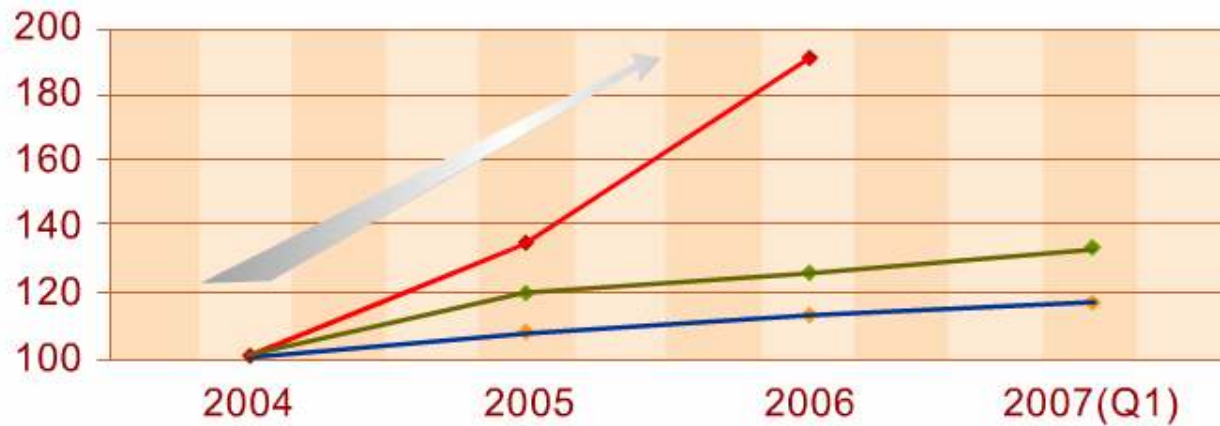


# Foreign Direct Investment in India

February 7,  
2007

# Confidence Indices....



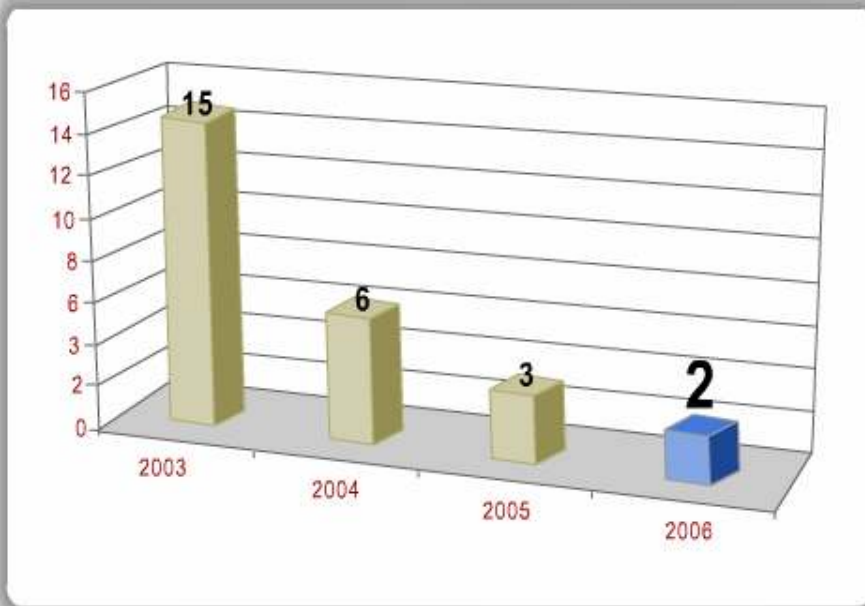
—•— AT Kearney: FDI Confidence Index

—•— NCAER: Business Confidence Index (Q1)

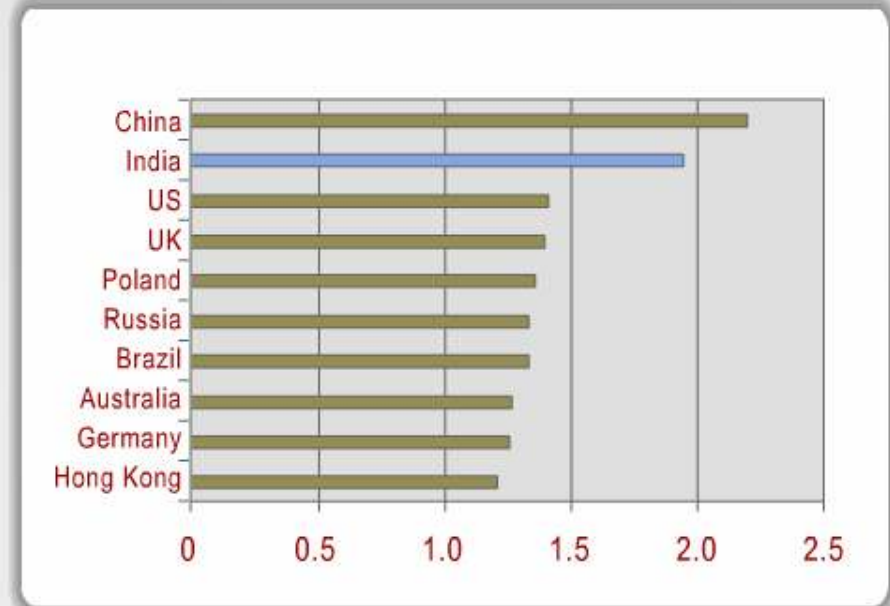
—•— D&B: Composite Business Optimism Index (Q1)

Secular Trend of Increase

# Moving Up the League Tables....



AT Kearney's FDI Confidence Index



AT Kearney's FDI Confidence Index

India has progressively moved ahead in ranking and is presently the 2nd most attractive FDI location in the world.

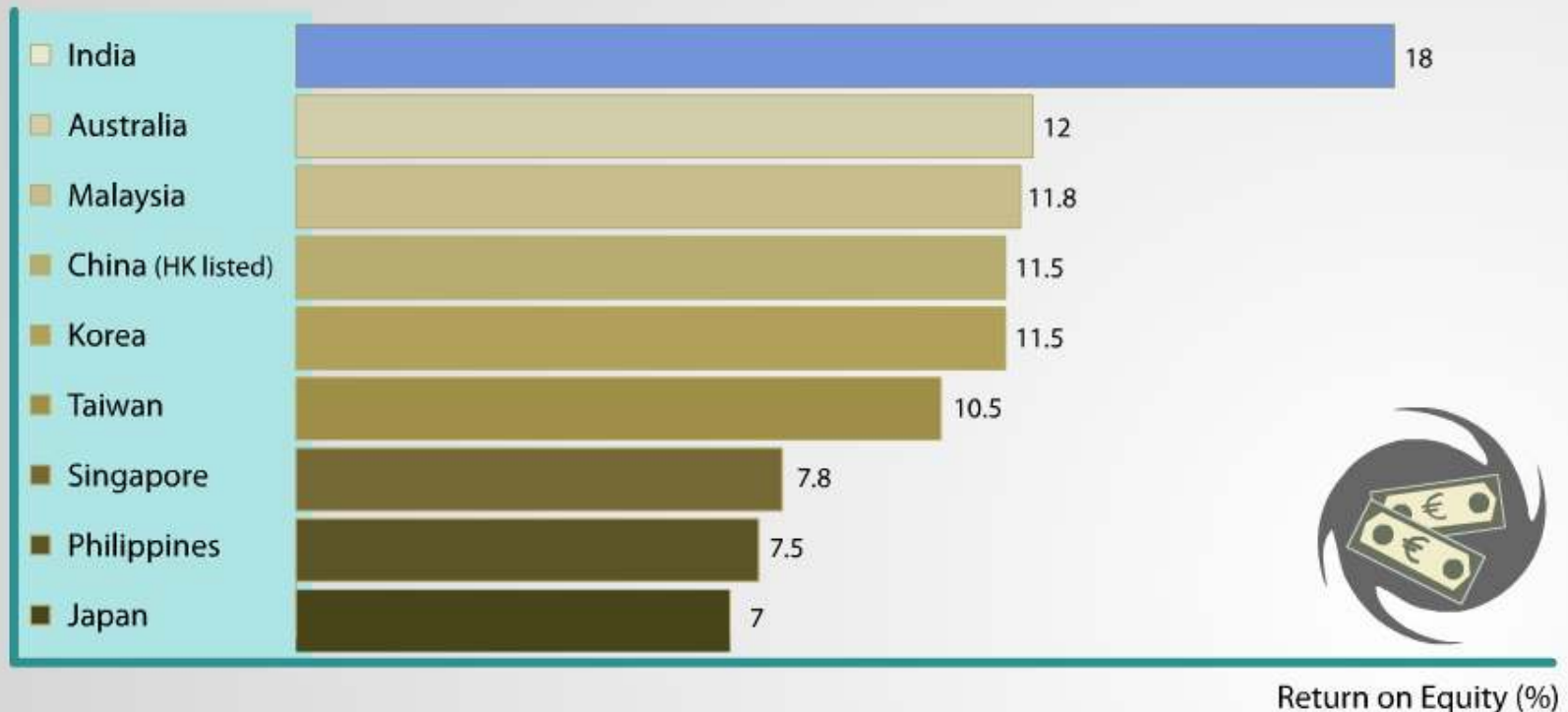
# Attractive Location Across All Broad Sectors....



Highly attractive location for Manufacturing

Source: A.T. Kearney

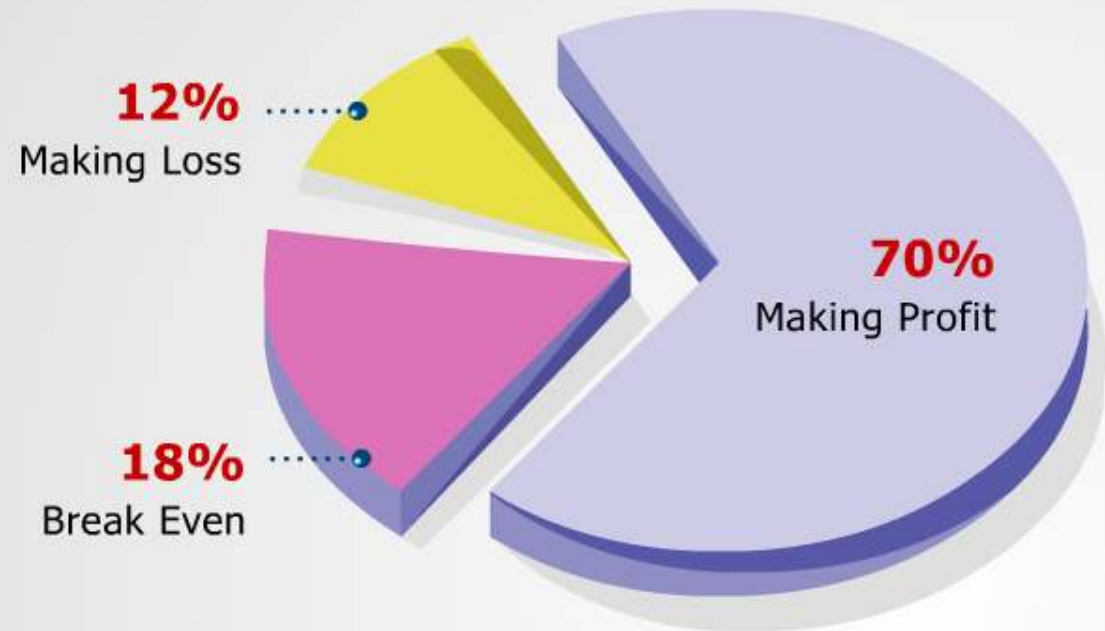
# Leading the Pack....



Indian companies had a higher Return on Equity than other countries in Asia

# Operations in India..... Profits

**FICCI FDI Survey 2005**  
on the basis of response  
from 102 Companies  
having their operations  
in India.



- 70% Making profits in operation
- 69% Achieve profitability targets
- 83% Utilize 70% of capacities



# Indian Subsidiaries Outshine Overseas Parents....

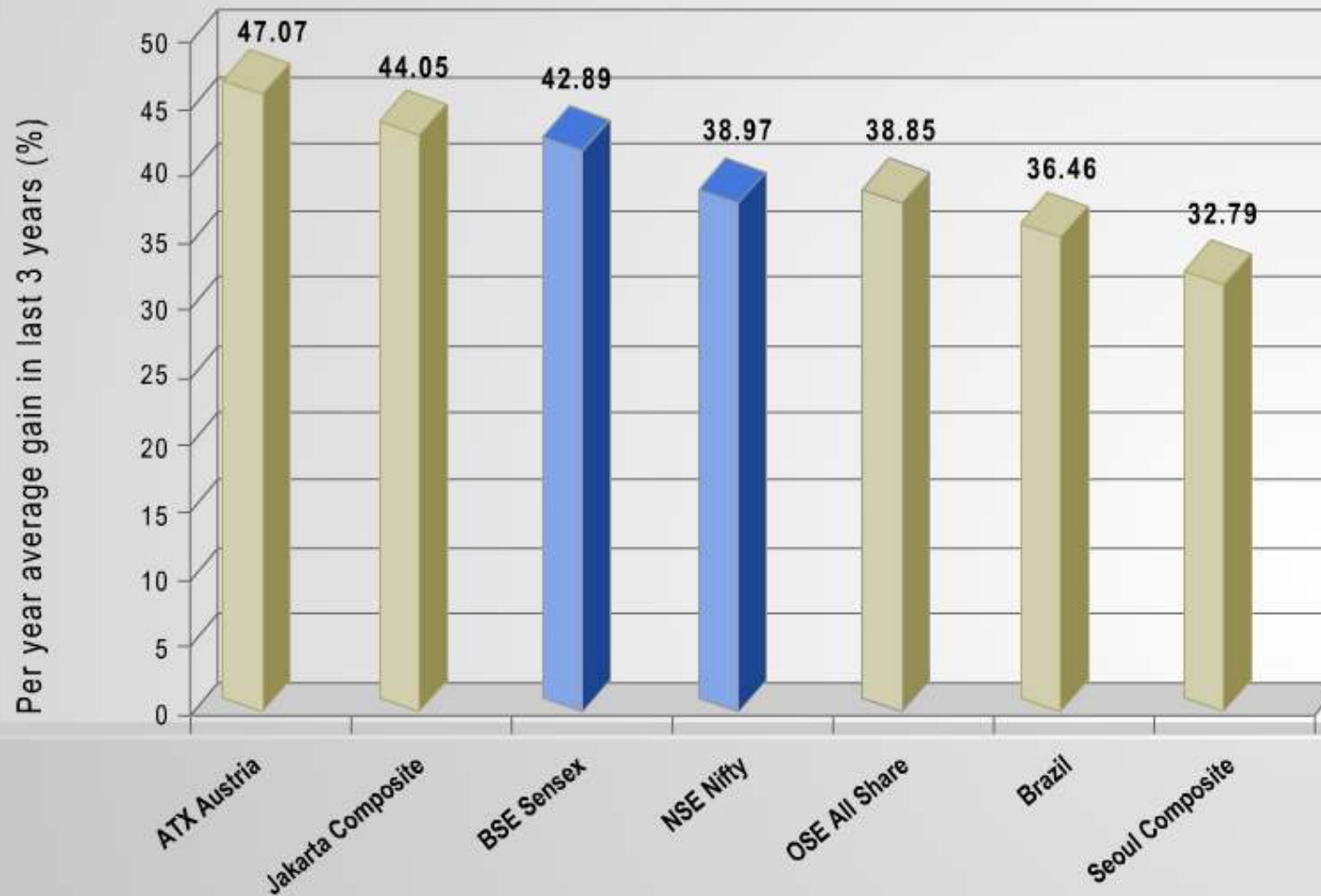
- Better financial performance & accounting for a greater proportion of global revenues
- Trends visible in many sectors – IT, Auto, Pharma, Consumer Durables & FMCG

## Few examples:

 Overseas' Parent	 Sales Growth (%)	 Indian Subsidiary	 Sales Growth (%)
Unilever	<b>8.6</b>	Hindustan Lever Ltd	<b>11.6</b>
Siemens Germany	<b>14</b>	Siemens India	<b>56</b>
ABB	<b>2.5</b>	ABB India	<b>32</b>
Colgate	<b>4.5</b>	Colgate India	<b>26</b>

MNCs consolidating shareholding in their Indian subsidiaries

# Gains in World's Stock Exchanges....



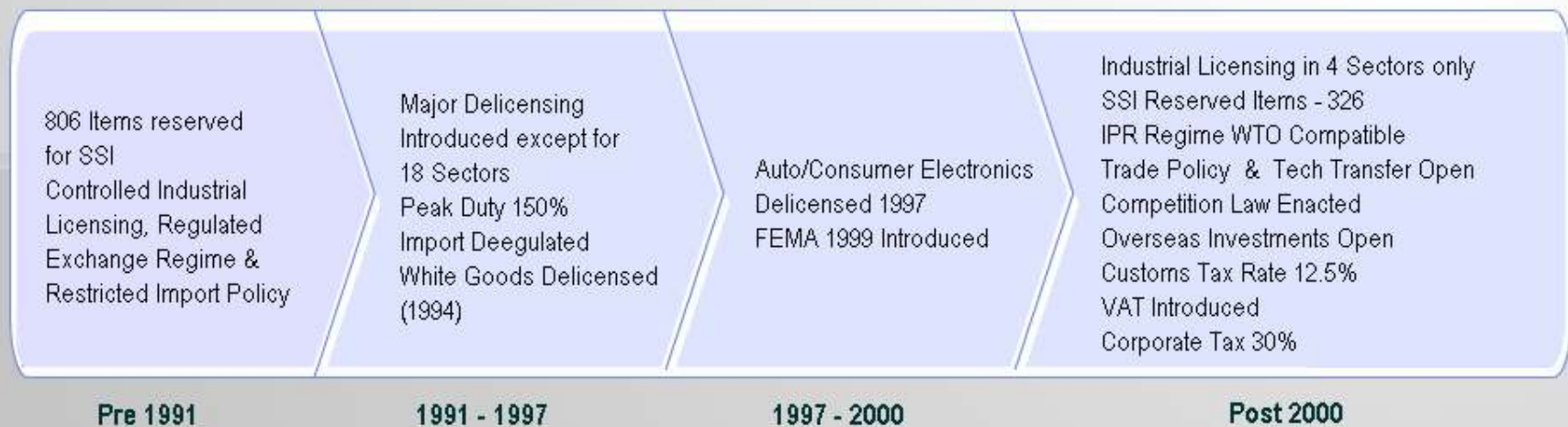


# Liberal Policy Framework....

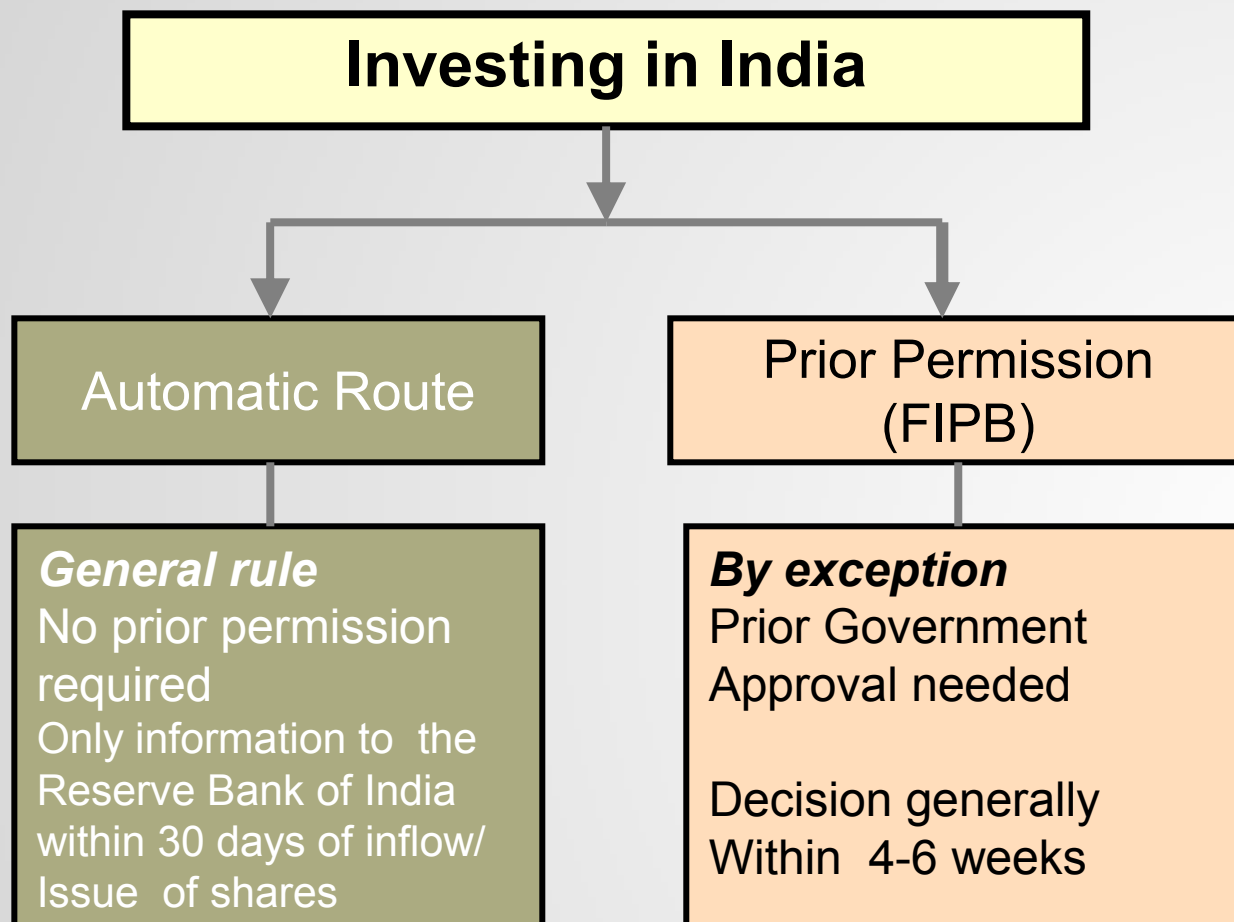
## FDI Policy Liberalisation Path



## Industrial Policies Liberalisation



# Investing in India – Entry Routes



# FDI Policy .... Prohibited activities

- ❑ **Retail** except single brand retailing allowed upto 51% with FIPB approval
- ❑ **Atomic energy**
- ❑ **Lottery business**
- ❑ **Betting and Gambling**

# FDI Policy for Industry Sector...Fully permitted

## Manufacturing

- 100% FDI permitted in all activities under automatic route except:
  - Cigar and cigarettes of tobacco - **FIPB**
  - Products reserved for Small Scale Sector
    - FDI less than 24% under automatic route
    - FDI beyond 24% - **FIPB** subject to export obligation
  - Defence products
    - FDI upto 26% - **FIPB** subject to licensing of Arms and Ammunitions

# FDI Policy for Industry Sector..... Fully permitted

## **Mining**

- Coal – FDI upto 100% as per Coal Mines (Nationalization) Act 1977
- Diamond, Gold, Silver , Minerals – upto 100% under automatic route as MMRD Act
- Atomic minerals – upto 74% in JV with PSUs – **FIPB**

## **Electricity**

- FDI upto 100% under automatic route in Generation, Transmission, Distribution and Power Trading as per Electricity Act 2003

# FDI Policy for Service Sector..... Largely permitted

**Upto 26%**

- FM Broadcasting (20%) - **FIPB**
- Uplinking News and CATV Channel - **FIPB**
- Print Media – News Papers & Periodicals - **FIPB**
- Insurance - **Automatic**

**Upto 49%**

- Broadcasting - Cable Network, DTH, Setting up hardware - **FIPB**
- Stock Exchanges - **FIPB**
- Air Transport Services - **Automatic**



# FDI Policy for Service Sector.... Largely permitted

Upto 74%

- Telecommunication - **FIPB** (Beyond 49%)
- Private sector banks - **Automatic**

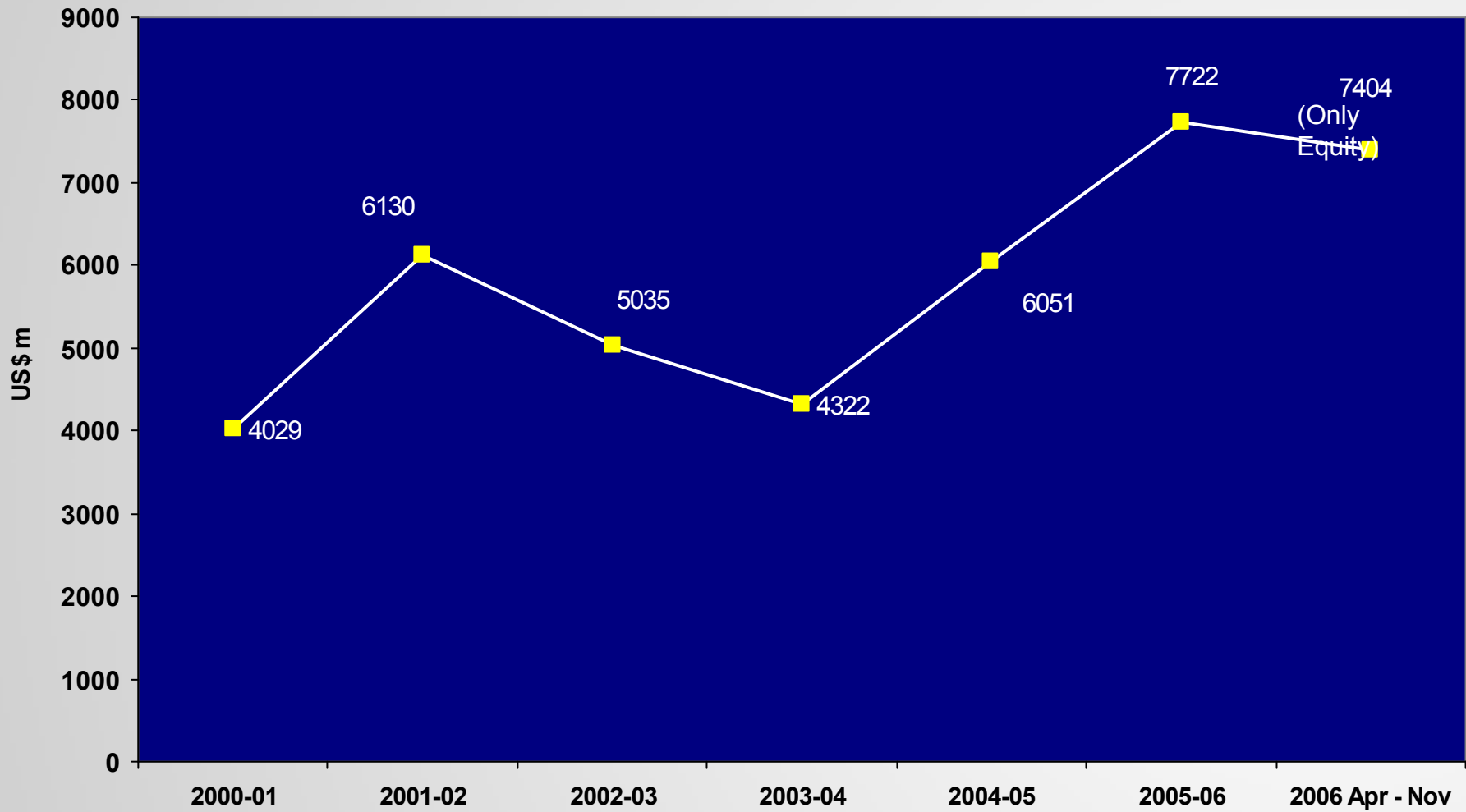
Upto 100%

- Development of existing airports - **FIPB** (Beyond 74%)
- Publishing scientific magazines - **FIPB**
- Courier services - **FIPB**

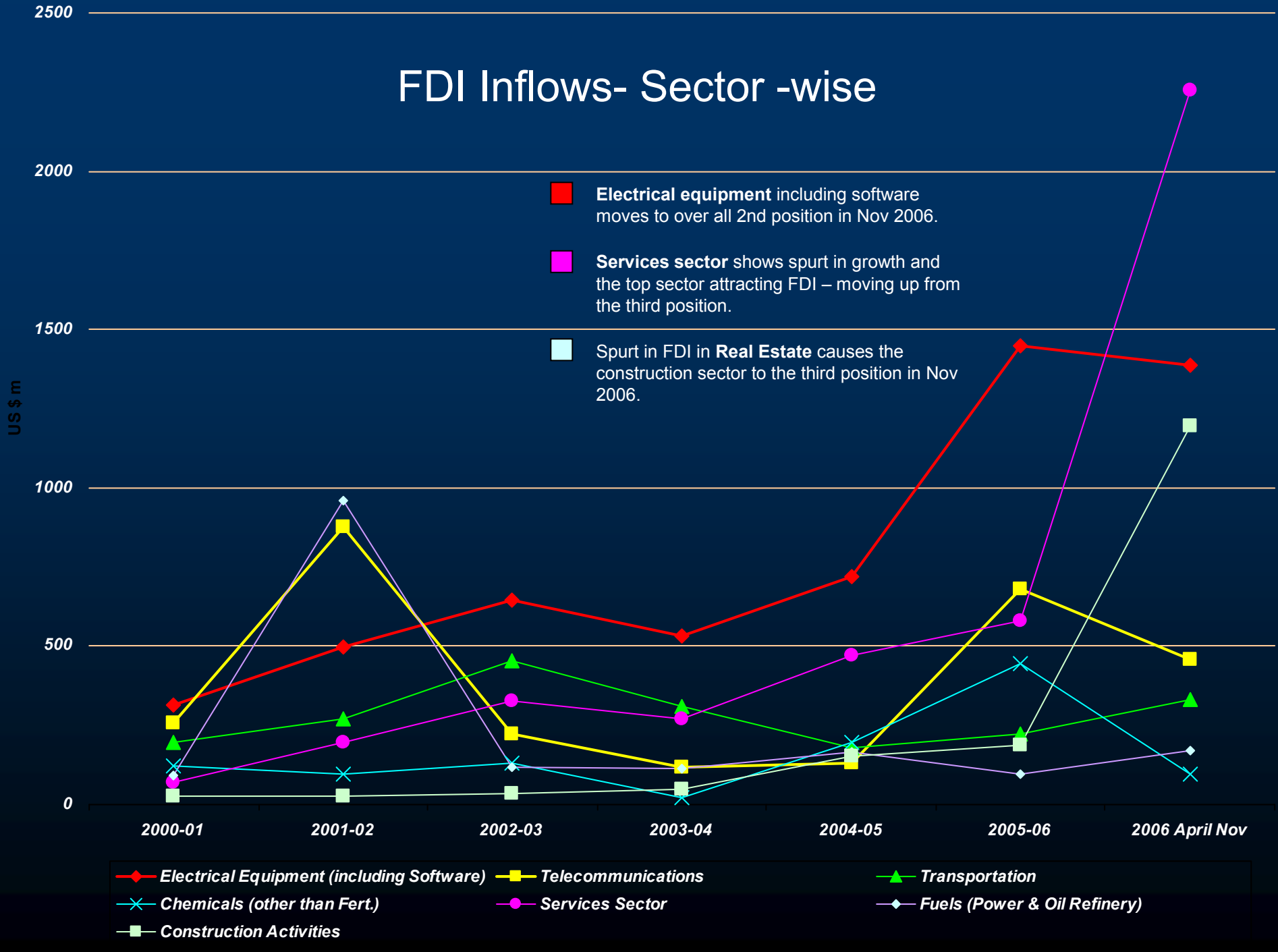
## FDI Policy for Agriculture Sector..... Largely Restricted

- Floriculture, Horticulture, Development of seeds, Animal husbandry, Pisciculture, Cultivation of vegetables, Mushrooms under controlled condition allowed 100% under automatic route
- Tea plantation – 100% with FIPB and divestment of 26% in 5 years
- Other activities not allowed.

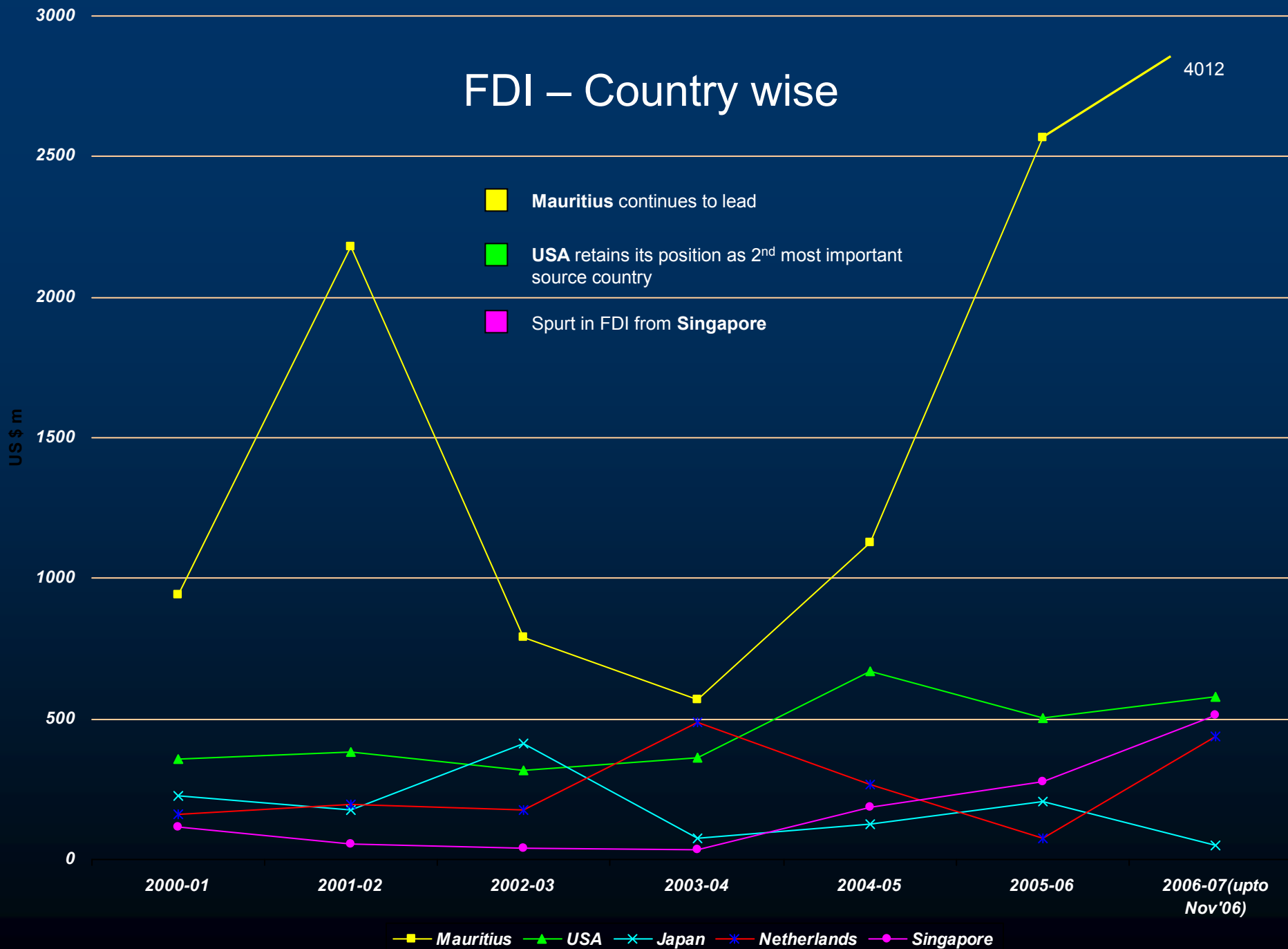
# FDI Inflows....Robust Growth



# FDI Inflows- Sector -wise



# FDI – Country wise



# Investment Promotion and Facilitation

## **Promotion**

- Holding 'Destination India' and 'Invest India' events abroad. Events were held at France, Japan, UK, Finland, Taiwan, Italy, USA, and Davos this year.
- Publications, Chat room and Website

## **Facilitation**

- Country Focus Desks
- Foreign Investment Implementation Authority
- Policy review comprising of review of route, Equity caps and procedures.

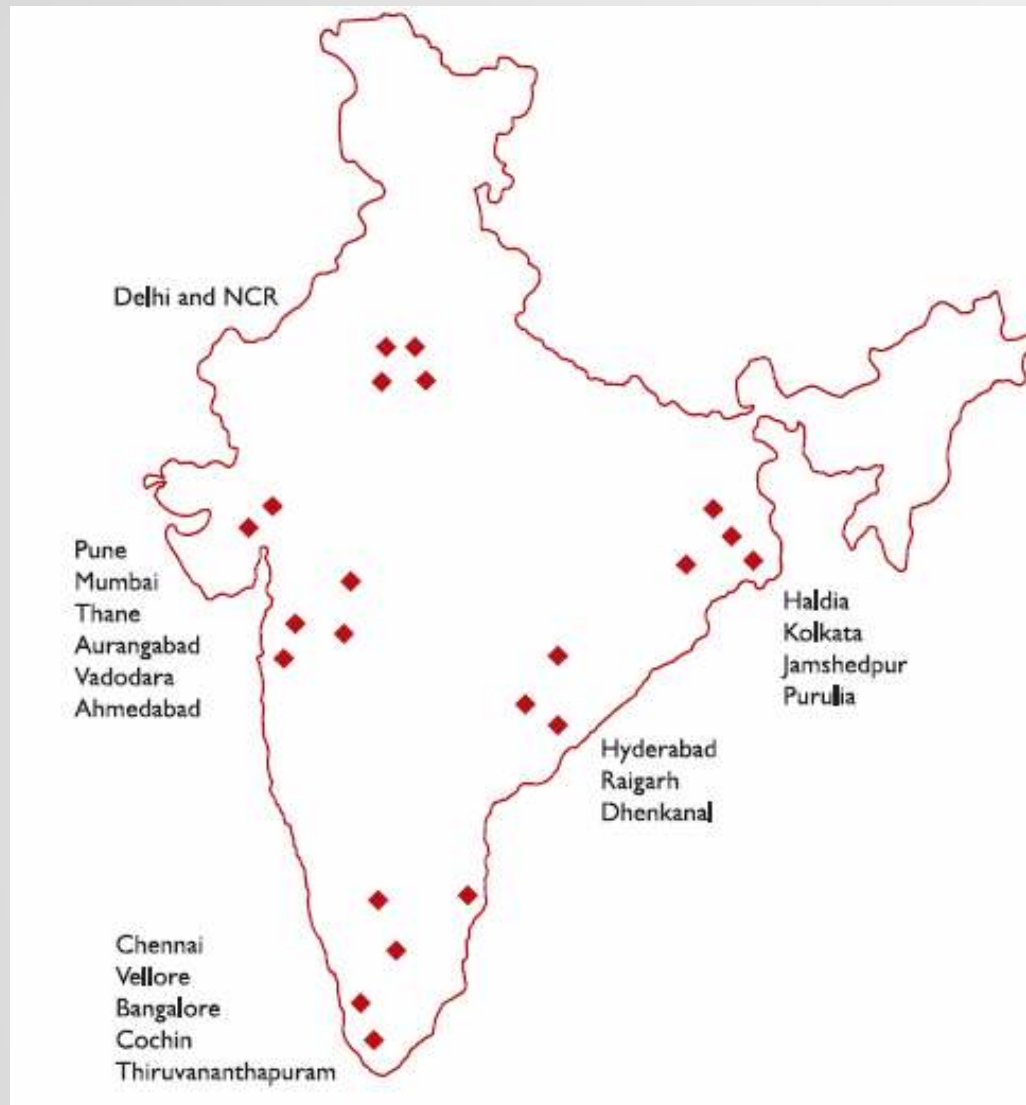


# India Japan Investment Relations

- **Japan 4th largest investor : US\$ 2.18 billion (November 2007)**
  - US\$ 168 million in 2005
  - US\$ 104 million in 2006 (Jan -Sept)
- **Top sectors**
  - Transportation (55%), Electrical Equipment (7%),
- **About 350 Japanese companies present in India.**
- **Japan Global Investments**
  - US\$31 billion in 2004
  - US\$46 billion in 2005
  - Around US\$10 billion in East Asia
- **Japan cell set up in to facilitate establishment and operation of Japanese investments.**



# Japanese Companies in India



# Japanese FDI Projects over 2005-2007

Company Name	FDI (US\$ million)	Description
Maruti Udyog	699	New factory for car production & diesel engine plant
MCC PTA	364	Increasing capacity of Haldia plant
Toyota Motor Corporation	128	Increasing its capacity
Honda	214	Increasing its capacity and building new factory
Sakata Inx	54	Increasing its capacity