

Weekly Economic Bulletin

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News Feature

Indian aviation is global flavour

Despite forecasts about growing losses fuelling an imminent shakeout, Indian aviation industry continues to be the flavour of the season in the global arena.

The disappointing listing of Air Deccan and the continuous slide of the Jet Airways scrip has not affected the sentiment of global investors.

According to estimates by a top analyst at the International Air Transport Association (IATA), the investment needed by the Indian aviation industry is around \$90bn in the next 24 years and this provides big opportunities for investor's world-wide.

The Centre for Asia Pacific Aviation (CAPA) is of the view that the pie could get even bigger with \$40bn investment potential in the next five to seven years.

Though estimates are diverse, there is consensus on the boom in India which could be turn out to be biggest the global aviation industry has seen so far. During the recent IATA conference in Paris, civil aviation minister Praful Patel and Air-India chairman-cum-managing director V Thulasidas were the most sought after despite the industry's worries about high fuel prices.

<http://economictimes.indiatimes.com/articleshow/1645113.cms>

Overseas Investment

Japanese cos make a beeline for India

India is a favoured destination for Japanese investments with a whopping 71 per cent of the Japanese companies surveyed saying they would increase their stakes in the country. These companies include reputed brands like Suzuki, Honda, and Toyota, said an India Brand Equity Foundation (IBEF) report "Proven Strategies: Japanese Companies in India".

The report details the best practices adopted by 25 Japanese companies in the Indian market.

The report, which also includes profiles of 17 Japanese companies doing business in India, was released ahead of the World Economic Forum's East Asia Summit at Tokyo Thursday-Friday.

The Indian domestic market is one the key factors for driving Japanese investment into the country, the survey says. Sectors like transportation, telecommunication, fuel, chemicals, pharmaceuticals, health drinks, pulp and rice have attracted significant Japanese investments, it adds.

Indian companies, too, are exploring Japan as an investment opportunity; with around 70 IT companies having already established their offices in that country.

<http://economictimes.indiatimes.com/articleshow/1641674.cms>

Plan panel for ensuring \$15 bn FDI in 11th Plan

The Planning Commission has said that the level of FDI inflow is much below the country's potential and the nation needed to attract about \$15 billion worth of FDI in the Eleventh Five Year Plan period.

In its draft approach paper of the Eleventh Plan, the Commission pointed out that a direct benefit from global integration was the increased FDI inflow which increased from \$3.7 billion in the Ninth Plan to \$5.4 billion during the first four years of the Tenth Plan which was below the country's potential

In 2005-06, the FDI inflow was \$8.2 billion and Commerce and Industry Minister Kamal Nath has indicated that the FDI inflow into the country could be pushed upto \$12 billion

<http://economictimes.indiatimes.com/articleshowcnews/1651167.cms>

SAP India plans Rs 115-cr expansion

SAP India will be investing € 20 million (Rs 115 crore) in expanding its India operations. The expansion entails augmentation of its software development activity, creation of centres of excellence, as well as a chain of 22 SAP training centres across the country.

The company has already invested an equal amount on software development in India.

India is one of the eight strategic markets for the German software company, Mr Alan Sedghi, President and CEO for SAP South Asia, said at a pressconference here on Wednesday. Currently, the South-Asia region contributes 13 to 15 per cent of SAP revenues worldwide, with India accounting for a large part of it.

SAP has been growing at around 50 per cent in revenues annually, he said. Already in the current fiscal, quarter one (January to March) fetched 94 new customers while quarter two has fetched 70 so far. The company had acquired 180 customers in the whole of the previous fiscal, said Mr Sedgh

<http://www.thehindubusinessline.com/2006/06/15/stories/2006061503960400.htm>

Panasonic to invest more in India

Bullish on the Indian market, Japanese consumer durables company Panasonic on Thursday said it was ready to increase investments in the country and line up new products.

"There is tremendous potential in the Indian market and we are ready to invest more," Panasonic Deputy Managing Director Hidenori Aso told reporters here.

The company, however, is a marginal player in the consumer durables segment, which is dominated by South Korean companies LG and Samsung. Panasonic, which manufactures televisions at its Noida factory, could manage a meagre Rs 150 crore from the Indian market last fiscal.

"The Koreans did a good job in India and I feel we got a little delayed. But we will move aggressively now," Aso said.

The company though has discontinued production of air-conditioners and washing machines in India and depends on imports for sales.

<http://economictimes.indiatimes.com/articleshowcnews/1651275.cms>

Tech Mahindra to invest \$300m

Tech Mahindra, formerly known as Mahindra-British Telecom, is planning to invest an additional \$300m (Rs 1,400 crore) over the next couple of years in setting up new software development centres.

"Simultaneously, the company will focus on adding more clients globally so as to reduce its dependence on British Telecom whose share in total revenues has already been brought down to 65% in 2005-06 from 90% two years back," Sujit Bakshi, president-corporate affairs, told ET. The company is also moving into areas such as IT security, gaming and entertainment, which also require networking and telecom-based solutions.

<http://economictimes.indiatimes.com/articleshow/1657269.cms>

Trade News

Indo-Kuwait trade set to triple by 2010: Assocham

Indo-Kuwait two-way trade is expected to triple by 2010, with the visit of the Emir of Kuwait to India, starting June 14, says a paper prepared on Indo-Kuwait two-way trade by Associated Chambers of Commerce & Industry of India (Assocham). The prospects are expected to reach \$3,200 million by 2010 from the current \$1,000 million, the paper reports.

The paper, to be released on Friday when the Emir addresses the Indian industry, says present Indo-Kuwait trade imbalances will almost be equalised, and will not favour either country as India's crude & petroleum products dependence on Kuwait will grow with better bilateral relations.

At present, the trade between India and Kuwait is stagnant at \$1,000 million, of which Indian exports to Kuwait are estimated at about \$650 million against India's imports of around \$350 million.

http://www.financialexpress.com/fe_full_story.php?content_id=130476

India, Japan set to sign Ceca-like agreement soon

India is moving towards an economic partnership agreement with the world's second largest economy — Japan.

Carefully sidestepping a free trade agreement (FTA) since such pacts have been questioned by the Congress leadership as well as the finance ministry, the two countries are looking at an economic partnership which will be similar to the comprehensive economic cooperation agreement (Ceca) signed with Singapore and Mauritius.

The need for early conclusion of an economic partnership agreement was proposed by Japan's economic, trade & industry minister Toshihio Nikai on Wednesday at the India-Japan business summit here.

Commerce & industry minister Kamal Nath said such an agreement was vital to the interests of both nations and pointed out that Japanese FIIs were the second largest in terms of portfolio investment in India. "We are not talking about an FTA. What we are looking at is economic partnership that can drive investment and technology flows," he said while reacting to Mr Nikai's proposal.

<http://economictimes.indiatimes.com/articleshow/1648677.cms>

Kuwait signs three agreements with India

India and Kuwait on Thursday signed three agreements to boost ties after Emir Sheikh Sabah al-Ahmad al-Sabah held talks with the Prime Minister, Dr Manmohan Singh.

The countries inked three key agreements on avoidance of double taxation, co-operation in drugs and narcotics control and boosting cultural ties.

The Sheikh was accorded a ceremonial reception by the President, Mr A.P.J. Abdul Kalam, and Dr Singh earlier in the day.

The Sheikh is accompanied by the Minister of Finance, Foreign Affairs and Oil Minister

<http://www.thehindubusinessline.com/2006/06/16/stories/2006061603970900.htm>

Australia calls for better bilateral trade

India needs to focus on Australian markets as there is significant potential for collaboration between the two economies, according to Simon Johnson, regional director (India), Western Australia trade office.

Johnson was speaking at a meeting organised by the Federation of Andhra Pradesh Chambers of Commerce and Industry (Fapcci) in Hyderabad.

“Indian corporates have invested A\$1 billion in Western Australia. The trade between the two countries is in the ratio of 1:6 in favour of Australia. India, therefore, should start focusing on Australian markets,” he added.

According to Johnson, while India is the fourth largest export market for Western Australia, it is the 27th largest import source.

“We, therefore, encourage Indian companies to look at Australian markets,” he added.

B Shankar, chairman of foreign trade committee at Fapcci, said that merchandise exports to India by Australia were valued at A\$5.4 billion last year of the total trade in goods and services worth A\$7.4 billion.

http://businessstandard.com/common/storypage_c.php?leftnm=10&autono=95418

India, Iceland set to sign aviation pact

The Cabinet on Friday approved an air services agreement between India and Iceland. The agreement will establish better air links between the two countries and is being seen as an important landmark in bilateral civil aviation relations.

Once this agreement comes into force, both countries will have the right to designate as many airlines as they wish to fly to each other’s destinations.

The agreement will also empower any one of them to revoke, suspend or limit the operating authorisation or the technical permission of an airline designated by the other.

http://www.financialexpress.com/fe_full_story.php?content_id=130838

'\$100 bn exports for India'

Indian factories are expected to double their annual exports to \$100 billion in the next four years, replicating the success of a remote-office industry that has made the South Asian nation a services hub.

Low labor costs and a tradition in precision engineering will draw investments in the manufacturing sector in India, which will emerge as a sourcing destination for overseas companies looking to cut expenses, New Delhi-based Associated Chambers of Commerce and Industry of India, or Assocham, said in a study yesterday

Textiles, engineering, pharmaceuticals and automobile parts are among the industries poised for the fastest expansion, Assocham President Anil K. Agarwal said

http://financialexpress.com/latest_full_story.php?content_id=130413

India top exporter to Dubai, overtakes China

India has overtaken China as the main exporter to Dubai with a 30 per cent increase in trade in 2005, official figures reveal.

The Dubai Ports, Customs and Free Zones Corporation (PCFC) figures said that total trade increased from Rs 2692.62 billion (Dh 215.73 billion) in 2004 to Rs 3505.75 billion (Dh 280.46 billion) in 2005.

India's trade with Dubai accounted for Rs 540.75 billion (Dh 43.26 billion) in 2005, an increase of 37.94 per cent over 2004, compared to China's Rs 280.75 billion (Dh 22.46 billion), an increase of 22.39 per cent over 2004.

http://financialexpress.com/latest_full_story.php?content_id=130917

Sectoral News

Airservices Australia eyes India

Eyeing to tap the huge potential of India's booming aviation sector, 'Airservices Australia' On Tuesday announced a new business expansion plan that includes marketing its air traffic control, tower and airside products and services.

The state-owned Airservices Australia said it has identified both India and China as a major growth area of the future in airports, air traffic control management and associated airside business and will be unveiling a detailed strategy in the coming months.

The firm has signed a cooperation agreement with DFS Deutsche Flugsicherung, a German air navigation service provider, to pocket the massive chances provided by Asian and Gulf countries, including India and China. A detailed strategy to market air traffic control, tower and airside products and services to India and China will be drawn after both the companies launch their sales mission in the Gulf region.

<http://economictimes.indiatimes.com/articleshowcnews/1644560.cms>

Italian group mulls textile plant in AP

Italian diversified group Camozzi Holding Spa, is planning to set up a Rs 600-700 crore textile plant in the Warangal district.

A delegation headed by Mr Ettore Camozzi, Board member of Camozzi Holdings Spa, Italy called on the State Chief Minister, Dr Y.S. Rajasekhara Reddy, and expressed their interest in setting up a textile manufacturing plant in the State.

The Government assured necessary support for this project. Mr Camozzi explained the specialisation of their diversified group, which has made a mark in 12 different spheres.

The Chief Coordinator, Camozzi Textiles Pvt Ltd, Mr A.S. Rao, said the unit would handle spinning, weaving and production of both cotton and polyester textiles and garments for both domestic and export markets.

<http://www.thehindubusinessline.com/2006/06/14/stories/2006061402561900.htm>

ITC Info opens Alabama centre

ITC Infotech, the \$62-million subsidiary of ITC Ltd today announced the launch of its operations in Alabama with its headquarters in the city of Birmingham.

The company has entered into a strategic alliance with AK-Global Solutions Inc, a business consultant providing strategic integrated solutions to better manage talent pool, technology and expertise. The Alabama centre's manpower capacity would be 100 in the next three years.

ITC Infotech employs over 4,100 employees. In addition to IT solutions, services and co-sourcing, the company has a joint venture with ClientLogic in the BPO space that offers technical helpdesk with over 2,500 employees. ITC Infotech has offices in the US, Europe and the Asia Pacific, serving Fortune-listed customers across 42 countries.

<http://www.thehindubusinessline.com/2006/06/16/stories/2006061602780400.htm>

TCS to make India's biggest buy abroad

Over the last five years, heavyweights in the Indian IT industry spoke of big ticket acquisitions. But until now, nothing of consequence came through except a few small and medium deals.

The wait may finally be over. Sources close to Tata Consultancy Services told TOI that the company is planning to buy UK-based Vertex for anything in the region of \$800 million-\$1 billion. If the deal comes through, it could be the largest ever by an Indian business house.

<http://economictimes.indiatimes.com/articleshow/1648670.cms>

News Round – Up

Wow! NRIs send home a whopping \$21 bn

For Indians, the umbilical cord with home is never severed. India is the largest recipient of remittances by overseas workers, estimated at \$21 billion — up from almost 150% since 1995, says a study by investment bankers J P Morgan.

A related survey in the San Jose Mercury News reported that 6 of the 100 best paid executives in Silicon Valley were Indians. While Shantanu Narayen, Adobe Systems president and COO, ranked 31, Sanjay Mehrotra, EVP and COO of SanDisk, was 39.

Six of the 100 best paid executives in Silicon Valley are Indians, according to a survey in the San Jose Mercury News.

Ranked at 61 is Rajiv Dutta of eBay and at 71 is Vyomesh Joshi, HP's EVP. Others on the list include Abhijit Talwarkar, LSI Logic CEO, at 89 and Kamal Agarwal of National Semiconductors at 99.

<http://economictimes.indiatimes.com/articleshow/1641709.cms>