

FII registrations top 1,400-mark after SEBI eases entry norms

FOREIGN institutional investors (FIIs) continue to show interest in India, despite the recent decline in indices in the Bombay and National Stock Exchanges. According to the Securities and Exchange Board of India (SEBI), there has been a 40 per cent increase in the number of FIIs registered with the capital markets regulator over the last 12 months.

There were 1,410 registered FIIs in India towards the end of June, as against 1,051 a year ago. Most of the new FIIs are sovereign wealth funds (SWFs) from the oil-rich Middle East and institutional investors, including pension funds, from the US. SEBI introduced several changes in the norms relating to the entry of FIIs in May. While it has closed the participatory note (P-note) route, the rules for sub-accounts were relaxed. As a result, there has been a rush for opening sub-accounts, which have now topped the 4,000-mark. There were 4,320 sub-account registrations of foreign portfolio investors towards the end of June, and almost 250 of them were new accounts, opened a month earlier.

SWFs, hedge funds, pension funds, unregulated university



funds, endowments and charitable trusts from the US, Europe, the Middle East and the Far East have been rushing in with their registrations after SEBI relaxed the entry rules.

SEBI recently also widened the definition of FIIs, allowing SWFs and Non Resident Indians (NRIs) to trade in shares and government securities through sub-accounts.

FDI inflows soar by 127 per cent in April



FOREIGN direct investment (FDI) inflows into India continue to pour in, despite fears of a global economic slowdown. FDI in April, the first month of the current fiscal, shot up by 127 per cent as compared to the same month in 2007-08.

"I want to dispel fears of any economic slowdown and investment drying up," said Kamal Nath, the Union Minister for Commerce and Industry, while releasing the FDI figures for April. "India's growth story is not going to be stalled." India attracted

\$3.74 billion in FDI in April 2008, as against \$1.64 billion in the same month in 2007.

Manufacturing accounted for \$1.86 billion of FDI in April. Other sectors that attracted substantial foreign investment included services, telecommunications, housing and real estate and construction. About 45 per cent of the FDI into India was routed through Mauritius in April. During 2007-08, India attracted \$25 billion in FDI. The government has set an ambitious target of \$35 billion for the current fiscal, which ends on March 31, 2009. The country has drawn in almost \$50 billion in FDI since April 2004.

The energy, services, construction and real estate sectors accounted for \$20.8 billion of this total FDI over the last four financial years. The services sector saw a jump in FDI inflows: from \$444 million in 2004-05 to \$6.61 billion in 2007-08. The real estate sector was opened up for FDI only in 2004-05; in 2007-08, it attracted \$2.17 billion in FDI. Another sector that has attracted foreign investors is petroleum and natural gas; FDI inflows shot up from \$113 million in 2004-05 to \$1.42 billion in 2007-08. Other sectors attracting over a billion dollars in FDI include computer software and hardware (\$1.41 billion), telecom (\$1.26 billion) and construction (\$1 billion).

Three Indian cities in MasterCard Worldwide Centres of Commerce Index

THREE Indian cities – Mumbai, New Delhi and Bangalore – feature in the MasterCard Worldwide Centres of Commerce Index, which ranks the world's top 75, influential commercial cities.

"The booming Chinese and Indian economies have clearly continued the shift of economic power to Asia," notes the report. "The strong presence of cities from Asia/Pacific, Middle East and Africa is further evidence of the growing influence of the region not just in manufacturing and services, but also in broadly based commercial strength."

London topped the list, followed by New York, Tokyo, Singapore and Chicago. Mumbai ranked 48th, New Delhi 61st and Bangalore 66th. Within the Asia-Pacific, Middle East and Africa (APMEA) region, Mumbai ranked 13th, New Delhi 18th and Bangalore 19th.

According to Dr Michael Goldberg, programme director, MasterCard Worldwide Centres of Commerce, cities in new or emerging markets showed maximum rise in their influence as commercial centres, compared to London.



Direct tax collections up 38.6 per cent in Q1

NET direct tax collections in the first quarter of the current fiscal (April to June) were buoyant, recording a growth of 38.6 per cent, adding up to \$13.28 billion.

TDS (tax deduction at source) collections shot up by 50 per cent, while personal income tax collections grew by 48.84 per cent. Corporate taxes were up by 32.7 per cent. Other collections that saw significant growth included fringe benefit tax (38.74 per cent), securities transaction tax (22.11 per cent) and banking cash transaction tax (21.03 per cent).

The Delhi circle saw a 53.57 per cent growth in tax collections, while Mumbai saw a 40.19 per cent rise. Other cities that saw a huge leap in direct tax collections included Bangalore (47.26 per cent), Kolkata (45.3 per cent), Kochi (68 per cent) and Nagpur (74 per cent). The government has set a target of over \$90 billion for direct tax collections in fiscal 2008-09, up from last year's \$72.63 billion. The buoyant tax collections will help it plug the fiscal deficit below 2.5 per cent of gross domestic product (GDP), as against 2.8 per cent last year.

The cost of direct tax collections also fell to a record low of 0.54 per cent in 2007-08, which is considered to be among the lowest in the world.



Briefs

Bharti AXA General Insurance gets IRDA okay

BHARTI AXA General Insurance Co Ltd, a joint venture between Bharti Group and AXA, a financial protection and wealth management major, has been granted the certificate of registration by the Insurance Regulatory Development Authority (IRDA), paving the way for the commencement of its business. The Bharti Group holds a 74 per cent stake in the company with the remaining equity being held by AXA.

Stage & Screen sets up India operations

STAGE & Screen Travel Services, an Australia-based entertainment travel brand, plans to open offices in Mumbai and Delhi to provide travel and logistics management to the country's film and television, music, fashion, sports, performing arts and media sectors. "With the open sky policy, improving Foreign Direct Investment (FDI) conditions and Commonwealth Games in 2010, we believe it is the right time to enter the Indian market," says Gregory Lording, global head, Stage & Screen Travel Services.

Binani Cement to acquire overseas assets

BINANI Cement plans to acquire coal mines in Indonesia, cement firms in Africa and other related assets elsewhere in the world. The company plans to invest \$100 million in acquiring coal mines in Indonesia, and another \$100 million to expand its operations in China. "We are looking at mines that are close to Indonesian ports," says Vinod Juneja, managing director, Binani Cement. The company, which produces about 6.5 million tonnes of cement in units both in India and abroad, plans to double capacity over the next three years.

Indian firms among top investors in the UK

INDIAN companies were in the top league of foreign investors in Britain in 2007-08, investing in 75 projects that generated over 19,000 jobs. International companies invested in 1,573 projects in Britain in 2007-08, a 10 per cent increase over the previous year.

Investments from the Asia-Pacific region grew at 25 per cent, with 415 companies investing in numerous projects. Besides Indian investments in 75 projects, Japanese companies took up 102 projects and Chinese firms 59, according to UK Trade and Investment (UKTI), a government agency.

"India continues to share a strong business relationship with the UK," said Jane Owen, director, UKTI. "The results show 75 projects from India with well over 19,000 associated jobs. There are huge opportunities for Indian companies to build partnerships and gain from transfer of knowledge and technology, particularly through R & D investments in the UK."

Brian Shaw, who authored the UKTI's annual report, says, "Indian inward investment into the UK is broadening and deepening. We are seeing an increased interest in sectors like creative industries and entertainment, advanced engineering, life sciences and financial services."

Indian firms have also emerged as significant employers of Britons, especially after the Corus acquisition by Tata Steel and of brands like Jaguar and Land Rover by Tata Motors and Whyte & Mackay by Vijay Mallya's UB group. In the past five years, Indian employers have saved and created over 33,500 jobs in Britain, accounting for almost a fifth of all British jobs saved and created by foreigners.

For 2007, foreign direct investment (FDI) from India into the UK is estimated to have added up to \$4 billion, a jump of 166 per cent over the previous year, according to preliminary estimates by the UKTI.

Fifty-two Indian companies, listed on the London Stock Exchange, raised nearly \$6 billion through initial offers since 2006, and their combined market capitalisation adds up to almost \$18 billion.

IT-BPO sector sees 28 per cent growth in 2007-08

THE Indian IT-BPO industry (both domestic and exports) recorded an overall growth of 28 per cent (currency-adjusted), clocking revenues of \$52 billion in financial year 2007-08, according to the National Association of Software and Services Companies (NASSCOM), the premier trade body for the Indian software and services industry.

According to the annual NASSCOM survey, the software and services exports segment grew by 29 per cent, touching \$40.4 billion in FY07-08, up from \$31.4 billion in the previous fiscal. The domestic segment grew by 26 per cent, registering revenues of \$11.6 billion. Within the export segment, IT services exports grew by 28 per cent (clocking revenues of \$23.1 billion), while BPO exports were up by 30 per cent (revenues of \$10.9 billion). Engineering services and products exports saw revenues of \$6.4 billion, growing at 29 per cent. The survey projects that the overall software and services revenues will grow by 21-24 per cent (currency adjusted) to cross the \$50 billion mark in FY08-09. "Given that we are well on our way to achieve the target of \$60 billion in exports by FY09-10, the industry is now focusing on improving productivity, efficiency, as well as opening up new markets and services," says Som Mittal, president, NASSCOM. "The next decade offers opportunities and challenges, which will require new business models."

Karnataka to invest \$5.8 billion to boost IT-BT sector

THE Karnataka Government plans to invest over \$5.8 billion over the next three years to improve Bangalore's infrastructure and to ensure continued growth of the information technology (IT) and biotechnology (BT) sectors. According to Katta Subramanya Naidu, the state minister for IT and BT, the new projects will include



a North-South corridor connecting the Electronic City to the new international airport, and an East-West corridor connecting Hoskote and Tumkur. The government also plans to revise its IT policy, after consulting leading industry players.

The IT industry in the state has also presented a blueprint to the state government to revitalise the IT and BT sectors and to ensure doubling of revenue to \$28

billion by 2011. The plan envisages creation of four new hubs – each of 500 acres – around Bangalore along a proposed \$700 million, peripheral ring road, for the IT, BT and healthcare sectors. A high-power committee, comprising government officials and industry executives, will be set up to negotiate and finalise land procurement for these four 'IT-BT-health cities.' Similarly, other 'electronic cities' and 'IT-BT-health cities' are proposed to be developed near other cities in the state, including Mysore, Mangalore, Hubli-Dharwad, Belgaum and Gulbarga.

Software exports from Karnataka – primarily from the state capital Bangalore – added up to \$12.6 billion in 2007-08, as against \$11.3 billion in the previous year. But the success of Bangalore as a software services and outsourcing hub is being closely monitored by many countries, some of who want to replicate a similar model. Dalian, for instance, aims to emerge as China's Bangalore over the next decade.

Ruias acquire British auto component maker

THE Ruia group of Kolkata has acquired 100 per cent stake in Schlegel Automotive Europe, a British auto component manufacturer, according to Pawan Kumar Ruia, the company chairman.

"Keeping in mind the growing demand in the automotive sector, we are planning to set up a Schlegel manufacturing unit in India," says Ruia. "We will invest \$15 million for expansion in India."

Schlegel supplies rubber sealings to leading automobile companies including Bentley, BMW, Toyota, Honda, Mitsubishi, Ford and Opel. It is among the top three rubber sealing manufacturers in the world. The Ruia Group had earlier acquired tyre-maker Dunlop India and wagon manufacturer Jessop & Co. According to Ruia, the new unit – its location has not been finalised – will be a 100 per cent subsidiary of the UK-based parent and will cater to the domestic market.



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Trent to invest \$470 million in 50 new supermarkets

TRENT, a Tata Group company, plans to invest over \$470 million in setting up 50 supermarkets over the next five years. According to Noel Tata, managing director, Trent Ltd, the company will raise funds for the new stores – called Star Bazaar – through internal accruals. The discount stores will be opened both in metros and smaller cities. The Tata Group also operates the Croma chain of consumer electronics and durables outlets, and Westside, a department store chain.

Continental to invest another \$25 million in Bangalore unit

CONTINENTAL Automotive Components (India) Pvt Ltd, part of the international automotive component giant, Continental Corporation, plans to invest about \$25 million over the next two years to expand its facility in Bangalore.

The company recently set up a new manufacturing plant and an R&D centre in Bangalore at a cost of over \$50 million. According to Jay Kunkel, president, Continental Asia, "The company aims to enhance its share in the Indian auto electronic components segment from five per cent to 13 per cent by 2010."

GTL to invest \$150 million for expansion

GTL Ltd, a telecommunications network services group, plans to invest around \$150 million over the next two years to expand its infrastructure.

Manoj Tirodkar, managing director, GTL, says that "About \$100 million would be invested in a 1.2 million sq ft development facility at Navi Mumbai."

The company, which employs over 5,500 people, plans to increase the headcount by another 3,000 over the next two years. It also plans to aggressively expand its overseas operations, acquiring companies abroad. International operations will account for about 50 per cent of its revenues.