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BIZ E– NEWSLETTER

India Focus

this issue

Visit of Delegation from Madhya Pradesh

Madhya Pradesh is the second largest state in India by area, with 75 million population, is the sixth largest state by population. It is Strategically located bordering 5 states of India Uttar Pradesh, Chhattisgarh, Maharashtra, Gujarat and Rajasthan with close proximity of all major markets and Tier -one cities across the country. The state has good connectivity in terms of road and rail network and is rich in natural resource minerals like Diamonds, Coal, Limestone, Copper ore, Manganese, Pyrophyllite, Diaspore and Slate.

Madhya Pradesh is one of the fastest growing states in India backed by an impressive CAGR of 12.7 percent during 2005 -10. It's the largest producer of soya and pulses and second largest producer of wheat in India. It's one of the more urbanized stated of India *(Cont on P. 6)*

ECONOMY

S&P, India Inc overdoing gloom on economy?

ET Bureau Jun 21, 2012

So you think India is doing badly? Sample this:

China's growth rate in the second quarter of the year is expected to dip below 7%. India's growth rate has tended to be, in general, two to three percentage points below that of China. If India were to grow at 5% in the second quarter, that should not be a great shock.

Brazil, another of the BRIC economies, grew by just 2.7% in 2011, down from 7.5% in 2010. The IMF projects growth in 2012 at 3%.

Among the BRIC nations, Russia alone is poised to maintain its growth rate in 2012 but that is because Russia has been growing in the past two years at a relatively slower 4%.

You can't say that China's growth has slumped because of 'policy paralysis'. China does not face the difficulties that a democracy does. To get a better clue to the slump, just see when was the last time that its growth rate fell below 7%. China's growth was 6.6% in the first quarter of 2009, which was the worst time in the sub-prime crisis, following the collapse of Lehman Brothers.

The ongoing eurozone crisis is similar in intensity and in the risk-aversion it has created in the markets. It must explain why China's growth has decelerated so acutely and also India's. It tells us that it is global factors that are primarily responsible for India's economy running into rough weather not coalition politics, lack of leadership, corruption, assembly elections or any of the things we have been hearing about.

Unfortunately, it's not just commentators who don't get it but rating agencies and a section of the business community. What the latter think does matter. Rating agencies impact the flow of capital into the country and the costs of borrowing. Animal spirits are everything in an economy and businessmen's prophecies of doom tend to be self-fulfilling.

S&P warned recently that India faces a downgrade in its rating if it does not get its policy act together. It had changed the outlook from 'stable' to 'negative' in April. Now another rating agency, Fitch, has followed suit and the reasons it has cited are almost the same as those advanced by S&P.

S&P has sought to articulate its case for a potential downgrade in a report tiled, Will India be the first BRIC fallen angel? A credit downgrade reflects increased possibility of default on debt. Where a nation's debt is overwhelmingly in domestic currency, the chances of default are lower because government can easily inflate its way out of high debt. It is high external debt that is cause of concern. India's external debt to GDP ratio of 3.4% must be amongst the lowest in the world. Does S&P believe that, in the absence of reforms, the probability of India's defaulting on foreign debt will rise? ***(Cont on P. 2)***

Even on total public debt (domestic and foreign), India does well in comparison with many other countries. We are among the few countries whose debt to GDP ratio has been falling in recent years as the trend in advanced economies has been for the ratio to rise. If there is little chance of India defaulting on its foreign obligations in the coming months, why would we qualify for a downgrade? The answer is provided by the criteria S&P uses for arriving at a sovereign rating. The company's website gives an idea of the variables used: a political score, an economic score, an external score (which reflects its external liquidity and international investment position), a fiscal score and a monetary score. It follows that even if India's external score does not worsen to a point where there is an increased probability of default, a downgrade is possible if there is a deterioration on other counts. The S&P report foresees precisely such a possibility but the case is not persuasive. The link between the various scores that S&P uses and a higher probability of default is not at all evident.The report contends that if the economic situation gets worse, India may actually reverse some of the reforms undertaken so far! Yes, if there is a major external shock that causes a balance of payment (BoP) crisis, the government may be forced to resort to capital controls, which would be a step backward. But does anybody seriously believe that the government would raise tariff barriers to protect Indian industry? Or that it will force public sector banks to restructure loans of public sector enterprises the way they have done so for Air India? Or that we will return to the era of reduced interest rates for particular sectors?

Unfortunately, despite the blows to their credibility in the sub-prime crisis, the rating agencies' reports get a huge press. A section of the Indian business community seems to have got carried away and has joined in the current bout of government-bashing. Azim Premji claims that India is "working without a leader".At the G-20 summit in Mexico this week, the prime minister gave a fitting riposte: he announced a contribution of $10 billion from India towards the IMF's eurozone fund. At a time when India's BoP is coming under strain, the PM's gesture was a ringing assertion of confidence in the nation's ability to surmount its current economic challenges.

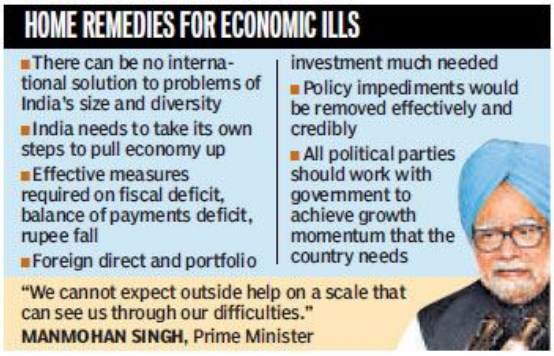
It is possible that India Inc does not share the aam-admi orientation of the UPA government. It may well yearn for a government that would cut back social sector spending, slash subsidies drastically, water down the current position on land acquisition and environmental clearance. It is entitled to its preferences and is free to argue its case. But to create despondency and negativism about the economy is not responsible advocacy.

Reforms back on the agenda, signals Prime Minister

Hindustan Times , June 24, 2012

In a signal that pro-reform policies are back on the agenda, Prime Minister Manmohan Singh said on Saturday: "We cannot expect outside help on a scale that can see us through our difficulties."

On his return from the G-20 and Rio summits, Singh said India needed effective steps to handle, among other things, the fiscal



deficit - when total expenditure exceeds revenue - the balance of payments deficit - when payments made by the country exceed payments received - and the decline of the rupee against the dollar.

Asked about the possibility of a cabinet reshuffle following finance minister Pranab Mukherjee's exit on June 26 as he is contesting the presidential poll, Singh said it was "a legitimate expectation... You will get to know about it when it takes place". Mr. Singh urged all political parties to work with the government to restore the momentum ...

of growth, but did not elaborate on the specific policies he had in mind. He said it would "not be proper" to go into details before he returned to India.

Among the reformist steps in limbo at present are lifting barriers to foreign direct investment in multi-brand retail and reforming insurance, pension, banking and land acquisition. When asked about restoring foreign investors' confidence given the country's sliding credit rating and the confusion caused by retroactive taxes, he spoke of the need for both foreign direct and portfolio investment. Singh noted that capital was "in search of safety" and was going to countries like Germany and the US. Developing countries like China and India were, therefore, seeing their growth rates slump.

He said, "The events of the last couple of days convince me more than ever before that there are no international solutions to the problems of a country of India's size and diversity." Singh, however, did not explain what assistance he had expected from other nations, though some officials said this was more about the creation of a more stable global economic environment. Singh insisted there was no "stagflation" in India. It was merely a "slowdown". Stagflation is an economic phenomenon of simultaneous high inflation and low growth.

Policy initiatives slowly showing gains: Sharma

27 June 2012 , By Sujay Mehdudia , The Hindu

Hitting back at the critics of the Government, Commerce and Industry Minister Anand Sharma, on Wednesday, said the very fact that big multi-national companies were making investment commitments indicated that neither the UPA-II government nor India had lost direction or initiative.

Mr. Sharma's strong stand comes in the wake of $5 billion investment announced by Coca Cola and 1.5 billion euro by IKEA in the last one week. "It is good news, and things are moving. It's not that we have lost our direction. We have not. "The gains of policy initiatives are flowing steadily and slowly, and we should be patient to see the results," Mr. Sharma told journalists after his meeting with Coca Cola Chairman and CEO Muhtar Kent here.

Mr. Kent had announced, on Tuesday, that Coca Cola would invest $5 billion between now and 2020 on various activities, including setting up of new bottling plants. ***(Cont on P.4)***

Rating agencies have 'herd mentality', next 6 months crucial, Kaushik Basu says

Reuters | Jun 18, 2012, 05.22PM IST

India's chief economic adviser Kaushik Basu on Monday said "herd mentality" of ratings agencies led to Fitch's revision of India's rating outlook to negative from stable, but added that the review was not surprising. "There is a lot to be done and the next six months will be crucial," Basu said while addressing journalists at the Foreign Correspondents' Club in New Delhi. "The whole statement of Fitch is a pretty positive statement."

Earlier, Fitch Ratings cut its credit outlook for India to negative from stable, nearly two months after rival Standard & Poor's made a similar call, citing risks that India's growth outlook could deteriorate if policymaking and governance don't improve.

Last week, home furnishing major IKEA approached the government with a proposal to invest 1.5 billion euro to set up 25 stores in the country.Mr. Sharma said the government was working in the direction of providing investor-friendly climate. "As far as the government is concerned, we have made it very clear that we believe in an environment, which is welcoming and supportive for investors. We have taken a number of steps and have come out with policy initiatives," he added.

Citing the example of allowing 100 per cent FDI in single-brand retail, he said, the issue had received good response from investors. "There are three investment applications, which have already come and more are in the pipeline," he added.

The government has come under attack from various quarters, including rating agencies and a section of the corporate sector, for failing to carry out policy reforms, decline in foreign investments and overall economic slowdown.

The country's foreign direct investment (FDI) declined by 41 per cent to $1.85 billion in April as compared to the same period in the previous fiscal.

Government's export growth target: 20% in 120 days

TNN | Jun 26, 2012, 04.46AM IST

Moving from zero growth to 20% is not easy. But that's what the commerce department is trying to do — and within a span of 120 days.

Ministry officials have spent the last few days brainstorming a strategy although they are yet to finalize a concrete set of measures, sources privy to the discussions told TOI. Officials acknowledged that it was not easy to stage a turnaround of this sort, and the idea was to prepare a roadmap over three-four months.

The initiative—the brainchild of SR Rao, the new Commerce Secretary ***(Cont on P.5)***

RBI hikes external commercial borrowing limit by $10 billion

Business | Updated Jun 25, 2012 at 04:20pm IST

In a bid to check rupee's free falling against the US dollar, the Reserve Bank of India (RBI) hiked the limit of external commercial debt by $10 billion. Moreover, the regulator also increased the limit of overseas investment in government bonds by $5 billion to $20 billion. "It has been decided to allow Indian companies in manufacturing and infrastructure sector and having foreign exchange earnings to avail of external commercial borrowing (ECB) for repayment of outstanding Rupee loans towards capital expenditure and/or fresh Rupee capital expenditure under the approval route. The overall ceiling for such ECBs would be USD 10 billion," RBI said in a press release after consulting the government of India. Currently, foreign institutional investors (FIIs) can invest in Indian corporate bonds upto $20 billion. While the cap in government bonds is at $15 billion, FIIs are barred to invest in infrastructure bonds upto $25 billion.

Overseas investors so far have not shown enough interest in infra bonds while the demand for corporate bonds and government bonds are relatively higher. Currently, FIIs can earn an interest rate in the range of 9.30-9.50 per cent for a AAA rated instrument. For corporate bonds, it is slightly higher in the range of 9.70-9.75 per cent for the similar kind of papers. Side by side, RBI made efforts to tap investments by QFIs to resist rupee's downfall against the greenback. QFIs, according to the release, can now invest in mutual fund schemes that hold at least 25 per cent of their assets (either in debt or equity or both) in infrastructure sector under the current USD 3 billion sub-limit for investment in mutual funds related to infrastructure. "The terms and conditions for the scheme for FII investment in infrastructure debt and the scheme for non-resident investment in Infrastructure Development Funds (IDFs) have been further rationalised in terms of lock-in period and residual maturity," RBI added further.

is expected to focus less on providing sops but more on removing hurdles to growth. "Exports have to be the default mode," said an official, pointing out that the commerce department will push for lifting of export curbs on several commodities where bans were put in place in the wake of rising domestic prices. "At the same time, you need consistency in the policy," added an official, handling a product that is a prominent item in India's export basket.

In addition, the ministry is contemplating a push for 20-25 key products where India has competitive advantage although the focus on expanding into new markets in Latin America and Africa will remain, officials said.

Further, some issues related to trade facilitation are on the anvil. For instance, the industry has complained that there are several ports that do not have customs and other regulatory facilities on a 24x7 basis, which hampers the shipment of raw materials and export of consignments. These concerns are proposed to be addressed, whenever the policy measures are unveiled. "It is feasible (to formulate a strategy). Provided you take a holistic view and deal with inter-ministerial hurdles which cause time overrun. There are several low hanging fruits on the procedure side that can be simplified," said Biswajit Dhar, director general of Research & Information System for Developing Countries, a Delhi-based think tank.

While announcing the amendment to the foreign trade policy earlier this month, commerce and industry minister Anand Sharma had set an export growth target of at least 20%. Since then, data shows that the picture has deteriorated further. While exports went up 3% in April, they contracted by over 4% in May according to initial estimates available with the commerce department. Officials said it would take the department a few weeks to finalize the strategy, before Sharma discusses it with his counterparts in other departments. The move comes at a time when the finance ministry has unveiled a set of measures to boost sentiments. The strategy is aimed at helping the government meet the $500 billion annual export target by March 2014.

India climbs into top 10 wealth markets: Report

PTI | Jun 17, 2012, 10.40AM IST

India is poised to occupy the sixth position in the top 10 wealth markets this year after edging out Spain for 10th slot in 2011, says a report.

"Uncertainty about the future of the euro and the worsening of the sovereign crisis in Europe are predicted to cause continuing problems, but many emerging markets are expected to continue marching ahead," according to Datamonitor's 2012 global wealth market report.

The report further said the world order of wealth markets is witnessing a tilt towards emerging economies which are expected to overtake their Western European counterparts going forward. The top 10 wealth markets, in terms of dollar millionaire holdings at the end of 2011, in descending order, were the US, Japan, China, the UK, Germany, Italy, Canada, France, Brazil, and India, it said.

Moreover, the cumulative value of the liquid assets held by millionaires in the emerging economies of Brazil, China, and India are likely to triple to USD 4.6 trillion from USD 1.5 trillion between 2006 and 2015.

India, in particular, will experience explosive growth, and is anticipated to jump sixth place by the end of 2012, the report said.

Top 10 wealth markets in 2015 will be the US at number one, with China in second place, followed by Japan, the UK, Germany, India, Brazil, Italy, Canada, and France, it added. Some of the mature markets have, however, proven more resilient, with the UK and the US, in particular, expected to perform strongly.

The US will remain the largest high net worth market in the world till 2015, the report said. Spain's fall from the top 10 wealth market in 2011 was largely due to the combination of its poor performance and the explosive growth seen in India and Brazil, the report said.

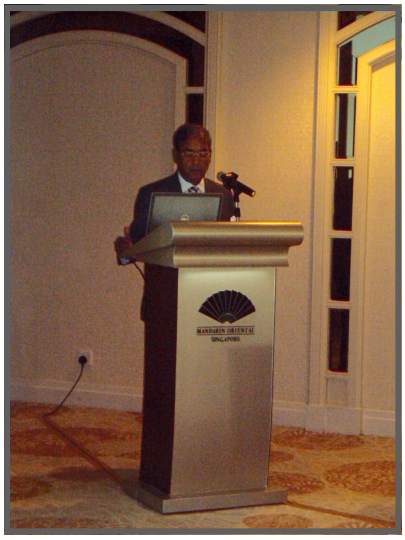
Visit of Delegation from Madhya Pradesh

Cont. from P.1...and has a peaceful labor environment with good educational infrastructure with 222 Engineering colleges, 218 Management institutes along with Hospitality, Agribusiness and Law institutes. The state has excellent tourism spots encompassing Entertainment, Adventure & Wildlife, Nature, Heritage, Spiritual tourism.

A High level delegation from the state of Madhya Pradesh, led by Hon'ble Chief Minister Mr Shivraj Singh Chouhan was in Singapore on 24th and 25th June 2012. Other members of the delegation include Mr Kailash Vijayvargiya, Minister for Commerce, Industry & Employment, Mr P.K.Dash Addl Chief Secretary Industries & Commerce, Mr P.K.Das MD MPTRIFAC and a few other official and business delegates.

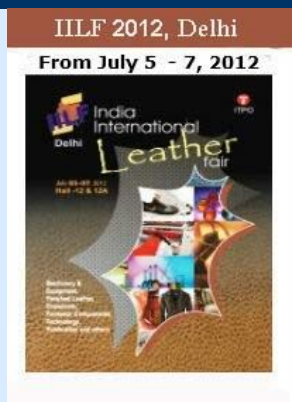
The delegation had a breakfast meeting with CEOs/Senior management of about 20 selected Singapore companies/organizations where the Hon'ble Chief Minister projected the state as the new investment destination, given very strong performance of the state in Agriculture, availability of minerals, comfortable power situation, excellent industrial relations etc in the last five years. Later, the delegation participated in the investment promotion session which was attended by about 120 delegates from Singapore. A detailed presentation was made by the delegation about the investment opportunities in the state followed by a lively Q & A session. The Hon'ble Chief Minster reiterated the attraction of the state as the new investment destination and has made an appeal for the delegates to participate in the Global Investor Summit being organized by the state from Oct 28-30 at Indore, Madhya Pradesh. The delegation called on the Minister for Trade & Industry, Government of Singapore, Mr. Lim Hng Kiang and visited Marina Barrage. The programme was organized and coordinated by the High Commission of India, CII, SICCI, and SBF.

Interactive Session with Mr. U K Sinha, Securities & Exchange Board of India (SEBI)



Sri U K Sinha, Chairman Securities & Exchange Board of India (SEBI) visited Singapore on 17th and 18th June 12. He was invited by Monetary Authority of Singapore, MAS, to inaugurate a course organized by MAS for middle level managers of Asian stock market regulators. The High Commission has organized an Interactive Session with Mr U K Sinha, on 18th June, 2012, which was attended by about 25 CEOs/Heads of various financial institutions based in Singapore. He spoke on Indian Story – Perceptions & Facts which brings out that India is doing well when compared to BRICS countries, but this fact is not projected well, followed by Q & A session. Later he met a senior delegation from Temasek the Sovereign wealth fund of Singapore.

FORTHCOMING EVENTS >>>> *INDIA*



I-India International Leather Fair

Date: 5-7 July, 2012
Venue: Pragati Maidan, New Delhi, India
Organizer: India Trade Promotion Organization (ITPO), Contact Person: Mr. Krishna , Tel: +91-11-23371540 / 23371822 / 23371540

Details: India International Leather Fair (IILF) is a unique show dedicated to leather and leather products from India. The show has been attracting buyers and importers, in droves, from all over the globe. The fair is designed to be a focal point for sourcing leather and leather products from the Indian sub-continent.

II– India Fashion Jewellery & Accessories Show (IFJAS)

Date: 13-15 July, 2012
Venue: India Expo Centre and Mart, Greater Noida, Uttar Pradesh, India
Organizer: Export Promotion Council for Handicrafts, Tel: +(91)-(11)-26135256/26135257/26135258/26135275

Details: IFJAS ranks among the premier jewellery and fashion accessories sector trade shows in India. It's a leading B2B event participants can deliberate upon the latest prevailing market trends and updates at this professionally organized show and products from all parts of the country are put on exhibit here. Visitors at the event can find an extensive collection of high quality fashion items, semi precious jewellery, waistbands, shoes, belts and other related products.

TENDER NOTICES >>>> *INDIA*

Tender invitation for Supply of following items :

1. **Electric Air Heater**
2. **Vacuum Heat Treatment Furnace - 01 Nos**
3. **Gas Nitriding Furnace - 01 Nos**
4. **Internal Grinding Machine – 01 Nos**
5. **Centre Grinding Machine – 01 Nos**
6. **Washing Rig -02 Nos**
7. **Universal Rotary & Tilting Table**

Hindustan Aeronautics Limited , URL: http://www.hal-india.com/tenders.asp
Closing Date : 13th July, 2012

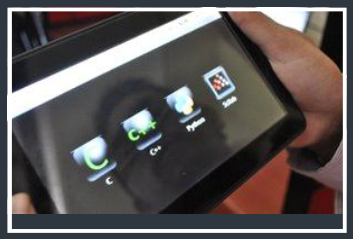
Tender invitation for supply of following machines

1. **Automated Boot Upper Assembling Stitching Machine with Templates - 5 Nos**
2. **Heavy Duty Computerized Automated Boot Upper Stitching Machine with Templates - 3 Nos**

Ordnance Equipment Factory, Ministry of Defence, URL: http://ofbeproc.gov.in
Closing Date : 16th July, 2012

Tender invitation for Supply of Down Hole Tools

Oil and Natural Gas Corporation Limited (ONGC) , URL: http://tenders.ongc.co.in/
Closing Date : 17th July, 2012



India upgrades 'world's cheapest tablet' Aakash

ET Bureau May 28, 2012,

India has unveiled a new version of what it says is the "world's cheapest tablet computer" - the Aakash 2.

The device, primarily for students, is to be sold for 2,263 rupees ($40; £26). It has a faster processor, longer battery life and more programming capability than an earlier version.

The government believes that low-cost tablets can help revolutionise internet access across India.

Like its predecessor, the Aakash 2 allows users to watch online tutorials and videos, browse the internet and play games."It's a fully -fledged computer, not just an access device," said Prof DB Phatak from Bombay IIT. "The applications and the content on Aakash 2 are most important, not just the device."

The new version of the Aakash tablet has an 800Mhz processing speed, a three-hour battery life and operates on the latest Android software. It also has an SD card slot, a USB port and works over wi-fi. It does not have 3G capability, however, so users need access to a good internet connection.

Useful Links:

Government of India's website	www.india.gov.in
Ministry of External Affairs (ITP Division)	www.indiainbusiness.nic.in
High Commission of India	www.hcisingapore.com
Investment Commission of India	http://investmentcommission.in
Department of Industrial Policy & Promotion	http://dipp.nic.in
Reserve Bank of India	www.rbi.org.in
Ministry of Corporate Affairs	www.mca.gov.in
Ministry of Commerce & Industry	http://commerce.nic.in
Ministry of Finance	http://finmin.nic.in
Matters relating to Excise & Customs	www.cbec.gov.in
Matters relating to Income tax	http://incometaxindia.gov.in
Directorate General of Foreign Trade	http://dgft.delhi.nic.in
National Centre for Trade Information	www.ncti-india.com
India Brand Equity Foundation	www.ibef.org
Industry/Trade Organizations	
Trade related Exhibition & Events	www.indiatradefair.com
Confederation of Indian Industry	www.cii.in
Federation of Indian Chambers of Commerce & Industry	www.ficci.com
Federation of Indian Export Organizations	www.fieo.com
EEPC India (Export Promotion Council)	www.eepcindia.org
Sourcing of Products	
www.indiamart.com	
www.indianyellowpages.com	
www.indianexporters.com	
www.tradeindia.com	

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