

### **Seventh India E-U Summit**

The Seventh India-EU Summit was held in Helsinki from October 12-13, 2006 under the Finnish Presidency of the EU. Prime Minister, Dr. Manmohan Singh, led the Indian delegation while the EU delegation was led by the Finnish President Tarja Halonen, President of the European Commission, Mr. Jose Manuel Barroso,. The areas of focus at the Seventh India-EU Summit were the economic aspects in the India-EU relations, energy, cooperation in counter-terrorism and the closer security and political dialogue. The two sides agreed to begin negotiations on a broad-based trade and investment agreement. A joint statement covering the multi-dimensional engagement between India and the EU, was issued at the end of the Summit.

### **ECONOMIC NEWS**

#### **India among most preferred FDI destinations in Asia**

The World Investment Report 2006, released by the United Nations Conference on Trade and Development (UNCTAD) indicates that India is the fifth most preferred investment destination for foreign money, attracting \$6.6 billion in 2005, against \$5.5 billion in 2004. The report says India continues to remain a favourite destination due to strong economic growth, over 8 per cent GDP growth and 36 per cent

growth in the stock market. Policies such as opening up of the retail industry to single-brand players, permitting FDI in industries like construction and raising the permitted level of foreign ownership in communications have helped India in attracting foreign investments. FDI inflows were also driven by large M&As, such as the acquisition of Gujarat Ambuja by Holcim of Switzerland for \$607 million.

#### **Posco plans to bring in US\$ 27 billion more**

Global steel major, Posco, will bring in additional FDI of US\$ 27 billion over the next seven years to set up additional steel plants in Chattisgarh and Jharkhand. Posco has already committed US\$ 12 billion for a 12m-tonne steel plant in Orissa. Put together, Posco's investments would turn out to be more than India's total FDI inflow since 1991, which stood at \$38.9bn on March 31, 06. Although new investments would mainly be for setting up steel plants in new locations, the company would also develop infrastructure such as ports and roads, and also explore the possibility of mining new iron ore sources in the country.

#### **BNP Paribas invests US\$ 63.8 million in local arm**

French financial services group, BNP Paribas, has infused Rs 2.9 billion (\$ 60 million) of capital in its

Indian operations, taking the total capital base of the bank in India to Rs 10 billion.( \$ 220 million) In the last three years, the bank has infused Rs 7.18 billion ( \$ 150 million )as capital. This new capital infusion demonstrates the group's commitment to increasing its activity and presence in India. The BNP group is also present in asset management and insurance businesses in India through strategic alliances with Sundaram Mutual and State Bank of India, respectively.

### **Bosch to invest US\$ 201 million in India**

Bosch, the German auto components giant, will invest Rs 9 billion (\$ 200 million) in its Indian subsidiaries over two years. Bulk of the investment will be in Motor Industries Co Ltd (Mico) - the Bosch flagship in India. Bosch is keen to increase its presence in emerging markets like India. As part of its India growth plan, the company decided to invest Rs 18 billion (\$ 400 million) between 2005-08.of which Rs 9 billion ( \$ 200 million) has already been invested. The balance Rs 9 billion (\$ 200 million) will be invested over two years.

### **Samsung to invest \$20 mn in R&D**

Samsung is investing \$20 million in research and development in its IT centres in Noida and Bangalore this financial year to give a boost to its IT division in India. The Noida centre of Samsung develops software that is India-specific and

also makes LCD monitors. The Bangalore centre develops software that caters to the global demand. The printer market in India is growing at a rate of 30 per cent every year. Samsung is planning to aggressively market its line of printers to take advantage of this. Samsung is expecting 100 per cent growth in its laser printer section in the year 2006, with 200 per cent growth in the colour laser printer section.

### **FDI in telecom, IT hits US\$ 17.6 billion in 20 months**

With companies such as Intel, Microsoft, Cisco, Nokia and Ericsson outlining ambitious expansion plans for India, the FDI commitment in the telecom and IT sectors combined have touched Rs 800 billion (US \$ 17.77 billion) over the last 20 months. Companies whose units are already operational include Ericsson, Elcoteq, LG, Nokia, Alcatel, EMC and Xenitis. Software major Microsoft's \$1.7bn investment covers R&D, Education, Governance and Productivity and is spread over a period of four years. IBM's investment plans include expansion of software, services and customer-support and also funding the new service delivery centres in Bangalore and a telecom research facility in New Delhi. In the case of SAP Labs India, the investment has been channellised towards R&D Centre for development of software and software solutions.

### **Ericsson wins \$1 bn Airtel order**

Swedish telecom group Ericsson has won an order worth about one billion US dollars from Bharti Airtel to expand and upgrade its mobile network. Under the three-year services agreement, Ericsson will design, develop and deploy Bharti's network, including capacity and coverage. After completion Bharti will be able to reach all towns and cities in 15 regions.

### **Hewlett Packard starts production facility in Uttaranchal**

Hewlett-Packard (HP) India launched its second manufacturing facility in the country in Pantnagar, Uttaranchal. The plant is expected to provide employment to around 1,000 people in the region. Set up with an initial investment of Rs 1 billion, (\$ 220 million) the new HP plant will start functioning in March next year. It will have an initial capacity of manufacturing 300,000 computers a month. Besides Pantnagar, HP has another plant in Bangalore, Karnataka. HP regards India as a strategic market for its products in the region.

### **Flextronics to invest \$100 million in India**

Global communications Software Company Flextronics Software Systems announced that it would invest \$100 million in India including the research and development (R&D) costs over the next three years. The company has

two manufacturing units in India - in Bangalore and in Chennai. At present, it commands about 20 per cent market share in India

### **Indian IT majors outpacing global giants**

IT giants like IBM, EDS, Accenture and Oracle are gearing up to take on the challenges posed by their Indian rivals. A number of global research firms, including Goldman Sachs, Forrester, Gartner, AMR Research and Wachovia Securities have suggested in separate research reports that Indian IT majors are outpacing their rivals in the US as well as other low-cost countries like China. While US tech services firms are likely to post an average operating profit growth of 7 per cent this year, the growth rate is pegged at 22 per cent for their Indian counterparts, according to Goldman Sachs. The trend would continue through the next year as well with operating profit growth of US companies estimated at 9 per cent, as against the continued growth of 22 per cent in India. The analysts at the US-based equity research major anticipate an average revenue growth of 30 per cent for the large-size Indian IT companies in 2006 and 2007, as against 8 per cent for their US rivals during the period. The industry experts believe that the Indian IT companies, particularly those in the BPO space, have moved beyond being just low-cost service providers and are focusing more on efficiency and customer satisfaction.

## **IBM sees more growth in India**

IBM, the world's largest computer services company, aims at increasing its share of business in India as banks, retail and small and medium-sized firms spend more on technology in Asia's fourth-largest economy. IBM's business in India grew 45 per cent on the year in the April-June quarter, the fastest for that period of IBM's emerging market business. IBM has bagged big deals in telecoms, like one from India's top mobile services firm Bharti Airtel Ltd. in August, 2006. IBM, which derives about half its revenue from information technology consulting and outsourcing, has made India a global delivery hub for software needs and client services.

## **India Inc high on M&A wave**

India Inc is likely to witness a continuing surge in merger and acquisition activities after a record number of M&A deals in the first half of 2006 aggregating more than \$25 billion. On the back of upswing in both inbound and outbound cross-boarder mergers, M&A deals worth \$25.6 billion were executed during the first half of 2006, outsizing the M&A deals recorded in the entire 2005, according to Price Waterhouse Coopers report. India has overtaken China and South Korea in the Asia Pacific region and only lags behind Japan and Australia in terms of the size of M&A deals.

## **Tata's bid to takeover Corus**

The Tata Group has made an offer to take over the Corus Group, Europe's second-largest steel producer and the eighth largest in the world. The deal would represent corporate India's biggest buy in what has become something of a global shopping spree. Tata has plenty of experience in M&As. In 2002, its tea division bought a controlling stake in U.K. firm Tetley for \$407 million. In 2004, Tata Steel acquired Singaporean firm Natsteel for \$486 million. Tata Tea bought a stake in the U.S. water manufacturer Glaceau for \$677 million, and Tata Coffee acquired Eight O'Clock Coffee of the U.S. for \$220 million. Founded in the mid-19th century, the Tata Group now has 96 companies in sectors ranging from services to energy to consumer products. The Group, which last year saw revenues of \$21.9 billion, employs around 2,02,700 people. It has a market capitalization of \$49.2 billion.

## **Wipro buys Sweden's Hydrauto for US\$ 31 million**

Wipro Infrastructure Engineering (WIN) - formerly Wipro Fluid Power - part of Wipro, announced that the company is acquiring Sweden-based Hydrauto Group AB for \$31m (Rs 1.426 billion) in an all-cash deal. The acquisition will give Wipro's infrastructure engineering arm an entry into Europe.

### **M&M bags German forging firm Jeco**

Mahindra & Mahindra (M&M) has struck a deal to buy out German forging company Jeco Holdings in the largest overseas deal in the auto component sector so far. M&M, through its component arm Mahindra Systems and Automotive Technologies, now rechristened Systech, acquired a 67.9% stake in German forging company Jeco Holdings, one of Germany's top five forgings companies. The enterprise value of the firm has been estimated at about €140m (Rs 8.3 billion), making it the largest outbound deal.

### **ONGC Videsh to pump US\$ 500 million in Colombia**

ONGC Videsh (OVL), the overseas arm of the state-owned Oil and Natural Gas Corporation (ONGC), will pump a further US\$ 500 million into the Colombian oil fields it acquired jointly with Sinopec recently. OVL and Sinopec acquired Omimex de Colombia, for US\$ 850 million. Omimex has since been renamed Mansarovar Colombia in which both Sinopec and OVL have 50 per cent stake. The company plans to ramp up production at the Colombian oil fields from the current 20,000 barrels per day (bpd) to 80,000 bpd over the next 12 months.

### **23 Indian cos in Forbes Asia list of 'best under a billion'**

There are 23 Indian companies figuring in the Forbes Asia 2006 (October issue) list of 200 leading publicly quoted companies in the region with sales of less than US\$ 1 billion. The list includes Asian Paints, Bharat Forge, Cipla, Carborundum Universal, Dabur India, Pantaloon Retail and Punjab Tractors.

### **Realty sector to touch US\$ 50 billion**

The domestic real estate sector may emerge a US\$ 50 billion industry by 2010 and prove one of the most attractive sectors for foreign investments. Strong economic growth, favourable demographic changes, fiscal benefits, lower interest rates and improvements in institutional framework have helped the industry's growth in the last two-three years. Since 2004 most companies have reported astronomical growth in profitability on the back of rising property prices. In 2005, the industry grew at around 30 per cent.

### **Retail set for a boom**

The retail opportunity in India is expected to increase to US\$ 440 billion by 2010 from the existing US\$ 300 billion, while investments in the sector are slated to go up nearly 10 times to US\$ 25 billion over the next five years. Some of the big players such as Reliance and Bharti Enterprises have already

announced plans to foray into the sector, while foreign retail chains are eyeing the huge opportunity. Tata's new venture, Infiniti Retail Limited will be a 100% subsidiary of Tata Sons and offer over 6,000 products across eight categories. The Tata group announced an alliance with Australian retail major Woolworths, to start a specialised retail chain for consumer durables, while the Dubai-based Landmark group, which runs Lifestyle stores in India, is in talks with Europe's biggest retailer Carrefour for acquiring its franchise. UK retail major Tesco indicated it will announce its Indian plans at the end of 2006.

### **Outsourcing of legal services to India**

Clifford Chance, the world's largest law firm, has announced it would outsource much of its administrative work to India, in what will be the biggest move offshore ever undertaken in the legal profession. The move is expected to yield more than \$ 18 million (9.5 million pounds) in annual savings. Although other law firms, such as Baker & McKenzie, have also outsourced some operations, Clifford Chance's move represented a tipping point for outsourcing by the legal industry.

### **Growth in Telephones**

The total number of telephones registered in the country has been going up at a fast clip. In August 2006 the number of registered telephones, breaking all past records, touched 164 million. During the

month of August 2006 alone the number of mobile phones registrations grew phenomenally by 5.90 million. Further, in the first five months of the current fiscal, the net addition to mobile and fixed line subscribers was 23.99 million, a figure much higher as compared to the additional 10.51 million users that were registered in the corresponding period of the last fiscal.

### **Aerostar Aviation ties-up with FSA**

Aerostar Aviation, one of the leading companies in Indian aviation sector has joined hands with Flight Safety Academy (USA). With more than 1500 instructors and facility to provide training on 135 types of aircrafts, the training academy is the best and largest in the world

### **Open skies policy to boost travel, hospitality segments**

With the open skies policy effective from November 2006 onwards, the Indian travel and hospitality segment is set to witness a significant increase in business this winter season for both inbound as well as outbound travel. For the last couple of years, many carriers have taken advantage of the government decision to permit international carriers to increase the number of flights for a short period. Tour operators have also benefited from an increase in the number of seats.

### **Boeing to invest \$118 mn in Nagpur**

Boeing Company will invest \$118 million to set up a maintenance, repair and overhaul (MRO) facility in Maharashtra following the Rs 350 billion deal with Air India. The venture, to be set up near Nagpur will serve as MRO facility to the Boeing family of airplanes for the entire South East Asia and will enable Indian firms to participate in aircraft development programme. Maharashtra Airport Development Corporation will hold 51 per cent stake in the venture while rest will be owned by AAI.

### **India to have Oxford's first overseas research centre**

Oxford University, the oldest varsity in the English speaking world, may be breaking new ground with plans to set up its first business research centre outside UK in India to study the country's rapidly expanding economy. The university will invest £10 million initially to set up its first business research centre, which will study a wide span of issues in the country ranging from infrastructure and education to social entrepreneurship and business taxation. There will be a study centre in Oxford that will lead the research works in India.

The centre is expected to be operational by next year.