Destination.... India....
India

Land of Opportunities

Land of Opportunities
- Sustained economic growth
  - 5.7% p.a. during last 10 years
  - 8.1% projected for 2003-04
  - 5% p.a. up to 2050 (Study by Goldman Sachs)
- Fourth largest economy globally in terms of purchasing power parity (PPP) with GNP of US $ 2.91 Trillion (2001-02)
- Tenth most industrialised country
- Well-developed Banking system of over 66,000 branches, moving rapidly towards ICT integrated core banking/net banking
- Vibrant capital market comprising of 23 stock exchanges with over 9000 listed companies. National Stock Exchange (NSE) third largest in the world in terms of number of trades. Bombay Stock Exchange fifth largest
- FDI investment of over US $ 5 billion since January 2003
- Foreign Exchange Reserves exceed US $ 105 billion
- Ranks 1st in terms of prevalence of foreign technology licensing, 2nd in terms of availability of scientists and engineers, 9th in terms of quality of management schools, 12th in terms of firm level innovation and 16th in terms of firm level technology absorption (World Economic Forum’s Global Competitiveness Report 2002-2003)

Economic Liberalization
- Fiscal Policy Reforms:
  - Stable tax regime with just 3 rates for both Excise as well as Customs duties
  - Full National treatment for foreign Cos. incorporated in India
- Industrial Policy Reforms:
  - Capacity licensing dispensed with
  - Compulsory licensing only in 6 sectors: restrictions on grounds of national security, public health, public safety
  - FDI policy being progressively liberalized
- Trade policy Reforms:
  - Most items on Open General License, Quantitative Restrictions lifted;
- Monetary Policy and Financial Sector Reforms:
  - Interest rates brought down – Bank rate/Prime lending rate lowered
  - Banking Sector reforms – prudential norms stiffened
  - Securitization Act for better security for creditors
  - Competition law enacted. Competition Commission constituted
  - Independent regulators in place for Insurance sector (IRDA) and Capital Markets (SEBI)
- Exchange Controls relaxed;
  - Profits and dividends can be freely repatriated;

Fiscal Consolidation
- Fiscal Responsibility and Budget Management Act;
- Current account surplus for the last 2 years.
  - Surplus projected for 2003 & 2004 (EIU Business India Intelligence 8.10.2003)
- Enlarging the tax base;
  - Customs and Central Excise accounted for 61.5% in 2001 against 78.3% in 1990
- Bank deposits are 48% of GDP, net NPLs are just 2.3 % of assets;
- Reduction in Bank Rates
  - Bank rate reduced from 11 per cent to 6 per cent over the last five years with concomitant reduction in CRR to 4.5 per cent (w.e.f June 2003)
  - The prime lending rates (PLRs) of public sector banks range from 9.0-12.25 per cent.

Taxation Reforms
- Rationalization of tax structure and re-engineering of tax system;
- Indirect Taxes
  - Reduction in peak customs tariffs from more than 300% and 22 major basic ad valorem rates in 1990-91 to 25% with only 3 rates in 2003-04.
  - Overhaul of excise regime with introduction of a single CENVAT and a peak basic rate of 16% CENVAT plus 8 SED as of now.
In 1990-91 there were 19 basic ad valorem duty rates with a peak basic rate of 110%

Direct Taxes
- Corporate tax rates rationalized and brought down to 35 per cent plus 5 per cent surcharge for domestic companies and 40 per cent for foreign companies.

Brand India
- R&D base for 100 of Fortune 500 companies;
- GE’s largest R&D Center outside US;
- Large pool of World class scientific and technical manpower;
- Indian Institutes of Technology;
- Indian Institutes of Management.
- S&T policy aims at R&D investments of 2% of GDP by 2007
- Among the only three Asian countries with super computing competence
- Strong base for manufacturing;
  - Bharat Forge world’s largest forging facility
  - Most major MNC’s like Volvo,GM,GE, Chrysler, Ford,Toyota, Unilever, Cliariant, Cummins, Delphi sourcing high quality components and hardware from India
  - Essel Propack worlds largest manufacturer of laminated tubes (30% of global market/70% Indian,Chinese market).
  - Hyundai Motors India – Global base for manufacturing small cars;
  - Indica(100% indigenous car) being exported to Europe as Rover City.
  - India exporting steel worth more than US$1 billion to China
  - Hero Honda world’s largest manufacturer of motorbikes
  - Precision Automation & Robotics India (PARI) - 20 Fortune 500 clients

Skilled knowledge workforce
- India’s competitive edge is its manpower
  - Over 380 universities (11200 colleges)
  - 1500 research institutions
  - Over 200,000 engineering graduates
  - Over 300,000 post graduates from non-engineering colleges
  - 2,100,000 other graduates
  - Around 9,000 PhDs

- Knowledge workers in software and service industry increased from 6,800 in 1985-86 to 650,000 in 2003

Intellectual Property Rights-Initiatives
- Modernization/revamping of legislations on Intellectual Property IP;
  - IPR Laws are TRIPS compliant;
- Intellectual Property Appellate Tribunal functional from 15th September 2003;
- Major initiative underway at modernizing IP administration;
  - Computerization of IP administration;
  - Digital database library of patent, trademark & design records;
- For more information visit www.ipindia.nic.in

Long Term Growth Forecast - ‘Dreaming with BRICs: The Path to 2050- by Goldman Sachs’
- BRICs (Brazil, Russia, India & China) economies could be larger than G-6 in less than 40 years;
  - By 2025 over half of G-6 size against less than 15% at present;
- India has potential to growth rate higher than 5% over the next 30 years and close to 5% as late as 2050;
  - Only India among BRICs to have growth rates significantly above 3% by 2050;
- Indian economy can overtake Italy by around 2015, Germany by around 2025 and Japan by 2032;
- India has the potential to raise its per capita by 35 times in US$ terms by 2050.

India: FDI Outlook
- Rated as the best BPO destination; AT KEARNEY
- Rated among the most favourite investment destinations (UNCTAD, JETRO, JBIC, Deutsche Bank, EIU, etc.)
- Major destination for foreign venture capital funds (Far Eastern Economic Review)
- Sixth most attractive investment destination – A T KEARNEY Business Confidence Index, 2003
- Also among the top 10 Tourist Destinations.
India

Fact file

- India is a Union of States with parliamentary system of Government
- Land area: 3.29 million square kilometers
- Capital: New Delhi
- Population: 1.027 billion (March 1, 2001)
- GDP at current prices as per advanced estimates: Rs.22,424.63 billion (2002-2003)
- Real GDP growth (quick estimate): 4.3% (2002-2003),
- Projected GDP growth rate (2003-04): 8.1%
- Exchange rate: Rs.45.35/ $ (as on Jan 30, 2004)
- Foreign Exchange reserves: US$ 105 Billion (as on Jan.30 2004)
- Climate: mainly tropical with temperature ranging from 10°C – 40°C C in most parts
- Time zone: GMT + 5 1/2 hours
- Major international airports: New Delhi, Mumbai, Chennai, Kolkata, Bangalore, Hyderabad, Thiruvananthapuram
- Major ports of entry: Mumbai, Kolkata, Kandla, Haldia, Chennai, Vizag, IL Nehru, Kochi, Mormugao, New Mangalore, Ennore, Paradip and Tuticorin
On offer from India

- The largest democracy in the world with political consensus on reforms and stable democratic environment in over 50 years of independence
- Abundant availability of untapped natural resources, rich mineral base and agricultural self-sufficiency
- Access to regional/international markets through membership of regional integration frameworks such as SAARC
- Large and expanding consumer market with increasing purchasing power – up to 300 million people constitute the market for branded consumer products
- Large manufacturing capability, spanning almost all areas of manufacturing activities. Unskilled, semi-skilled and skilled labour at competitive wages
- Low inflation rates
- Special investment and tax incentives for export in certain sectors such as power, electronics, software, BPO and food processing
- Current account and capital account convertibility for foreign investors
- Conducive foreign investment environment that provides freedom of entry, investment, location, choice of technology, production, repatriation of capital, dividends, etc., which is specifically aimed at enhancing the flow of Foreign Direct Investment (FDI)
- English is the preferred business language
- Established independent judicial system with a hierarchy of courts
- Acceleration of the privatisation process and restructuring of public enterprises
India

Trade Policy

An outward looking and liberal trade policy is one of the main features of India’s economic reforms. The trade policy is characterised by rationalised tariff levels and removal of Quantitative Restrictions. The export growth has been targeted at 11.9% for the next 5 years to reach a figure of 80 billion US dollars representing a near doubling of total exports in the medium term. New initiatives taken in the EXIM policy 2002-07 (as amended up to 30.01.2004) include:

- New look EXIM policy gives massive thrust to exports
- QRs on Exports further liberalised
- DEPB, Advance licence, EOU, DFRC, EPCG and other schemes to continue with further improvements
- Transport assistance for export of agro products – special focus on cottage sector and handicrafts
- 20 Agri Export Zones notified and corporate sector encouraged to sponsor Agri Export Zone
- Major new incentives for SEZs include IT concessions and permission to set up overseas banking units and sales from Domestic Tariff Area (DTA) to SEZs treated as Export
- Benefits for export-oriented industrial clusters
- Incentive package for hardware/software sector
- Procedural simplifications to further reduce transaction costs – new commodity classification for imports and exports adopted
- Diversification of markets with new programmes for Africa & CIS
- Quantum increase in assistance to states for export development and market access initiative
- Duty free import facility for service sector having a minimum foreign exchange earning of Rs.10 lakhs
Investment Policy

In line with its mission of formulating a transparent investor friendly environment the Government has done away with the complex pre-entry approvals. FDI today can enter India in most sectors through automatic route.

Automatic route

Foreign investment is freely allowed in most sectors including the services sector. Under this, the companies need only to inform the Reserve Bank of India within 30 days of receipt of funds and issuance of shares to the foreign investor.

Proposals for investment in public sector units, as also for Export Oriented Units (EOUs)/Special Economic Zones (SEZs)/Electronic Hardware Technology Parks (EHTPs)/Software Technology Parks (STPs) units also qualify for automatic route subject to the parameters specified in the Government approval list.

Government approval

Proposals for Foreign Direct Investment (FDI), which are not covered under the automatic route are considered by the Foreign Investment Promotion Board (FIPB) on the basis of transparent guidelines. FDI in the following activities requires prior Government approval:

- courier services
- Natural Gas/LNG pipelines under petroleum sector
- trading activities involving FDI beyond 51% where it is primarily export activities
- FDI up to 100% in trading companies engaged in exports, bulk imports, cash & carry wholesale trading, imports and trading for providing after sales services; trading of hi-tech items; trading of hi-tech medical and diagnostic items; trading of items sourced from small scale sector; test marketing for 2 years of products for which a company has approval for manufacture; B2Be-commerce activities subject to divestment of 26% equity in favour of the Indian public within 5 years if the companies are listed in other parts of the world.
- those attracting industrial licensing from small scale industries/public sector reservation and locational angle viz. distillation and brewing of alcoholic beverages; cigars and cigarettes of tobacco and manufactured tobacco substitutes; electronic aerospace and defence equipment of all types; industrial explosives including detonating fuses, gunpowder, nitrocellulose and matches; hazardous chemicals; drugs and pharmaceuticals produced by recombinant DNA technology and specific cell/tissue targeted formulations.
- those in which the foreign investors have/had existing/previous venture in the same or allied activity
- those involving transfer of shares of an existing Indian company from a resident to a non-resident in all cases and from a non-resident to a non-resident in cases where the Press Note 9 of 1999 is attracted
- development of integrated township and settlements with FDI up to 100%
- establishment and operation of satellites with FDI up to 74%
- in tea sector, including tea plantations with FDI up to 100% subject to compulsory divestment of 26% equity of the company in favour of an Indian partner/Indian public within a period of five years
- in print media, FDI up to 100% in Indian entities publishing scientific/technical & speciality magazines/periodicals/journals; and FDI up to 26% in Indian entities publishing newspapers and periodicals.
- those falling outside the notified sectoral guidelines, including sectoral equity caps that are specified below:
## Sectoral equity caps

<table>
<thead>
<tr>
<th>Sl. No.</th>
<th>Sector</th>
<th>FDI cap (in %)</th>
<th>Activities</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Telecom</td>
<td>49</td>
<td>basic, cellular, value-added services, global mobile personal communications by satellite</td>
</tr>
<tr>
<td></td>
<td></td>
<td>74</td>
<td>Internet Service Providers with gateways, radio paging and end-to-end bandwidth</td>
</tr>
<tr>
<td>2.</td>
<td>Coal &amp; Lignite</td>
<td>49</td>
<td>public sector undertakings</td>
</tr>
<tr>
<td></td>
<td></td>
<td>50</td>
<td>other than public sector undertakings</td>
</tr>
<tr>
<td></td>
<td></td>
<td>74</td>
<td>for exploration or mining of coal or lignite for captive consumption</td>
</tr>
<tr>
<td>3.</td>
<td>Mining</td>
<td>74</td>
<td>exploration and mining of diamonds and precious stones</td>
</tr>
<tr>
<td>4.</td>
<td>Private Sector Banking</td>
<td>74</td>
<td>from all sources on the automatic route subject to guidelines issued by RBI from time to time</td>
</tr>
<tr>
<td>5.</td>
<td>Domestic Airlines</td>
<td>40</td>
<td>subject to no direct or indirect equity participation by foreign airlines</td>
</tr>
<tr>
<td>6.</td>
<td>Petroleum (other than refining)</td>
<td>100</td>
<td>Natural Gas/LNG pipelines</td>
</tr>
<tr>
<td></td>
<td>Refining</td>
<td>26</td>
<td>for public sector undertakings. PSUs will hold 26% and balance 48% by public investment through such vehicle is treated as resident equity</td>
</tr>
<tr>
<td>7.</td>
<td>Investing Companies in Infrastructure/ Service sectors</td>
<td>49</td>
<td>(a) Mining and mineral separation (b) value addition per se to the products of (a) &amp; (c) integrated activities comprising of both a and b; for pure value addition projects as well as integrated projects with value addition up to any intermediate stage; FDI up to 74% is permitted through JV companies with Central/State PSUs. In exceptional cases, FDI beyond 74% may be permitted by Govt. on the recommendation of the Atomic Energy Commission before FIPB approval for arms and ammunition and allied items of defence equipment, defence aircraft and warships</td>
</tr>
<tr>
<td>8.</td>
<td>Atomic minerals</td>
<td>74</td>
<td>T.V. Channels irrespective of the ownership or management control to uplink from India provided they undertake to comply with the broadcast (programme and advertising) code.</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Private companies incorporated in India with permissible FII/NRI/OCB/PIO equity within the limits (as in the case of telecom sector FDI limit up to 49% inclusive of both FDI and portfolio investment) to set up uplinking hub (teleports) for leasing or hiring out their facilities to broadcasters</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Companies with a maximum of foreign equity including FDI/NRI/OCB/FII of 49% would be eligible to obtain DTH licence. Within the foreign equity, the FDI component not to exceed 20%</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Foreign investment allowed up to 49% (inclusive of both FDI and portfolio investment) of the paid up capital. Companies with minimum 51% of paid up share capital held by Indian citizen are eligible under the Cable Television Network Rules (1994) to provide cable TV services</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>The licensee shall be a company registered in India under the Companies Act. All Share holding Indians except for the limited portfolio investment by FII/NRI/OCB/PIO subject to such ceiling as may be decided from time to time. Company shall have no direct investment by foreign entities, NRIs and OCBs. As of now, the foreign investment is permissible to the extent of 20% portfolio investment.</td>
</tr>
<tr>
<td>9.</td>
<td>Defence Industry Sector</td>
<td>26</td>
<td>No private operator is allowed in terrestrial TV transmission. In all the above cases automatic route is not available</td>
</tr>
<tr>
<td>10.</td>
<td>Satellite Broadcasting</td>
<td>49</td>
<td>T.V. Channels irrespective of the ownership or management control to uplink from India provided they undertake to comply with the broadcast (programme and advertising) code.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>49</td>
<td>Private companies incorporated in India with permissible FII/NRI/OCB/PIO equity within the limits (as in the case of telecom sector FDI limit up to 49% inclusive of both FDI and portfolio investment) to set up uplinking hub (teleports) for leasing or hiring out their facilities to broadcasters</td>
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<td></td>
<td></td>
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</tr>
<tr>
<td>11.</td>
<td>Small Scale Industries (SSI)</td>
<td>24</td>
<td>If FDI in an SSI unit exceeds 24% of the paid up capital; the company loses its SSI status. Further, if the item/s of Sector manufacture is/are reserved for SSI sector, the company has to obtain an industrial license and undertake minimum export obligation of 50% of annual production on such products</td>
</tr>
<tr>
<td>12.</td>
<td>Insurance</td>
<td>26</td>
<td>Subject to obtaining licence from Insurance Regulatory and Development Authority (IRDA)</td>
</tr>
<tr>
<td>13.</td>
<td>Trading</td>
<td>51</td>
<td>Provided it is primarily export activities and the undertaking is an export house/trading house/super trading house/star trading house</td>
</tr>
<tr>
<td>14.</td>
<td>Print Media</td>
<td>100**</td>
<td>In Indian entities publishing scientific/technical and specialty magazines/periodicals/journals</td>
</tr>
<tr>
<td></td>
<td></td>
<td>26**</td>
<td>In Indian entities publishing newspapers and periodicals. ** subject to guidelines notified by Ministry of Information and Broadcasting from time to time</td>
</tr>
</tbody>
</table>
Investment Policy

The following sectors are not open to FDI:

➢ Housing and Real Estates except development of integrated townships and settlements
➢ Retail trading
➢ Lottery business, gambling and betting
➢ Agriculture (including plantations other than tea plantation)

In sectors other than those mentioned above, FDI up to 100% is permitted.

Some of the sectors under Automatic route

1. Manufacturing sector
   - Cars and motor vehicles
   - Refrigerator and fire fighting equipments
   - Food processing
   - Electronic hardware
   - Iron and steel
   - Private oil refineries
   - Industrial machinery
   - Fertilizers
   - Pollution control equipments
   - Automobile tyres and tubes
   - Medical equipments
   - Drugs & pharmaceuticals and pesticides except those requiring industrial licensing

2. Infrastructure sector
   - Electricity generation, transmission & distribution (except Atomic energy)
   - Mass rapid transport system
   - Roads and highways
   - Toll roads
   - Ports and harbors
   - Hotel and tourism

3. Service sector
   - Advertising and films
   - IT enabled services
   - Business process outsourcing
   - Research and development services
   - Consultancy services
   - Construction and related engineering services
   - Pollution control and management services
   - Urban planning and landscape services
   - Architectural services
   - Health related and social services
   - Travel related services
   - Road transport services
   - Maritime transport services
   - Internal waterways transport services

The list is illustrative and not exhaustive

Investment Facilitation

➢ Foreign Investment Implementation Authority (FIIA) – meets with foreign investors periodically to sort out any operational difficulty and facilitate implementation of projects
➢ ‘FDI In India- Policies and Procedures’
➢ Also available in Spanish, German, French, Japanese, Korean & Italian
➢ An Empowered Sub-Committee of the National Development Council set up on ‘Creating an investor-friendly climate’
   ➢ To focus on removing regulatory barriers to investments
➢ Web site www.dipp.nic.in
   ➢ On-line chat, bulletin board and e-mail
India

Power

Investment Policy

The Government’s power sector policy seeks to attract significant private sector investment in the Indian power sector. Key initiatives include:

- Private sector permitted to set up coal, gas or liquid based thermal projects, hydel projects and wind or solar projects of any size
- Foreign equity participation up to 100% in the power sector has been brought under automatic route (RBI route)
- Role of the Central Government is minimal and the State Government and State Electricity Boards (SEBs) are empowered to negotiate directly with developers, facilitating speedy clearances for the investors
- Ancillary sectors such as coal have been significantly deregulated
- Enactment of Energy Conservation Act, 2001
- Electricity Act notified on June 2, 2003

Reform and Restructuring of Power Sector

- Twenty one states namely, Orissa, Haryana, Andhra Pradesh, Uttar Pradesh, Karnataka, West Bengal, Tamil Nadu, Punjab, Delhi, Gujarat, Madhya Pradesh, Arunachal Pradesh, Maharashtra, Rajasthan, Himachal Pradesh, Assam, Chhattisgarh, Uttarakhand, Goa, Bihar and Jharkhand have either constituted or notified the constitution of SERC, SERCs of Orissa, Andhra Pradesh, Uttar Pradesh, Maharashtra, Gujarat, Haryana, Karnataka, Rajasthan, Delhi, Madhya Pradesh, Himachal Pradesh, West Bengal and Punjab have issued tariff orders
- The State Electricity Boards of Orissa, Haryana, Andhra Pradesh, Uttar Pradesh, Karnataka, Rajasthan, Madhya Pradesh and Delhi have enacted their State Electricity Reforms Acts which provide, inter-alia, for unbundling, corporatisation of SEBs, setting up of SERCs etc. The SEBs of Orissa, Haryana, Andhra Pradesh, Karnataka, Uttar Pradesh, Rajasthan, Uttarakhand, Delhi and Madhya Pradesh have been unbundled/corporatised. Distribution has been privatized in Orissa and recently in Delhi

Opportunities

Demand is expected to grow to 782 billion Kwh by 2006-07. During 10th Plan (2002-2007) & 11th Plan (2007-2012), a total capacity addition of 1,13,000 MW is envisaged, entailing an investment of Rs.5,750 billion in power generation, transmission and distribution. The installed capacity of power generation in the country as on December, 2002 is 1,06,812 MW. Another initiative has been taken to develop 50,000 MW of hydro-electric power. Detailed feasibility reports are under preparation to facilitate private investment.

The other specific project opportunities expected in the near future include:

Power Trading Corporation (PTC) has been incorporated, for the purpose of buying power from mega power projects under long-term Power Purchase Agreements (PPAs) and selling the power to the beneficiary states also under long-term PPAs.

Transmission projects for power transfer area available for competitive bidding by the Central Transmission Utility (Power Grid) and State Transmission Utilities (SEBs/Grid Corporations). The transmission system projects are being identified for competitive bidding by the Central and State Transmission Utilities.
Power . . .

Liquid Fuel Based Projects using Low Sulphur Heavy Stock (LSHS), Furnace Oil (FO), Heavy Petroleum Stock (HPS), Naphtha, Vacuum Residue, Condensate and Orimulsion are permitted by the Government. Import of Liquefied Natural Gas (LNG) is also being considered for setting up large capacity combined cycle power plants.

Attractive investment opportunities are likely to develop in distribution of power as several State Governments have agreed to allow the entry of the private sector in distribution.

Non Conventional Energy

<table>
<thead>
<tr>
<th>Source/System</th>
<th>Units</th>
<th>Potential</th>
<th>Harnessed till September 2002</th>
</tr>
</thead>
<tbody>
<tr>
<td>Wind Power</td>
<td>MW</td>
<td>45,000</td>
<td>1702.3</td>
</tr>
<tr>
<td>Small Hydro Power</td>
<td>MW</td>
<td>15,000</td>
<td>1461.43</td>
</tr>
<tr>
<td>Biomass Cogeneration Power</td>
<td>MW</td>
<td>19,500</td>
<td>449.93</td>
</tr>
<tr>
<td>Biomass gasifier</td>
<td>MW</td>
<td>-</td>
<td>51.6</td>
</tr>
<tr>
<td>Solar Photovoltaic Power</td>
<td>MW</td>
<td>-</td>
<td>2.3</td>
</tr>
<tr>
<td>Power from Renewables (Total)</td>
<td>MW</td>
<td>79,500</td>
<td>3667.56</td>
</tr>
</tbody>
</table>

Where can you participate?

- Generation, Transmission and Distribution
- 78% Hydro potential to be harnessed
- Shelf of generation projects identified
- Convergence of Transmission, Telecom and Information Technology
- Renovation and Modernisation
- Cross Country Grids
- Efficiency improvement in generation
- Reduction of T&D losses: Energy Audit/Metering
- Energy Conservation and Demand Side Management
India

Oil & natural gas

Investment policy

The Indian government has announced significant policy initiatives to attract foreign investment:

- Indian oil and gas fields are open for investment by the domestic private and foreign entrepreneurs under the framework of the New Exploration Licensing Policy (NELP) set out by Government of India in 1998. In the first round of offer under NELP, 24 blocks have been awarded and production sharing contracts signed. Bids offered in the second round under NELP is being finalised for another 25 blocks including deep water blocks. The process for the third round of offer of blocks is under preparation. The first round of offer of seven Coal Bed Methane (CBM) blocks has been launched in April 2001

- FDI is permitted up to: 100% in discovered small and medium sized fields through competitive bidding

- Refining Industry has been delicensed. The demand for petroleum products is estimated to grow at annual rate of around 6% to reach the level of 370 million tonnes per annum in 2025. The total investment in refining is estimated at around US$ 60 billion by 2025. The investment in marketing infrastructure during the above period is estimated to be around US$ 32 billion. Tremendous opportunity for investment exists in these sectors in the years to come in which the private sector including the foreign companies can set up their own projects or through joint ventures with public sector companies

- The refining sector is open to the joint sector (public-private partnerships) as well as to the private sector for new refineries. FDI participation up to 26% is permitted, with 26% to be held by public sector undertaking and balance 48% to be held by the public. In case of private Indian company, Foreign Direct Investment is permitted up to 100%

- For petroleum products and pipeline sector, FDI is permitted up to 100% through automatic route

- FDI upto 100% permitted for natural gas/LNG pipeline with prior Govt. approval

- Subject to the policy laid down by Government, marketing of transportation fuels (viz. MS, HSD, ATF) can be permitted to a company investing or proposing to invest at least Rs. 2000 crore in exploration, refining, pipelines or terminals in the oil and gas sector of India.

- FDI is permitted up to 100% on automatic route in infrastructure related to marketing and marketing of petroleum products

- FDI up to 100% is permitted for purpose of market study and formulation, and for investment/financing

- For actual trading and marketing, minimum 26% Indian equity is required over 5 years
Oil & natural gas . . .

Opportunities

- Total sedimentary basins, including deep water; 3.14 million sq. kms (41% of this is still unexplored)
- Large demand for natural gas

<table>
<thead>
<tr>
<th>Year</th>
<th>Demand (MSCMD)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2002</td>
<td>151</td>
</tr>
<tr>
<td>2007</td>
<td>231</td>
</tr>
<tr>
<td>2012</td>
<td>313</td>
</tr>
<tr>
<td>2025</td>
<td>391</td>
</tr>
</tbody>
</table>

MSCMD: Million Standard Cubic Metres per Day

The present domestic gas supply is only 65 MSCMD. The increasing demand supply gap is expected to be met by imports of LNG and pipeline gas

- Development of infrastructure

<table>
<thead>
<tr>
<th></th>
<th>1998-99</th>
<th>2024-25</th>
</tr>
</thead>
<tbody>
<tr>
<td>Product Pipelines capacity (MMT pa)</td>
<td>28.55</td>
<td>166</td>
</tr>
<tr>
<td>Port Capacity (MMT)</td>
<td>111</td>
<td>361</td>
</tr>
</tbody>
</table>

- In the refining sector, opportunities exist for investment in public sector oil companies that are divesting their equity to the public. Additional refining capacity of over 40 million tonnes per annum has been installed in the last year, there is scope for further installation of 40 million tonnes per annum to meet India’s estimated domestic petroleum products demand of 148.9 million tonnes per annum in 2010

Where can you participate?

- LNG production and marketing/import terminals
- Regional Gas trade from West, North & South/South East Asia
- Development of non-conventional sources like Shale oil, Coal bed methane, Gas hydrates
- Refineries
- Pipeline network
India

Telecom

Investment Policy

Incentives for foreign collaborations coupled with an attractive trade and investment policy have made India an attractive market for telecom equipment suppliers and service providers.

- No industrial license required for setting up manufacturing units for telecom equipment
- In basic cellular, value added services and global mobile personal communications by satellite, FDI is limited to 49% subject to licensing and security requirements and adherence by the companies (who are investing and the companies in which the investment is being made) to the license conditions for foreign equity cap and lock in period for transfer and addition of equity and other license provisions
- ISPs with gateways, radio-paging and end-to-end bandwidth, FDI is permitted up to 74% with FDI beyond 49% requiring Government Approval
- No equity cap is applicable to manufacturing activities
- FDI up to 100% is allowed for the following activities in the telecom sector:
  a. ISPs not providing gateways (both for satellite and submarine cables);
  b. Infrastructure providers providing dark fibre (IP Category 1);
  c. Electronic Mail; and
  d. Voice Mail

The above would be subject to the following conditions:

a. FDI up to 100% is allowed subject to the condition that such companies would divest 26% of their equity in favour of the Indian public in five years, if these companies are listed in other parts of the world
b. The above services would be subject to licensing and security requirements, wherever required
c. Proposals for FDI beyond 49% shall be considered by FIPB on case to case basis

- Unified license for telecommunication services permitting licenses to provide all telecommunication/telegraph services covering various geographical areas using any technologies and unified access (basic & cellular) services permitted. Licences to provide basic and / or cellular service use any technology in a defined area also introduced.

Opportunities

1. Cellular Mobile Services

The country is divided into 23 service areas consisting of 19 telecom circle service areas and 4 Metro Service Areas for providing Cellular Mobile Telephone Services (CMTS). 78 licenses have been issued to 25 companies to provide Cellular Mobile Telephone Service.

India is witnessing the fastest growth in cellular subscribers with addition to over 10 million cellular subscribers during the period of 6 months between April-September, 2003. The cellular subscribers are expected to increase by at least 20 million during the current year (April 2003-March 2004). The cellular subscribers are expected to increase by 100 million in the next 3-4 years.
Telecom . . .

2. Basic Telephone Services

As per NTP 99, Basic Telephone Service license has been opened to private sector without any restriction on the number of players. The Basic service license is issued telecom circlewise. Basic service providers are permitted to establish last mile linkages, carry their own long distance traffic (within their service area), provide direct interconnectivity and share infrastructure with other basic service providers. There exists large potential for providing telephone connections (estimated at 75 million by 2005 and 175 million by 2010). Till date 33 Basic service license has been issued.

3. National Long Distance Services (NLDs)

NLD has been opened to the private sector without any restrictions on the number of operators. The license for NLDO is issued on non-exclusion basis, for a period of 20 years, extendable by 10 years at one time, for inter-circle long distance operation within the territorial jurisdiction of India.

The applicant must be an Indian company registered under the Companies Act, 1956 with a minimum paid up equity capital of Rs. 250 crores. The promoters of the applicant company shall have a combined net worth of Rs. 2500 crores.

4. International Long Distance Services (ILDs)

International Long Distance Service has been opened to private operators w.e.f. 1.4.2002 without any restriction on the number of operators. The license for ILD Services shall be issued on a non-exclusion basis, initially for a period of 20 years, with automatic extension by a period of 5 years subject to satisfactory performance in accordance with the terms and conditions of the license particularly in regard to Quality of Service. The applicant company must have a network of Rs. 25 crores.

5. Internet Services

There is no restriction on the number of Internet Service Providers (ISPs). No license fee is payable up to October 31, 2003; thereafter a token license fee of Re 1 per annum is payable. ISPs are free to fix their own tariff. ISPs have been permitted to establish their own international gateways for carrying internet traffic. Internet Service Provider’s (ISPs) licenses have been granted to about 555 licenses, out of whom about 200 licensees are already providing internet services. The number of internet connections in the country is estimated at 4 million.

6. Global Mobile Personal Communication by Satellite (GMPCS)

There is no restriction on the number of GMPCS licenses and licenses are issued on first-cum-first-served basis. Gateways for GMPCS are to be located in India and operation and maintenance of the same is to be with an organisation designated by the Government.

7. Other Value Added Services

As the telecommunications and Information Technology (IT) infrastructure in the country is expanding, there is a surge in demand for a range of value added services. The scheme for value added services have been considerably liberalised. These services include radio paging, public mobile radio trunking, and domestic data using VSATs. Evolving of new services – Tele education, Tele-medicine, Telebanking, Call Centre – is catching up with the Indian industry and has recently witnessed significant investments from domestic and foreign investors.
India

Information Technology

A separate Ministry of Information Technology has been established by the Government on October 15, 1999. The IT Ministry will be primarily responsible for all policy legislation relating to information technology, knowledge based industries, internet, e-commerce and IT education and IT - based education and development of electronics, computers and creation of Silicon valleys in India.

Information Technology Act 2000 has been enacted. This Act provides a legal framework for recognition of electronic contracts, prevention of computer crimes, electronic filing of documents etc. It also amends certain related laws to provide a fully sufficient legal environment for conduct of business in cyberspace. A Cyber Controller would control the digital signature mechanism and the entire law implementation.

Investment policy

- Automatic route for foreign equity up to 100 percent in software and electronics, except aerospace and defence
- 100 percent foreign investment permitted in units set up exclusively for exports. Such units can be set up under any one of the following schemes, namely Electronic Hardware Technology Parks (EHTPs), Software Technology Parks (STPs), Free-Trade Zones and 100 percent Export Oriented Units (EOUs)
- A number of states have developed their own IT policy to promote the development of software sector
- Tax holiday up to 2010 for IT units to be set up in Software Technology Parks
- Tax holiday to R&D for up to 10 years with 125% tax concession
- IT venture capital fund set up
- Simplification and liberalisation of Export & Import Policy

Opportunities

- India’s inherent strengths
- IT Industry US $ 14 billion; growing at 50% p.a.
  - Exports US $ 10 billion
  - 2008 exports target : US $ 60 billion, to be 35% of India’s total exports;
- Job creation: a million direct & 2-3 Million indirect;
- High quality standards;
  - 62 SEI/CMM level 5 companies, two third of world’s total.
  - 250 Fortune 500 companies clients of Indian firms;
- Multi purpose smart cards with PKI protection
- Health informatics and telemedicine network
- Setting up a deep submicron fab facility
- Collaborative ICT research in language technologies / next generation communication / Internet technologies
- Joint Software development in super computing applications in fluid dynamics, structural mechanics, bioinformatics, nanoinformatics, etc
Information Technology

India - The Back office

- India has become the most preferred destination – Outsourcing trend increasing
  - GE, TI, Intel, CISCO, Microsoft, Dell, Sun Micro, Oracle, LG, Ford, American Express and other financial sector companies;
- Customer needs are being met
  - Large pool of skilled English speaking workforce – skills and scalability, 24x7 support
  - Productivity and quality enhancement
  - Conducive policy environment and Government support
  - Highly improved telecom infrastructure
  - Call center career is aspirational unlike a low choice in the West

Country Advantages likely to be Comoditized

![Diagram showing country and vendor advantages](image-url)
India

Pharma & Chemicals

Investment Policy

The Pharmaceutical Policy–2002 is aimed at the ensuring abundant availability at reasonable prices within the country of good quality essential pharmaceuticals of mass consumption, in addition to strengthening the indigenous capability for cost effective quality production. Drug policy is aimed at ensuring abundant availability of essential and life saving drugs of quality at reasonable prices, in addition to strengthening the indigenous production base:

- Control of prices is achieved through the Drugs (Price Control) Order, 1995 wherein 74 bulk drugs are presently price controlled. The number of drugs under price control will be reduced under the new Drugs (Price Control) Orders to be issued in accordance with the Pharmaceutical Policy–2002.

- Industrial licensing has been abolished except for production of products of recombinant DNA technology, bulk drugs requiring in-vivo use of nucleic acids as active principal and specific cell/tissue targeted drug formulations

- FDI up to 100% is permitted on the automatic route for manufacture of drugs and pharmaceuticals, provided the activity does not attract compulsory licensing or involve use of recombinant DNA technology and specific cell/tissue targeted formulations. FDI proposals for the manufacture of licensable drugs and pharmaceuticals and bulk drugs produced by recombinant DNA technology, and specific cell/tissue targeted formulations will require prior Government approval

Opportunities in Pharma Sector

Growth reflected by the Indian pharmaceutical industry in terms of infrastructure development, technology base and the range of production is tremendous. The industry’s strength lies in world class technology, cost effective production of 90 percent of bulk drugs and all required formulation, rich bio-diversity, competitive R&D costs and over 20 percent growth rate in exports. With an increasing number of bulk drugs going off patent, and the capability of Indian scientists in process technology, the share of Indian pharma products in world market is expected to rise further.
Pharma & Chemicals

The technological strengths of India in the pharmaceutical sector are derived from:

- Production of 90% of bulk drugs and almost the entire range of formulations
- Self-reliant technology for production
- Innovative scientific manpower
- Low R&D costs
- Low cost drug formulating for national health progress
- Strength of national laboratories
- Several MNCs conducting clinical trials in India

Opportunities in Chemicals

The well-established Indian chemicals industry produces a wide range of products of including organic and inorganic chemicals, dyestuffs, paints, pesticides and speciality chemicals. The industry has withstood the challenges from the international market and has seen continued growth in its exports.

The chemical sector together accounts for over 11% of the total Indian exports. With its established expertise in the IT sector, with focused attention on R&D and its ability to produce high quality products at globally competitive prices, India will play a crucial role in the knowledge based industries in the coming years.

The petrochemical sector has been witnessing a growth of over 12% in the last decade which is about twice the growth rate of Gross Domestic Product. Significant capacity additions during 1990s have reduced import dependency. The total consumption of major petrochemicals (including polymers, elastomers, synthetic fibres and surfactants) during 2001-02 was about 6 million tonnes. However, the per capita consumption of commodity polymers and synthetic fibres has been 3.8 kgs and 1.7 kg respectively, which is much below the world average of 19.7 kgs and 3.7 kgs.

It is envisaged that the demand of polymers would grow at the rate of about 12-13% and synthetic fibres at about 6% in the current decade. To meet the growing demand, additional capacity of about 10 million tonnes of commodity polymers and about 1 million tonnes of synthetic fibre would have to be created. The rapidly growing demand and huge captive domestic market gives an opportunity for investment of over Rs.70,000 crores.
India

Biotechnology

The setting up of a separate Department of Biotechnology (DBT) under the Ministry of Science and Technology in 1986 has given a new impetus to the development of modern biology and biotechnology in India. In more than a decade of its existence, the department has promoted and accelerated the pace of development of biotechnology in the country.

In India, concerted efforts for over a decade in R&D in the identified areas of modern biology and biotechnology have paid rich dividends. The proven technologies at the laboratory level have been scaled up and demonstrated in field. Patenting of innovations, technology transfer to industries and close interaction with them have given a new direction to biotechnology research.

Necessary guidelines for transgenic plants, recombinant vaccines and drugs have also been evolved. A strong base of indigenous capabilities has been created. India’s inherent strengths are:

- Rich Biodiversity
- Large reservoirs of valuable diagnostic and clinical data
- Vibrant and inventive pharmaceutical industry
- World class network of educational and research institutions
- Known strengths in mathematics, logic and computational skills
- Super Computing and Software strengths enable extensive use of bio-informatics in new drug discovery

Opportunities

- Joint Ventures in Biotech based new drugs / pharmaceuticals
- Biotechnology industry serves as a research arm to Agritech, and Pharma industry which increases potential for strategic alliances
- Global trends show that all large pharmaceutical players are putting their money in healthcare for long term benefits. It is expected that nearly half the drugs in the next decade would be biotech products
- Tremendous potential in agri business in Indian economy
- Potential therefore for transgenic seeds, bio-fertilizers, etc.
- Number of small firms is high, knowledge based, research intensive industry, with low capital requirements
- Bilateral and Multilateral International collaboration in R&D specially for knowledge base and product and process development.
## Biotechnology

Past consumption of Biotech products in India and future consumption estimates

<table>
<thead>
<tr>
<th></th>
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<th></th>
<th></th>
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</thead>
<tbody>
<tr>
<td>1.</td>
<td>Human &amp; Animal Health care Products</td>
<td>670.41</td>
<td>821.40</td>
<td>1708.49</td>
</tr>
<tr>
<td>2.</td>
<td>Agriculture (including seeds)</td>
<td>533.79</td>
<td>671.62</td>
<td>1437.80</td>
</tr>
<tr>
<td>3.</td>
<td>Industrial Products</td>
<td>563.32</td>
<td>662.79</td>
<td>978.81</td>
</tr>
<tr>
<td>4.</td>
<td>Other Biotech Products</td>
<td>21.62</td>
<td>30.23</td>
<td>145.02</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td><strong>1789.14</strong></td>
<td><strong>2186.04</strong></td>
<td><strong>4270.12</strong></td>
</tr>
</tbody>
</table>

(Source: Confederation of Indian Industry, New Delhi)

The field of biotechnology both for new innovations and applications would form a major research and commercial endeavour for socio-economic development in this decade.
India

Roads

Investment policy

Government initiatives for promotion of this key infrastructure sector include:

- Automatic route available for foreign equity participation up to 100% for investment in the roads sector
- Private parties allowed to develop service and rest areas along the roads entrusted to them
- The National Highways Authority of India (NHAI) is permitted to participate in equity in Build Own Transfer (BOT) projects up to 30%
- Investors in identified highway projects permitted to recover investment by way of collection of tolls for specified sections and periods
- 10 years of Corporate Tax Holiday to be availed within 20 years of commission of the project

Opportunities

- The Government of India has taken up a US$ 12 billion Highways Development Programme to develop over 13,000 km of highways
- World’s largest ever highways project
- Four/six lane of around 13,146 km
- Total cost Rs 55,000 crore (US$ 12 billion)
- Investments worth an estimated US$ 24 billion expected till 2001-08 for the development of National and State Highways

Avenues include:

- Construction of highways, bridges, railway-over-bridge, elevated section in urban areas, interchanges, bypasses, etc
- Highway related en route activities like restaurants, motels, and rest/parking areas as may be decided by the implementing agency
- Consulting firms: Feasibility studies, detailed project preparation & construction supervision
- Construction Industry: Contracts range up to US $ 50 million
- Investors: BOT projects on BOT and Annuity basis, participation in bonds and direct borrowings
- Equipment manufacturers: State-of-the-art technology deployment, construction equipment exempted from import duties
Ports

Investment Policy

- The Indian Government has announced the following measures to promote foreign investment in the ports sector:

  - Foreign equity up to 100% is now permissible in construction and maintenance of ports and harbours and in projects providing support services to water transport, such as operation and maintenance of piers, loading and discharging of vehicles, under the automatic route.

  - Open tenders will be invited for private sector participation on a BOT basis

  - Major ports have been permitted to form joint ventures with foreign ports, minor ports and other companies to attract new technology, better management practices, implementation of development schemes and creation of optional port infrastructure

  - Ten year tax holiday to be availed of during the initial fifteen years has been provided under section 80IA of the IT Act

Opportunities

- The Government of India has taken up a US$ 22 billion ‘Sagarmala’ project to develop the port and shipping sector under public-private partnership

- Areas identified for privatisation or investment by the private sector include:

  - Leasing out of existing port assets

  - Creation of additional assets such as:
    - construction and operation of container terminals
    - construction and operation of bulk, break bulk, multipurpose and specialised cargo berths
    - warehousing, container freight stations, storage facilities and tank farms
    - craneage and handling equipment
    - setting up of captive power plants
    - dry docking and ship repair facilities

  - Leasing of equipment for port handling and leasing of floating crafts from the private sector

  - Pilotage

  - Captive facilities for port based industries

  - Consultancies for:
    - efficient O&M practices in port management
    - training for improved productivity
    - safe and efficient vessel traffic management system
India

Civil Aviation

Investment Policy

- Foreign equity participation in airport infrastructure is permitted up to 74% with automatic approvals and up to 100% with special permission. Such participation could also be by foreign airports authorities.

- FDI up to 40% and NRIs/OCBs investment up to 100% is permitted in domestic air-transport services

- 100% FDI allowed in Airports; beyond 74% requiring Government approval

- No direct and indirect equity participation by foreign airlines allowed in domestic air-transport services

- Foreign Financial Institutions allowed to hold equity in the domestic air transport sector provided they do not have foreign airlines as their shareholders

- Foreign investors allowed to have representation (up to 33% of total) on Board of Directors of a domestic airline company

- Minimum fleet size for a scheduled operator raised from the existing 3 aircraft to 5

- Management contract with a foreign airline is not permitted

Opportunities

- Modernisation and restructure of international Airports at Delhi and Mumbai through formation of Joint Venture between the Airport Authority of India and private player, to be selected through an international competitive bidding process

- Important private sector aided projects: New airport near Kochi (US$ 85.7 million). Development of new airports at Bangalore and Mumbai with private sector participation

- Restructuring & privatization through long term lease

- Green-field airports

- Construction of terminal/facilities

- Ground handling
Food Processing

**Investment Policy**

- No industrial license required for food and agro processing industries except for alcoholic beverages and items reserved for small scale sector, which are: Pickles & Chutneys, Bread, Pastry, Hard boiled sugar candy, Rapeseed Oil, Mustard Oil, Sesame Oil, Ground Nut Oil, Sweetened Cashewnut products, Ground and processed spices other than spice oil and Oleoresin spices, Tapioca sago and flour

- Automatic approval (including foreign technology agreements within specified norms) is permitted for FDI up to 100 percent equity of Indian companies, for all food and beverages except for alcoholic beverages and items reserved for small scale sector

- Foreign equity ownership of up to 24 percent is allowed even in items reserved for small scale sector. An industrial licence carrying a mandatory export obligation of 50% would be required for equity beyond 24% equity

- Food processing industry declared a priority sector. New Exim Policy places greater thrust on Agro based Industries (Website: http://dgft.delhi.nic.in)

- Exclusive Agri Export Zones set up for end to end development for export of specific products from geographically contiguous areas

- Setting up of food parks to enable food and beverage units to use capital intensive facilities, such as cold storage, warehouse, quality control labs, effluent treatment plant etc.

- Agro based 100% Export Oriented Units allowed sales up to 50% in Domestic Tariff Area.

- Imports of capital goods and raw materials permitted at zero per cent import duty for 100% Export Oriented Units.

- Import of food processing machinery allowed freely with low level of duties (25-30%). Custom duty under Export Promotion Capital Goods (EPCG) Scheme with specific export commitments is only 5%

- Liberal corporate tax policy for export earnings as well as for domestic sale. Corporate tax reduced from 50% to 35%

- Fruits and vegetables products completely exempt from Central Excise Duty

- 10 year tax holiday for Industrial Parks having Food Processing activities during initial 15 years

- Quantitative Restrictions on all food products removed. Customs duty on majority of the products at 35%

- Low cost of infrastructure (power, water)

- Locational advantage for exports to Middle East, South East Asia and CIS countries

- Presence of virtually all major multi-national companies like Coca-Cola, Pepsi, Britannia, Danone, Nestle, Cadbury, Lever’s Kelloggs, Heinz, International Best Foods, Walls, Perfetti, Van Melle, etc.
## India

### Food Processing

**Opportunities**
- Largely untapped domestic market of 1000 million consumers
  - (i) 300 Million upper middle class consumers consume processed & packaged food.
  - (ii) 200 million more consumers expected to shift to processed packaged food by 2010
- India is world’s third largest producer of food due to diverse agro-climatic conditions and large trait of arable and irrigated land. A wide ranging large raw material base suitable for food processing industries:

<table>
<thead>
<tr>
<th></th>
<th>India</th>
<th>China</th>
<th>Japan</th>
<th>USA</th>
</tr>
</thead>
<tbody>
<tr>
<td>Arable land</td>
<td>MillSq.Km</td>
<td>1.84</td>
<td>0.96</td>
<td>0.04</td>
</tr>
<tr>
<td>Irrigated Land</td>
<td>Mill Sq.Km</td>
<td>0.53</td>
<td>0.49</td>
<td>0.03</td>
</tr>
<tr>
<td>Food Crops</td>
<td>Mill MT</td>
<td>601</td>
<td>856</td>
<td>-</td>
</tr>
<tr>
<td>Fruits*</td>
<td>Mill MT</td>
<td>48</td>
<td>70.4</td>
<td>4.3</td>
</tr>
<tr>
<td>Vegetables**</td>
<td>Mill MT</td>
<td>64</td>
<td>278.6</td>
<td>1.7</td>
</tr>
<tr>
<td>Rice &amp; Paddy</td>
<td>Mill MT</td>
<td>134.1</td>
<td>190.1</td>
<td>11.8</td>
</tr>
<tr>
<td>Wheat</td>
<td>Mill MT</td>
<td>65</td>
<td>99.37</td>
<td>0.69</td>
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<tr>
<td>Milk</td>
<td>Mill MT</td>
<td>78</td>
<td>7.8</td>
<td>8.5</td>
</tr>
<tr>
<td>Marine</td>
<td>Mill MT</td>
<td>3.32</td>
<td>17.24</td>
<td>5.18</td>
</tr>
<tr>
<td>Cattle</td>
<td>Millions</td>
<td>218.8</td>
<td>104</td>
<td>4.6</td>
</tr>
<tr>
<td>Sugarcane</td>
<td>Mill MT</td>
<td>315.1</td>
<td>70.2</td>
<td>1.57</td>
</tr>
<tr>
<td>Tea</td>
<td>Mill MT</td>
<td>0.75</td>
<td>0.72</td>
<td>0.09</td>
</tr>
</tbody>
</table>

* India produces 50% of World’s Mango, 19% of Banana, 36% of Cashewnut
** India produces 38% of World’s Cauliflower, 28% of Green Peas

- Presently, a small percentage of farm produces processed into value added products. India need US$ 28 billion of investment to raise food processing levels by 8-10%.
- Rapid urbanisation, increased literacy, changing life-style, more women in work force and rising per capita income have all caused rapid growth and changes in the demand pattern, leading to several new opportunities in food and beverages sector.
- Food Processing Industry is expected to grow at the rate of 16-20%.
- An average Indian spends about 50% of household expenditure on food items.
- Demand for processed food rising with growing urbanization and income levels.
- Huge unrealised potential for investment.
Insurance, Banking & Financial Markets

Investment Policy

(i) Direct Investment

- Foreign Investment in companies undertaking insurance, private sector banking and non-banking financial services is now under the automatic route
- 74% percent FDI allowed in private sector banking
- There are 186 branches of Foreign Banks in India and control 5 percent of the Market. Entry Norms for Private Sector Banks eased substantially
- The following investment limits have been specified by the Government for FDI in an Indian company undertaking financial services activities:
  - insurance business – up to 26 percent
  - insurance broking – up to 49 percent
  - other specified non-banking financial services activities as per minimum capitalisation norms specified in this regard.

(ii) Portfolio Investment

- FIIs registered with SEBI are permitted to invest in aggregate up to 24 percent of the paid-up capital of an Indian company. This 24 percent ceiling may be enhanced to 40 percent by the relevant Indian company, after obtaining prior approval of the Board of Directors and shareholders. In September 2001, this limit was further raised up to the sectoral cap/statutory ceilings, as applicable, by the Indian company concerned
- Individual FI is permitted to invest up to 10 percent of the paid-up capital of an Indian company
- NRIs/PIO/OCBs are cumulatively permitted to invest up to 10 percent of the paid-up capital of an Indian company. This 10 percent ceiling could be enhanced to 24 percent by the relevant Indian company, after obtaining prior shareholder approval. Each NRI/PIO/OCB is permitted to invest up to 5 percent of the paid-up capital of an Indian company
- The ceiling of 24/40 percent for FIIs is independent of the ceiling of 10/24 percent for NRIs/PIO/OCBs
- FIIs are now permitted to trade in all stock traded derivative products within specified trading limits
- Two way fungibility in ADRs/GDRs allowed

(iii) Investment Incentives

- FIIs are subject to Indian taxes on capital gains and income in respect of securities, under a special tax regime
- In the Finance Bill 2002-03, foreign banks have been given an option to either operate as branches of their parent banks or to set up subsidiaries. The new subsidiaries will have to adhere to all banking regulations, including priority sector lending norms, applicable to other domestic norms
- As per the Finance Act, 2000 income of a venture capital company of fund registered with SEBI, is exempt from tax provided such income is derived from investment in a venture capital undertaking:
  - Whose shares are not listed on an Indian stock exchange
  - Which is engaged in the business of providing services, or manufacture of any article or thing, other than those services or articles or thing notified by SEBI.
Insurance, Banking & Financial Markets

Opportunities

- India has moved in a major way towards financial groups by offering various financial services through separate arms. This is close to the concept of universal banking. ICICI’s proposed merger with ICICI Bank has marked a beginning of the trend.

- Retail Banking is another sunrise sector and holds a promising future in India. The market is growing upwards of 50% every year. The major cause for the hope on retail banking is that the penetration level hitherto is about only two per cent. Thus the actual market potential is tremendous.

- The plastic card market is growing at a healthy rate of 20 percent. According to an estimate based on the research done by Credit Card and Management Consultancy, the Indian credit card market was expected to grow by a whopping 400 percent to touch 15 million by 2001, up from only 3.1 million in 1997.

- The Government is encouraging private sector participation including foreign equity participation up to 26% of the paid up capital in the insurance industry with the passage of Insurance Regulatory and Development Authority (IRDA) Act, 1999. The opening up of this industry offers tremendous opportunities for insurers, insurance intermediaries and other organisations connected with the industry.

- As part of the integration of financial services world over, new opportunities have emerged for banks to enter into the area of insurance thus opening up viable opportunities to enhance their non-interest income and improve their performance.

- A broad investor base and a vibrant primary and secondary market provide opportunities for financial intermediaries and service providers.

- A large and rapidly growing consumer market of over 300 million people provide opportunities in retail banking and finance.

- Increasing globalisation combined with domestic deregulation will create a demand for sophisticated financial products as well as innovative financing techniques.

- FII currently handle about a quarter of the Indian market turnover of around Rs.67 crore a day or Rs.2010 crore a month.

- Internet based trading has made a foray and is growing.

- Presently, Indian insurance market is one of the least insured markets in the world. It is ranked 57th among 60 countries. Per capita gross premium for a few selected countries are given below:

<table>
<thead>
<tr>
<th>Country</th>
<th>Gross Premium (per capita) (US $)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Thailand</td>
<td>30</td>
</tr>
<tr>
<td>Taiwan</td>
<td>407</td>
</tr>
<tr>
<td>South Korea</td>
<td>732</td>
</tr>
<tr>
<td>India</td>
<td>5</td>
</tr>
</tbody>
</table>

- Doubling per capita gross premium can lead to mobilisation of US$ 8-9 billion of funds

- In India there are many unmet consumer needs. As the variety of insurance products and services available in other country markets are made available to the Indian consumer post liberalisation, there will be a rapid expansion in the type and level of life of various Insurance Coverage.

- As consumer needs are met, the per capita insurance will go up significantly.

- Risks will be spread beyond the individual, community, economic sector and geographic area helping both Individuals and Industry.
For Further Information

Department of Industrial Policy & Promotion
Ministry of Information & Broadcasting
Department of Telecommunications
Ministry of Information Technology
Ministry of Chemicals & Petrochemicals
Department of Power
Department of Biotechnology
Ministry of Tourism
Department of Commerce
Directorate General of Foreign Trade
Department of Explosives
Ministry of Environment and Forests
Department of Education
Ministry of Labour
Ministry of Non-conventional Energy Sources
Ministry of Petroleum and Natural Gas
Ministry of Small Scale Industries & Agro and Rural Industries
Ministry of Textiles
Telecom Regulatory Authority of India
Telecommunication Engineering Centre
Centre for Development of Telematics
Cabinet Secretariat
Reserve Bank of India
Ministry of Civil Aviation
Ministry of Finance
Department of Company Affairs
Ministry of Railways
Ministry of Road Transport and Highways
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