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News Feature

India, China top Asian outsourcing destinations

India and China predictably emerged as the top two Asian destinations for bank outsourcing with Singapore in the third spot, a survey said Tuesday.

While not known for cheap labour, the city-state is becoming a favoured location by financial institutions.

PricewaterhouseCoopers (PwC) and the Economist Intelligence Unit polled 130 senior executives in the financial services industry.

Four in 10 picked India as the country where their firms are most likely to set up outsourcing arrangements. Thirty-two percent selected China and 11 percent Singapore. .

<http://economictimes.indiatimes.com/articleshow/1661758.cms>

Overseas Investment

India on radar of many cross-border real estate investors'

Predicting accelerated investments by domestic and cross-border real estate funds into the Indian market, a latest report by global realty consultant Jones Lang LaSalle has said that suburban offices and residential sectors are likely to offer greatest opportunities in the short term, while the retail sector would be the growth driver in the medium term.

"India is now on the radar screen of many cross-border real estate investors, and a substantial weight of both domestic and global capital is now seeking real estate investment opportunities in India," said the report, titled 'Emerging City Winners'.

"The current investment market includes active participation from domestic real estate funds, institutions, high net worth individuals, and local developers. Domestic debt also remains strong as a financing option, primarily in the form of construction finance as well as lease rental discounting."

<http://www.thehindubusinessline.com/2006/06/23/stories/2006062301110300.htm>

India to consider allowing FDI from Bangladesh'

India must allow foreign direct investment from Bangladesh, though with adequate safeguards, even as "we are seeking to push significant investments into Bangladesh."

Commenting on the recommendations of the Task Force (under an MoU between Federation of Bangladesh Chambers of Commerce and FICCI) on raising Indian investments in Bangladesh, Mr Jairam Ramesh, Union Minister of State for Commerce & Industry, said that "we will reconsider the Bangladesh FDI issue again. The ban, I think, should be lifted."

<http://www.blonnet.com/2006/06/21/stories/2006062103790900.htm>

Caparo to invest Rs 5 cr in Indore auto cluster

The UK-based Caparo group is planning to invest Rs 5 crore in the tool room of the Pithampur Auto Cluster Private Ltd (PACPL). The company is in talks with the MP government in this regard.

It was recently reported that the group would invest Rs 100 crore in a new tubings facility in Pithampur.

The Pithampur auto cluster, which, according to a senior government official, is likely to take off later this year, is being developed under the "Industrial Infrastructure Upgrade Scheme (IIUS)" of the Centre. The Centre will give a grant of Rs 50 crore for this.

The Union government has given approval to the Rs 75.93-crore auto cluster in Pithampur, an industrial village which was once known as the Detroit of Asia. The proposed cluster envisages the creation of a tool room, a technical service centre, a hazardous waste disposal site, a modern industrial training institute, and a business centre for small and medium enterprises.

http://businessstandard.com/common/storypage_c.php?leftnm=10&autono=95962

HSBC Rail eyes India

HSBC Rail (UK) Ltd, a rolling stock company, is eyeing the Indian rail sector.

HSBC Rail is one of the three primary rolling stock companies in the fragmented rail industry in the UK - the other two being Angel Train Contracts and Porterbrook.

Speaking to Business Line recently, Mr Paul Tweedale, Head of Risk and Product Development, HSBC Rail (UK), said, "We are interested in looking at the Indian market."

HSBC Rail is exploring various options including whether it can help set up an organisation on similar lines in India. "We are already in talks with the Indian Railway Finance Corporation (IRFC)," said Mr Tweedale. IRFC is the finance mobilising arm of the Indian Railways. It finances almost half of the rolling stock owned by the Indian Railways by leasing them out to the Railways.

<http://www.thehindubusinessline.com/2006/06/22/stories/2006062200070700.htm>

S'pore, 3i may buy stake in Adani Port for \$100m

Government of Singapore, 3i and a few other private equity investors may pick up equity stakes in the Adani-controlled Gujarat Adani Port (GAPL) for \$100m. The unlisted company, which runs Mundra Port in Gujarat and is now setting up a special economic zone (SEZ) in Mundra, is expected to go public within three years, according to the conditions of an agreement which is expected to be finalised in two weeks.

Gautam Adani, chairman of Adani Group, told ET that negotiations with investors were on, but denied that they were close to finalising any deals. Sources close to the deal, however, said GAPL is expected to sign a deal based on "structured finance" within 10 days.

GAPL was planning to raise funds from long-term equity investors over the past one year. However, there wasn't much of a headway in talks till recently. GAPL's valuations seem to have improved exponentially after it began work on the proposed second container terminal at Mundra. GAPL had sold the first container terminal to P&O Ports in May '03 for \$195m, the largest ever deal in India's port sector.

<http://economictimes.indiatimes.com/articleshow/1657464.cms>

US-based Avocent plans to expand operations in India

US-based Avocent Corporation, supplier of connectivity solutions for enterprise data centres, service providers and financial institutions, on Monday said it plans to expand operations in India and is considering setting up a software development centre in the country.

The company would open additional centres across India, senior executives of Avocent, the NASDAQ-listed firm said. It already has four technical, sales and support offices at Mumbai, Bangalore, Delhi and Hyderabad.

Avocent is also considering setting up a software development centre in India, especially after its recent acquisition of Cyclades Corporation and LANDesk, Avocent Management Systems Division, Global Branded Markets Senior Vice President Dudley DeVore said.

<http://economictimes.indiatimes.com/articleshowcnews/1660842.cms>

Global insurance M&As to 'rock' India

Indian insurance firms will feel the ripples of global M&A activity, which, insurers expect, will rise sharply in the next three years. Most insurers worldwide are seeking to acquire companies in the next three years, according to findings of a survey published by management consultancy firm KPMG.

In its report titled 'Run for Cover?', KPMG has said 81% of large insurers — with a premium of over \$500m — are actively seeking acquisitions. The drive for this growth is being fuelled by insurance companies' expectations of increasing competition and new entrants. Until now, for the past three years, acquisition strategy has been driven by increasing profit and topline growth.

The report also points out that with some markets such as Australia losing momentum, companies there are looking at expanding in high-growth markets such as India. The Insurance Australia Group is one such company looking at India among other Asian countries.

<http://economictimes.indiatimes.com/articleshow/1679150.cms>

Nokia sheds Finland for India

Global telecommunications giant Nokia today announced shifting the hub of its global telecom network management services business to India from its home base in Finland. "The managed services will be led globally from India from July this year.

Asish Chowdhary, currently the Head of Networks in India, will transition as new Global Head of Managed Services from India by the end of this year," Rajeev Suri, Senior Vice President, Asia Pacific (Networks) at Nokia said.

Going forward India will play a pivotal role in Nokia's managed services success, not only as a large target market but also from delivery and direction perspective," he said.

http://financialexpress.com/latest_full_story.php?content_id=131070

Trade News

India's trade with Dubai up by 37.9% in '05

Increased gold trade between India and Dubai scaled up trade between both the countries by 37.9 per cent at \$11.8 billion in 2005, compared to the previous year.

Dubai recorded 30 per cent increase in its trade volume in 2005, with India overtaking China to become the biggest importing country.

Growth occurred in virtually every sector and total Dubai trade for 2005 stood at USD 76.4 bn, Department of Tourism and Commerce Marketing (DTCM) said in a release here.

Dubai Ports, Customs and Free Zones Corporation (PCFC) said India's trade with Dubai showed an increase of 37.94 per cent in 2004, compared to China's increase of 22.39 per cent in the same year.

<http://economictimes.indiatimes.com/articleshow/1668285.cms>

Cabinet nod for Korea, Sweden pacts

The Union Cabinet on Thursday approved conclusion of Bilateral Investment Promotion and Protection Agreement with the Republic of Korea. The agreement will increase the investment between the two countries. Such agreements have been signed till date with 58 countries.

The Cabinet also approved the agreement signed between India and Sweden in December last year in Stockholm on cooperation in the fields of science and technology. The agreement shall remain in force for a period of five years.

<http://www.thehindubusinessline.com/2006/06/23/stories/2006062302870900.htm>

Multi-modal transport vital to boost Indo-Bangla trade'

The expanding trade volume between India and Bangladesh should be complemented by rail, sea and inland waterways and should no longer be dependent only on the overstretched road link from here, the Minister of State for Commerce, Mr Jairam Ramesh, said here. Mr Ramesh told Business Line, on his way back from this border area, that with SAFTA (SAARC Free Trade Area) providing a big stimulus to expanding trade relations, the simple reliance on road link for commerce would not suffice.

The Minister said last year India exported \$1.5 billion worth of its goods to Dhaka and imported from the latter \$160 million. He said that India's import from Bangladesh doubled last year and is set to move anywhere from \$260 million to \$280 million in the near future. Hence, over-reliance on Petrapole is not good and "we must develop rail-based traffic, sea route and riverine passage and in short a multi-modal transportation". He added that connectivity is poor, while infrastructure is pathetic in this border area.

<http://www.blonnet.com/2006/06/20/stories/2006062004630900.htm>

Thai trade team visits Kochi

A team of delegates from the Ministry of Commerce, Thailand, headed by its Inspector General, Mr Thawatchai Sophastienphong, visited the Indian Chamber of Commerce and Industry here for an interactive session on promotion of investment and trade between India and Thailand.

Welcoming the Thai delegates, Mr Balagopal B. Pai, president of the Chamber, said that since the food processing and agro industries in Thailand are well developed, these sectors offer opportunities for joint ventures in Kerala. The traditional items being exported from the State to Thailand include cashew kernels, coir mats, seafood, handicrafts, tea and spices.

Mr Sophastienphong said the delegates wish to explore trade opportunities between India and Thailand particularly in view of the India Thailand Free Trade Agreement entered into between the two countries in October 2003

<http://www.thehindubusinessline.com/2006/06/23/stories/2006062302451900.htm>

Sectoral News

Indo-Japanese cooperation likely in energy sector

Japan had shown keen interest in India's energy sector during the recently concluded India-Japan talks in Tokyo, in which the Indian industry was represented by the apex industry chamber CII.

It was decided at this meet that Japan will also partner India in CII's flagship event "International Engineering and Technology Fair (IETF 2007).

The high point of the CII mission, led by CII president R Seshasayee, was the interaction with Shinzo Abe, chief cabinet secretary in the Japanese government. The discussion covered three key issues- environment, science & technology (innovation) and energy. Mr Abe had emphasised that for Japan energy was one of the key focus areas in India.

http://financialexpress.com/fe_full_story.php?content_id=131110

Foreign investments in manufacturing sector invited

India on Tuesday asked foreign entrepreneurs to take advantage of the investor-friendly atmosphere in the country and said it was the right time to pump money in the country, especially in its manufacturing sector.

"Those who go in early would have an advantage," the Minister of State for Commerce and Industry, Mr Ashwani Kumar told more than 150 CEOs, entrepreneurs and businessmen at a breakfast meeting organised by the prestigious Asia Society.

The minister pointed out that the foreign companies that have set up establishments in India have never lost money and many of them are seeking to expand their activities in a big way. Admitting that infrastructure needed to be improved, he pointed out that the Government plans to spend \$150 billion over next 7 to 10 years including \$22 billion in the power sector.

<http://www.thehindubusinessline.com/blnus/14201307.htm>

Media to see increase in FDI

The information and broadcasting ministry, since the beginning of this year, has cleared 13 proposals for Foreign Direct Investment (FDI) in media and is examining another 22 proposals.

There have been eight proposals for FDI in the news and current affairs media including Mid-Day Multimedia Ltd, Business India Publications Ltd, Deccan Chronicle Holdings Ltd, Dhara Prakashan Pvt Ltd, Writers & Publishers Ltd and DT Media & Entertainment Pvt Ltd.

Midram Publications proposes to bring out a facsimile edition of IHT. Financial Times (India) Pvt Ltd has submitted a proposal for coming out with its newspapers and periodicals. Both are under consideration by the government. Details of the investment in these companies are not known.

Currently, the government guidelines have capped FDI inflow into the news and current affairs segment at 26 per cent FDI, with several riders like insistence on an Indian editor and single largest shareholder to have 51 per cent stake, among others.

http://businessstandard.com/common/storypage_c.php?leftnm=10&autono=95718

Food sector's FDI pie to hit \$3bn mark

Foreign direct investment (FDI) in the country's food sector is poised to hit the \$3-bn mark. In the last one year alone, FDI approvals in food processing have doubled.

Add to this the \$55mn that has been invested in sugar and cooking oil companies, and you can see how the changing diet of upwardly mobile India along with the new mega food parks are becoming dishy to overseas investors. Foreign direct investment in food already beats the money being pumped into the far-more-glamorous hotels and tourism industry.

According to latest industry ministry data, the cumulative FDI inflow in food processing reached Rs 9,826 crore (\$2,804m) in March '06. In '05-06, the sector received approvals worth Rs 185 crore (\$41m). This figure is almost double the Rs 100 crore (\$22m) approved in '04-05.

<http://economictimes.indiatimes.com/articleshow/1665271.cms>

Industry says yes to 49% FDI in retail

According to the latest findings of industry chamber Assocham, an overwhelming majority of domestic firms are keen in allowing 49% FDI in a calibrated manner in retailing, instead of 100% foreign equity. In a note submitted to the commerce and industry ministry, Assocham suggested the government to first consult the domestic industry before finalising and announcing entry of overseas mega malls in the country.

In response to an Assocham questionnaire circulated to domestic players, one of the leading retailing firms, which runs value-buying chains through out the country and is expanding very fast, wanted a period of two to three years for the domestic industry to consolidate.

http://www.financialexpress.com/fe_full_story.php?content_id=131170

News Round – Up

Four Indian firms make it to S&P BRIC 40 Index

Four Indian companies - HDFC Bank, ICICI Bank, Infosys Technologies and Satyam Computer Services - have been included in a new global index introduced by Standard & Poor's (S&P). These companies will form part of the newly launched S&P BRIC 40 Index, which will provide exposure to 40 leading companies from Brazil, Russia, India and China (BRIC), the company said in a release on Wednesday

The index constitutes large, well-traded and liquid companies trading on Hong Kong Stock Exchange, London Stock Exchange, Nasdaq and New York Stock Exchange. India's share will be the lowest at 9.16% in the index. However, individually Infosys Technologies will have a weightage of 5.39%, the fifth largest in the index. ICICI Bank will have a weightage of 1.45%, Satyam Computer Services 1.33% and HDFC Bank 0.99% in the index

http://www.financialexpress.com/fe_full_story.php?content_id=131394