

**CONSULATE GENERAL OF INDIA**  
**SAN FRANCISCO**

**MONTHLY COMMERCIAL REPORT NOVEMBER 2014**

**Important Commercial News – November 2014**

**1 U.S. INTERNATIONAL TRADE IN GOODS AND SERVICES**

Goods and Services

The U.S. Census Bureau and the U.S. Bureau of Economic Analysis, through the Department of Commerce, announced that total September exports of \$195.6 billion and imports of \$238.6 billion resulted in a goods and services deficit of \$43.0 billion, up from \$40.0 billion in August, revised. September exports were \$3.0 billion less than August exports of \$198.6 billion. September imports were \$0.1 billion more than August imports of \$238.6 billion.

In September, the goods deficit increased \$2.4 billion from August to \$62.7 billion, and the services surplus decreased \$0.6 billion from August to \$19.6 billion. Exports of goods decreased \$2.6 billion to \$136.1 billion, and imports of goods decreased \$0.1 billion to \$198.7 billion. Exports of services decreased \$0.4 billion to \$59.5 billion, and imports of services increased \$ 0.2 billion to \$ 39.9 billion.

The goods and services deficit increased \$0.8 billion from September 2013 to September 2014. Exports were up \$5.3 billion, or 2.8 percent, and imports were up \$6.1 billion, or 2.6 percent.

For the three months ending in September, exports of goods and services averaged \$197.4 billion, while imports of goods and services averaged \$238.5 billion, resulting in an average trade deficit of \$41.1 billion. For the three months

ending in August, the average trade deficit was \$40.4 billion, reflecting average exports of \$197.6 billion and average imports of \$238.0 billion.

## **2 Amazon sees Indian laws adversely impacting its business**

US e-commerce major Amazon Inc sees some of India's laws as obstacles to making a big push into the world's fastest-growing online shopping market in the country. The ecommerce giant says 'substantial uncertainties' in interpretation of Indian laws, could impact its business in the country.

Amazon said it faced similar constraints in the other major emerging economy, China, which too has similar rules. "There are substantial uncertainties on the interpretation of China and India's laws, and is possible the government will take a view contrary to ours," Amazon said in a regulatory filing with the US Securities and Exchange Commission (SEC).

"Our Chinese and Indian businesses and operations may be unable to continue to operate if we or our affiliates are unable to access sufficient funding or if China enforces contractual relationships with respect to the management and control of such businesses," Amazon said.

The problem with Amazon is that it has to comply with Indian and Chinese laws elsewhere as well as any violation of the laws in its international activities – existing or future – would invite fines and other financial penalties, or even a revocation of its licenses and being forced to shut. In India, the government also restricts ownership or control of Indian companies by foreign entities involved in online multi-brand retail trading activities.

In fact, commerce minister Nirmala Sitaraman had warned against foreign firms' moves for backdoor entry into India's multi-brand retailing through e-commerce ventures where they are not allowed to make direct sales so far Amazon, like its domestic rivals Flipkart and Snapdeal, operates under a marketplace model, where it offers its platform to sellers across the country. "For [www.amazon.in](http://www.amazon.in), we

provide certain marketing tools and logistics services to third-party sellers to enable them to sell online and deliver to customers. Though we believe these structures and activities comply with existing laws, they involve unique risks," Amazon added.

Amazon, which last year launched its marketplace in India - one of its fastest-growing markets – and was on track to touch \$1 billion in gross sales, is also facing tax issues with local authorities in Karnataka Amazon, however, is still planning to expand its infrastructure in India with its second 'fulfillment' centre in Gujarat as part of its \$2-billion investment plan in the country.

The e-tailer has approached the Gujarat government with plans to set up the centre next year and the firm is expected to start engaging with state government officials soon on the matter. Amazon, which competes fiercely in the burgeoning e-commerce market in India with local players like Flipkart, Snapdeal and other smaller firms, already has a network of seven centers across the country totaling over half a million sq feet area.

It claims the new centre will bring significant benefits to the state in terms of investment, employment and enhanced revenues as well as scaling up of small and medium businesses. "Besides providing affordable goods to consumers, it will also give a boost to various ancillary industries in Gujarat," according to the company.

Amazon currently has a total of 7 fulfillment centers on the outskirts of Mumbai, Bangalore, Delhi, Chennai, Jaipur, Ahmedabad and Tauru on the outskirts of Gurgaon.

### **3 TiE in Silicon Valley rolls out Billion Dollar Babies to help Indian startups**

The Silicon Valley chapter of The Indus Entrepreneurs (TiE) is launching a first-of-its-kind initiative, called Billion Dollar Babies, to mentor Indian startups that

have the potential to hit a billion dollars in valuation, and showcase them to US investors.

The initiative is spearheaded by TiE's Silicon Valley members and serial entrepreneurs B V Jagadeesh and Raju Reddy, who is also founder of Sierra Atlantic, and its Silicon Valley president Venkatesh Shukla

"We will identify 6-8 Indian startups and take them to the Valley where we would help them set up an office, and hand hold them in their legal, sales and marketing efforts," said Jagadeesh.

Jagadeesh, who grew up in Bangalore and then moved to the US, is also the managing partner of Kaaj Ventures and his investments in the US include Ocarina Networks (that was acquired by Dell), Ankeena Networks (acquired by Juniper), Denali Systems, ScaleArc, Nutanix, Fonemine and Whodini. He has invested in three Bangalore-based startups — Flutura, Rakya Technologies and Triumph Software.

Jagadeesh said the screening process for Indian startups would be based on the size of the market that they were addressing and success proof points in India. "We believe that given the size and nature of the Indian market, startups that validate their idea and technology here would be good enough for the world market. Also, they should be addressing multi-billion dollar market opportunities," he said.

He said the selection process had started, with three startups being asked to present their ideas to some investors in the Valley. He said it was premature to name the startups.

TiE was founded in 1992 in Silicon Valley by a group of successful entrepreneurs, corporate executives, and senior professionals with roots in the Indus region. There are currently 13,000 members, including over 2,500 charter members in 61 chapters across 18 countries. "We have some 300 charter members in the US who are willing to give time to build the next generation of

Enterprise. We will also leverage this network to raise funding for the startups," Jagadeesh said.

#### **4 India-US deal could lead to global trade deal within 2 weeks: WTO**

A day after a breakthrough deal between India and the US on food security related issues, the WTO said there was a "high probability" of reaching an agreement within two weeks on the stalled Bali package to facilitate easier global trade flows. "I would say that we have a high probability that the Bali package will be implemented very shortly," WTO director-general Roberto Azevedo told reporters on the eve of the G20 summit, to be attended by world leaders including US President Barack Obama and Prime Minister Narendra Modi. The WTO related matters are came up for discussions during this two-day meet. "I'm hopeful that we can do it in a very short period of time, certainly within the next two weeks," he said.

India achieved a major breakthrough with the US agreeing to its proposal on food security issues at WTO, a development that will pave the way for ending a three-month long stalemate on trade facilitation agreement at the multilateral trade body.

As per the agreement, the US will support India's proposal at WTO that 'peace clause', crucial for uninterrupted implementation of India's food security programme, should continue indefinitely till a permanent solution is found. This will enable India to continue procurement and stocking of food grain for distribution to poor under its food security programme without attracting any kind of action from WTO members even if it breaches the 10% subsidy cap as prescribed by the multilateral trade body. As per the Bali agreement, the peace clause was to continue till 2017.

The differences on the public stock holding of food grains between the developed countries led by the US and developing nations including India led to impasse

over ratification of the trade facilitation agreement (TFA) at Geneva in July. This agreement - which the organization's 160 members failed to reach agreement on in July - is crucial to ensuring the WTO's relevance. " I received very positive news that the US and India had reached an understanding that will help us overcome the stalemate," he said.

"I strongly welcome this development and I applaud the leadership that has been shown by India and US to move the process forward." "I think this breakthrough with the US and India is very important," he said, adding that they were the key players at the heart of the impasse in July.

"The chances that we can in Geneva, with everybody, with all other WTO members, finalize this understanding are very significant," he said.

## **5 Burger King tests India waters, starts with 12 outlets**

US fast food chain Burger King Worldwide will open about 12 outlets in India over the next 60-90 days, Rajeev Varman, chief executive of the hamburger chain's India unit said.

The chain announced last year a tie-up with the Everstone Group to develop the Burger King brand presence in the country. In India, the hamburger chain has changed its menu to sell mutton, chicken and veggie sandwiches.

"In the long run, India is going to be one of the largest markets globally. Burger King most certainly sees India as one of the biggest opportunities in the future," Varman said ahead of the chain's first store opening in New Delhi.

Burger King is a late entrant in the country. Rival McDonald's Corp has been around for close to two decades and has already grown its network in tier two and three cities.

"Turkey, China and Russia are each growing by around 100 restaurants a year. Here in India, we will set up our first few restaurants and use that to fine-tune our

operating model before determining our growth plans," Varman said in an email.

## **6 Aurobindo Pharma to buy US nutritional supplements maker**

Indian generic drug maker Aurobindo Pharma Ltd said that its US unit won a bankruptcy auction to buy nutritional supplements maker Natrol Inc for \$132.5 million.

Aurobindo said the deal with Chatsworth, California-based Natrol, which sells vitamins and supplements as well as diet and weight management products, will help the company expand its over-the-counter products business in the United States.

The deal is pending final approval by the United States Bankruptcy Court for the District of Delaware, Aurobindo said in a statement. Barclays provided legal advice to Aurobindo on the deal, while Sullivan & Cromwell LLP was the company's legal counsel.

## **7 Uber launches low-cost cab service for India**

Uber, the mobile device app for ride sharing, is launching its first made-for-India, low-cost product called UberGo to take on rivals like Ola as well as the regular cruising cabs and auto rickshaws in a highly competitive domestic cab market. This new range of hatchbacks — comprising Tata Indica Vista, Nissan Micra and Maruti Suzuki Swift — will be rolled out across ten Indian cities that the San Francisco startup is present in and will be 15-20% cheaper than its UberX line. The base fare for a ride in UberGo would be Rs 40, with per-km charges in the Rs 1112 range, depending on which city you are in. Bangalore-based Ola, on the other hand, has base fares starting at Rs 100 for the first 4-6 kilometers for its Mini range, while TaxiForSure recently introduced new base fares of Rs 49 for 4 kilometers.

TOI had reported in its November 19 edition that Uber is launching a line of

hatchbacks, expectedly triggering off a fresh pricing war in the market. The Indian cab sector has seen some frenetic activity of late with investors lining up funds to push transportation startups employing technology to disrupt the traditional taxi services business.

Japan's SoftBank recently put in \$180 million in Ola, which fights directly with the world's most valued tech startup Uber, making it a hotly contested war between the two, paralleling the ongoing e-commerce battle between Flipkart, Amazon and Snapdeal. On UberGo, there will be a further discount of 25-35%, which is a promotional pricing, the company said.

"With the recent launch of a mobile wallet and the addition of UberGo, we are now accessible to millions of Indians. UberGo is specially designed for the needs of the Indian consumer and driver partners," said Bhavik Rathod, GM, Uber Bangalore.

Uber had come under the central bank's scanner for flouting the mandatory two step verification required for any credit card transaction in India. In April, the ride-sharing smartphone app introduced its affordable line of UberX priced 25-40% cheaper than its flagship Uber Blacks.

Founded in 2010 by Travis Kalanick and Garrett Camp, Uber is reportedly in the midst of raising \$1 billion in a new financing round valuing it at \$25 billion. Uber counts India as its second largest market after the US in terms of cities covered, ten at present. Globally, the company has faced the ire of regulators, taxi unions and from peers and consumers in some cases. It's go for broke attitude this week landed Uber in fresh trouble when one its executives publicly proposed to investigate the private lives of journalists who criticized the cab hailing service leading to an apology coming in from Kalanick himself.

## **8 Infosys to hire over 2,100 in US**

Country's second-largest software services firm Infosys plans to hire over 2,100 people in the US over the next few months to expand capabilities across

domains, including digital, big data, analytics and cloud. The major recruitment drive in the US will support the growth of Infosys' business and enhance its capabilities, the company said in a statement.

"With this programme, Infosys will bolster its expertise in client relationship management, consulting and technical delivery. The addition of these employees will help Infosys provide its clients local market insights, industry-leading technology expertise, and timely responsiveness to critical issues," the statement said.

While 1,500 professionals will be hired for consulting, sales and delivery during the current financial year, close to 600 Bachelors and Masters graduate will be roped in from US Universities over the next 12 months. Infosys will also recruit up to 300 management and technology graduates from US universities, who will work across multiple technology domains, including digital, big data, analytics and cloud.

Up to 180 graduates will be recruited into the Infosys consulting practice in the US and they will join existing teams advising clients on business and technology transformation strategies. The Bangalore-based firm will also continue its global recruitment programme of hiring MBA graduates from leading business schools, recruiting 100 Masters graduate for its sales teams under this initiative. "We believe in hiring professionals who will help us build a next-generation services company. Technology is truly reshaping the world around us today," Infosys Head of Human Resources (Americas), Peggy Tayloe said.

The recruitment drive will leverage a wide range of relationships between Infosys and academic institutions across the US, cultivated through programmes like InStep Internship Program and the recently announced collaboration with the Institute for Computational & Mathematical Engineering at Stanford University.

"We are particularly looking forward to bringing a large group of graduates into Infosys in the US. This is a terrific time for young, smart and talented leaders to be graduating from the best American schools and choosing a career in the

technology industry," Infosys executive vice president and head of Infosys Americas, Sandeep Dadlani said. For most Indian IT services firms, the US accounts for the largest chunk of revenues. Infosys, which has over 1.65 lakh employees, registered 60.8% of its revenues from North America. Its revenues stood at Rs. 13,342 crore for the quarter ended September.

## **9 AMD welcomes tie-ups for semiconductor production**

Chipmaker Advanced Micro Devices will be open to partnering with companies for semiconductor manufacturing in India even as it plans to leverage strength in newer business areas including graphics and chip design in the country, the San Jose, California-based company's chief executive Lisa Su told ET in an exclusive interview.

"There may be an opportunity to design specific devices for the India market here and that's something we can look at over the next couple of years," said Su, AMD's first female CEO, who took over the role in October. She did not rule out the possibility of getting into semiconductor manufacturing in India or partnering with another player either.

"We're outsourcing that (manufacturing) to a couple of partners. But we have the design capability here. If the opportunity arises, that would be a potential," she added. AMD, which has an employee base of over 1,000 engineers in India, counts the country among its top ten markets and sees it as one of the focus markets in the future. In India for the company's 10-year anniversary celebrations, Su said her focus as CEO is to deliver products in market segments that will grow over the next five years. The company sees growth in the enterprise business, embedded business and the newest gaming consoles launched by the likes of Microsoft and Sony. AMD supplies the chips for Microsoft's Xbox One and Sony's PlayStation 4 gaming consoles, and also counts Hewlett-Packard as a big customer.

"Gaming market in India is at an infancy stage...but what we see is huge opportunities-...Plus we're seeing graphics are becoming critical for virtually every business. In business, education, everywhere, it's going to be big," said Su. According to estimates from international games-market research firm NewZoo that tracks and ranks countries based on gaming revenue, India is still on the fringe of the top 20 with about \$307 million (about Rs 1,900 crore) revenue in 2014.

Su also said AMD sees the entertainment industry in India as a big consumer of technology, and the company would look to leverage its strength in graphic and visualization chips.

## **10 Trade delegation:**

During the month of Nov. 2014 no trade delegation visited India from the jurisdiction of this Consulate.

During the month Mr. R. Gopalakrishna & Mr. Suarabh Mitra from Ministry of Railways visited San Francisco, CA from Nov. 8-12, 2014.

## **11 Trade enquiries:**

The following organizations / individuals approached this Post for various queries and all of them were given appropriate replies.

- a Varmora Granito Pvt. Ltd., Rajkot
- b Lingam Exports, Tamil Nadu
- c Sinostar Asia
- d Ami-sol, California
- e TJ Purewal, Sacramento, CA
- f Sino-Gold Imports
- g Mr. Acharya, India
- h Yuva India Exports, Tamil Nadu
- i Al Awwal Exim, Tamil Nadu

## **12 Visas issued:**

During the month of Nov. 2014 this Post issued **897** Business and **6578** Tourist visas.

Purshottam Bhatnagar  
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