

## Weekly Economic Bulletin

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### **News Feature**

#### **India Inc goes full blast on M&As**

More Indian companies are acquiring firms abroad than multinational companies taking over domestic companies. In the first half of calendar year 2006, the number of

overseas acquisitions by Indian firms was 85 — more than double the number of 34 deals at home, according to a survey by global corporate advisory firm Grant Thornton.

The average deal size increased from \$32 million in 2005 to \$47 million in the first half of this year. The aggressive approach can be attributed to companies' aspiration to enhance global delivery.

[http://financialexpress.com/fe\\_full\\_story.php?content\\_id=134239](http://financialexpress.com/fe_full_story.php?content_id=134239)

## **Overseas Investment**

### **Japan eyes India for investments**

Japan on Monday said India would be the next area of focus for its investments but highlighted the importance of an EPA (Economic Partnership Agreement) to augment bilateral trade between the two countries.

"There is an urgent need to begin talks on EPA and FTA between Japan and India, who can share expertise and know-how on a host of issues," Chief Secretary, Select Commission on FTA and EPA Hideaki Ohmura said at a CII session here.

<http://economictimes.indiatimes.com/articleshow/1725192.cms>

### **Central European markets to source drugs from here**

Central European countries with relatively smaller pharmaceutical markets are now courting Indian drug makers to cut down the huge subsidies they provide to their healthcare system.

These countries subsidise 30% to 100% of their citizens' health care costs through state sponsored health insurance.

Poland, Hungary and Slovakia are keen to source medicines and key ingredients from Indian companies, besides striking joint ventures and contract manufacturing deals. An industry-government delegation to these countries last week has done the groundwork for stepping up exports to these countries.

<http://economictimes.indiatimes.com/articleshow/1762165.cms>

### **Disney in talks to buy 30% in UTV arm**

Walt Disney, which operates two television channels in India — Disney Channel and Toon Disney — is joining hands with Indian media and entertainment company UTV to battle Time Warner's Cartoon Network in the Rs 100-crore kids channel space in India.

People familiar with the transaction said that Disney is in advanced talks to buy 30% in UTV's subsidiary, United Home Entertainment (UHEL), which owns the Hungama kids

TV channel. The US media giant is expected to invest in the company so that the money is used to battle for market share in an increasingly competitive market.

<http://economictimes.indiatimes.com/articleshow/1762046.cms>

### **KKR of US to invest \$515 m in Indian IT sector**

The US-based private equity fund Kohlberg Kravis Roberts & Company (KKR) would be pumping in \$515 million (approximately Rs 2,300 crore) in India's information technology sector.

According to the proposal submitted to the Foreign Investment Promotion Board (FIPB), the company, through its subsidiaries, would be engaged in the business of information technology and will also acquire majority stake in Flextronics Software Systems Ltd (FSSL), which was its first acquisition in India announced earlier this year. The funds will flow in through a complex route through a Cayman Islands-based company via Mauritius.

<http://www.thehindubusinessline.com/2006/07/14/stories/2006071404930900.htm>

### **GE Chem buys 25% stake in Daikaffil India**

Luxembourg-based G E Chemical Company has decided to pick up nearly 25 per cent stake in Daikaffil Chemicals India.

The overseas entity will acquire 17.59 lakh preferential shares, representing 25.01 per cent stake in expanded equity base of the Mumbai-based chemical company. Priced at Rs 15 apiece, it would invest Rs 2.63 crore in Daikaffil.

Daikaffil Chemicals produces optical brighteners. Optical brightening agents are dyes that absorb light in the ultraviolet and violet region of the electromagnetic spectrum and re-emit the light in the blue region. These additives are designed to enhance the appearance of colours in fabrics and paper.

[http://businessstandard.com/common/storypage\\_c.php?leftnm=10&autono=98187](http://businessstandard.com/common/storypage_c.php?leftnm=10&autono=98187)

## **Trade News**

### **Firm base for closer India-Japan business relations**

THERE IS a conventional notion that though the Indian market holds great potential, doing business in India is extremely challenging. A strong proof against this comes

from Japanese companies operating in India. Remarkably, almost all of them have a positive outlook on India in terms of their investments plans.

In a recent survey of Japanese businesses in India, conducted by the India Brand Equity Foundation (IBEF), 70 per cent of the respondents said they planned to increase their current investments in India.

The point to note is that this bullish outlook is a result of their experience of doing business in India. A substantial 74 per cent of the companies surveyed felt that their overall experience with India had been "exceptional" and another 21 per cent said they were satisfied with their India operations.

<http://www.hindu.com/biz/2006/07/17/stories/2006071700421500.htm>

### **India, France to sign pact on IPR**

India and France will sign an agreement to promote bilateral cooperation in Intellectual Property Rights.

Minister of State for Industry Ashwani Kumar, who met his French counterpart Francois Loos on Wednesday, also made a pitch for investments by small and medium enterprises of France in India.

"The two ministers also agreed to strengthen the cooperation between the two countries in regard to various aspects of intellectual property and both will sign an agreement to promote bilateral cooperation in the same area," an official release said.

<http://economictimes.indiatimes.com/articleshow/1748133.cms>

### **Exports rise 40.17 pc in June**

The country's merchandise exports during June 2006 clocked a growth 40.17 per cent in dollar terms, having touched close to \$10 billion in a single month (\$9,967.08 million) from the level of \$7,110.96 million during June 2005, even as the first quarter export growth logged a wholesome 32.40 per cent growth over the comparable level of last fiscal's first quarter.

Provisional data collated by the Directorate-General of Commercial Intelligence & Statistics (DGCI&S) and released by the Department of Commerce on Friday show that exports during April-June 2006-07 are valued at \$27,671.93 million, which is 32.40 per cent higher than the level of \$20,900.31 million during April-June 2005.

<http://www.thehindubusinessline.com/2006/07/15/stories/2006071503820300.htm>

## **Sectoral News**

### **Riding high on FDI, retail sector set for quantum leap**

As India strives to integrate with the world economy, the retail sector is bound to make giant strides. With the discussions and furore over foreign direct investment (FDI) in retail gaining momentum, one question that remains unanswered is: "Whether it is the right time to open FDI in retail in India?" The country is witnessing a period of boom in retail trade with the sector having an estimated market size of about \$80 billion. India has been ranked 5th in the Global A T Kearney retail development Index, second to China in Asia, making it the focal point of many foreign eyes. Being the second largest employer after agriculture and contributing 14% to GDP, the retail industry has emerged as a mainstay of the Indian economy.

However, the share of the organised sector in retail trade is only 3% but is expected to reach 10% by 2010, throwing up big opportunities for new players. This sudden surge can be attributed to an increase in the disposable incomes of the middle and upper-middle classes.

[http://www.financialexpress.com/fe\\_full\\_story.php?content\\_id=133841](http://www.financialexpress.com/fe_full_story.php?content_id=133841)

### **Indian steel output to triple by 2020**

Country's steel industry is poised for significant growth and is being hailed as the next China in the segment with a sharp jump in its crude steel production to 100 million tonnes per year by 2020, a UK-based metal consultancy firm said.

India is now being hailed as the new China of the steel industry, where crude steel production soared from less than 100 MT in 1995 to more than 330 MT in 2005, according to a new report titled "Indian Steel: The Next China" from UK-based GFMS Metal Consultancy, which would be published next month.

Incidentally, it has been only a few years since the Indian steel industry was mired in over capacity, huge losses and a general depression, GFMS said.

<http://economictimes.indiatimes.com/articleshow/1748221.cms>

### **Farm sector open to 100% FDI, RBI clarified**

Agriculture sectors such as horticulture, floriculture, development of seeds, animal husbandry, pisciculture, aqua culture, cultivation of vegetables, mushroom under

cultivated conditions and services related to agro and allied sectors are open to 100 per cent foreign direct investment (FDI) through the automatic route.

The matter has been clarified by the Department of Industrial Policy and Promotion (DIPP) after a query from the Reserve Bank of Bank (RBI) whether the government had allowed FDI in the agriculture and plantation sector.

[http://businessstandard.com/common/storypage\\_c.php?leftnm=10&autono=97887](http://businessstandard.com/common/storypage_c.php?leftnm=10&autono=97887)

## **News Round – Up**

### **Foreign funds build up stakes in realty**

Private equity players are bringing in the moolah. Foreign funds have committed funds worth \$8bn for India, particularly in the niche sectors. Sector-specific funds are back in flavour with \$5bn targeted towards real estate alone.

While sectors like real estate, retail and hospitality are the new areas generating interest amongst PE players; IT and pharma continue to be big bets in the country. This is contrary to the earlier trend where most PE biggies such as Carlyle, Chrys Cap, Blackstone, Actis and Temasek had an overarching fund targeted at opportunities across growing sectors.

<http://economictimes.indiatimes.com/articleshow/1762153.cms>

### **Forex volume up 73 per cent in Q1**

For the first time, fundamentals in the domestic forex market are gathering mass out of the ongoing economic boom and FII flows.

Amidst underlying volatility triggering speculative deals, foreign exchange settlement volumes surged by nearly 73% from Rs 2,37,796 crore in first quarter of 2005-06 to Rs 4,11,969 crore recorded in the corresponding period of 2006-07. A break-up of these transactions show that the cash market transactions have nearly doubled to Rs 54,488 crore during the period on account of large positions built in the past

[http://www.financialexpress.com/fe\\_full\\_story.php?content\\_id=133773](http://www.financialexpress.com/fe_full_story.php?content_id=133773)