

## Weekly Economic Bulletin

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### **News Feature**

#### **India 12th wealthiest nation in 2005: World Bank**

India has emerged as the 12th wealthiest nation in the world with its GDP touching 785.47 bn dollars or Rs 35,34,615 crore in 2005, calculated by the World Bank.

US was the wealthiest nation with GDP of 12.46 trillion dollars, according to a list of 15 wealthiest countries prepared by the World Bank in terms of their gross domestic product.

The GDP figures have been adjusted to reflect purchasing power.

While India was way down compared to China, positioned fourth with 2.23 trillion dollars of GDP, it was wealthier than Mexico, Russia and Australia.

The first nine countries had GDP of more than a trillion dollars.

<http://economictimes.indiatimes.com/articleshow/1717397.cms>

## **Overseas Investment**

### **Indian cos go in for large-sized global buys**

India Inc is not only scaling up the size of its overseas acquisitions but there have been several instances of Indian firms buying out companies abroad that are larger in size compared to them.

Tata Coffee's buyout of the third largest coffee chain in the US, Eight O'Clock (EOC), at an estimated \$220 million (Rs 1,019.4 crore) is a case in point. In calendar 2005, EOC's net sales of \$109 million (Rs 504.8 crore) was more than two folds higher than Tata Coffee's revenues of Rs 190 crore for fiscal 2006. Oil drilling major Aban Loyd, which had a turnover of Rs 505.42 crore in 2005-06, acquired a 33.76 per cent stake in Norwegian drilling company Sinvest ASA for \$446 million (around Rs 2,050 crore).

<http://www.thehindubusinessline.com/2006/07/10/stories/2006071002480100.htm>

### **Mittal to set up plant in Orissa**

The Arcelor-Mittal Chief, Mr Lakshmi Niwas Mittal, announced here on Friday that his next destination was Orissa and his company would set up a 12-million-tonne capacity greenfield steel plant in the mineral-rich State.

Accompanied by his son and Chief Financial Officer of the company, Mr Aditya Mittal, the NRI businessman met the Orissa Chief Minister, Mr Naveen Patnaik, before making his plans public.

The proposed plant will be set up in two phases and involve an investment to the tune of Rs 40,000 crore, Mr Mittal said.

<http://www.thehindubusinessline.com/2006/07/08/stories/2006070804110100.htm>

### **FLAG bags US\$ 35 million deal from China Netcom**

FLAG Telecom, the global telecom arm of the Anil Ambani-led Reliance Communications, is believed to have won a \$35 million worth international deal for providing international bandwidth to China Netcom.

Under this contract, FLAG Telecom would provide close to 50GB of high-quality international bandwidth for the retail broadband operations of the Chinese telecom major. The deal, among the largest across the Pacific, is estimated to be close to \$35 million. FLAG would be providing the link between China and West Coast of the US to China Netcom, sources said.

<http://economictimes.indiatimes.com/articleshow/1722150.cms>

### **CSS group sets up arm for Indian market**

US-headquartered Cybernet Software Systems (CSS) group announced that it had set up an independent IT services subsidiary in India called 'CSS Software India' to target the domestic Indian market. The group already has an extensive presence in the country through four outfits.

The new entity plans to open 12 new offices across the country over the next 3-6 months. It will hire over 500 professionals in the next 12 months for its business in India. The company will quadruple the headcount of this entity to over 650 from the current 150 employees.

[http://businessstandard.com/common/storypage\\_c.php?leftnm=11&bKeyFlag=IN&auto no=2747](http://businessstandard.com/common/storypage_c.php?leftnm=11&bKeyFlag=IN&auto no=2747)

### **Videocon set to acquire Daewoo unit worldwide**

Videocon is on the verge of signing on the dotted line to acquire South Korean chaebol, Daewoo's consumer electronic business worldwide.

According to informed sources, all major glitches in the deal have been sorted out and the announcement is due shortly. Though the details of the deal could not be ascertained immediately, sources say it could be in the region of \$500-600m.

When contacted, Videocon group chairman, VN Dhoot only reiterated that his company's bid was shortlisted and that the final decision is yet to come. But he did point out the importance of the company he has bid for. "Our core business has a clear synergy with Daewoo's electronic business," he told ET.

<http://economictimes.indiatimes.com/articleshow/1709167.cms>

### **India third largest investor in UK**

Indian companies nearly doubled their investments in Britain during 2005-06 to emerge as the third largest overseas investor in that country.

According to the UK Inward Investment Report, Indian companies invested 1.02 billion pounds during the year.

"India is now the third largest investor in the UK with Indian foreign investment projects into the UK increasing by a staggering 110 percent in 2005-06," Mark Dolan, British trade and investment deputy director (inward investment) for India, told a news conference while releasing the report here.

<http://economictimes.indiatimes.com/articleshow/1709207.cms>

## **Trade News**

### **China emerges as India's third biggest export destination**

The reopening of the Nathu La pass must have been more of a confidence-building exercise than developing trade. Without land route, China has become India's most vital trade partner.

China has, in fact, been at the centre of the dramatic directional shift of India's exports in the new millennium — from 'Destination the US' it is now 'Destination China'.

China's share in India's total exports has jumped from 1.5% in 1999-'00 to 6.4% in the first 11 months of '05-06, while that of the US has declined from 22.8% to 16.9% during the same period. With this rise, China has become India's third biggest export partner after the US and the UAE against 15th in 1999-00.

<http://economictimes.indiatimes.com/articleshow/1719648.cms>

### **Sino-Indian trade to touch \$20 bn by '08**

India has emerged as the largest trading partner for China in south East Asia with bilateral trade at \$18 billion in 2005 and projected to touch \$20 billion by 2008.

"China has become India's third largest trading partner, while India has emerged as China's largest trading partner in South Asia," minister counselor, Chinese embassy Zheng Quingdian said on Monday at a session organised by the Federation of Indian Chambers of Commerce and Industry.

Bilateral trade between the countries was less than \$2 billion in 1999 while it escalated to \$18 billion in 2005.

[http://www.financialexpress.com/fe\\_full\\_story.php?content\\_id=133474](http://www.financialexpress.com/fe_full_story.php?content_id=133474)

## **Ready-to-wear garment exports may double in four years**

Readymade garments exports from India are expected to touch \$14.5 billion (Rs 70,000 crore) by 2009-2010 with a cumulative annual growth of 18% to 20%. This optimism is based on abolition of quotas on all countries except China and the continuation of quotas on China until 2008.

In 2005, the country exported \$6 billion worth garments, contributing to 7.6% of the total merchandise exports. However, the Apparel Export Promotion Council (AEPC) chairman AK Agarwal, considers that to increase exports even to Rs 60,000 crore there should be an investment of Rs 30,000 crore to Rs 35,000 crore, including substantial foreign direct investment.

Agarwal believes that fresh investments and entry into new markets like South East Asia, Latin America and East European countries, besides the traditional markets in the US, Europe and the UAE, would propel the readymade garments exports to expected levels.

[http://www.financialexpress.com/fe\\_full\\_story.php?content\\_id=133396](http://www.financialexpress.com/fe_full_story.php?content_id=133396)

## **Sectoral News**

### **Indian banks beat Asian peers, costs kept tight.**

The Indian banking sector has scored over its counterparts even in developed countries such as Japan, Singapore and Australia. Indian banks posted the highest return on equity (ROE) compared to their Asian peers in the last three years.

According to Moody's Investor Services data, Indian lenders have posted highest ROE of 20.38% (system average of three years), closely followed by Indonesia at 20.19% and New Zealand 18.83%. Japan, the biggest economy in Asia posted negative returns of 6.42%, implying the banks there have made losses

[http://www.financialexpress.com/fe\\_full\\_story.php?content\\_id=133314](http://www.financialexpress.com/fe_full_story.php?content_id=133314)

### **UK investors keen to invest in food processing**

India has received an encouraging response from investors in the UK for setting up joint quality control testing facilities for agriculture products and establishing cold storage facilities in the country, Minister of State for Food Processing Industries Subodh Kant Sahai said here.

"I have suggested setting up joint quality control testing facilities in India so that the

percentage of rejection (exported agriculture products) becomes minimal," Sahai, who had a series of meetings with investors and his British counterparts here during the last three days, told the media last night.

Noting that India needed Rs 1,00,000 crore (20 billion dollars) investment to provide adequate number of cold storages and create mega food parks, the minister said the response from investors has been positive.

<http://economictimes.indiatimes.com/articleshowcnews/1712950.cms>

### **Global oil majors woo GSPC**

Exxon, Shell, BP, British Gas among 13 in fray for development of Krishna-Godavari basin field.

ExxonMobil, Shell, British Petroleum and British Gas have expressed interest in the KG basin gas field of Gujarat State Petroleum Corporation (GSPC)

The state-owned exploration, production and distribution company GSPC had invited expression of interest from global majors for the development of Offshore Platform, pipelines (sub-sea & onshore) and Onshore Production Facility to facilitate the development of Deen Dayal Gas Discovery

[http://businessstandard.com/common/storypage\\_c.php?leftnm=10&autono=97430](http://businessstandard.com/common/storypage_c.php?leftnm=10&autono=97430)

### **News Round – Up**

#### **India is still the top BPO spot in Asia**

India is the top destination for contact centre business — call centre in common parlance — in Asia. India's call centre business continues to grow despite closely emerging competitors like Philippines, Malaysia and Thailand, according to a Contact Centre Recruitment Index '06 done by Kelly Services, a global recruitment and temping firm.

<http://economictimes.indiatimes.com/articleshow/1715585.cms>

#### **India a counsel to US, Canada**

Following the footsteps of call centres, data processing and accounting firms, lawyers in Canada have begun outsourcing legal work to India.

By offshoring work to India, Canadian lawyers can pay substantially less per hour and enjoy faster turnaround time than they would be paying junior lawyers in the country, said a report by Can West News Service today.

Moreover, the nearly one million English-speaking lawyers are trained in common law, the same type of law that is practised in most of Canada, prompting lawyers there to offshore legal work to India ranging from research for court cases to contract drafting and patent applications.

[http://financialexpress.com/latest\\_full\\_story.php?content\\_id=132891](http://financialexpress.com/latest_full_story.php?content_id=132891)