



Value investing in India

Govt may relax FDI in retail

51% investment in multi-brand retail likely.

The government is considering a proposal to ease foreign direct investment (FDI) rules in the retail sector.

Under the existing rules, FDI is not allowed in retail, except for trade of "single brand" products, where up to 51 per cent foreign investment is permitted. FDI up to 100 per cent is also allowed in wholesale cash-and-carry trade.

The ministry is also keen to permit FDI in retail of foodgrain as well as other essential commodities to create a parallel network to the public distribution system.

The core of the plan is to allow FDI in retail, provided the retail stores are located in cities with a minimum population of one million. The move aims to protect vendors in small cities.

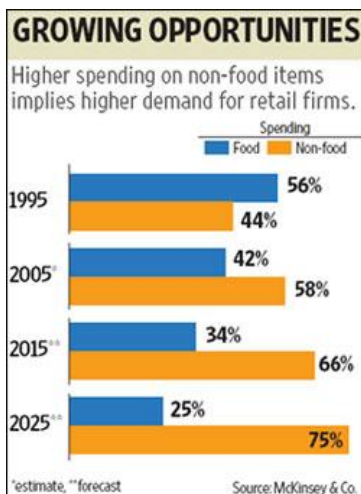
The ministry may also suggest minimum capitalisation norms for companies investing in retail, in addition to a minimum built-up area rule for their retail outlets.

It has also proposed enabling policies to encourage those investing in retail to procure from local manufacturers.

The proposal being worked out suggests that 50 per cent of FDI in food retail should be spent towards building infrastructure, logistics or agro processing.

A minimum threshold level for investment in infrastructure and logistics could be fixed to discourage non-serious players.

To encourage local employment, the government could ask retailers to reserve 50 per cent of jobs in their outlets for rural youth.



HIGHLIGHTS

- The government is considering a proposal to ease foreign direct investment (FDI) rules in the retail sector.
- Media and entertainment (M&E) industry is one of the fastest growing industries in the country. Its various segments—film, television, advertising, prints media and music among others—have witnessed tremendous growth in the last few years. The media and entertainment industry in India is likely to grow 12.5 per cent per annum over the next five years and touch US\$ 20.09 billion by 2013.
- The Indian government has introduced favorable foreign trade policies to boost the booming gems and jewelry industry of India. Foreign direct investment (FDI) up to 100% is allowed in gems and jewelry through the automatic route.
- With the various new policy reforms announced by the government, the Indian education sector seems to be in for a progressive phase ahead.
- The healthcare industry in the country, which comprises of hospital and allied sectors, is projected to grow 23 per cent per annum to touch US\$ 77 billion by 2012 from the current estimated size of US\$ 35 billion.



INDUSTRY: MEDIA & ENTERTAINMENT

The Indian media and entertainment (M&E) industry is one of the fastest growing industries in the country. Its various segments—film, television, advertising, prints media and music among others—have witnessed tremendous growth in the last few years. The media and entertainment industry in India is likely to grow 12.5 per cent per annum over the next five years and touch US\$ 20.09 billion by 2013.

Government Initiatives

The Government has initiated major reform measures, which have had a cascading effect on the growth of the industry.

- Permitting 100 per cent foreign direct investment (FDI) through the automatic route for film industry and advertising.
- Allowing 49 per cent foreign holding in cable TV and DTH.
- Allowing 100 per cent FDI in non-news publications and 26 per cent FDI in news publications.
- The government has allowed 100 per cent FDI in fax editions of magazines and newspapers.
- Recently, the government has allowed companies with core business in news segment but hived off non-news business, to raise funds from overseas beyond the stipulated FDI limit of 26 per cent. Such companies can raise and route funds from overseas through its non-news arm, which will not be calculated as foreign investment.
- The FM radio sector was opened for FDI with a 20 per cent cap.
- Permitting setting up of uplinking hubs for satellite uplinking by private TV broadcasters from Indian soil.
- Giving industry status to the films segment.
- Opening FM Radio operations to the private sector.
- The government has allotted US\$ 50.13 million in the current Five-Year-Plan for various development projects of the film industry. The funds will be utilised to set up a centre for excellence in animation, gaming and visual effects among others.

Gems and Jewelry made-in-India gaining back some lost gleam

The Indian gems and jewelry sector so far, was an unorganized sector. However, with new age customer becoming more brand conscious and quality conscious as well, the demand for branded jewelry is gaining fresh impetus. Also, the government has permitted 51 per cent FDI in single brand retail outlets, alluring both global and local players to this sector.

The Indian government has introduced favorable foreign trade policies to boost the booming gems and jewelry industry of India

- Foreign direct investment (FDI) up to 100% is allowed in gems and jewelry through the automatic route
- The government has reduced import duty on platinum and has exempted coloured precious gems stones from customs duty.
- Import of Rough, semi-precious stones are duty-free.
- Import of Metals other than gold and platinum are duty-free up to 2 per cent of freight on board (f.o.b) value of exports. Rejected jewelry imported is duty-free up to 2 per cent of f.o.b value of exports.
- Establishing of SEZs and gems and jewelry parks to boost investment in the sector.
- In May 2007, the import duty on polished diamonds, abolished.
- The government has raised the limit value of jewelry parcels for export through foreign post office (including via speed post) from US\$ 50,000 to US\$ 75,000
- The export of coloured gemstones on a batch basis has been permitted.



Sector in Focus: Education



With the various new policy reforms announced by the government, the Indian education sector seems to be in for a progressive phase ahead. India in 2030 would be the most educated country in the world, India will be the key to provide intellectual capital to all countries.

On March 15th, the Cabinet approval for a Foreign Educational Institution (Regulation of Entry and Operation) Bill, 2010, to allow foreign education providers to set up campuses in India, has further paved the way for its introduction in Parliament.

Universities such as Yale, Harvard and MIT have offered a variety of services such as mentoring 14 innovation universities customised for the Indian population. Close to 50 foreign universities - including Duke University, Georgia Institute of Technology and Imperial College, London - have applied for government clearance. The Graduate Management Admission Council (GMAC), which owns and administers the Graduate Management Admission Test (GMAT), also plans to set up its third office in India after the US and UK.

Most of these foreign educational institutions would also benefit from doing their research in India similar to major global corporations doing R&D in India - for it is much cheaper and brings them closer to growth markets. The higher learning institutions have their main focus on building research collaborations, partnerships, as well as student exchanges. Thus, the move has resulted in opening up of various avenues of investment into the sector.

Owing to the increasing demands related to education infrastructure, the Indian government has already enhanced its focus on education in the XI Five Year Plan. The plan, which aims to set up 30 central universities, 8 IITs, 7 IIMs, 10 NITs and 20 IIITs, among others, will require huge investments that can be met through appropriate public-private partnership (PPP) model.

Several public private partnership (PPP) initiatives in education have been supported by government efforts in the recent past. According to a World Bank report, one such PPP initiative in India with a high international profile and making waves is the Rajasthan Education Initiative (REI), which the state government has directed since 2005 through several information and communication technology (ICT) and non-ICT initiatives. The REI has been implemented in partnership with the Confederation of Indian Industries (CII), the Global e-Schools and Communities Initiative (GeSCI) and the World Economic Forum (WEF)

Healthcare in India

The healthcare industry in the country, which comprises of hospital and allied sectors, is projected to grow 23 per cent per annum to touch US\$ 77 billion by 2012 from the current estimated size of US\$ 35 billion, While rejuvenation services such as spas, alternative therapies, ayurveda treatments and beauty services are expected to grow by 30 per cent, fitness comprising gyms and slimming centres are expected to grow by more than 25 per cent.

The various investment avenues are:

- Medical infrastructure including hospitals, super speciality hospitals, nursing homes
- Rural public infrastructure - setting up of healthcare delivery infrastructure mainly in Tier – I & Tier – II cities
- Medical equipment and diagnostics would contribute US\$ 2.5 billion to the healthcare industry by 2012
- Clinical trials related to development of better and innovative health products
- Health insurance - likely to be a US\$ 3 billion industry by 2012.
- Medical tourism - according to the Investment Commission of India, it is likely to become a US\$ 2.2 billion industry by 2012

Investment Policy Updates

Government initiatives in the public health sector have recorded some noteworthy successes over time with focus being investments related to better medical infrastructure, rural health facilities etc. 100 per cent FDI is permitted for health and medical services under the automatic route.

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