



**Ministry of External Affairs
Government of India**

Weekly Economic Bulletin

Date: January 9-January 14, 2008

Issue No. 246

Contents

1	News Feature	Page 1-2
	<ul style="list-style-type: none">• India will continue its dynamic growth in 2008: UN• India favourite outsourcing destination for UK firms• India Inc's M&As rise 150% in 2007	
2	Overseas Investment	Page 2-5
	<ul style="list-style-type: none">• Investors unwrap FDI for logistics companies• Hampshire to invest Rs 5000cr in India• Caparo Group to invest US\$ 254.52 million in India• Teva pharma to invest Rs 4,000 cr in India	
3	Trade News	Page 5-7
	<ul style="list-style-type: none">• Cabinet nod for MoUs with Italy• India has no option but to engage China, says Manmohan• India, China to sign MoUs in rail, housing, other sectors• India committed to success of SAFTA• Liberalisation opened new opportunities in India: Greece PM	
4	Sectoral News	Page 7-10
	<ul style="list-style-type: none">• Aviation plans to spread wings in metros, tier-II cities• Jewellery firms eye global mart• Govt gives in principle approval for spectrum allocation• Telecom R&D set to grow rapidly• Tata Nano sets the platform for India as a frugal engineering hub	
5	News Round-up	Page 10-11
	<ul style="list-style-type: none">• India's luxurious trains among world's top 25• NRIs contribute 5 per cent in Britain's GDP	

News Feature

India will continue its dynamic growth in 2008: UN

India will continue to witness dynamic growth in 2008, driven by investment in the manufacturing and service sectors, and will be "largely insulated from weakness in the global Economy," a new United Nations report has said.

The Asia-Pacific region as a whole is also likely to continue to see strong economic growth this year, despite uncertainties posed by a slowing United States Economy, it predicted.

"Key Economic Developments and Prospects in the Asia-Pacific Region 2008" -- published by the UN Economic and Social Commission for Asia and the Pacific (ESCAP) -- stated that the region's resilience will be underpinned by strong growth in India and China and high commodity prices.

"Asia-Pacific economies are well prepared to manage continued uncertainty in the external environment over the coming months," Chief ESCAP economist Ravi Ratnayake said at the launch of the report in Bangkok.

"The region's main strength lies in healthy macroeconomic fundamentals -- countries have the room to adopt supportive fiscal and monetary policies if faced with significantly declining export growth, financial market volatility or inflationary pressures," he added.

Developing economies in Asia posted a growth rate of 8.2 per cent in 2007 and is expected to grow at a "slightly lower but still robust" rate of 7.8 per cent this year.

<http://www.financialexpress.com/news/India-will-continue-its-dynamic-growth-in-08-UN/259921/>

India favourite outsourcing destination for UK firms

India emerged as the favourite outsourcing destination for businesses in UK, as organisations rated India-based outsourcing firms highest in terms of satisfaction, placing them above 'traditional' global providers in a survey of UK's public and private sector firms.

According to the Outsourcing Service Provider Performance Study 2007, conducted by sourcing advisory firm EquaTerra, all UK businesses currently offshoring all or part of their IT functions use India as one of their locations, and plan to continue with this strategy.

The study, undertaken annually, evaluates £34 billion (or about \$66.7-billion) worth of UK IT sourcing contracts, about three-quarters of the total UK IT sourcing market. Satisfaction levels were found to be highest for India-based outsourcing providers, with 'traditional' global providers ranking low, the study said.

http://economictimes.indiatimes.com/Infotech/India_favourite_outsourcing_destination_for_UK_firms/articleshow/2691189.cms

India Inc's M&As rise 150% in 2007

India Inc announced deals worth \$70 billion in 2007, up 150% over the previous calendar year. Significantly, even though this is a mere 1.5% of the estimated value of global deals struck during the year, in terms of actual increase Indian companies were a much bigger contributor.

Total merger and acquisition (M&A) and private equity (PE) deals in India, which were \$42 billion more than their 2006 tally, accounted for about 5% of the increase in the value of global M&A deals, which rose to \$870 billion last year.

The value of total deals announced in India during the year stood at \$70.14 billion as against \$28.16 billion in 2006. The volume of deals involving Indian companies also crossed the 1,000 mark for the first time last year. Out of the total, \$51.11 billion was the value of strategic M&A involving Indian companies, either as sellers or buyers, and the remaining \$19.03 billion was the result of PE deals.

These figures, however, may not reflect the actual value of deals completed as some of the transactions will spill over into the next year, given mandatory regulatory approvals which take time. Moreover, the aggregate figure also does not factor in the value of deals whose transaction value remains undisclosed, which represented about one-third of the total 1,081 deals announced in 2007, according to the latest dealtracker compiled by advisory firm Grant Thornton.

Given the multi-billion dollar M&A deals: Tata-Corus, Vodafone-Hutch and Hindalco-Novelis — which constituted a little more than half of the total M&As involving Indian companies during the year — strategic acquirers clearly overshadowed PE funds on dealstreet.

The year 2007 would go down as the year when strategic M&As were clearly dominated by cross-border transactions. Cross-border deals, including both Indian companies acquiring abroad and multinationals acquiring equity stakes in Indian companies, accounted for 94% of the M&As by deal value last year as against just about 55% of the total in 2005.

http://economictimes.indiatimes.com/News/News_By_Company/India_Incs_MAs_rise_150_in_2007/articleshow/2697651.cms

Overseas Investment

Investors unwrap FDI for logistics companies

Despite the threat of FDI cap being lowered to 49% in the courier industry, the Indian courier and logistics sector is seeing a flurry of deals involving foreign players. French major GeoPost Intercontinental is buying a 60% stake in Delhi-based Continental Air

Express while venture capital fund Clearstone Venture is set to buy a 35% stake in Mumbai-based courier company Elbee Express.

Clearstone Venture, through its Mauritius arm Clearstone Venture Mauritius, is buying a 35% stake in Elbee Express by way of equity and preference shares for Rs 16 crore. Nikhil Shah and Chandrika Shah are the promoters of Elbee, which also has over 2% stake owned by Kotak Mahindra.

Clearstone, a venture capital firm, has earlier made investments in the e-commerce, design and entertainment space in India. It has invested in online bill payment solution firm indiaideas.com, customised mobile handset design maker DigeerBee Microsystems and web-based games firm games2win.

Paris-based GeoPost Intercontinental is buying a 60% stake in Continental Air Express for Euro 4,00,000 through preferential allotment of equity. GeoPost, a Paris-based firm with a turnover of close to Euro 3000 million in 2006, is engaged in B-2-B express parcel deliveries. The promoters of Continental Air Express, Vipin and Vaibhav Vohra, and GeoPost will invest an additional e 4 million in the ratio of their shareholding 40%:60%, respectively.

http://economictimes.indiatimes.com/Market_News/Investors_unwrap_FDI_for_logistics_cos/articleshow/2688006.cms

Hampshire to invest Rs 5000cr in India

US-based hotel chain Hampshire Hotels and Resorts LLC, which has chalked out plans to develop 25 hotels at an investment of Rs 5,000 crore in 21 cities in India, formally opened its first business hotel in Hyderabad.

The hundred-room hotel is the first of three hotels planned in Hyderabad at a total investment of Rs 500 crore by the company.

This would be followed by two hotels each in Kochi, Chennai and Bangalore in the south besides bigger hotels with convention hall facilities in cities like Mumbai and New Delhi among other central, western and northern Indian cities in four years.

Sharing his plans for India till 2011, Sant Singh Chatwal, chairman and chief executive officer of Hampshire Hotels and Resorts LLC, said plans for ten hotels have already been firmed up and the rest would be finalised in a year. Chatwal would bring in 50 per cent of the Rs 2,000-crore equity on his own while the remaining would come from the company's institutional partners from the US at a later date. The hotel chain will raise 60 per cent of the total investment by way of debt.

"Today my dream has come true. I wanted to come back home to India 25 years ago," he said, adding he was happy to start his first Indian hotel in Hyderabad.

The company would foray into the Indian hospitality sector in three categories – business hotels, boutique hotels and hotels with convention hall facilities, which can house

anywhere between 1,300 and 5,000 people. The hotels will have a total capacity of 5,000 rooms.

http://www.businessstandard.com/common/storypage_c.php?leftnm=10&autono=310542

Caparo Group to invest US\$ 254.52 million in India

NRI industrialist Swraj Paul-led Caparo India said it plans to invest Rs 1,000 crore in the Indian market over the next three years to become the largest automotive technology company in the country.

"The company will invest Rs 1,000 crore over the next two to three years time. We plan to rake in USD 500 million sales from the country by then," Caparo India CEO Angad Paul told reporters at the 9th Auto Expo.

The company has already invested Rs 1,000 crore in the country toward setting up 22 manufacturing facilities, including in Pune, Chennai and Singur in West Bengal.

Paul said the company would review the investment figures as and when required. The investment would be made in setting up manufacturing units near the existing ones in Chennai and Singur as also in expanding capacity at the Pune unit.

A major portion of the USD 1.5 billion revenues of Caparo Group comes from the UK and US. India accounts for about USD 150 million. "In future, we would like that all the three regions contribute equally to our revenues," Paul said.

<http://www.financialexpress.com/news/Caparo-Group-to-invest-Rs-1-000-cr-in-India/259958/>

Teva pharma to invest Rs 4,000 cr in India

Israel's Teva Pharmaceutical Industries, the world's largest manufacturer of copycat patented drugs (generics), plans to invest over \$1 billion in India to acquire Indian drug companies and set up greenfield manufacturing facilities.

The investment is planned for the next 24 months. Around \$250-\$300 million will be utilised for manufacturing facilities and the rest to fund acquisitions in India.

A few weeks ago, Teva had acquired over 100 acres of land near Gwalior, Madhya Pradesh, to set up active pharmaceutical ingredient (API) manufacturing facilities that will match the production capacity of domestic generic majors such as Ranbaxy, Cipla, Dr Reddy's, Sun Pharma and Wockhardt, sources told Business Standard.

Sources said Teva would start civil works at the site after it obtains necessary government clearances.

“Teva considers India an interesting geographical region and is looking to broaden its activities in the country,” Shir Altay, a company spokesperson said in an e-mail.

Teva is also likely to integrate Regent Drugs, which it acquired from JK Industries in 2003, with its API business (TAPI).

Regent Drugs, now a 100 per cent subsidiary of Teva, manufactures some APIs that Teva requires for its global business. The company also sources APIs from many Indian companies. V K Batra, managing director, Regent Drugs, declined comment.

http://www.business-standard.com/common/storypage_c.php?leftnm=10&autono=310274

Trade News

Cabinet nod for MoUs with Italy

The Cabinet has approved signing of two MoUs with Italy for cooperation in agriculture and food sectors. Mr P.R. Dasmunsi, Minister for Information and Broadcasting, said after the Cabinet meeting, “The two MoUs between India and Italy for cooperation in agro-food, agriculture and phytosanitary issues will remain valid for five years.” It will promote further bilateral cooperation, joint activities and exchanges between the two nations through exchange of scientific delegation and experts, he said. The MoU with Italy on agro-food sector will facilitate creation of a joint foundation and exchange of technologies between Indian and Italian agro-food enterprises.

<http://www.blonnet.com/2008/01/11/stories/2008011150921000.htm>

India has no option but to engage China, says Manmohan

The Prime Minister, Dr Manmohan Singh, has said that India needs to offer the Chinese, products of value, so as to make them stakeholders in India’s development.

“India has no option but to engage China and give China a stake in India,” Dr Singh told captains of Indian industry here on Sunday. “While the trade deficit is a source of worry, we must think long-term and engage more with China.”

The meeting was held a day ahead of a speech that Dr Singh will give at a business meeting organised by the China Council for the Promotion of International Trade. The Prime Minister is expected to use this speech to spell out his vision of the future of the Sino-Indian economic engagement.

He called the growth of India and China, “an international public good,” and said that “at a time when the world is worrying about global recession, sustained growth in India and China can help the world economy.”

The Indian business delegation raised several issues that it asked the Prime Minister to take up with the Chinese side. These included concerns over what the members described as China's "predatory pricing" policies, the use of hidden subsidies and the continuous and unpredictable changes in the country's regulatory environment.

Dr Singh said his message was that working with China was "a historic necessity. We will compete and we will cooperate because there is enough space in the world for both of us."

<http://www.thehindubusinessline.com/cgi-bin/bl.pl?mainclass=03&subclass=032>

India, China to sign MoUs in rail, housing, other sectors

During the three-day visit of the Prime Minister, Dr Manmohan Singh, India and China will sign five Memoranda of Understanding (MoUs) across various sectors. The two sides will sign MoUs for cooperation in rail, housing, geosciences, land resource management, and traditional medicine sectors.

Briefing newsmen after the Cabinet meeting, the Minister for Information and Broadcasting, Mr P. R. Dasmunsi, said, "The Cabinet has given its nod for signing of these MoUs." The MoU covering the rail sector will promote cooperation between Chinese Railways and Indian Railways and will be valid for three years. The MoU on housing will provide a basic framework for cooperation for the two countries in the sector, he said.

The understanding for cooperation in geosciences will provide an institutional mechanism for cooperation in the field, he said. The Cabinet also gave its nod for signing of cooperation in land resource management, land administration, resettlement and rehabilitation between India and China. "The MoU shall facilitate cooperation between the two countries for mutual cooperation based on the principles of equality, mutual benefit and reciprocity on matters related to land resource management, land administration and resettlement and rehabilitation," he said.

<http://www.blonnet.com/2008/01/11/stories/2008011150971000.htm>

India committed to success of SAFTA

India is committed to the success of SAARC Free Trade Agreement (SAFTA) and complete integration of the eight members of the South Asian Association for Regional Co-operation (SAARC), the Minister of State for Commerce, Mr Jairam Ramesh, said.

Addressing the Executive Committee meeting of the SAARC Chambers of Commerce and Industry (SCCI) in New Delhi, Mr Ramesh said: "Without partnership, peace and prosperity in the neighbourhood, India's globalisation is unsustainable". He said even as India has been in an FTA (free trade agreement) mode with ASEAN and other countries in different geographical regions and plans to globalise itself through heightened co-operation with world trade majors such as the US and the European Union (EU), India's foundation is in SAARC.

<http://www.blonnet.com/2008/01/13/stories/2008011350800500.htm>

Liberalisation opened new opportunities in India: Greece PM

Liberal tax reforms, new investment law, law on public-private partnerships, liberalisation of the energy market, reduction in corporate tax rates and simplifications of procedures have opened new investment opportunities for businesses in India, said Mr Kostas Karamanlis, Prime Minister of Greece.

Addressing a meeting with Indian industries, organised jointly by the Federation of Indian Chambers of Commerce and Industry, the Confederation of Indian Industries and the Associated Chambers of Commerce and Industry of India, Mr Karamanlis said to further strengthen the institutional framework between two countries, priority should be given to signing of the revised agreement on the avoidance of double taxation as well as to the conclusion of the agreement on air transport services.

He said that his country has a strong commitment to the development of economic relations with the Black Sea region, a region of prominent geo-strategic importance due to the abundance of raw materials like oil and natural gas. Therefore, it offers real advantages to Indian companies wishing to take advantage of the opportunities in the wider area of the Balkans and the Black Sea.

<http://www.blonnet.com/2008/01/12/stories/2008011252171000.htm>

Sectoral News

Aviation plans to spread wings in metros, tier-II cities

The aviation sector is pushing for market expansion in mini metros and tier-II cities, following the footsteps of real estate industry, automobiles and organised retail sectors.

The announcement by low-cost carrier GoAir's offer of a flat fare of Rs 1,075 for passengers flying from New Delhi to Jaipur, inclusive all taxes and surcharges, has set the aviation industry abuzz. The fare is lower than even the taxes and surcharges offered by airlines along with the fare.

At present, domestic airlines are charging around Rs 1,600 as fuel surcharge with Rs 150 congestion surcharge, and Rs 225 passenger service fees (which goes to government coffers) per ticket. These levies are included to alleviate losses owing to rising fuel costs and fuel spent due to congested airports.

GoAir's move may lead to a price war as it may prompt other carriers to reduce surcharges or offer flat fares. The normal fares charged by low-cost carriers on the 40-minute Delhi-Jaipur route is nearly Rs 2,750 (including surcharges and taxes) while a full-service carrier charges Rs 6,310. The airline industry posted around Rs 2,000 crore losses last fiscal year. According to GoAir, the objective of the fare drop was to convert road

traffic to air traffic (travel from Delhi to Jaipur is mainly done by road). “Over the last few years, metro-centric routes have reached a stagnation point in terms of escalation of passenger traffic growth,” a statement from the airlines said.

Another reason for the move to smaller cities is the stagnation of traffic to major metros. According to the latest Domestic Air Passenger Traffic Data, the overall metro contribution to passenger traffic escalation has dropped from 15% (2006-07) to 14% (2007-08) while the overall smaller metro contribution to passenger traffic has escalated by over 4% from 1.66% (2006-07) to 1.73% (2007-08).

<http://www.financialexpress.com/news/Aviation-plans-to-spread-wings-in-metro-tierII-cities/260415/>

Jewellery firms eye global mart

Jewellery firm Shrenuj & Company is in talks with European designers to introduce its high-end handbags under the luxury jewellery brand Arisia.

Pranava Bhargava, group general manager (marketing), said, “ We are in talks with leading European design houses for developing watches and handbags. The company might take the joint venture mode or co-branding initiatives after evaluating the value propositions.”

The Rs 900 crore Shrenuj acquired Diamond Trading Corporation’s 50 per cent stake in Arisia Jewellery, a company promoting the solitaire diamond jewellery brand Arisia. It is focusing on the luxury market with plans to launch diamond studded handbags, watches and mobile phones under the Arisia brand.

Bhargava said the entry in West Asia is a natural extension due to the presence of Indian diaspora. BRIC nations — Brazil, Russia, India and China — are emerging as lucrative markets.

Shrenuj will make the Chinese debut with Joliesse, a Hong Kong-based jewellery chain, which it acquired in 2003. It plans to open two stores in China and 18 outlets in Hong Kong in the next two years. Going forward, the company expects one-third of its revenues to come from the jewellery branding and retailing.

Asitava Sen, vice-president, retail and consumer goods of Technopak Advisors (a consulting firm), said, “ There is an opportunity to take Indian jewellery brands globally from the ethnic point of view. Indian jewellery have very niche designs and skill craftsmanship.”

<http://www.businessstandard.com/common/storypage.php?autono=310343&leftnm=6&subLeft=0&chkFlg=>

Govt gives in principle approval for spectrum allocation

The government gave in-principle approval for allocation of spectrum to GSM operators who have been waiting for frequency since 2006, CDMA players entering the GSM segment and to new aspirants in that order.

Communication and IT Minister A Raja signed the file and asked the Department of Telecom to proceed with the allocation of spectrum, beginning with the existing operators followed by dual technology and then new aspirants.

With this, Raja has met GSM operators' demand that they should be given priority ahead of others in spectrum allocation.

Among the beneficiaries, existing operators include Aircel, Vodafone-Essar and Idea cellular, while Reliance Communications, HFCL and Shyam Telecom would benefit under the dual technology clause.

The process would begin by issuing Letters of Intent (Lols) to all the eligible players.

As regards new aspirants, according to an official statement, the government would issue Lols to all the eligible applicants, who have applied before September 25, 2007, on a first-come-first serve basis.

http://economictimes.indiatimes.com/Govts_in_principle_approval_for_spectrum_allocation/articleshow/2689544.cms

Telecom R&D set to grow rapidly

The research and development in the field of telecommunication software is set to grow at a rapid pace as this segment is witnessing increased convergence riding on complex software solutions.

The third international conference on Communication Software and Middleware (COMSWARE) 2008 being held in the city saw research and development in telecommunications space taking the centre stage.

The conference, being held from January 5-10, received 290 submissions from 36 countries and around 100 articles.

“Research into the future of wireless technology in India is increasing with respect to the rest of the world. The Indian mobile market is of particular significance to the world because of the sheer number of subscribers. Companies need to focus on innovative product offerings to the Indian market,” said Qualcomm Vice-President (Technology) Giridhar D Mandyam.

Worldover, service providers are rolling out next generation networks and creating a new range of services.

“We see these trends creating opportunities for collaborative research. We are working on several key initiatives in the area of pervasive technologies and wireless sensor networks,” said Subramanyam G V, Vice-President & head-Software Engineering & Technology Labs, Infosys.

Some of the topics discussed at Comsware 2008 include ‘Wireless Sensor Network for Intrusion Detection’, ‘IPTV Distribution’ and ‘Quality of Service of Networked Embedded Systems’.

The event saw participation from companies like Microsoft, Infosys, Wipro, IBM, AT&T, Qualcomm, Intel, Sasken, Bell Labs — Alcatel Lucent, USA and OnMobile.

http://www.businessstandard.com/common/storypage_c.php?leftnm=10&autono=310087

Tata Nano sets the platform for India as a frugal engineering hub

When Carlos Ghosn, the chief executive of the Franco-Japanese alliance of Renault SA and Nissan Motor Co., visited India early in 2007 to do a deal with Mahindra and Mahindra Ltd (M&M), he coined the term “frugal engineering” to highlight the ability of Indian engineers to produce more with less resources.

So taken up was Ghosn with the concept that he visited India later in the year to sign two more pacts, with Ashok Leyland Ltd and Bajaj Auto Ltd, for making small trucks and smaller cars.

What ticked his imagination and that of the rest of the world was what has come to be called the Tata Nano, the Rs1 lakh car from Tata Motors Ltd, which critics had dismissed as impossible to do.

“We have been able to build a small, well-packaged, very affordable four-door, four-seat car that is economical to operate,” said Ratan Tata just prior to formally unveiling the car.

Noting that “virtually everything was developed ourselves,” Tata said the car was a result of “no radical changes, no reinvention of the manner in which a car is produced. A host of small and medium issues that has made it possible.”

The key breakthrough is that his company was able to, in a “small space, package a car quite effectively,” he says.

Indeed, Tata Motors is now going to start selling—later this year—a car that is not only the cheapest but also boasts of an engine that will be ahead of its time in meeting emission norms within India.

<http://www.livemint.com/2008/01/10234921/Tata-Nano-sets-the-platform-fo.html>

News Round – Up

India's luxurious trains among world's top 25

India's luxurious trains "Deccan Odyssey", "Palace on Wheels" and the 100-year-old steam "Toy Train" have figured in the top 25 trains in the world, prepared by an organisation of travellers here.

The Society of International Railway Travelers, which celebrates its 25th year in 2008, said some on the list are over-the-top luxury, such as the all-first-class "Golden Eagle Trans-Siberian Express", Rovos Rail's "Pride of Africa" and India's "Deccan Odyssey".

http://www.businessstandard.com/common/storypage_c.php?leftnm=10&autono=310608

NRIs contribute 5 per cent in Britain's GDP

Britain lauded the Indian community living in UK for their role in the country's economic growth.

"Indian community is one of the largest community living in Britain and they have contributed five per cent in the country's GDP," British High Commissioner to India Richard Stagg told a gathering of NRI's at the Pravasi Awards presentation ceremony organised by the NRI institute.

Describing the relationship between the two countries as "long, large and complex", he invited people from India to invest in his country.

"We do offer a very positive environment in our country," he said.

Stagg said the two countries can cooperate in education and private sector.

"UK universities are eager to do more with Indian institutions," Stagg said, adding Britain has more experience of Public-Private Partnership than any other country.

Former Indian Army Chief J J Singh, who was also present on the occasion, said: "We have challenges, but I want to give a message that our borders are safe."

Several NRIs were awarded for their contribution in India's economic growth.

<http://www.financialexpress.com/news/NRIs-contribute-5-per-cent-in-Britains-GDP/259542/>

