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Foreign Direct Investment (FDI)- Destination India

Pharmacy retailing to grow exponentially

Easing of foreign direct investment norms in pharmacy retailing in India can lead to exponential growth in the sector, which may reach a size of Rs 430,000 million in the next two years.

Pharmacy retail is growing at the rate of 20-25% annually. The organized pharma retail market size has the potential to grow to \$9 billion by the year 2011. The size of India's pharmacy retail market is estimated at \$4.5 billion, which is dominated by 12-15 big players.

Pharmacy chains are highly regulated and there is restriction on FDI investment in the retail sector. However, if government removes the restriction, there exists huge potential to grow.

Pharmacy chains in India also need to obtain drug selling licence to run the pharmacy, as per the provisions of the Drugs and Cosmetics Act, 1940. Apollo Pharmacy, Religare Wellness, Lifespring, MedPlus, 98.4, Medicine Shoppe, Dial for Health and LifeKen are the major players in pharmacy retail chain.

French companies are looking at India as a profitable investment destination.

With French companies expressing interest to invest close to € 10 billion during 2007-12 in various sectors, India is becoming a future growth hub. France is among the top 10 investors in India. From a Foreign Direct Investment (FDI) perspective, France invested \$467 million in India during 2008-09. Despite the global slowdown; India has already achieved FDI inflows of around \$25 billion in FY09.

India has emerged as the second most attractive investment destination globally and also promises some strong future growth prospects. Some key advantages India enjoys are: a 10-fold increase in the Indian middle class and a three-fold growth in household income, leading to an increase in consumer spending to around €1 trillion by 2025.

This growth will further boost opportunities for the manufacturing industry, which is forecast to be worth €125 billion in the next five years. Further, the infrastructure sector will be the focus area for the Indian government with a targeted investment of approximately €14 billion over the next two years

Highlights

- Pharmacy retail is growing at the rate of 20-25% annually. The organized pharma retail market size has the potential to grow to \$9 billion by the year 2011. The size of India's pharmacy retail market is estimated at \$4.5 billion, which is dominated by 12-15 big players.
- France is among the top 10 investors in India
- Foreign investment in the real estate sector may potentially no longer be subject to the statutory three year lock-in period keeping with the government's ongoing process to liberalise the FDI regime in India.
- 'Invest India', a vehicle to guide investments into the country has been setup
- Japanese companies to invest directly in India, rather than the current norm of coming through Singapore and Mauritius.
- A foreign venture capital fund registered in India is free to invest in almost any business in the country. For buying into firms which are outside the 10 sectors, the fund will have to either approach the Foreign Investment Promotion Board for FDIs where the board approval is required, or invest directly in areas where FDI is permitted under the automatic route.
- The Ministry of New and Renewable Energy has announced an incentive of 50 paise per unit of wind power fed by independent producers into the grid. The generation-based incentives aimed at attracting investment in the wind energy sector and increasing the quantum of grid-interactive renewable power



FDI in Real Estate May Get Rid of Three Year Lock-in Period

Foreign investment in the real estate sector may potentially no longer be subject to the statutory three year lock-in period. It is believed that the department of industrial policy & promotion, ministry of commerce & industry, recently circulated a draft note for consideration of the Cabinet Committee on Economic Affairs, where it has proposed to remove the condition of minimum period for repatriation of the original foreign investment.

The instant recommendation appears to be in keeping with the government's ongoing process to liberalise the FDI regime in India. The original restrictions on repatriation must have been a cautionary measure, intended to prevent speculative investments in the real estate sector. However, this sector has, for some time now, been feeling the pressures of the global economic crisis and has desperately been in need of greater capital and liquidity to fund its existing projects and growth. Thus, the change, if it were approved and eventually implemented, will undoubtedly be a positive development for the realty sector. But what should also be noted is that, greater foreign investments in this sector will also enhance overall employment opportunities and generate greater domestic economic activity.

Japan PM promises to link rupee with yen to boost FDI

This would allow Japanese companies to invest directly in India, rather than the current norm of coming through Singapore and Mauritius.

The Japanese foreign direct investment (FDI) in India tripped to \$5.4 billion (nearly Rs 25,160 crore) in 2008 from \$1.78 billion (nearly Rs 8,290 crore) in 2007, overtaking the Japanese FDI in China.

The key reason for increasing the momentum of Japanese investments in India is the growth potential of the local market. Japanese automobile and general machinery companies were the most interested in India as an investment destination.

Government sets up 'Invest India' JV

The company will act as the first reference point for any investor interested in India and will also facilitate in setting up business within the country, by making available sector wise consultants and coordinating with the state government on feasible measures.

'Invest India', was the vehicle to guide investments into the country as overseas investors had seen that even in difficult times, during the post-meltdown period, the Indian economy had performed encouragingly

- Joint efforts by India and Japan in research and development (R&D) facilities, especially during economic difficulty such as the global meltdown.
- Need for more Japanese investments in India's infrastructure companies at a time when India had proposed an investment of \$500 billion.
- Japan could tap investment opportunities in power, clean technologies, nuclear energy, energy efficiency, university linkage and human resource development.
- Japan can reduce its cost of healthcare by sourcing generic drugs from India.
- Need of more Japanese investment in India's consumer goods industry



Government launches incentive scheme for wind energy projects

The Ministry of New and Renewable Energy (MNRE) has announced an incentive of 50 paise per unit of wind power fed by independent power producers into the grid. The generation-based incentive (GBI) is aimed at attracting investment in the wind energy sector and increasing the quantum of grid-interactive renewable power. “

The incentive has been capped at Rs 6.2 million per Mw and the total yearly disbursement will not exceed Rs 1.55 million per Mw for the first four years. The sops, to be continued till the end of the current Plan period (2007-12), will be provided to companies through the Indian Renewable Energy Development Agency (IREDA), the financial development agency for the renewable energy sector. The incentive, however, will be limited to wind power generation plants with a maximum installed capacity of 4,000 Mw.

The scheme will allow the investors, apart from getting the tariff determined by the state regulatory commissions, also get an incentive of 50 paise per unit of electricity for a period of 10 years, provided they do not claim the benefit of accelerated depreciation

- CLP India a part of CLP Group based in Hong-Kong plans Rs 3,600-cr investment in wind power. The group has an \$18 billion market cap and operates plants in China, Thailand, Taiwan and Australia.

India widens foreign VC funds' investment options

Indian regulators have opened the doors to foreign venture capital funds (FVCFs) beyond the select investment options they were being offered in recent times.

In the past one year, FVCFs, which were allowed to come in, were specifically told to stick to activities such as infrastructure, bio-technology, nano-technology, biofuel, IT-related activities for hardware and software development and a few other areas outlined by the government in the list of 10 sectors identified for tax benefits to VCs.

If the FVC investor intends to make any private equity investments, then it may have to avail the FDI route. This means that barring a few sensitive sectors, an FVCF registered in India is free to invest in almost any business in the country. For buying into firms which are outside the 10 sectors, the fund will have to either approach the Foreign Investment Promotion Board for FDIs where the board approval is required, or invest directly in areas where FDI is permitted under the automatic route

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