

CONSULATE GENERAL OF INDIA
SAN FRANCISCO

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Important Commercial News – Oct. 2015

1 U S International Trade

The U.S. Census Bureau and the U.S. Bureau of Economic Analysis, through the Department of Commerce, announced that the goods and services deficit was **\$40.8 billion** in September, down \$7.2 billion from \$48.0 billion in August, revised. September exports were **\$187.9 billion**, \$3.0 billion more than August exports. September imports were **\$228.7 billion**, \$4.2 billion less than August imports.

The September decrease in the goods and services deficit reflected a decrease in the goods deficit of \$7.3 billion to \$60.3 billion and a decrease in the services surplus of \$0.1 billion to \$19.5 billion.

Year-to-date, the goods and services deficit increased \$14.9 billion, or 3.9 percent, from the same period in 2014. Exports decreased \$66.3 billion or 3.8 percent. Imports decreased \$51.3 billion or 2.4 percent.

The September figures show surpluses, in billions of dollars, with South and Central America (\$3.6), OPEC (\$1.7), Brazil (\$0.2), and Saudi Arabia (\$0.2). Deficits were recorded, in billions of dollars, with China (\$30.7), European Union (\$13.1), Germany (\$5.7), Japan (\$5.5), Mexico (\$5.4), Italy (\$2.3), India (\$2.0), South Korea (\$1.8), Canada (\$1.7), France (\$1.3), and United Kingdom (\$1.2).

- The deficit with **China** decreased \$2.2 billion to \$30.7 billion in September. Exports increased \$0.4 billion to \$10.2 billion and imports decreased \$1.8 billion to \$41.0 billion.

- The deficit with the **European Union** decreased \$1.4 billion to \$13.1 billion in September. Exports increased \$1.1 billion to \$22.7 billion and imports decreased \$0.3 billion to \$35.9 billion.

2 Amazon invests Rs 1,237 crore in Amazon Seller Services

Online retailer Amazon has injected Rs 1,237 crore into Amazon Seller Services, making it the biggest infusion of capital into its Indian flagship firm since it entered the country in 2013. The investment takes Amazon's total infusion into Amazon Seller Services in the past 10 months to about Rs 3,000 crore. About five months ago, it had pumped in Rs 1,155 crore.

In a filing with the Registrar of Companies (RoC) last month, Amazon Seller had said it is raising the money through allotment of equity shares to its US parent company.

India is one of the fastest-growing markets for the US online retail giant. While Amazon did not say how it would use the funds, some analysts ETspoke with said the company will expand its network of warehouses and data centres and beef up its online marketplace to compete better with local rivals.

Last year, Amazon's founder and chief executive Jeff Bezos had pledged to invest \$2 billion in the company's India operations. The announcement had come a day after Flipkart said it had raised \$1 billion from investors. Amazon announced the opening of its 21st fulfillment centre in India. The latest 55,000-sq ft warehouse has come up outside Pune.

"It is clear that after having lost China to Alibaba, Amazon doesn't want to take any chance in India and does not want to leave the pole position here," said Harminder Sahni, founder of retail consultancy firm Wazir Advisors. "Indian market is ripe and buoyant so spending money is the least problem for Amazon."

In recent years, India's aggressive ecommerce companies have been trying to outdo each other in big-ticket fund raising. In July, Flipkart raised \$700 million from a clutch of

foreign investors, giving the Bengaluru-based company a \$15-billion valuation and making it one of the hottest global startups in recent years.

In August, Snapdeal said it has raised \$500 million from Chinese online behemoth Alibaba, Taiwan's Foxconn and Japan's Softbank, valuing the five-year old New Delhi-headquartered company at about \$5 billion.

Since India bars any overseas capital in business-to-consumer or B2C e-commerce, most foreign-funded online companies in India operate marketplaces, allowing other retailers and manufacturers to sell on their platforms.

However in recent months, opposition to foreign-funded e-commerce firms has grown amid allegations from brick-and mortar retailers that Amazon, Flipkart and Snapdeal are "circumventing" India's FDI laws by guising themselves as marketplaces.

Amazon's business in the country is worth at least \$2 billion in gross merchandise value on the ecommerce side, and includes fast-growing revenue from top Amazon Web Services (AWS) customers in the country.

3 Walmart plans to open five stores in Himachal

Retail giant Walmart plans to open five stores with an investment of around Rs 65 crore in Himachal Pradesh and has written to the state government in this regard, a top official said today.

"Walmart has some collection centers already functioning in the state but now it proposes to expand its network and explore investments to set up five Walmart stores with an investment of USD 10 million (around Rs 65 crore) generating employment to 2,000 persons," state Additional Chief Secretary (Power) Tarun Shridhar said.

"I have just sent the reply to the company welcoming it to Himachal and offering whole-hearted support of government in identification of the sites and we will appoint a nodal officer in every department for expeditious clearance of each proposal," he added.

The company has proposed to set up stores in districts like Shimla, Solan, Mandi, Hamipur and Kangra. "The government made it clear that the company would have to buy the land and set up their business," he said. The proposal comes close on the heel of investors' meet organized by the state government and CII in Delhi.

4 Tesla drives past India, into China

This wasn't how it was meant to turn out. Prime Minister Narendra Modi's visit to the ritzy Silicon Valley electric carmaker Tesla hasn't exactly ignited the company's interest in India. Instead, the firm's honcho Elon Musk has disclosed that he is in talks with China to produce vehicles there and an announcement in this regard can be expected soon.

Although Modi's Tesla sortie during his visit to the Bay Area in September was primarily focused on the company's powerwall battery packs with an eye towards procuring off-grid electric power technology for India, the fundamentals arise from Tesla's work on its highly-rated electric cars. Tesla's Model S luxury sedan, priced at \$70,000 and above, is what is being lined up for production in China, possibly within three years, according to accounts in the Chinese media.

Musk reportedly reckons that production costs could be cut by a third by manufacturing in China. China is now the world's largest car market, with nearly 20 million cars sold last year, and demand for electric cars is expected to skyrocket considering the huge amounts of vehicular pollution that has put the country in the spotlight in the global warming debate.

Local production would give Tesla a head start. The company opened a showroom in Beijing in November 2013. India faces a similar, and possibly worse pollution problem than China, but the country's tough political and regulatory environment has evidently driven away any interest Tesla might have entertained. Although the company employs a large number of engineers of Indian-origin, it is yet to find India interesting from the manufacturing perspective" and the government's "Make in India" campaign does not seem to have caught its imagination.

Even before the Modi trip, sources who scoped Tesla preparatory to the Prime Minister's visit told this correspondent the company was not really hot on manufacturing in India, although it was honored by the Indian leader's visit and interest. The company is named after the inventor Nikola Tesla, who, quite remarkably, is said to have engaged with Modi's own hero, Swami Vivekananda, during his visit to the US in 1893. Almost all of Tesla's current production is centred in California, and it recently opened an assembly unit in Tilburg, Netherlands.

5 American Tower set to buy control of India's Viom

American Tower Corp is set to buy a majority stake in India's Viom Networks, in a deal that could be announced as early as Wednesday, two sources directly involved in the negotiations said.

American Tower would buy a 51% stake in Viom, which owns and operates about 42,000 mobile phone masts, from the existing shareholders, one of the sources said.

Media reports, which first carried news of the deal, said the transaction could be worth as much as Rs 200 billion (\$3.1 billion), including debt. Viom is majority owned by mobile phone carrier Tata Teleservices Ltd, with Kolkata-based SREI Group holding about 18%. Viom's other shareholders are Singapore state investor GIC, Macquarie SBI Infrastructure Fund, Oman Investment Fund and India's IDFC Private Equity.

6 India among top 10 acquirers in US market this year

India has been ranked among top 10 acquirers in the US market this year with 16 deals valued at \$1.7 billion, says Baker & McKenzie.

Majority of these deals were in the pharma sector, with six transactions totalling \$1.5 billion, as Indian companies seek to increase their scale in the US generics market, said a report by Baker & McKenzie.

"Indian companies (particularly in the pharmaceutical sector) have been on a acquisition spree and I think this trend will continue in the near term given the low valuation and the

need for Indian companies to increase their scale to compete in the increasingly competitive generic markets, as well to dip their toes into the innovator side of the business," said Ashok Lalwani, Global Head of Baker & McKenzie's India Practice. Most of these acquisitions are funded internally as Indian companies are generally cash rich, he said.

"On the other hand, There is an uptick in Indian pharmaceutical companies tapping into the debt market for acquisition funding, as money continues to be relatively cheap right now," Lalwani added.

India is witnessing more cross border M&A deals and beyond 2015, and the country could become a "sweetheart for US dealmakers", as the Indian government continues to pursue reforms to open the economy to foreign investors, said the report. "There is optimism and people are moving into India for that reason," Baker & McKenzie Global head of M&A Michael DeFranco said. There are, however, some risks that could disrupt market activity, such as changes in the macro-economy.

"If the US Federal Reserve raises interest rates faster than expected or China's slowdown is greater than anticipated, it could create uncertainty that gives dealmakers pause," DeFranco added. Globally, overall deal activity in the year-to-date is already at \$2.91 trillion, well ahead of last year's pace and cross-border transactions have so far totalled \$1.05 trillion.

"Improving economic indicators in the US, easing concerns in the EU and emerging opportunities in Asia Pacific should continue to spur cross-border activity, particularly so-called 'mega deals'", DeFranco said.

7 Boeing boost for Make in India

Prime Minister Narendra Modi's 'Make in India' campaign got a major boost on Friday with American aviation major Boeing joining the bandwagon. Boeing chairman James McNerney said here that the company could assemble fighter planes and either the Apache or Chinook defence helicopter in India. "Even (building a commercial aircraft wing

or fuselage in India) is closer than you think," McNerney said, making Boeing the biggest global company to commit to the 'Make in India' programme.

Last month, Boeing had got a \$3-billion contract for supplying 22 Apaches and 15 Chinooks to India. While finalizing the chopper order, the defence ministry had said that contract will have a 30% offset clause and bring in business worth \$1 billion for the Indian defence industry. "Make in India is a very important mission for the country. Over the last two to three decades, the capability of the Indian people has been obvious and clear. Modi's initiative takes up those capabilities two to three levels," McNerney, who met Modi on Thursday, said.

"Make in India is not just someone handing you a blueprint and you make it. It can't be that way. I think the vision of the Prime Minister is more than that. India will get technology that can be used elsewhere in manufacturing ... Make in India is for India and globally. Given the global nature of our products, we can play at the centre of that," he said.

Boeing sees huge potential in India for civil aviation growth and it projects the country will need 1,800 aircraft over the next two decades. "Boeing sees this market as a civil aviation opportunity as conversion of only 1% of people travelling in trains to aviation can double the market size here. We are also looking at producing more fuel-efficient, green and longer-flying capable planes to bring down the cost of flying to attract more customers," McNerney said.

Appreciating India's low cost Mars mission, he said Boeing was keen to partner India in space technology. Given the shrinking size of satellites, he hinted at using India's launch capabilities for Boeing's satellites. "If the politics here allows this initiative, to continue with the same momentum that it has today, for the next five years, the goal of moving the manufacturing contribution to the economy from 14% to 25% is achievable. The capability is here."

"The civil nuclear deal (between India and US) unlocked everything ... India is now better poised to make investments for us after the new government has come in," he said.

However, Boeing said India needed to resolve issues like the uncertain tax regime and the long time it takes to resolve a dispute here. He gave credit to Modi for trying to address these issues. "Under the new leadership, the country is moving towards the manufacturing dream. The efforts of changing tax regime and working towards speedy dispute resolution are some of the things that this government is working on and it is an encouraging feeling."

8 Trade Delegation

No trade related delegation visited India from the jurisdiction of this Consulate.

Ms Aradhana Johri, Secretary, Dept. of Disinvestment, Ministry of Finance visited San Francisco, CA from Oct. 08-12, 2015.

9 Trade enquiries

The following organizations/individuals approached this Post for various trade related enquiries. All of them were responded appropriately.

a	Fair Wind Exports, Coimbatore	Termeric
b	Mr. Hans Wittig, Oregon	Labor Costs
c	Mr. K. Raguraman, Chennai	Coconut
d	Mr. William Walton, California	Water Heater plant
e	Creative India Exports, Mumbai	Apparels, Textiles
f	Ms Heather Hopkin, California	Export of Powder based Food
g	Ms Karina Kapoor, India	Home Décor, Patio Furniture
		Garden Tools & Handicrafts
h	Universal Cattle Feed	Cattle feed
i	Shrih Trading Co., Mumbai	Fruits, Vegetables, Pulses, Oils
		Spices, Tea, Herbs etc.
j	Jagdish Raote, CA	Taking money out of India
k	M Ramani, CA	Tax related enquiry
l	Total Export Solution, Mumbai	Auto Parts, Tires, Leather products
		Marble, Chemicals, Hand tools etc.
m	Nandri Exports, India	Green Cardamom
n	Shreeji Textile Ltd., Delhi	Unstitched dress material, Textile
o	MRM Exports, India	Agricultural & Food products
p	Parivar Agri Exim, India	Agriculture products
q	Leather Mark, Chennai	Leather products

r Fine Hospitality Group, CA
s Storage-Devices.com, Mumbai
t Mass Traders, Villupuram
u Mr. Ashwani Thapar, CA

Medical Tourism
Memory cards, Hard drives, Etc.
Agri products
Registering a company in India

10 Visa issued

During the month of Oct. this Consulate issued **5982** Tourist and **1244** Business visas.

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