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NEWSLETTER

India provides hospitable environment for FDI: PM

Prime Minister Manmohan Singh has on said that Indian Economy provides "hospitable" environment for foreign direct investments (FDI) and will continue to improve the situation. Last year, the government has liberalised FDI policy norms in almost a dozen sectors including telecom, defence, PSU oil refineries, commodity bourses, power exchanges and stock exchanges.

Towards the close of 2013, the finance ministry approved the proposal of UK-based Tesco to invest $110 million in opening up of multi-brand retail stores in the country in partnership with Tata Group firm Trent. The government is also in the process of liberalizing the foreign direct investment norms in construction activities, railways and e-commerce. India is projected to require around USD 1 trillion between 2012-13 and 2016-17, the 12th Five Year Plan period, to fund infrastructure growth covering sectors such as ports, airports and highways. A decline in FDI would hurt the rupee, which had depreciated to a record low of 68.85 against the US dollar on August 28. It has strengthened since then to about 62 levels.

Cabinet likely to consider FDI in Railways in coming weeks

The department of industrial policy & promotion (DIPP) will push for a decision on foreign direct investment in railways in coming weeks before the general elections are announced after putting in a mechanism to address concerns raised by the home ministry. The DIPP has proposed that a core committee within the Railways ministry should examine all proposals of foreign direct investment (FDI) from the perspective of security before giving a final clearance. Ministry as formulates an internal core committee in this regard which vet all the FDI Proposals and also ensures that railways projects with private or foreign investments are not detrimental to overall national interests.

The DIPP has sent the note to the Cabinet, seeking approval to allow 100% FDI in railway in infrastructure such as elevated rail corridor projects, freight terminals, suburban corridors, dedicated freight lines and high-speed train systems. The proposal could be taken up in coming week before the elections are announced and the model code of conduct kicks in.

As per the proposal, the core committee will comprise officials with technical and security expertise to examine each proposal. FDI proposals in railways will not have to go to the Foreign Investment Promotion Board (FIPB).

China is interested in investing in India's railways, among other infrastructure sectors, as per the five year trade and economic planning cooperation report by the Chinese working group submitted to the Indian government. China is keen to fund electrification, high-speed trains, wagons, last-mile connectivity and gauge conversion in India's railways.

The proposal is part of the FDI reforms' drive revived by the government last year that led to raising of FDI caps in some sectors, along with changing of entry route to automatic. A decision on easing restrictions on FDI in construction and housing is also pending with the Cabinet.

While the DIPP has received comments on FDI in e-commerce, opening up of e-commerce is unlikely within the tenure of this government.

Tata Motors to Set up Jaguar Land Rover Plant in Saudi Arabia

India's largest automobile company Tata Motors is exploring the possibility of setting up a manufacturing plant for Jaguar and Land Rover in Saudi Arabia, the Gulf kingdom's industry minister.

Saudi Arabia Commerce and Industry Minister Tawfig Fawzan Alrabiah said the proposed plant would be the third largest for manufacturing of high-end Jaguar and Land Rover cars.

The minister said the plant is proposed to be set up eastern province of Saudi Arabia. The forum meeting was organised jointly by the Federation of Indian Chambers of Commerce and Industry (FICCI) and the Council of Saudi Chambers.

Alrabiah said Tata Group's other companies including Tata Consultancy Services (TCS) and Tata Steel are also having significant business engagements with Saudi Arabia and have shown commitment to expand it further. Tata Steel won an order in last year to supply high-quality rails for a new high speed rail line linking the two holy cities of Makkah and Al Madinah, the minister said.

He pointed out that Tata Consultancy Services recently launched an “all female services center" in Riyadh in collaboration with General Electric, and Saudi Aramco.

Addressing the forum meeting FICCI president Sidharth Birla said India and Saudi Arabia need to explore fresh frontiers of cooperation in sectors like IT and IT enabled services, auto components, automobiles, petrochemicals, pharmaceuticals, chemicals, oil and gas, refineries and metals, with a view to diversify the trade basket.

Saudi Arabia is India's fourth largest partner with bilateral trade of over $43 billion in 2012-13. Saudi Arabia is also India's largest crude oil supplier accounting for about one-fifth of total imports in 2012-13

FII Debt Inflow Exceeds Equity Inflow in January

For the first time in several months, foreign institutional investors (FII) debt inflows are higher than their equity inflows showing that the rupee is stable, government bonds are offering attractive yields and foreigners are seeing the economy in a better light.

Data collated by global brokerage CLSA shows that February is shaping up as the second consecutive month in which FII debt inflow will exceed equity inflow. Month to date (MTD) total FII inflow is $1.8 billion down from $ 2.2 billion in the full month of January. Both equity and debt inflows fell in February.

CLSA says that the equity portion totalled a paltry $12.9 million ($124.6 million in January). Debt inflows fared much better, coming in at $1.77 billion (January $2.06 billion). Calendar year to date (YTD), total FII (net) inflow stands at $3.96 billion with almost all of it in debt (equity: $0.14 billion, debt: $3.82 billion).

Last year, the situation was reversed and there was a debt outflow of $7.95 billion. Commenting on this data, investment advisor S. P. Tulsian said, " We now offer good returns by way of interest".

Explaining why the debt market has suddenly become attractive to FIIs, CLSA in a privately circulated note said, "FII inflows into onshore INR debt - mainly in government bonds - take advantage of the attractive yields in light of the rupee stability. India's 10-year government bond yield is the highest in Asia and among the highest in the emerging markets world. Relative to the US 10-year government bond, India carries a favourable differential of around 6.15ppt".

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