

Weekly Economic Bulletin

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News Feature

India emerging as engg hot spot for global firms

The growing shortage of core-sector engineers across the globe has international firms flocking to tap Indian civil and mechanical engineering skills. India, which had nearly four lakh engineers graduate in 2005 as against just 70,000 passing put in the US, is seeing jobs of transactional engineers coming in, especially in the core infrastructure sectors. While engineering work currently being executed by India-based vendors is estimated to be around \$500 million, analysts estimate the market potential for outsourced engineering services is estimated to be around \$10 billion-\$12 billion.

<http://www.thehindubusinessline.com/2006/04/10/stories/2006041002960100.htm>

Overseas Investment

Foreign funds want in on India Cements

Major foreign funds are negotiating to take a part of the promoters' stake in India Cements, sources told ET. The Chennai-based India Cements is the largest player in the South, with a capacity of 9mt from seven plants. It is learnt to be in talks with private equity groups to raise funds.

Major private equity firms, including 3i India, Blackstone and hedge funds like the UK-based Clareville Capital have expressed their willingness to hike their presence in the Indian cement industry.

<http://economictimes.indiatimes.com/articleshow/1486621.cms>

India a priority country for Afghanistan

India is a priority country for attracting business and investment into Afghanistan, said the leader of the Afghan business delegation to India, Dr Omar Zakhilwal, while addressing a meeting organised by FICCI here recently.

He said that the delegation desires to have a series of road shows of Afghan products in different parts of India as well as business-to-business contacts for acquiring investments for his country.

He listed out several areas of cooperation between the two countries.

<http://www.thehindubusinessline.com/2006/04/13/stories/2006041302030300.htm>

Chevron picking up 5 pc in Reliance Petro for \$300 m

Reliance Industries Ltd announced that Chevron Corporation is picking up a five per cent stake in Reliance Petroleum Ltd for \$300 million.

Chevron India Holdings Pte Ltd Singapore, a wholly owned subsidiary of the \$193.6-billion Chevron Corporation is buying the stake.

The agreement provides Chevron with the right to acquire an additional 24 per cent of the equity in RPL on conclusion of the collaboration agreements between Chevron and the company.

"If Chevron acquires additional equity, this will rank as one of the largest investments from any multinational company in a single project in India. This will also be one of the largest foreign direct investment in India," Reliance said in a news release.

<http://www.thehindubusinessline.com/2006/04/13/stories/2006041302620200.htm>

Indian oil hunt may draw \$7 bn

India expects a sizeable \$7-billion investment in oil exploration by 2008 from global majors like Exxon Mobil and Chevron. For the first time, these firms have shown interest in oil exploration in the country.

As many as 55 oil and gas blocks are on offer in the sixth round of the National Exploration Licensing Policy (NELP), for which bids have to be sent in by September.

In comparison, an investment of \$1.7-2 billion has been committed for the 20 blocks offered during the previous NELP round last year. That round saw British Petroleum, Cairn and British Gas among 26 companies picking up blocks in the country.

"For the first time, all the major oil companies have exhibited interest in acquiring data packages of India's sedimentary basins. Transparent bidding conditions and a better regulatory framework in India with the setting up of the petroleum regulatory board for the downstream sector are important factors in this," Petroleum and Natural Gas Minister Murli Deora said today. The petroleum regulatory board will be set up in six months.

<http://www.businessstandard.com/common/storypage.php?storyflag=y&leftnm=lmnu2&leftindx=2&lselect=1&chklogin=N&autono=222077>

SAIF outlines major investment plans

Private equity firm SAIF Partners, which has till now invested about \$100 million in India, is planning to scale up its investments in the country in a big way.

According to Mr Ravi Adusumalli, General Partner, Head of India Operations, SAIF Partners, the firm is scouting for buys across sectors including media and auto components and is in the process of setting up a third fund of about \$ 800 million. Approximately 30 per cent of the total outlay of the third fund, or \$240 million, will be invested in to India. "We have been scaling up our investments in India every year. We will invest about 20 per cent from our second fund (of \$650 million) in India," Mr Adusumalli said.

SAIF Partners third fund will be operational by the next year. Rough calculations suggest that SAIF Partners' total investment in 2006 and 2007 in India would be around \$400 million.

<http://www.thehindubusinessline.com/2006/04/15/stories/2006041504070100.htm>

India invites Chinese cos to invest in power

Aiming to provide 'power to all' by adding 100,000 Megawatt capacity by 2012, India today invited Chinese power industry majors to invest in the country.

The Government of India has envisaged capacity addition of 100,000 MW by 2012 to meet its mission of power to all, Secretary, Ministry of Power, R V Shahi said during a road show in the Chinese capital.

Shahi, leading a nine-member delegation, told senior Chinese power industry leaders that India needed huge capacity addition during 10th & 11th Five-Year Plan periods, which is not feasible from the ongoing and proposed new projects already identified.

As such, there is need to develop large capacity projects at the national level to meet the requirements of a number of states under the competitive bidding guidelines dispensation, he said.

http://www.financialexpress.com/latest_full_story.php?content_id=123736

Trade News

India is world`s 29th largest exporter

India's ranking among the top merchandise exporters during 2005 improved one notch from 30 to 29, accounting for a share of 0.9 per cent, while its ranking among importers jumped to 17 from 24 in 2004, according to trade statistics released by the World Trade Organisation.

China was the third largest exporter accounting for around 10 per cent share of world merchandise exports. It was also the third largest importer, accounting for 8.2 per cent of the world's share compared with India's share of 1.2 per cent in world imports.

Germany was the world's largest merchandise exporter while the US was the largest importer. Global merchandise exports during 2005 grew by 13 per cent to \$10.1 trillion, compared with 21 per cent in 2004, while commercial services increased by 11 per cent to \$ 2.4 trillion in 2005 against 19 per cent in 2004.

In commercial services trade, India joined the ranks of the top ten service exporters with a rank of 10 compared with a rank of 16 in 2004, accounting for a share of 2.4 per cent, while its ranking among service importers was also 10, accounting for a share of 2.9 per cent.

“For India, the outstanding increases seem also to be affected by an improved coverage of transactions. Nevertheless, it is certain that India considerably improved its position in the ranking of service traders,” the WTO said.

<http://www.businessstandard.com/common/storypage.php?storyflag=y&leftnm=lmnu2&leftindx=2&lselect=1&chklogin=N&autono=222104>

Economic pact can help India integrate with Asean: Kamal Nath

The Union Commerce Minister, Mr Kamal Nath has envisioned the possible emergence of "a formidable triangle" consisting of India, China and the Association of South-East Asian Nations (Asean) by 2015.

Speaking on Wednesday at an Asia Pacific business summit in Singapore, called Connecting India, Mr Kamal Nath said that the triangle would indeed be "a pulsating economic hub. The centre of commercial activity on the global stage would have shifted from the Atlantic Ocean to the Indian Ocean by 2015."

For now, the financial sector in Singapore, a key Asean member, "will be much more proactive about India in the coming months. Levels of financial intermediation will increase dramatically; I believe that Mumbai, along with Singapore, Hong Kong and Dubai, will eventually become the financial nerve centres of the world - to rival the likes of London, New York, and Tokyo."

Addressing entrepreneurs at the inaugural session of the two-day summit, Mr Kamal Nath called for efforts to "constantly realign and balance the CECA (Comprehensive Economic Co-operation Agreement) to take India-Singapore ties to the next level."

<http://www.thehindubusinessline.com/2006/04/13/stories/2006041301960900.htm>

Indo-Afghan trade to flourish with signing of MoU

The Afghanistan Investment Support Agency (AISA) and CII on Wednesday signed a memorandum of understanding to promote bilateral trade and Indian investment in Afghanistan.

The MoU was signed in the presence of Afghan President Hamid Karzai, who is on a visit to India. Mr Karzai is particularly interested in attracting more investment in Afghanistan.

The CII has been closely involved in post-war construction activities in Afghanistan through on-ground assessment studies, skill development, awareness generation and actual processes of reconstruction through partnerships, both with international agencies as well as governments of the two nations.

http://www.financialexpress.com/fe_archive_full_story.php?content_id=123573

India, S'pore to review trade pact ahead of schedule

India and Singapore will review a trade agreement four months ahead of plan to accelerate business tie-ups between the two countries, said commerce and industry minister Kamal Nath.

The two countries signed the agreement in June to double the investment limit for Singapore government's Temasek Holdings Pte and Government of Singapore Investment Corp. in Indian companies. The agreement is being reviewed after eight months instead of the first anniversary in August, Mr Nath said.

"There's a need to take India-Singapore ties to the next level," he said at a lecture in Singapore on Wednesday. "The review of the Comprehensive Economic Cooperation Agreement will see which areas need to be addressed." Trade between India and Singapore doubled in two years to \$10.3 billion in 2005, according to Singapore's trade ministry, as companies from both countries invested and expanded in each other's market. Singapore is India's third-largest investor, he said.

http://www.financialexpress.com/fe_archive_full_story.php?content_id=123568

Sectoral News

SkodaExport to set up \$1-b port complex in AP

Czech major Skoda Export Co Ltd has announced its plans to establish an integrated port complex at Nizampatnam, which will see an investment of about \$1 billion (about Rs 4,500 crore) and include a special economic zone, a port, a 250-MW power plant and a urea manufacturing base.

The Czech company signed up with Infrastructure Corporation of Andhra Pradesh Ltd (Incap) on Monday and the two will create a special purpose vehicle - Nizampatnam Industrial Port Complex Company — Nipcco.

The Chief Executive Officer of SkodaExport, Mr Jaroslav Hubacek, told Business Line, "India has been identified as a strategic investment opportunity and we expect to take up more such projects. These include modernisation of Ennore power plant and setting up of a 3x210-MW power project in Jharkhand."

<http://www.thehindubusinessline.com/2006/04/11/stories/2006041101191900.htm>

Mukesh eyes retail deal with HK giant

Mukesh Ambani's big-ticket retailing venture is scouting for a global sourcing partner. Reliance Retail is seen in talks with the \$10bn Hong Kong giant Li & Fung for a mega sourcing deal for its private label business.

Informed sources said negotiations were based on the premise that Reliance Retail needs a partner with global competencies for sourcing requirements which would surge

from '07-08 onwards as expansion plans gather momentum. The retail venture is expected to hit the market in the latter half of the current fiscal, '06-07.

Reliance's potential sourcing deal with Li & Fung could cover mostly soft goods like apparel, furnishings and household products, which anyway account for nearly 70% of the latter's revenues.

<http://economictimes.indiatimes.com/articleshow/1486558.cms>

OVL in talks with Chinese cos to bid for Colombian oil field

Another India-China tie-up in the energy sector seems to be in the offing with ONGC Videsh Ltd (OVL), the overseas arm of ONGC, in talks with a Chinese company to make a joint bid for at least 50 per cent stake in a Colombian oil field. There is, however, speculation that OVL may tie up with another Chinese company Sinopec to make a joint bid.

Asked about the tie-up, a senior ONGC official said that it was too early to say which Chinese company it would be, though he confirmed that preliminary discussions were going on.

<http://www.thehindubusinessline.com/2006/04/11/stories/2006041102880200.htm>

Deloitte biz plan likely for Chennai port

Deloitte Touche Tohmatsu India is likely to prepare a business plan for the Chennai port. The company was selected after it was found suitable in the financial and technical bids. "We are processing the proposal," a Chennai Port Trust source said.

Totally, 14 bidders were in the fray for the project. Three foreign companies directly submitted their tenders and two tied up with Indian companies.

There were nine India-based companies in the fray to develop the business plan, the source said.

<http://www.thehindubusinessline.com/2006/04/13/stories/2006041301000700.htm>

Polaris Software to set up centre in Ireland

Polaris Software Lab is to set up a banking and financial application certification centre in Belfast, Northern Ireland. In the next two-three years, it will invest £10 million (Rs 80 crore) and employ about 150 people in the centre, according to Mr Arun Jain, CEO and Chairman, Polaris.

The Chennai-based software company got a financial assistance of £1.5 million (Rs 12 crore) from Invest Northern Ireland (Invest NI), Northern Ireland's main economic development organisation, to recruit a certain number of local people. In addition to the

150 people in Belfast, Polaris will have two to three times more number of support staff in India, he told newsmen.

For Polaris, 28 per cent of revenue (Rs 203 crore for the third quarter ended December 2005) comes from the UK. And in the last three months the company acquired a large number of near-shore customers from the UK. The new centre will be a part of Polaris' UK subsidiary, he said.

<http://www.thehindubusinessline.com/2006/04/14/stories/2006041402090400.htm>

Mangalore refinery ties up with Abu Dhabi firm

In a bid to diversify its oil supply sources, Mangalore Refinery Petrochemicals Ltd has roped in the Abu Dhabi National Oil Company to supply up to 1.65 million tonnes of crude during the current year.

The Mangalore refinery, a subsidiary of Oil and Natural Gas Corporation (ONGC) has a capacity to process 9.69 million metric tonnes per annum and is the only Indian refinery to have two hydrocrackers producing premium diesel. It envisages a requirement of 12.5 million tonnes of crude for 2006-07.

The company plans to import high-sulphur crude oil from National Iran Oil Company, Saudi Aramco of Saudi Arabia and Adnoc of Abu Dhabi on a term-basis to take care of 9.35 million tonnes of its requirement.

<http://www.businessstandard.com/common/storypage.php?storyflag=y&leftnm=lmnu2&leftindx=2&lselect=1&chklogin=N&autono=222585>

News Round – Up

India, emerging markets sizzle

In Q1 of CY06, India stands 4th with 20 per cent returns.

India, along with three other emerging markets, grabbed the honours in the first quarter of calendar 2006 with an average 20 per cent returns.

During the quarter, Moscow Times of Russia topped the chart with 22.35 per cent returns, followed by OSE All Share of Norway at 20.81 per cent and Karachi 100 of Pakistan at 20.19 per cent. In comparison, the benchmark BSE Sensex stood at the fourth spot with 20.03 per cent returns.

Among the other major markets, while Japan's Nikkei rose 5.89 per cent, Hong Kong's Hang Seng, Nasdaq composite, FTSE 100, and NYSE composite all gained over 6 per cent each. Australia's S&P/ASX 200, Straits Times of Singapore, ISE National-100 of Turkey and AEX General of the Netherlands gained over 7 per cent each.

<http://www.businessstandard.com/smartinvestor/storypage.php?hpFlag=Y&chklogin=N&autono=222040&leftnm=lmnu6&leftindx=6&lselect=0>

India on way to becoming biotech studies hub

India is rapidly moving from being a label extension support centre to being included in global pivotal studies and the growing generics industry is boosting the flow of pharmacokinetic studies to the country.

In this scenario, Indian companies are busy identifying areas of comparative advantage and leveraging them to compete globally, states "The Global Biotechnology Report 2006" brought out by Ernst & Young.

The next big step for India will be in products, as most current research programmes will bear fruit by the end of the decade. The range could be impressive, including biogenerics, novel therapeutics, vaccines, biochemicals, nutraceuticals and cosmeceuticals.

This will enable Indian biotech to expand globally, said Utkarsh Palnitkar, head of health sciences at Ernst & Young, India. This global expansion would be driven by domestic innovation, competitive costs, availability of valid data, and viable business models that have already been tested in India, he added.

<http://www.businessstandard.com/common/storypage.php?storyflag=y&leftnm=lmnu2&leftindx=2&lselect=1&chklogin=N&autono=222106>

'India a air cargo hub'

India has the potential to be a global hub for air cargo but it would need to improve upon its infrastructure and cost efficiency for it to make a mark in international market, experts have said.

"Considering its geographical location, India, especially Delhi, has the potential to become a global hub for air cargo," Singapore Airlines Cargo Pte Ltd president Hwang Teng Aun said while addressing the 'India Cargo Summit' organised by industry chamber CII.

Not only its geographical location but also the amount of international trade that the country is engaged in now makes India a good location for such a hub, he said.

"Even a place like Dubai, where there is not much of manufacturing or exports, is a successful destination," Aun said, adding that there was no reason why India with all its growth in manufacturing sector and exports and imports could not become another global hub.

Echoing similar sentiments, McKinsey & Co Associate partner Kaushik Das said, "India for most part of the last decade has been building infrastructure and the country has started making big strides."

<http://economictimes.indiatimes.com/articleshow/1484815.cms>

Most US States offshoring work

The numerous proposals to restrict offshoring in US Government agency projects notwithstanding, a latest report of the US Government Accountability Office (GAO) reveals that offshoring occurred in human services programs in a majority of US States for functions such as software development and call centre.

It also found that India was the most prevalent offshore location. "Offshoring occurred in one or more programs in 43 of 50 States and the District of Columbia, most frequently in the Food Stamp and Temporary Assistance for Needy Families (TANF) programs. However, expenditures for services performed offshore in the four State-administered programs appear to be relatively small... India was the most prevalent offshore location, followed by Mexico," the recent report by GAO said.

<http://www.thehindubusinessline.com/2006/04/11/stories/2006041101600400.htm>