

Finance Minister of India Visited US

The Finance Minister of India Mr. P. Chidambaram visited New York and San Francisco on October 22-26, 2006 to attend the India-US Investment Summit held at New York on October 25, 2006. He also addressed Second Financial Markets Conference on India organized by Asia Society, and delivered a talk at the Council on Foreign Relations at New York. In San Francisco, on October 24, the Finance Minister addressed Stanford University. He also met CEOs of manufacturing companies and venture capitalists in separate meetings organised by USIBC and Silicon Valley Bank respectively. On October 23, the Finance Minister attended a dinner meeting organized by The Indus Entrepreneurs (TIE) in Bay Area, San Francisco.



Finance Minister of India Mr. P. Chidambaram at Stanford University.

POLICY UPDATE

- Reserve Bank of India has announced Mid-Term Review of the Annual Policy for 2006-07. GDP growth has been projected at around 8.0%, and inflation to be contained within 5.0-5.5% during 2006-07. Major policy announcements include increase of Repo Rate (the rate at which RBI lends to banks for overnight loans) from 7% to 7.25% while keeping the reverse repo rate (the interest rate that RBI pays to money-market participants for their overnight deposits) unchanged at 6%. The bank rate and cash reserve ratio have been kept unchanged at 6% and 5% respectively.

The existing limit of \$2 billion on investments in Government securities by foreign institutional investors (FIIs) would be enhanced in phases to \$2.6 billion by December 31, 2006 and further to \$3.2 billion by March 31, 2007. The extant ceiling of overseas investment by India based mutual funds has been enhanced from \$2 billion to \$3 billion.

RBI has doubled the limit for overseas remittance by resident individuals from \$25,000 at present to \$50,000 per financial year. The amount could be used either for current or capital account transactions or for a combination of both. All categories of foreign exchange earners may henceforth retain up to 100 per cent of their foreign exchange earnings in their Exchange Earners' Foreign Currency (EEFC) accounts. *More...*

- Indian Cabinet has given its approval for amending The Information Technology Act, 2000 of India to strengthen the legislation pertaining to data protection and privacy. The amendment Bill would now be introduced in the Parliament. *More...*

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NEWS HIGHLIGHTS

- BSE Sensex crossed 13,000 mark on October 30, 2006. *More...*
- World Investment Report 2006 of UNCTAD has been released. The report notes that improved economic and policy conditions in India where GDP growth exceeded 8% and stock market grew 36% in 2005, have led to growing investor confidence. *More...*

Corporate News

- Tata Steel would acquire Europe's second largest steel producer Corus for a cash deal of about \$8 billion. The boards of Tata Steel and Corus have announced their agreement on the acquisition of the entire issued and to be issued share capital of Corus by Tata Steel at a price of 455 pence in cash for each Corus Share, totalling £4.3 billion. *More...*

Tata's global acquisitions in the past few years include, Tata Tea's acquisition of Tetley of UK for \$407 million, and acquisition of 30% share in US Energy Brand Glaceu for \$677 million, Tata Motor's acquisition of Daewoo of South Korea for \$102 million, Tata Steel's acquisition of steel business of NatSteel of Singapore for \$286 million, VSNL acquisition of Teleglobe of Bermuda for \$239 million and of Tyco Global Network, one of the world's most advanced and extensive submarine cable systems for \$130 million, Tata Consultancy Services acquisition of Financial Network Services of Sydney for \$26 million and 75% stake in TKS Technosoft of Switzerland for \$80 million, Tata Chemical's acquisition of Brunner Mond Group of UK for \$120 million, Tata Coffee's acquisition of Eight O'clock Coffee of US for \$220 million, and Taj Group's Acquisition of Ritz Carlton of Boston for \$170 million.

- Videocon of India and Ripplewood an equity Fund of US have jointly entered into an agreement with Korea Asset Management Corporation and Woori Bank – the creditors of Daewoo Electronics of South Korea to acquire Daewoo Electronics for approx. \$700 million. The acquisition price is subject to change after a month-long review. Videocon Group earlier acquired entire global colour tube manufacturing business of Thomson SA of France for about \$500 million. *More...*
- Delta Airlines of US has started a non-stop flight from JFK New York to Mumbai on November 1, 2006. The Kingfisher Airlines of India would provide connecting domestic flights from Mumbai to Delhi, Chennai, Ahmedabad and Bangalore within two hours of the Delta flight arriving in Mumbai. *More...*
- AIG Capital India, an arm of American International Group, has received the approval of Reserve Bank of India to operate as a non-bank finance company (NBFC) to venture into India's retail finance segment. *More...*

Visits and Events

- An India-US Investment Summit was held at New York on October 25, 2006. Prior to the Summit a Government-to Government Economic Dialogue meeting took place. The Indian governmental delegation consisted of Mr. P. Chidambaram, Finance Minister, Mr. Kamal Nath, Minister for Commerce and Industry, Mr. Montek Singh Ahluwalia, Deputy Chairman, Planning Commission, Ambassador Ronen Sen and other senior representatives from various Departments. Prominent Indian CEOs including Mr. Ratan Tata, Dr. Pratap Reddy (Apollo Hospitals), Mr. Deepak Parekh, Mr. Yogi Daveswar (ITC), Mr. Analjit Singh (Max India), and Mr. Azim Premji (Wipro) participated in the Summit.

The US Government delegation consisted of Mr. Henry Paulson Jr., Treasury Secretary, Mr. Carlos Gutierrez, Commerce Secretary, Mr. Allan Hubbard, Assistant to the President for Economic Policy, Ms. Susan Schwab, USTR, Ms. Josette Sheeran, Under Secretary, State Department, Ambassador David Mulford and other senior representatives. US side CEOs included William Harrison (JP Morgan), Prince Charles (Citi Group), James McNerney (Boeing), Paul Hanrahan (AES), Martin Sullivan (AIG), Stephen Schwarzman (Blackstone Gr), Warren Staley (Cargil), Andrew Liveries (Dow Chemicals), David Cote (Lucent Technologies), Richard Clark (Merck Pharmaceutical), Sy. Sternberg (New York Life), Thomas O'Neill (Parsons Brinckerhoff), and Indira Nooyi (Pepsico).

In the Investment Summit, Cabinet Ministers from the two sides apprized the CEOs of the steps taken by their Governments on the recommendations submitted by the CEOs Forum during the visit of US President to India in March 2006.

- Mr. Montek Singh Ahluwalia, Deputy Chairman Planning Commission visited New York, Chicago and Boston. He met members of Pan IIT and a group of NRIs in New York, held a meeting with members of Chicago Council for Global Affairs, and addressed CII-India Business Forum at Chicago, delivered a talk at Harvard University and met Prof. Amartya Sen at Boston.