

Weekly Economic Bulletin

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News Feature

India world No. 1 in gold jewellery making

India has surpassed Italy and is now officially the largest gold jewellery producer in the world. Confirming the development, Federazione Nazionale Orafi Gioiellieri Fabbricanti

Aderente a Confindustria or Federorafi, which is the federation of Italian jewellers said India has relegated Italy to second place in gold jewellery production.

Federorafi said India surpassed Italy due to “competitive production costs, better access to global markets due to lower customs tariffs, good product quality and a huge internal market,” which they say is not accessible to Italian/European goods due to high tariffs and due to administrative barriers. According to data from the precious metal consultancy, GFMS Ltd, India with gold jewellery production of 539 tonne in 2005 was numero uno followed by Italy with 228 tonne. Third spot went to China with 198 tonne and Turkey was fourth with 197 tonne. If scrap gold is included, India again emerged as No 1.

<http://economictimes.indiatimes.com/articleshow/1612779.cms>

Overseas Investment

India 4th most attractive investment country: E&Y

The Ernst & Young European Attractiveness Survey 2006 has placed India as the fourth most attractive investment country in the world, and as the most preferred location for call centres and back office functions.

The US and China remain the top two preferred countries for international decision makers with 41% votes. India’s rating in 2006 is on a par with the previous year’s, with 18% of investors citing it as a key choice. The 2006 survey is also marked by a cooling off of China’s attractiveness, to the benefit of more mature locations, notably Western Europe.

While remaining attractive, China’s pull has considerably reduced since the European Attractiveness Survey 2005 (52 %). According to the survey, while small and medium enterprises are most attracted by China (46%), there has been a decline in the level of interest expressed by multinational corporations (38%), compared with 58% a year earlier.

While China achieves the lead position for manufacturing operations, with 18% votes, India has emerged the top country for call centres, with 14%. However, the survey findings indicate an 8% fall in India’s attractiveness for call centre functions. Germany and US/Canada are trailing India with 11% shares.

India also figured at number five among the top 10 countries for research and development centres. It was placed after US/Canada, Germany, the UK and France.

http://www.financialexpress.com/fe_archive_full_story.php?content_id=129814

India leads the pack in FII rat race

India has one of the highest exposures to FII inflows among other emerging economies. While in India, FIIs formed nearly 70% of foreign investment (FDI plus net portfolio equity flows) flow, in China and Brazil the percentage was 26% and 30%, respectively, for '05.

Unlike India, a major chunk of foreign investment entered China, Brazil and Russia as FDI. India, on the other hand, attracted nearly 20% of the net portfolio investments flowing into developing countries, while its FDI inflows were barely 2.4% of what was received by emerging economies, according to data from the Global Development Finance report '06.

During January-December '05, while India's current account deficit stood at \$13bn, it had a large capital account surplus amounting to \$26bn. Nearly half of these inflows, however, were portfolio investments

<http://economictimes.indiatimes.com/articleshow/1625173.cms>

UK keen to explore new opportunities with India

With India emerging as a key investor in the UK, particularly in the knowledge sector of ICT and biotechnology, the UK is keen that the two countries synergise their strengths in intellectual talent pool and educational wealth to exploit the opportunities to their full potential. India is eighth largest investor in the UK with its ranking expected to go up.

Addressing a press conference here on Tuesday to introduce the 17-member UK business delegation, which was here to attend the Bangalore Bio 2006, the annual biotechnology show of the Karnataka Government, Sir Michael Arthur, British High Commissioner to India, said his country with a strong base in life sciences and bio sciences could offer greater co-operation in research and development and for its commercial exploitation.

Sir Michael, heading a 17-member British delegation to participate in the three-day event, starting on June 7, said that his country had the largest bio market in the entire European Union estimated to reach \$8.5 billion.

Highlighting the fact that his country gave greater focus to research and development, Sir Michael said the UK Government planned to double the public-private spending on R&D to 2.5 per cent of the GDP over the next decade, with a target for science spending in 2007-08 to be \$1.8 billion higher than in 2004-05.

<http://www.thehindubusinessline.com/2006/06/07/stories/2006060702860200.htm>

Romania invites Indian power cos

The Romanian government has expressed keen interest in having Indian energy companies tap Romania's vast indigenous energy resource.

In a bid to set the ball rolling, Romanian commerce minister, Iuliu Winkler on Tuesday invited Indian companies to tap the expertise of Romanian companies in the energy sector, particularly power and heat generating equipment for thermal plants, transmission, distribution and consulting, and detailed engineering and designing of projects.

Addressing a roundtable meeting organised by Ficci, Mr Winkler, who is leading a 12-member Romanian economic mission to India, said: "We regard India as a very important economic partner and are here to investigate and lay the groundwork for deeper bilateral economic cooperation by identifying investment avenues for business in India and Romania."

The minister said, the stage is set for the country's accession to the European Union and this is most likely to take place in January 2007. "Once that happens, Romania would be a beneficiary of EU funds in areas such as agriculture, environmental control and infrastructure, including energy," he pointed out.

http://www.financialexpress.com/fe_full_story.php?content_id=129673

Desi BPOs set sights on Europe

Indian BPOs may have established their dominance in the global outsourcing market, but when it comes to speaking in East European languages, there aren't many who can pull it off. The result is that Indian BPOs have started setting up centres in East Europe, where the outsourcing market is hotting up.

BPO heavyweights like Genpact, Wipro BPO, Progeon, Accenture, and Convergys are putting up centres in Romania, Poland, and Budapest. Genpact had a centre in Hungary and has now set up shop in Romania. Accenture, too, has a centre in Poland

Wipro BPO has also finalised a location in Romania, while Progeon is expected to enter these markets. These may not be large facilities. Pramod Bhasin, CEO, Genpact says the demographics and economics of these countries are such that they can't have big centres.

India's largest BPO, Genpact, has a 500-seat centre, which will eventually grow to 1,000 seats. Accenture, too, has opened a new BPO delivery centre in Warsaw, Poland to provide services in finance and accounting, supply chain management and human resources

<http://economictimes.indiatimes.com/articleshow/1625105.cms>

M&As spur new Indian MNCs

India's record \$16 billion of mergers and acquisitions (M&As) in the first five months of 2006 signals both a growing number of fast-track companies and a sustained

acceleration of FDI flows. Both inbound and outbound cross-border mergers are on the upswing. The surge in inbound deals would serve to boost FDI inflows, as it supplements investments in the growing number of greenfield projects. Synergies are also apparent, as most M&As are horizontal—between firms in the same industry. And the best part is that the driving force remains predominantly strategic and economic rather than just financial.

The line-up of Indian firms acquired by foreign investors shows that services like telecom and IT-related areas remain the lead sectors. Takeover of brick-and-mortar companies are still few and far between. In contrast, outbound M&As range across products like electronics, chemicals, steel, engineering and energy. Forays of Indian companies are mainly to developed countries, but also include some in the transition economies of Europe and also the Far East. The recourse to M&As to fuel inorganic growth signals a new phase in the coming of age of Indian multinational companies. FDI by Indian firms is estimated to have gone up almost three-fold, to \$4.5 bn in 2005. If these trends continue, FDI outflows may soon catch up with the inflows. In certain markets like the UK, outward FDI from India already exceeds inward FDI from the UK.

http://financialexpress.com/fe_full_story.php?content_id=129531

Nepal invites investment from Indian companies

Nepal has invited the Indian business community to explore investment opportunities in the areas of hydro electricity, tourism and labour intensive manufacturing, among others.

While speaking at a meeting organised by the Confederation of Indian Industries, the Finance Minister of Nepal, Dr Ram Sharan Mahat, said that peace has returned to his country and Nepal now offers a safe and violence-free business environment to the trade community. "The prospect for better economic growth has become brighter. We are aware that the success in achieving a lasting peace will depend on accelerated economic development that will effectively reach all areas of the country," he added.

The Minister said that Nepal's attention is now focussed on increased investment. The process of economic reforms and the environment for foreign direct investment will be made more conducive, he said

<http://www.thehindubusinessline.com/2006/06/09/stories/2006060904130900.htm>

Trade News

Malaysia keen on SME joint ventures with India

There is ample scope for further trade ties between India and Malaysia, said deputy prime minister of Malaysia Dato Sri Mohd Najib Tun Abdul Razak here on Friday.

Though the bilateral trade between India and Malaysia was \$3.29 billion and the cumulative Indian investment in Malaysia since 1980 was estimated to be over \$345.8 million, he said there was scope for further increase

Mr Mohd Najib was speaking at the roundtable session to mark the launch of the Malaysia India CEO Forum organised by the Confederation of Indian Industry (CII) and the Asian Strategy and Leadership Institute. He said that the Malaysian government was keen on opening up palm oil cultivation in India but noted that the ministry of commodities in Malaysia was grappling with the Indian tariff structure

http://www.financialexpress.com/fe_full_story.php?content_id=130094

India for more bilateral trade with Ethiopia

The commerce ministry, in accordance with its objective to focus on Africa in 2006-07, has revived the joint trade committee between India and Ethiopia. The committee met in New Delhi on Monday after a gap of four years.

Addressing a press conference, minister of state for commerce Jairam Ramesh said that Ethiopia was important for India because of its size (it is the second most populous African country after Nigeria) and its central location.

India's bilateral trade with Ethiopia is very small. It exported goods worth \$160 mn to Ethiopia in 2005-06 and imported goods worth \$10 mn. At the meeting, it was decided to explore the possibility of importing more raw hide and pulses from Ethiopia.

http://www.financialexpress.com/fe_archive_full_story.php?content_id=129570

India, Pak agree on SAARC classification

India and Pakistan have agreed to take lead role in the capacity building programme in classification. While India would provide training for SAARC statisticians in trade classification and activity classification, Pakistan would make similar arrangements in respect of social classifications — health and education.

This agreement emerged at the two-day SAARC workshop that concluded here on Tuesday. The meeting also appreciated and accepted India's offer for development of SAARC classification of occupation.

<http://www.thehindubusinessline.com/2006/06/08/stories/2006060804600900.htm>

Sectoral News

Tata Steel to go solo in Iran; will invest \$1 bn

India's largest private sector steel company, Tata Steel, plans to set up two plants in Iran. The change of regime in Iran in mid-2005 has brought about a change in Tata Steel's plan in that country.

"There have been some changes in the agreement," Tata Steel deputy managing director (steel), T Mukherjee, told FE recently. Instead of getting into joint ventures with the Iranian Mines & Mining Industries Development & Renovation Organisation (IMIDRO), Tata Steel would now be going it alone in the Islamic republic.

It now intends to set up a 5 million tonne per annum (mtpa) pelletisation plant and a steel plant which would have a 3 mtpa billet-making capacity. Also, compared with the scrapped agreements with the previous Iranian regime, which envisaged a total investment of around \$700 million in three projects, the Indian company said its current plans involve investments that would be "over \$1 billion, including investment in the pelletisation plant".

http://financialexpress.com/fe_full_story.php?content_id=129696

Daimler Chrysler chief bets big on India

"India is an important market for us," said Dr Dieter Zetsche, Chairman, DaimlerChrysler AG and Head of the Mercedes Car Group, during a visit to the company's plant at Chikali in Pune on Thursday. He was accompanied by Dr Ruediger Grube, a board member responsible for Corporate Development.

Looking back, Dr Zetsche commented, "DaimlerChrysler's relationship with India dates back to 1954 when we launched Mercedes-Benz trucks in collaboration with Tata Motors. Over the years, our relation with India has been significant both in terms of scope and depth of offerings. Today, we offer an impressive range of Mercedes-Benz cars for the Indian customer." He added, "Indian operations have continued to impress us; we have a positive outlook and firm commitment to the Indian market."

<http://www.thehindubusinessline.com/2006/06/09/stories/2006060902180200.htm>

Sun Apollo to invest Rs 900 cr in Sriram project

US-based Sun Apollo--a joint venture company between Delhi-based Khemka family and the US-based Apollo group which manages equity funds worth \$5.2 billion--is picking up 50% stake in the Rs 1,800-crore real estate project, being implemented near Chennai by Bangalore-based Sriram Properties, sources close to development told FE. This is Sun Apollo's first major investment in India. Sun Apollo is investing close to Rs 900 crore in the Rs 1,800-crore project, which includes a 4-million sq ft IT park, a 250-room five Star hotel, a mall and 300 service apartments.

All the properties are expected to be completed over next three years. Sriram Properties is part of the Chennai-based Shriram group.

Last year, the company took over 58 acres of land belonging to the defunct Standard Motor Products of India Ltd near Chennai

http://www.financialexpress.com/fe_full_story.php?content_id=129699

Motorola to make sub-\$40 mobiles in Chennai

Mobile handset major Motorola has decided to set up a manufacturing facility at Sriperumbudur Hi-Tech Special Economic Zone, near Chennai with an initial investment of \$30 million. Motorola joins Nokia, Flextronics and Fox Con, which have decided to locate their facilities in Chennai. The plant will produce 1 million handsets a month initially, beginning 2007.

Addressing a press conference here, Stu Reed, executive vice-president, Motorola Inc, said that the company will be setting up the facility at a 70 acre campus to manufacture sub \$40 mobile handsets, targeting the masses in India. "We will scale up the investment to \$100 million over a period of three years," he said. Motorola has signed an agreement with Tamil Nadu government on Wednesday in the presence of Chief Minister M Karunanidhi and Union ICT minister Dayanidhi Maran.

Firidose Vandrevala, chairman, Motorola India, said in addition to the low-cost handsets, the facility will also manufacture base stations, set-top-boxes and mobility items. The company will source software from its software arm in India to design the product, he added.

http://www.financialexpress.com/fe_full_story.php?content_id=129874

IBM lines up \$6-b plans for India

IBM Corp said on Tuesday that it would triple its investment in expanding operations in India over three years, recognising the country's growing dominance in the global outsourcing industry.

Addressing employees in Bangalore, Mr Samuel J. Palmisano, Chairman and CEO, said: "In the next three years, we will triple our investment in India from \$2 billion over the last three years to nearly \$6 billion."

India presents a good opportunity in terms of skills and expertise. "That investment will ensure that we make the most of the opportunities to grow this market, while it also enables IBM to fulfil its vision of becoming a global integrated company," Mr Palmisano said.

<http://www.thehindubusinessline.com/2006/06/07/stories/2006060704920100.htm>

News Round – Up

Carbon credits spell golden opportunity for Indian cos

With the clean development mechanism (CDM) in place, a host of Indian companies are eyeing additional earnings by adopting projects that reduce the emission of greenhouse gases (GHGs).

The United Nations Framework Convention on Climate Change (UNFCCC) has designed CDM, under the Kyoto Protocol, to achieve cost-effective GHG mitigation for industrialised countries.

The Kyoto Protocol, which came into force on February 16, 2005 makes it obligatory for some 37 developed countries to reduce their emissions of six harmful GHGs, including carbon dioxide.

<http://www.thehindubusinessline.com/2006/06/05/stories/2006060501021600.htm>

India overtakes China in textile exports: Vaghela

India has overtaken China as exporter of textiles to the US and European markets due to the cap on Chinese textiles in those countries.

China's export in the last quarter of this financial year was 9%, while that of India's stood at 13% after the quota regime was abolished in January 2005 under the WTO agreement.

The 10% cap on Chinese textiles exports will continue till 2008. This has provided ample opportunity to India to establish itself in the export market and compete with China when cap on its textile exports will be lifted," he said.

Giving an account of the UPA government's two years in power, Mr Vaghela said after January 2005, exports to the US increased by 26%, while export to the European countries increased by 18% in January 2005.

http://financialexpress.com/fe_full_story.php?content_id=129561

Global cos emulate desi success stories

India Inc is becoming a global trend-setter inspiring foreign majors to emulate desi success stories. And a set of smart information technology companies are using the India story to create a global footprint for themselves.

Infosys' Finacle division, for example, cites the reference of ICICI Bank while making sales presentations for its core banking solutions to banks in Europe and Africa.

Nucleus Software regularly puts forward its software installation for the State Bank of India as an example, while telecom system integrator ORG Informatics refers to its role in the growth story of Airtel and Reliance Infocomm to prospective telecom customers in Africa.

<http://economictimes.indiatimes.com/articleshow/1621436.cms>

Foreign banks make a beeline for Indian shore

A host of foreign banks from China, Japan and European countries are waiting in the wings to establish commercial presence in India.

Some of them have firmed up plans to set up representative offices over the next two years. The idea is to do the groundwork before the Reserve Bank of India lifts its restrictions in 2009.

These banks will get into the expansion mode once the RBI curbs, which currently restricts foreign banks from taking majority stake in Indian banks, are removed.

At present, any entity wishing to acquire more than 5% stake in an Indian bank would require the prior approval of the central bank. However, according to the RBI, the guideline would be reviewed and is slated to be removed in 2009

Shenzhen Bank, China Minsheng Bank and Bank of China are among the prominent banks from China, while from Japan, Suruga Bank, Sakura Bank and Shinsei Bank are the prominent ones.

http://financialexpress.com/fe_full_story.php?content_id=129799