

## Weekly Economic Bulletin

Date: April 3<sup>rd</sup> - April 9<sup>th</sup>, 2006.

Issue No. 155

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### **News Feature**

#### **India Inc outshines foreign firms in M&A: Assocham**

With 35 outbound deals, Indian companies have outshone their foreign counterparts when it comes to acquiring companies overseas, an Assocham study has said.

The first three months of 2006 saw 133 merger and acquisition (M&A) deals in sectors like IT and ITeS, banking and financial services, automobiles, pharmaceuticals, fast-moving consumer goods (FMCG) and media, the Assocham Eco Pulse study said.

The foreign companies, however, were ahead of the Indian companies as far as acquiring minority stake in companies was concerned.

Out of the 30 inbound M&A deals, only seven involved a majority stake in the domestic firms by overseas entities, whereas out of the 35 transactions overseas, Indians acquired 100% stake in as many as 32.

“Financial services, pharmaceutical and manufacturing sectors like auto components are likely to see continued high levels of M&A activity with international interest in India as an outsourcing base as well as growth in the domestic market,” Assocham president Anil K Agarwal said.

[http://www.financialexpress.com/fe\\_archive\\_full\\_story.php?content\\_id=122480](http://www.financialexpress.com/fe_archive_full_story.php?content_id=122480)

## **Overseas Investment**

### **Japan keen on investing more in India**

Japan has expressed interest to invest more in several sectors, such as development of more metro rails, construction projects, power equipments, textile machinery and especially food processing, apart from their already strong presence in the automobile sector, the Minister of State for Industries, Dr Ashwani Kumar, told reporters here today.

"In view of the raw material, packaging and human resource advantages offered by India, it has the potential to become the food processing hub for the world. It is estimated that an investment opportunity of \$22 billion exists in this sector in India for the next 10 years.

<http://www.thehindubusinessline.com/2006/04/04/stories/2006040404370900.htm>

### **Australia keen on biz ties with India**

Australia is seeking Indian investment in its coal-mining sector. Mr Ian McDonald, Minister of Natural Resources, Primary Industries and Mineral Resources, New South Wales, has said that Indian investment in the coal mining sector in Australia would be significant as it would help India secure the resources requirements of the domestic steel industry here.

Indian companies could also consider investments in petroleum exploration and the IT sector in Australia, he added.

Speaking to newsmen on the sidelines of Global Steel 2006, a three-day seminar organised by Steel RX, Mr McDonald said that India had already emerged as New South Wales's biggest market for hard coking coal.

India's annual import of coking coal from Australia has been pegged at \$1 billion.

<http://www.thehindubusinessline.com/2006/04/08/stories/2006040804420300.htm>

### **Mercer HR plans \$50-m investment over 3 years**

Mercer HR Services, a HR outsourcing business of Mercer Human Resource Consulting, today announced it would spend \$50 million over the next three years, for setting up global operations centre in India.

In the first phase, the company has entered into a partnership with Patni Computer Systems Ltd, under which the latter would build and operate a centre located in Noida (near New Delhi) to service Mercer HR's global back-end, non-client facing engagements. At a later stage, the centre may be transferred to Mercer.

Under the contract with Patni, the operations would start with 50 Full Time Equivalents (FTEs) in the global operations centre in Noida, growing to 200 professionals this year, and to 1200-1500 in three years.

<http://www.thehindubusinessline.com/2006/04/06/stories/2006040603880400.htm>

### **Flextronics to invest in SemIndia project**

Betting big on India's semiconductor potential, Singapore-based Flextronics on Tuesday announced it would pick up minority stake in SemIndia, which is embarking on an ambitious \$3-billion chip-manufacturing project in Hyderabad.

"Under the strategic partnership, Flextronics will manufacture electronic products for SemIndia, and SemIndia would make semiconductor chips for the various product categories that Flextronics manufactures in India. These include chips for cell phones, set-top boxes and personal computers," Mr Peter Tan, President and Managing Director (Asia), Flextronics, said after signing the Memorandum of Understanding with SemIndia, in the presence of the Union Communications and IT Minister, Mr Dayanidhi Maran, here.

<http://www.thehindubusinessline.com/2006/04/05/stories/2006040503640400.htm>

## Trade News

### India begins countdown to FTA with Gulf

India is all set to begin negotiations for a free trade agreement (FTA) with the Gulf Cooperation Council(GCC). An inter-ministerial meeting in this regard is slated for Wednesday, which will finalise the approach and strategy for signing the proposed agreement.

The GCC is a customs union comprising Bahrain, Kuwait, Oman, Qatar, Saudi Arabia and United Arab Emirates. As India has wide interests in the GCC countries for meeting its oil and gas requirements, an FTA with the group is considered important.

Industry sources told FE that the inter-ministerial meeting would finalise items on the negative list of India. It would also give shape to the list of products where India would request for increased market access from the GCC.

After the negotiations with the GCC are over, a final agreement would be concluded by the end of the year or early in 2007, sources said.

India and the GCC, which expect bilateral trade to expand to \$25 billion by 2010 from the current around \$17 billion, have been discussing the FTA since August 2004 when they had signed a 'Framework Agreement on Economic Cooperation'.

[http://www.financialexpress.com/fe\\_archive\\_full\\_story.php?content\\_id=122720](http://www.financialexpress.com/fe_archive_full_story.php?content_id=122720)

### India-Yunnan trade up to \$125 m

The trade between Yunnan Province of China and India increased from \$11.34 million in 1996 to \$125 million in 2005, said Ms Zhu Dansheng, Deputy Director General, Department of Commerce, Yunnan Province of China. While speaking at a meeting organised by industry chamber CII, she said in 2005 Yunnan imported \$91.93 million worth of goods from India and exported \$32.71 million worth of goods to India. At the meeting, Mr C.V. Ranganathan, former Indian Ambassador to China, briefed about the latest developments in trade, cultural and tourism sectors between India and Yunnan. CII had organised the meeting for a 21-member Chinese business delegation with Indian businessmen.

<http://www.thehindubusinessline.com/2006/04/04/stories/2006040402000700.htm>

### Export target set at \$120 b; sector-specific steps unveiled

Unveiling a slew of measures to put Indian exports on a higher growth trajectory and create greater employment opportunities, the Annual Supplement to the Foreign Trade

Policy (2004-09) has come up with sector-specific initiatives to make India a hub for gems and jewellery exports and a major refuelling stop for international flights.

Releasing the Annual Supplement here on Friday, the Commerce and Industry Minister, Mr Kamal Nath, set a 20 per cent merchandise export growth target (about \$120 billion) for 2006-07. He expected India's exports to exceed \$150 billion by 2009.

Mr Kamal Nath pointed out that India's exports had recorded annual growth of over 25 per cent during the last two fiscal to touch the 'auspicious figure' of \$101 billion in 2005-06.

<http://www.thehindubusinessline.com/2006/04/08/stories/2006040804680100.htm>

### **India has big stake in Doha Round: Lamy**

The visiting Director General of the World Trade Organisation (WTO), Mr Pascal Lamy, on Wednesday contended that India had a large stake in the ongoing negotiations in Doha Development Round in three key areas such as agriculture, industrial tariffs and services.

During his one-to-one meeting with the Union Commerce and Industry Minister, Mr Kamal Nath, as well as interaction with the stakeholders held earlier in the day under the umbrella of the Department of Commerce-UNCTAD project, Mr Lamy said India had defensive and offensive interests in the three principal areas of trade negotiations.

<http://www.thehindubusinessline.com/2006/04/06/stories/2006040604411200.htm>

### **Ireland trade delegation to visit India**

Northern Ireland is actively working on building extensive business ties with India with high level visits and collaborations between companies, mainly in the IT sector.

Northern Ireland Secretary of State Peter Hain will lead a delegation of 16 companies and the region's two universities on a trade mission to New Delhi, Mumbai and Chennai in May.

Hain made the announcement as Indian High Commissioner Kamallesh Sharma took part in a briefing in Belfast for the companies participating in the tour. Hain said if Northern Ireland was to achieve its economic transformation, it would have to identify and capitalise on opportunities in emerging economic "super powers" in China and India.

"We must make Northern Ireland into a place where Indian companies want to locate and expand and with which they want to trade. We must get out there and tell our story in the Indian marketplace, which is what this visit is all about," he said.

<http://economictimes.indiatimes.com/articleshow/1475919.cms>

## **Sectoral News**

### **EU keen on energy issues with India**

The European Union (EU) is keen to secure close energy cooperation with India, according to the EU's top energy official.

"The challenges facing European Union energy policy are global, first of all for security of supply and the other issue is climate change. India being one of the biggest consumers and also potentially the bigger consumer using a lot of coal for producing power is definitely one of the countries we would like to be in very close contact with," Commissioner Andris Piebalgs told INEP news agency.

The commissioner, who begins his first visit to India Thursday, said his political objective was to globally address the energy issue as well India's role in the post Kyoto energy arena after 2012.

The Kyoto pact requires industrialised countries to reduce their greenhouse gas emissions by 8 percent of the 1990 levels between 2008 and 2012.

<http://economictimes.indiatimes.com/articleshow/1475882.cms>

### **India, US sign pact for FutureGen project**

India today signed an agreement with the US for participating in the \$950-million 'FutureGen' project, which aims at producing electricity from coal without any carbon emission.

The framework protocol, signed here by the Power Secretary, Mr R.V. Shahi, and the US Assistant Secretary of Energy, Mr Jeffrey D. Jarret, follows the decision taken by the Government to participate in the project during the visit of the President, Mr George W. Bush, last month.

"It makes us proud to say that India is the first Government member in the prestigious project. The Government will contribute \$10 million in the project," the Power Minister, Mr Sushilkumar Shinde, said after the signing in ceremony. The FutureGen project is a public-private initiative to build and operate the world's first coal-based power plant in the US that removes and captures carbon dioxide while it produces electricity. The project, expected to be commissioned by 2012, could also see participation by Indian companies, Mr Shahi said, adding that India would benefit immensely from the project.

<http://www.thehindubusinessline.com/2006/04/04/stories/2006040404350900.htm>

## **Singapore plans to develop SEZ in India**

Singapore is actively considering developing a Special Economic Zone (SEZ) in India to bring in a large range of industries.

This has been indicated in the joint statement on themed-term review of the India-Singapore Comprehensive Economic Co-operation Agreement, which was jointly conducted by the Union Commerce and Industry Minister, Mr Kamal Nath, and the Singapore Minister for Trade and Industry, Mr Lin Hng Kiang, on March 31 in Singapore.

An official release said that the Ministers agreed that themed-term review provided both sides with a chance to consider both the implementation of the agreement to date and how it could be further enhanced in order to provide an attractive framework for businesses. They also endorsed the suggestion that teams from both countries should engage in discussions to follow up and improve on the CECA by August 1, 2006.

The Ministers noted that the Mutual Recognition Joint Committee would be meeting to continue its work on the implementation of the mutual recognition agreements (MRAs) for electronics and electronic equipment, telecommunications equipment, and egg products.

<http://www.thehindubusinessline.com/2006/04/05/stories/2006040503830900.htm>

## **News Round – Up**

### **India enters global club of \$1-bn IPOs**

Twenty-nine countries, including India, Brazil, Egypt, Greece, Israel, Kazakhstan, Malaysia, Poland, Saudi Arabia, South Korea and the UAE, each floated more than \$1 billion worth of Initial Public Offerings (IPOs) in 2005, a trend which is expected to continue in 2006 too, Ernst & Young said in its third annual global IPO report - 'Accelerating Growth'.

The report said that India has evoked lively investor interest. While the amounts raised fell from \$2.9 billion in 2004 to \$2.3 billion in 2005, reflecting fewer privatisations (disinvestment), the number of transactions (issues) surged from 21 to 53, placing India in the fourth position in Asia, following China, Japan and South Korea.

"Going by the current trends, 2006 is expected to be another good year for the IPO market in India. With aggressive expansion plans, Indian companies are also showing a strong appetite to alternate source of funding like GDR/ADR and FCCBs. The RBI has recently tightened the rules for GDR and ADR issues, wherein companies not listed in India will not henceforth be allowed to raise foreign equity, including convertibles. This may result in a growing number of domestic offerings in the future

and we see increasing interest in aviation, banking, infrastructure, retail, real estate and sugar," Ram Agrawal, director, Ernst & Young said.

[http://www.financialexpress.com/fe\\_archive\\_full\\_story.php?content\\_id=122587](http://www.financialexpress.com/fe_archive_full_story.php?content_id=122587)

### **India Inc raises \$39.43 bn**

India Inc raised an unprecedented \$39.43 billion (Rs 1.74 lakh crore) in equity and debt in fiscal 2005-06 from domestic and overseas markets. This is nearly 80% higher than the \$21.92 billion (Rs 96,448 crore) raised in 2004-05.

A lion's share has been raised from overseas sources. Indian companies raised \$25 billion from overseas by way of depository receipts, convertible bonds and syndicated loans, according to Bloomberg data.

This is apart from FII investment in the domestic corporate debt market. Money raised in the domestic market through rupee debt and initial public offerings totaled \$15.43 billion, yet another high.

[http://www.financialexpress.com/fe\\_archive\\_full\\_story.php?content\\_id=122528](http://www.financialexpress.com/fe_archive_full_story.php?content_id=122528)

### **Indian manufacturing : A potential hub for the world**

Even though governments have to do a lot in terms of labour reforms and infrastructure development, Indian manufacturing is showing the promise of emerging as potential hub for the world largely due to pro-active policies. The creation of special economic zones (SEZ), the improvement in intellectual property rights laws, the introduction of value added tax (VAT) have proved to be catalysts for the growth of manufacturing sector.

Apart from the rapidly growing service industry, manufacturing sector comprising auto ancillary, pharmaceuticals, garments/textiles, electrical and electronics, scale intensive units and natural resource-based industries have been a success story.

A report titled 'Advantage: The India Manufacturing Opportunity', prepared by the Boston Consulting Group with Confederation of Indian Industry and the department of industrial policy and promotion, said manufacturing is shown as being a critical component of GDP (16%), exports (53%) and FDI into India (79%).

[http://www.financialexpress.com/fe\\_archive\\_full\\_story.php?content\\_id=122892](http://www.financialexpress.com/fe_archive_full_story.php?content_id=122892)

### **Indian worker produces more than Japanese**

India ranks seventh among 18 Asian countries in Labour Productivity Indices based on statistics provided by the Asian Productivity Organisation, Japan. Labour productivity growth in India was 5.38% in 1998, 4.41% in 2001 and 5.85% in 2004. The indices, thus, have recorded a rising trend in India since globalisation.

According to the statistics, the productivity indices shot up from 100 in 1988 to 124.50 in 1995. The only dip midway was in 1992, immediately after the economic reforms process initiated by then finance minister Manmohan Singh. The indices, that year, dipped to 113.59 from 116.27 in 1991. But it soon rose to a impressive high of 118.19 in 1993.

In comparison, China outstripped India both in the pace of productivity increase and in sheer quantum of productivity. From 100 in 1988, the level went up to 141.04 in 1995. India, though, ranks far better than Japan. Japan's own labour productivity in the same period went up from the base of 100 in 1988 to a far slower 113.00 in 1995.

In fact, the labour productivity growth in India during 1995-01 has all along been better than benchmark countries like Australia, Germany, the UK and the USA.

<http://economictimes.indiatimes.com/articleshow/1479911.cms>