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News Feature

India outperforms China in M&As space

The China boom story may be dictating the metal and mining business across the globe, but India has outperformed its neighbour by a huge lead when it comes to merger and acquisition (M&A) deals in the space.

According to a survey on global M&A transactions by Ernst & Young, the value of such deals for India stood at \$28 billion in 2007 against a mere \$2.3-billion deals in China. The Indian deals are dominated by Tatas acquisition of Corus and AV Birla Group's Novelis deal. The two deals alone accounted for \$22 billion. The survey is based on response from 40 top global mining houses.

While Indian companies looked at mega deals, China remained active in M&A activities mainly in the domestic market with several small buyouts. According to the survey, while 2007 saw 18 transactions by Indian companies and its overseas subsidiaries or holding operations, there were 55 deals by Chinese companies.

The two countries also differed in terms of the nature of such deals, with 50% of them in case of China being domestic transactions, both in value and volume terms, while 90% of Indian deals were substantially large outbound deals.

"The operations of the Indian mining sector remain complex with antiquated laws and a myriad of rules and regulations. This has prevented domestic deals, which is essential to consolidate the sector and facilitate diversification. A lot of hope has been generated by the new National Mineral Policy. Its implementation may change the character of M&A deals in the country to reflect true global trends," an Ernst & Young official told.

<http://economictimes.indiatimes.com/News/News By Company/Corporate Trends/India outperforms China in MAs space/articleshow/3247460.cms>

Overseas Investment

Foreign reserves up \$123 million to \$308 billion

The country's foreign-exchange reserves rose \$123 million to \$308.5 billion in the week ended July 11.

Foreign-currency assets increased \$125 million to \$298.8 billion during the week, said the Reserve Bank of India in its weekly statistical supplement.

Gold reserves were unchanged at \$9.21 billion while reserves with the International Monetary Fund fell \$2 million to \$515 million. The nation's special drawing rights with the International Monetary Fund held at \$11 million.

The change in foreign-currency assets is partly because of changes in the value of the dollar against the euro, the yen and other currencies during the period, the central bank said.

India's foreign-exchange reserves, including overseas currencies, gold and special drawing rights with the International Monetary Fund, have increased \$89.6 billion in the past year, the bank said.

Meanwhile, money supply in India grew 20.5% in the two weeks ended July 4 from a year earlier, compared with 20.7% in the prior two weeks, the central bank data showed.

M3, which mainly comprises currency in public circulation, bank deposits and money invested in other saving plans, stood at Rs 41.5 trillion (\$970 billion) on July 4, the RBI said.

The measure rose at an average rate of 21.5% since the current fiscal year began April 1. That is more than the central bank's target of 16.5% to 17% for the fiscal year ending March.

At the same time, aggregate deposits outstanding as on July 4, stood at Rs 33,08,225 crore up by 21.7%.

Non-food credit stood at Rs 23,57,859 crore while food credit stood at Rs 50,721 crore during the period.

<http://www.financialexpress.com/news/Foreign-reserves-up-123-million-to-308-billion/337514/>

Finmin for increasing FII limit for corporate bonds

Reserve Bank is considering a Finance Ministry's proposal to increase the limit of foreign institutional investors exposure in corporate bonds, while retaining the current overall cap of \$8 billion, to get long-term fundings for infrastructure.

RBI is considering the proposal and likely to take a view on the issue after some time, sources said. The proposal is to increase the cap for FIIs investment in corporate bonds, while reducing it for government bonds, so that overall limit for their exposure in the bond markets remain the same.

Currently, FIIs can invest up to \$5 billion in government bonds and \$3 billion in corporate bonds with individual ceiling at \$200 million. As such, of the total limit for FIIs exposure in bonds, 37.5 per cent belongs to corporate bonds.

The proposal says that share of corporate bonds should be increased up to 75 per cent of the total exposure in the bond markets for FIIs. These limits were recently raised from the earlier caps of \$3.2 billion for G-secs and \$1.5 billion for corporate bonds.

The sources said limit for corporate bonds should be enhanced with the condition that they should be locked for minimum of seven years so that long-term funds can be accessed for infrastructure development. India needs around \$500 billion for infrastructure development in the Eleventh Five Year Plan.

Since these corporate bonds would be in rupee denomination, the issuer, that is Indian corporates, do not run the risk from foreign exchange movement. As such, they could be better option for Indian corporates than ECBs where there is a risk from exchange variation.

http://economictimes.indiatimes.com/News/Economy/Policy/Finmin_for_increasing_FII_limit_for_corporate_bonds/articleshow/3255160.cms

Overseas investments by Indian cos rise

Indian business houses are increasingly investing abroad.

Last fiscal, the number of proposals for investments in joint ventures and wholly-owned subsidiaries stood at 2,261 involving a total investment of \$23,072 million, reflecting a growth of about 53 per cent compared with the previous fiscal.

The latest Reserve Bank of India bulletin points out that 35 per cent of the proposals for outward foreign direct investment were towards Singapore, followed by Netherlands (23 per cent) and British Virgin Islands (7 per cent). "Large Indian investments going to countries like Singapore, Cyprus, the Netherlands, the UAE and Mauritius reflect the generally liberal policies of these countries, particularly favourable tax treatment and investment protection treaties," according to the report.

Indian companies have been allowed to invest in excess of 400 per cent of their net worth in the energy and natural resources sectors such as oil, gas, coal and mineral ores. The investment in excess of 400 per cent of the net worth has to be made with the prior approval of the Reserve Bank.

Sector wise, during the last fiscal, 43 per cent of the proposals were in the manufacturing sector, followed by non-financial services (11 per cent) and trading (4 per cent). Within the manufacturing sector, proposals were in the areas like electronic equipment, fertilisers, agriculture and allied products and gems and jewellery.

The RBI report further said the actual outward FDI during the year was \$ 17,436 million, an increase of 29.6 per cent over the investments of \$ 13,454 million in the previous fiscal. Of the total investments, 81.6 per cent were in the form of equity and the remaining 18.4 per cent were loans.

During 2007-08, inflows from India's outward FDI amounted to \$916 million, recording a growth of 76.7 per cent over the previous year.

<http://www.thehindubusinessline.com/2008/07/16/stories/2008071650380300.htm>

SingTel among 12 FDI proposals cleared

The plans of SingTel Australia Holdings, Singapore, to set up a joint venture company in India with 74 per cent FDI, for offering long distance telephony services, is among 12 FDI proposals cleared by the Government.

The proposal was cleared after Bharti gave its no-objection to SingTel's joint venture plans, sources said. Singtel's proposal includes FDI of Rs 48 lakh. The 12 proposals totalling Rs 354.1 crore — approved by the Finance Minister, Mr P. Chidambaram, on the recommendations of the Foreign Investment Promotion Board (FIPB) — also includes a proposal worth Rs 160 crore from Hyderabad-based Costal Projects for converting itself from an operating company into an operating-cum-holding company.

<http://www.blonnet.com/2008/07/17/stories/2008071750461200.htm>

Policy soon on FDI in sensitive areas, sectors

India will soon have a policy on foreign direct investment (FDI) in sensitive areas and sectors. The ministry of home affairs (MHA) has readied a FDI policy note for vetting by the cabinet committee on security (CCS).

Confirming the move, a senior government official said cabinet secretary KM Chandrasekhar has scheduled a meeting of the committee of secretaries (COS) on FDI policy later this month.

Sources said the meeting will discuss key issues in the policy, like building up Indian capabilities, visa regime and country-specific exclusion.

An important element of the policy would be the definition of sensitive areas. According to MHA's definition, any project that falls within 50 km of international borders is a sensitive project.

<http://www.financialexpress.com/news/Policy-soon-on-FDI-in-sensitive-areas-sectors/337135/>

Trade News

India, Nepal identify tie-up avenues

Indo-Nepal bilateral trade volume was at Nepalese rupees (NPR) 159,000 crore in 2007-08, according to Mr Durgesh Man Singh, Ambassador of Nepal. "The total trade volume was at NPR 252,000 crore, and almost 63.2 per cent of it came from the trade between India and Nepal," he said.

Mr Singh identified hydropower, tourism, education and health services as possible areas of co-operation between India and Nepal. "We will focus on those areas where we have a competitive advantage over others," he said.

Nepal, according to Mr Man Singh, was addressing issues of economic development. The Government should play a regulatory role in the economic development of the nation, he pointed out, while the private sector should help propel the growth. "In my interaction with various political parties in Nepal, I have realised that there is a general consensus about allowing the private sector to play an important role in the development of the economy," he said.

Mr Singh was in favour of the continuance of the 1996 trade treaty between India and Nepal. "It is one of the best treaties between the two nations and should be allowed to continue in its present form," he said.

<http://www.blonnet.com/2008/07/19/stories/2008071950722100.htm>

India, Ecuador explore cooperation in mining sector

India and Ecuador discussed the possible areas of cooperation and technology transfer between the two countries in the mines and metal sector.

A high level delegation led by Vice Minister, Foreign Relations of Ecuador Jose Valencia met the Minister of State for Mines B K Handique and sought India's cooperation in developing the untapped mineral resources of the Latin American country.

Ecuador has 4.6 billion barrels of oil reserves and metal reserves including gold, copper, nickel worth USD 220 billion.

"It is just the beginning, but we are looking forward to opportunities for bilateral cooperation with Ecuador in the mining sector," Handique told.

Expert committees would examine the proposal before an agreement could be finally reached at, he added. The South American country, wrecked by political instability over the past decade, hopes to place a new constitution by the year-end and formulate a comprehensive legal framework for the growth of its mining sector.

"Our government is willing to develop the mining sector in Ecuador. Since, India has a good experience in this field, we invite both private and state-owned companies to come to our country and form joint ventures, which would be beneficial for both the countries," Valencia told.

"Many Indian private companies have approached us in the past eight-ten months and are keen on exploration of gold, copper, among other metals," he added.

About 40 international companies have invested over USD 1.2 billion in Ecuador.

http://economictimes.indiatimes.com/News/Economy/Foreign_Trade/India_Ecuador_explore_cooperation_in_mining_sector/articleshow/3245977.cms

India, Pakistan discuss ways to boost trade, transport

Senior officials of the Indian and Pakistan governments reviewed ways to boost bilateral trade and transport services, besides discussing methods for the effective implementation of existing cross-Line of Control (LoC) measures.

The meeting of the India-Pakistan Working Group on cross-LoC CBMs was held here in "a cordial and constructive atmosphere", a joint statement at the end of the day-long talks said.

The talks were held nearly a week after India and Pakistan traded charges over the Inter-Services Intelligence (ISI) alleged role in the July 7 suicide attack on the Indian embassy in Kabul in which over 50 people, including a diplomat and an army brigadier were killed.

TCA Raghvan, joint secretary in charge of Pakistan in the Indian Ministry of External Affairs, held talks with Aizaz Ahmed Chaudhry, director general in charge of South Asia and SAARC in the Pakistan Foreign Office, on enhancing trade and transport links across the LoC.

They also discussed modalities for implementing decisions taken by External Affairs Minister Pranab Mukherjee and his Pakistani counterpart Shah Mahmood Qureshi during their meeting in Islamabad May 21.

The two sides had agreed on many cross-LoC CBMs that will enhance people-to-people contact and help "build on convergences and narrow down divergences on Kashmir".

These include raising the frequency of the Muzaffarabad-Srinagar and Rawalkot-Poonch bus services from fortnightly to weekly basis and finalising modalities for intra-Kashmir trade and truck services.

http://economictimes.indiatimes.com/News/Economy/Foreign_Trade/India_Pakistan_discuss_ways_to_boost_trade_transport/articleshow/3253436.cms

Sectoral News

India is witnessing retail boom

With rise in prosperity and disposable income of the middle class people in cities due to high economic growth, India is witnessing a retail boom.

This has led to the growth of organized retailing, which is changing the way shopping is done, particularly in big cities like Delhi, Mumbai, Bangalore, Pune, Chennai, Hyderabad among others.

The most visible symbols of organised retailing are the swanky malls, which have mushroomed in most of the large and medium size cities across the country. In cities like Delhi, with extreme weather conditions, malls have become a runaway success.

Even at the height of summer season, when temperature soars up to 42 degree Celsius, shopping is no more an unpleasant exercise. Instead, these malls in various part of the city have made it a pleasurable exercise, in fact, it has become a way to relax and chill out in an airconditioned environment!

This mall phenomenon had given rise to apprehensions that high street shops were heading for an ignominious death. But, a recent survey done by Jones Lang LaSalle Megharaj, a global real estate consultancy firm, found that despite rise in number of malls in a city, high street shops continue to flourish.

http://economictimes.indiatimes.com/News/News_By_Industry/Services/Retailing/India_is_witnessing_retail_boom/articleshow/msid-3247985,curpg-1.cms

Telecom majors may see 28% rise in profit

Riding strong net additions in subscribers, the domestic telephony service providers are expected to report an average growth of 28 per cent in net profit for the first quarter ended June 30, 2008.

The top three listed mobile operators in the country — Bharti Airtel, Idea Cellular and Reliance Communications (RCom) are likely to post an average revenue growth of 39 per cent, according to reports from leading brokerage firms. This is because the industry is expected to add over 25 million subscribers in the previous quarter, thereby, taking the wireless subscriber base to 276 million, Mr Himanshu Shah, analyst with Religare Securities said.

<http://www.thehindubusinessline.com/2008/07/17/stories/2008071752390400.htm>

Auto sector riding high on M&A, PE deals

Tata Motors' acquisition of Jaguar-Land Rover inflated the mergers & acquisition basket of the domestic automobile industry during January-June 2008, with the sector witnessing fewer, but high value deals.

The number of M&A deals struck by the domestic automobile companies stood at nine, with a combined value at \$2,390 million. This is almost half the number of deals that were clocked in the same period last year. In 2007, the sector witnessed 18 deals worth \$515.51 million, according to a Grant Thornton report.

<http://www.thehindubusinessline.com/2008/07/16/stories/2008071650930200.htm>

Cashew exports log robust growth

Cashew exports are on a roll in the current FY, registering a 40% growth (in value terms) for Q1 after a disappointing performance in the last FY. Global shortage for the commodity

coupled with Vietnam defaulting on export contracts has seen India capture a larger share of the market, traders said. Cashew nut prices also increased dramatically in the world market causing discomfort to exporters who rely on import of raw kernels for processing and re-export.

Meanwhile, some Indian exporters with huge inventory have reaped a windfall as cashew prices almost doubled within few months.

During April-June 2008, India exported 30,578 tonne of nuts valued at Rs 779.69 crore against 28,876 tonne valued at Rs 560.57 crore in April-June 2007. For June, the nation exported 10,570 tonne valued at Rs 292.37 crore at a unit value of Rs 276.67 per kg. The unit value has increased by 47% when compared to the performance of June 2007, according to figures provided by the Cashew Export Promotion Council.

<http://www.financialexpress.com/news/Cashew-exports-log-robust-growth/336717/>

Indian mobile VAS market to hit \$2bn in 2008: PwC

Following a dip in revenues from voice-based services, mobile value-added services (MVAS) is all set to see a phenomenal growth across the world. According to a report by PricewaterhouseCoopers (PWC), the Indian mobile VAS market is all set to grow to \$2 bn in 2008.

Currently, mobile VAS in India accounts for 10% of the operator's revenue, which is expected to reach 18% by 2010. The worldwide spending on MVAS, including mobile music, mobile payment and mobile advertising will reach \$55.6 bn by 2011, the report added.

Mobile payment, which currently accounts for just 1% of the data services market, is set to add 70.9 mn users by 2010, the report states. According to the report, the key driver for the growth of VAS in mobile payment segment will be demand from rural and semi-urban areas, where a huge gap exists in banking infrastructure. Mobile wallet will also replace plastic cards (credit cards) in coming years, the report added.

"India has a high proportion of mobile subscribers to total telecom subscribers, driven by the faster wireless rollout, inexpensive handsets and low cost prepaid cards. Here, money transfers, driven by lack of banking infrastructure is a key service need," the report said. Currently, about 44% of VAS revenue in India is driven by short messaging service applications. The youth segment will also continue to drive the market, particularly in the entertainment MVAS.

The mobile music segment is also set to fuel up with user spending on mobile music expected to increase to \$32.2 bn in 2010 compared to \$13.7 in 2007. While the revenue from mobile gaming is expected to grow to \$9.6 in 2011 compared to \$1.8 bn in 2007.

Mobile advertising, which is an important VAS segment, is expected to grow consistently to reach a valuation of \$12.8 bn by 2011, compared to \$2.7 bn in 2008. The growth in this

segment will be fuelled predominantly by rollout of 3G networks, IPTV and high- end gaming on mobile phones. The size of mobile advertising in India is miniscule.

However, analysts believe it has potential to grow at 200% a year, giving operators a new revenue source. Currently, the VAS market is governed by short message service (SMS), Interactive voice response (IVR) and WAP portal platforms, delivering applications such as entertainment, advertisement, gaming and news.

<http://economictimes.indiatimes.com/News/News By Industry/Telecom/Indian mobile VAS market to hit 2bn in 2008 PwC/articleshow/3238311.cms>

Biotech sector revenues cross Rs 10,000 cr

The domestic biotech industry has grown further to post revenues of Rs 10,273 crore (\$2.56 billion) in fiscal 2007-08.

However, the rupee's appreciation against the US dollar and price pressures in global markets brought down the heady growth rate of the last five years to 20 per cent.

Based on current trends aided by the new biotech policy, the 2015 revenue forecast is Rs 64,400 crore (\$13-16 billion). In 2006-07, the industry posted revenues totalling Rs 8,541 crore (\$2.01 billion).

These are the findings of the sixth yearly BioSpectrum-ABLE Biotech Industry Survey, according to a release by the nodal Association of Biotech Led Enterprises.

According to Mr N. Suresh, Group Editor, BioSpectrum, "After five straight years of over 30 per cent growth, India's fledgling biotech industry has slowed down.

The appreciation of the rupee for most of 2007-08 stole the high growth momentum from an industry that records two-thirds of its revenues from exports," which was Rs 5,733.7 crore in 2007-08. Investments touched Rs 2,750 crore, or up 21 per cent.

During the surveyed year that ended on March 31, 2008, 56 per cent of the revenue came from exports, the release said.

ABLE's President, Dr K.K. Narayanan, was quoted as saying, "The inability to sustain the growth momentum can be attributed to several factors; the primary one being that the revenues from Indian-made innovative biotech products that can be sold globally are yet to kick in".

"The biopharma industry in India is coming of age now and the next five years will be a very interesting period for the Indian biotechnology industry. While bioservices will continue to attract significant interest, and biogenerics exports to the regulated markets are likely to produce a quantum leap in company earnings, there is a growing club of companies in India that are developing novel biotechnology-based pharmaceutical products.

“We expect biotechnology to begin to contribute significantly to other areas such as biofuels,” commented Mr Shrikumar Suryanarayan, Director-General, ABLE.

<http://www.blonnet.com/2008/07/17/stories/2008071750471200.htm>

Major Ports post 8.79% rise in Q1 throughput

Twelve Major Ports have registered 8.79% growth in cargo throughput during the first quarter of 2008-09.

When quarterly throughput figures for the first quarter for Major Ports was declared Jawaharlal Nehru Port (JNPT) has emerged as the number one in terms of traffic growth with 18.83% YoY over the same period of 2007-08.

It also came third in total throughput handled during the first quarter of 2008-09 among Major Ports by handling 14.98 million tonnes of total cargo during April to June 2008 period.

It had registered a throughput of 12.60 million tonnes in the first quarter of 2007-08.

<http://economictimes.indiatimes.com/News/News By Industry/Transportation/Major Ports post 879 rise in Q1 throughput/articleshow/3256888.cms>

News Round – Up

India to generate over 10% of world trade by 2022: Prahalad

India's share in world trade, which accounted for about one per cent of the global trade, is expected to grow ten times to at least 10 per cent by 2022, Management guru C K Prahalad said.

Also, the country could expect at least 30 companies in the Fortune 100 list in a decade or so, Prahalad told.

The fast growing economy may make India a major global player but the growing inequality in income would make it that much difficult in ensuring that the fruits are shared by all segments of the population, he said.

"The country has the power to shape up the world in the coming years...I expect that India has the potential to generate atleast 10 per cent of the world trade by 2022," Prahalad said.

While large-sized corporates would be the major growth-drivers, small-sized companies, emerging from Tier-I and II cities, are also likely to play a key-role in the India growth-story, he said.

Exhorting that growing inequality in income levels and life styles need to be checked, Prahlad also highlighted an urgent need for enabling the poor get access to low-cost technology.

Also, the growing threat of corruption can be curtailed by minimising the supply-demand imbalance, he said.

"Large number of corruption is happening because of the market mechanisms, primarily because of the supply-demand inequality," Prahlad said.

<http://economictimes.indiatimes.com/News/News By Company/Corporate Trends/India to generate over 10 of world trade by 2022 Prahlad/articleshow/3254121.cms>

Indian firms make killing out of clean technologies

Investments in clean technologies are riding a green wave into India. In 2007, Green India Inc raised \$1.4 billion through convertible bonds from the international market even as it picked up \$628 million from the domestic stock market.

Indian companies are at the forefront of a trend in global investments in clean technologies like wind and solar power, an increasing drift of money from the developed countries towards developing economies of India, China and Brazil. The United Nations Environment Programme has revealed this in a recent report 'Global Trends in Sustainable Energy Investments'.

2007 was a breakthrough year for the Indian green energy corporates, they had never before garnered money from the global market through bonds, a fiscal device that provides medium-level security to investors. Convertible bonds appeal to investors in unsteady markets, as they provide a fixed return with capital appreciation.

While the bond market might have been a new venture for Indian companies, consummate in the well-established wind-energy market in the country, India attracted \$2.5 billion for asset finance, up almost four times from the \$671 million it had picked up in 2006. As a consequence, the country's wind power capacity grew by 1.7 giga watt in 2007.

Suzlon might have hit a snag with its new exports this year but the potential of the market continues to expand. Venture capital funds and private equity placements hit \$265 million, slightly higher than the \$236 million that Indian companies had attracted in 2006.

While wind power seems to be drawing most of the investments into India, the role of solar energy is bound to scale up substantially with the National Action Plan on Climate Change promising a ramp-up during the 11th and 12th plans, in both power capacity as well as solar power equipment production.

This push might help India match the substantially higher investments China is attracting at the moment, though clubbed together, the troika of China, India and Brazil are

continuing to pull money to the 'South'. Put together, their share of new investment has grown from a paltry 12% in 2004 (\$1.8 billion) to 22% (\$26 billion) in 2007, an expansion by 14 times in a mere three years.

But, the UNEP report gives a perspective to these figures that otherwise might look impressive. They indicate the creation of a new market which has now found trust in investors but is yet far from its potential. The \$145.6 billion of global investment in new renewables in 2007 was merely 9.4% of the total global energy investment and Europe and US were still attracting most of it.

<http://economictimes.indiatimes.com/News/News By Company/Corporate Trends/Indian firms make killing out of clean technologies/articleshow/3234276.cms>