9%. The revised data puts the economy's average growth rate over

the past four years since the United Progressive Alliance (UPA) government has been in power at 8.8%. Sector-wise, while growth in manufacturing has slightly eased, construction has improved to 12% from 10.7%.

Exports up 20.47% in January

India's exports grew by 20.47% in January 2008 to \$13.14 billion as compared to \$10.90 billion in the same month last year. Imports during the month stood at \$22.5 billion, registering a growth of 63.57% over \$13.75 billion in January 2007. For the April-January, 2008 period of the current fiscal, exports grew by 21.62% to \$124.19 billion as compared to \$102.11 billion in the year ago period. Imports during the period expanded 29.63% to \$191.6 billion from \$147.8 billion a year ago. The trade deficit for April-January 2008 is estimated at \$67.4 billion, higher than \$45.7 billion deficit in during the same period last fiscal.

FDI cap in air cargo raised to 74%

In a significant development, the Government has allowed foreign carriers to take up to 74% stake in cargo airlines from the earlier FDI limit of 49%. Now international carriers will be allowed to invest in cargo operations. The government also approved 100% FDI in maintenance, repair and overhaul (MRO) organisations, flying training

institutes (FTIs) and helicopter services (up from 49%). This would give a major boost to FDI in the aviation sector

TRAI proposes 74% FDI in mobile TV service

Broadcast regulator, Telecom Regulatory Authority of India (TRAI) has proposed allowing 74% foreign direct investment (FDI) in mobile television services and favoured a bidding process for allocation of licenses for this service. The telecom firms would not be required to seek a fresh licence for starting mobile TV services on their own network. It has been recommended that the choice of broadcasting technology should be left to the service provider and the licenses for mobile television services should be granted through a closed tender system on the basis of one time entry fees quoted by the bidders. It has been further proposed that the allocation of spectrum to mobile television licensees should be automatic for successful bidders and should not require any further selection process. Such licensees would be required to pay the usual spectrum usage charges, as stipulated by the Wireless Planning Coordination wing of Department of Telecom, in consultation with the Ministry of Information & Broadcasting. The tenure of mobile television licenses should be for 10 years.

Government allows FDI in commodity exchanges

The Government has liberalised the foreign direct investment (FDI) cap across various sectors including

public sector oil refineries, while allowing foreign investment in areas such as commodity exchanges and credit information companies (CICs). In the case of petroleum refining by PSUs, the Union Cabinet has approved hiking the equity cap to 49% (from the existing 26%) with prior approval of the FIPB. However, it does not envisage dilution in the existing PSUs.

Also in the case of trading and marketing of petroleum products, the Cabinet has waived-off a condition of compulsory divestment of up to 26% in favour of Indian partner/public within five years.

FDI in refining

While FDI up to 100% through automatic route is allowed for private companies, in the case of PSUs, there was a cap of 26%. The new decision would ease the entry of foreign players in the refining sector in partnership with PSUs. The move assumes significance in the backdrop of the interest envisaged by foreign companies such as Kuwait Petroleum for forging alliances with new refining projects of state owned refiners. FDI up to 26% and the FII up to 23% have been allowed in commodity exchanges subject to the condition that no single investor would hold more than 5%.. The move is in sync with the stance of the Department of Economic Affairs that there should be separate caps within the overall cap of 49% for the FDI and the FII investment at 26% and 23% respectively.

Industrial parks

The Government has decided to exempt foreign investment in industrial parks from the provisions of Press Note 2 (2005) that stipulates conditions such as minimum capitalisation and a three-year lock in period. Similarly, in case of construction development projects, investment by registered FIIs under the portfolio investment scheme would be distinct from the FDI and outside the provisions of Press Note 2 (2005). Besides the minimum capitalisation of \$10 million for the wholly-owned subsidiaries and \$5 million for joint ventures with Indian partners, the Press Note 2 specifies that original investment cannot be repatriated before a period of three years from completion of minimum capitalisation. It also stipulates other conditions such as minimum area to be developed.

Agri-biotech sector grows at 30%

According to Rabobank report titled "Indian agri-biotech sector: Emerging scenario, issues and challenges", the agri-biotech sector in India is growing at 30% for the last five years, and it is likely to maintain the growth in the future as well. The country made its entry into agri-biotech in early 2002 with the government giving its nod for commercial cultivation of Bt cotton. Since then, agri-biotech continues to be the fastest growing industry among all the biotech industries in the country. In 2006-07, the industry made Rs 926 crore (US \$ 231.5 million) in sales, accounting for 10.84% of the country's biotech market. In 2005-06, it registered a growth of over 81% with a value of Rs 598 crore (US \$ 149.5 million) compared to Rs 330 crore (US \$ 82.5

million) in 2004-05. Within six years, the Bt cotton acreage in the country has grown manifold accounting for about 70% of the total area under cotton cultivation in 2007-08. The research finds that agricultural biotech in India has good development potential. The country can become a major grower of transgenic rice and several genetically engineered vegetables by 2010. It is emerging as an important destination for both biomarkers and validation services. There is an increasing use of molecular markers in crop breeding and a growing realisation that some of these new technologies will lead to future growth in the productivity and quality of crops such as rice, wheat, eggplant (brinjal), tomato and okra. In recent developments in the sector, Indian food companies have started acquiring agri-biotech companies as part of a strategy to strengthen their food businesses. Recently, ITC acquired Australian agri-biotech company Technico, which has operations in Canada, China, India and West Asia through its subsidiaries. Technico bought Technituber seed technology that has seed manufacturing facilities in China, Canada, and Manpura in Himachal Pradesh.

IT revenues grow@33% to hit US\$ 64 billion

According to a study done by 'Strategic Review 2008' by IT industry body Nasscom, the Indian IT and BPO industry is expected to clock revenues of 64 billion dollars by the end of fiscal year 2008, registering a growth of 33%. The software and services exports are expected to reach 40.8 billion

dollars, while the domestic market is expected to touch 23.2 billion dollars in Financial Year 2007-08. It further stated that the industry would also meet its target of 60 billion dollars software exports and overall software and services revenues of 73-75 billion dollars by 2010.

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 highlighted agility, growth, cost takeout and innovation as the key factors driving this growth. It further stated that the prime reason for companies to consider external service providers (ESPs) was the continuous turnover rates of key IT staff in range of 15-20%.

Tata Chemicals buys US firm for US\$ 1 billion

The Tata group celebrated the first anniversary of its acquisition of the Anglo-Dutch steel giant Corus, the biggest foreign takeover by any Indian company so far, by announcing that its chemicals outfit, Tata Chemicals (TCL), has entered into a definitive agreement to buy the soda ash business of the US-based General Industrial Products for \$1 billion. Post-acquisition, TCL will become the world's second-largest soda ash maker with a combined capacity of 5.5 million tonne per annum (mtpa) and 14% share of the global market. At present, Tata Chemicals enjoys 8% share of the global market with capacity of 3

mtpa. Harbinger Capital Partners, majority stakeholder of General Industrial Products, had put its soda ash subsidiary, General Chemical (Soda Ash) Partners, on the block.

Expansion Inc: India has 8,65,000 companies

While addressing the annual general meeting of FICCI, Corporate Affairs Minister Mr. Prem Chand Gupta stated that the total number of companies incorporated so far has risen to 8,65,000. India is witnessing a massive increase in the number of corporate entities with about 55,000 companies being incorporated annually for the last two years. This represents a more than 20% increase from the 7,12,000 companies in 2005 end.

Rural India matches urban spending pattern: Survey

Rural India is matching the promise it has shown with the elusive market showing consumption patterns similar to urban areas. While an average city-dweller may be spending almost twice than his counterpart in rural areas, but in terms of allocation of his budget to key segments, the villager has sprung a few surprises. According to latest data on household consumption expenditure, rural India is allocating almost 10% of the monthly household budget for fuel and lighting, while an average urban household spends 9% under the head. Clothing, which includes spending on bedding and footwear, too shows similar trends with expenditure in rural areas at 7% of the monthly consumption, compared to 6% for urban areas. Ditto for

medical care (7% for rural, 6% for urban) and sugar, salt and spices (5% for rural and 3% for urban).

Jawaharlal Nehru Award for the year 2007

The Jury for the Jawaharlal Nehru Award for International Understanding, chaired by Hon'ble Vice-President of India, Mr. Mohammad Hamid Ansari, has decided to confer the Award for the year 2007 on H. E. Dr Olafur Ragnar Grimsson, President of the Republic of Iceland. The Award carries prize money of US \$ 1.25 million, besides a trophy and citation. Dr Grimsson is currently serving his third term as President of Iceland. He has been closely associated with India as well as with the Indian leadership since 1983 when he visited India for the first time as a young MP. Thus, 2008 marks the silver jubilee of Dr Grimsson's personal association with India. Dr Grimsson was Chairman and later International President of the International Association Parliamentarians for Global Action (PGA) in the year 1984-90 and has sat on the Board since. The Association organised the "Six Nations Peace Initiative" 1984-89, which included amongst others the late premiers Olaf Palme of Sweden and Rajiv Gandhi of India. He was also the chairman of the organizing committee of the "Parliamentary Conference of the Council of Europe, North- South: Europe's Role 1982-84.", which created the basis for work on North-South relations and the foundation of the North-South Centre in Lisbon.

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