

Weekly Economic Bulletin

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News Feature

LPO is the next big thing for India

Legal process outsourcing (LPO) is emerging as a key vertical in knowledge-based services in India. It is the next big thing waiting to happen for India, said Mr

N.T. Nair, Chief Editor, Executive Knowledge Lines, and Editor, IEEE India Info, at a technical talk hosted by the Institution of Engineers, Kerala State Centre.

According to market researcher Forrester, by 2010 India stands to receive as much as 60 per cent of around 40,000 legal jobs outsourced by US legal services, a \$200-billion industry. Europe also boasts a counterpart industry just as big.

While fresh graduates in the US demand \$250,000-300,000 a year, pedigreed Indian talent is available for as low as \$6,000-15,000.

<http://www.thehindubusinessline.com/2006/03/15/stories/2006031503051900.htm>

Overseas Investment

Goldman Sachs plans to invest \$1 b in India

Goldman Sachs, the US-based global investment bank, on Thursday announced that it would make investments of \$1 billion (about Rs 4,500 crore) in private equity, real estate, private wealth management, and other businesses in India for its institutional clients in the next couple of years as part of its new strategy for the country.

As part of the India strategy, Goldman Sachs also plans to start its own investment banking, asset management, and securities businesses following the exit from the joint ventures.

"We will be investing about \$1 billion in the next couple of years in India," Mr Edward Naylor, Director (Communications), told *Business Line*.

<http://www.thehindubusinessline.com/2006/03/17/stories/2006031704160100.htm>

ING Group drafting new biz plan for India

ING Group in India would be preparing a long-term business plan that could fetch the Dutch financial service group 100 million euros in annual profits.

Mr Michel Tilmant, Chairman of ING Group, today said that he had asked the Indian team to come out with a business strategy for the country.

He said the group would review the product offerings in the Indian market. "Along with products, we will invest in branch network to ensure efficient delivery".

<http://www.thehindubusinessline.com/2006/03/17/stories/2006031703660600.htm>

Aditya Birla group goes to Laos, to set up wood pulp plant

The Aditya Birla group today announced an investment of \$350 million (Rs 1,550 crore) in Lao People's Democratic Republic (Laos) for setting up of a project to raise pulp wood species plantations and a pulp plant for its viscose staple fibre business.

Grasim Industries Ltd, Thai Rayon Public Co Ltd and PT Indo Bharat Rayon of Indonesia, companies within the Aditya Birla Group, will invest in this project as equity holders.

The Group said it has secured 50,000 hectares of land from the Government of Laos on lease for a 75-year period.

<http://www.thehindubusinessline.com/2006/03/18/stories/2006031803510100.htm>

Wockhardt to raise \$800 m for overseas buys

Mumbai-based pharmaceutical and biotechnology company Wockhardt Limited on Thursday said it received shareholders approval to raise up to \$800 million (Rs 3,700 crore), in one or more tranches, to fund overseas acquisitions through an issue of equity-related securities.

The market has been recently abuzz with news that Wockhardt is planning a big ticket acquisition, and the size of the acquisition would be in the range of \$700 million to \$800 million

The company is said to be particularly interested in the US market, which is its fastest growing market, and is said to be actively looking for acquisitions there. Saint Louis based KV Pharmaceutical is said to be one of the companies Wockhardt is interest in. Wockhardt was also in the race to acquire a US company Alpharma earlier.

http://www.financialexpress.com/fe_archive_full_story.php?content_id=120624

Tata Steel eyes 79% in Highveld Steel of SA

Tata Steel is understood to have decided to place a bid for 79 per cent controlling stake in the South African Highveld Steel and Vanadium Corporation, which has been put up for sale in October 2005 by Anglo American, the controlling stakeholder.

A highly placed company source confirmed that Tata Steel has begun a due diligence for the South African steel company.

Meanwhile, in a statement early this month Anglo American said: "Several interested parties have commenced due diligence investigations in respect of Highveld. Shareholders are advised to continue to exercise caution when dealing in Highveld shares."

<http://www.thehindubusinessline.com/2006/03/16/stories/2006031604460100.htm>

FII inflows cross \$3.2-b mark

Foreign institutional investors' (FIIs) inflows into the stock markets so far crossed \$3.2 billion mark this calendar, in line with the trend last calendar.

The 2005 calendar saw record FII inflows of \$10.7 billion (Rs 47,181.20 crore).

As per the latest figures, FII equity investments touched \$3.277 billion (Rs 14,718.40 crore) this calendar (January 1 to March 11), which is slightly lower than the inflows in the same period last calendar at \$3.284 billion.

"FII inflows this year is not surprising at all. Despite the prospect of higher interest rates, Indian equity markets are expected to give much better returns. Even the hedge funds, which are booking profits in India, are reinvesting the money back into the stocks," said Mr Sumit Gupta, Research Analyst (Macro Economy), Network Stock Broking Ltd.

<http://www.thehindubusinessline.com/2006/03/14/stories/2006031403771500.htm>

Trade News

'Doha round augurs well for developing countries'

The Prime Minister of Finland, Mr Matti Vanhanen, who is on a six-day visit said on Monday, "The Hong Kong Ministerial Declaration provided a useful signboard to help define the way forward for the negotiations. I sincerely hope that the agreement of process will lead to a constructive negotiation on substance. Big, fast growing economies like India, Brazil and China need to engage in reciprocal liberalisation and significant commitments also within the WTO."

He is accompanied by senior officials and a high-level business delegation.

Addressing a meeting organised jointly by industry chambers — FICCI, Assocham and CII — Mr Vanhanen said a successful Doha round would augur well for the global economy and produce tremendous advantages for the developing countries as well.

<http://www.thehindubusinessline.com/2006/03/14/stories/2006031404480900.htm>

India, Singapore to review trade pact

India and Singapore will review the Comprehensive Economic Cooperation Agreement (CECA) later this month with the objective to enhance trade and investment between the two countries.

India would identify reasons for a lower than expected growth rate in investment from Singapore into India and remove procedural bottlenecks to boost investment, said the Special Secretary, Ministry of Commerce and Industry, Mr Gopal Pillai.

The pact was signed last year to offer an integrated package governing trade in goods and services, an agreement on investment, mutual recognition agreements in services and co-operation agreements in areas such as education, e-commerce, media and intellectual property.

<http://www.thehindubusinessline.com/2006/03/15/stories/2006031503880800.htm>

Group set to explore trade pact with China

India and China have decided to set up a group to look at the “broad contours” of a regional trade pact. The two have also agreed to start work on a bilateral investment promotion agreement (BIPA) and set up a CEOs forum to facilitate business relations.

In a meeting of the joint economic group (JEG) in New Delhi on Thursday, India and China resolved to enhance two-way trade to \$50 billion by 2010. The meeting was co-chaired by Indian commerce and industry minister Kamal Nath and visiting Chinese commerce minister Bo Xilai.

Decision to set up six taskforces related to WTO, harmonisation of standards, rules of origin, non-tariff barriers, agriculture and reconciliation of trade was also taken at the JEG meeting which was held after a gap of six years.

http://www.financialexpress.com/fe_archive_full_story.php?content_id=120651

Indo-Asean FTA: Longer timeframe for exchange of duty concessions

Even as the Indo-Asean free trade agreement (FTA) negotiations are likely to be completed by June 2006 with a view to implementing the FTA from January 1 next year, the sensitivity of domestic industry would be kept in view by a longer timeframe for exchange of duty concessions, said the Commerce Secretary, Mr S. N. Menon. He was addressing the wrap-up session of domestic stakeholder consultation for finalisation of the negative list, organised by the UN Conference on Trade and Development (Unctad), here.

Mr Menon said that the domestic industry faces some handicaps as compared to the Asean (Association of South East Nations) countries. Considering these handicaps, he said the offer list for Asean has been divided into four categories — Normal Track 1, where the tariffs would be eliminated by 2011, Normal Track 2 where the tariffs would be brought down to 5 per cent by 2011 and eliminated by 2013, Sensitive Track 1 where the tariffs would be brought down to 5 per by 2013 and eliminated by 2018. The fourth category is the Sensitive track 2 where there would be no reduction or elimination of tariffs.

Asean, he said, was one of the fastest growing markets for Indian exports, and extra Asean imports exceeded \$355 billion.

"India's share in Asean's global imports is less than even 1 per cent of their total imports. The possibilities are unlimited", Mr Menon added

<http://www.thehindubusinessline.com/2006/03/15/stories/2006031503890800.htm>

'China could be India's largest trading partner'

China could well emerge as India's largest trading partner, surpassing the US, , in a year or two, the Commerce and Industry Minister, Mr Kamal Nath, has said.

"If the current trend of 35-40 per cent growth in bilateral trade between India and China is maintained, we would easily achieve a \$20-billion bilateral trade by 2007, a year in advance of the target year of 2008 that we had earlier set for ourselves," Mr Kamal Nath said at the India-China Joint Business Forum here. Mr Kamal Nath also observed that the US was currently India's largest trading partner and the bilateral trade with that country was about \$21 billion.

India's bilateral trade with China in 2000-01 was barely \$2 billion. This increased to \$11.3 billion in 2004-05 and is expected to be in excess of \$15 billion in the current fiscal (2005-06).

<http://www.thehindubusinessline.com/2006/03/17/stories/2006031704240900.htm>

Sectoral News

India, Russia to co-operate in nuclear energy

To overcome the shortage of hydrocarbon, India has sought expansion of the civil nuclear co-operation with Russia, besides talking about the possibility of using its expertise in the Iran-India gas pipeline project.

Thanking Russia for its decision to supply 60 tonnes of uranium to Tarapur Atomic Plant Station (TAPS), the Prime Minister, Dr Manmohan Singh said, "I would like to convey our warm appreciation to the Russian Government for responding positively to meet the requirements for nuclear fuel supplies to Tarapur I and II. I am confident that both countries will utilise opportunities to expand our partnership in civil nuclear energy cooperation."

After a two-hour-long discussion with his Russian counterpart Mr Mikhail Fradkov, here, the two countries announced the setting up of a joint study group to enhance cooperation in trade and investment with an aim of raising the bilateral trade volume to \$10 billion by 2010 and have agreed to soon conclude an agreement allowing investment of funds from the rupee-rouble debt account in India.

<http://www.thehindubusinessline.com/2006/03/18/stories/2006031803720700.htm>

GE Healthcare hopes to double revenues

Global healthcare equipments major GE is targeting to double its revenues from its South Asia operations to \$800 million in the next three years.

"We are looking at doubling the revenues of GE Healthcare Technologies from South Asia. About 90-95 per cent of the revenues come from India and the expected growth is likely to follow the existing trend," CEO of GE Healthcare Technologies in South Asia (GEHTSA) Mr V. Raja told reporters here on Monday.

The company would focus on making "need-based investments in India in manpower, manufacturing and technology, which could run into few millions or even more," Mr Raja said, on the sidelines of a conference to announce the installation of its next-generation scanner, the 'LightSpeed Volume CT system' at Batra hospital in the Capital.

<http://www.thehindubusinessline.com/2006/03/14/stories/2006031403080300.htm>

Air Asia looks to China, India for Asian ambitions to take off

Low-cost carrier Air Asia hopes to launch more flights to China and subsequently to India as part of its ambitious plans to become an Asia-wide airline. Southeast Asia's most profitable budget carrier is also looking at forming new joint ventures in the region to boost revenue, group deputy chief executive Kamarudin Meranum said over the weekend.

"We continue to talk to various parties to explore the possibility of establishing joint-ventures," Mr Kamarudin said. Mr Kamarudin said Indo-China countries and the Philippines were on Air Asia's radar to form joint ventures.

“From our experiences in Thailand and Indonesia, we can set up joint-ventures fairly quickly. “But it must fit into our strategic plan to make Air Asia become an Asian carrier and to provide easy and affordable access for people to travel in the region,” he said

http://www.financialexpress.com/fe_archive_full_story.php?content_id=120996

Auto sales poised for double-digit growth in India, China: S&P

Global rating agency Standard & Poor’s has identified India and China as the markets the multinational automakers will be eyeing for a market share.

With the purchasing power of these two countries strengthening significantly, S&P predicts a double-digit sales growth in the current year.

“After China, the Indian car industry is the second fastest -growing automotive market, currently totaling about 8 million vehicles. India is still dominated by motorized two-wheelers, but passenger cars represent high-growth segment. After double-digit growth in 2003 and 2004, passenger-car sales expanded by a more modest 5.2% between April and November 2005. Market growth forecasts, however, suggest a rate of about 10% -12% in 2006, which matches long-term economic growth expectations in India.

http://www.financialexpress.com/fe_archive_full_story.php?content_id=120404

News Round up

ING Group buoyant on India story

Dutch financial conglomerate, the ING Group said it’s bullish in its outlook on India. While addressing a press meet on Thursday, ING Group’s chairman Michel Tilmant said India is an important growth destination and the group is keeping a long-term view in sight.

There exists, he said, three waves of growth for this part of the world, namely huge potential for banking and insurance products due to increase in population, substantial amount of wealth moving from the West towards fast-growing markets of the East and increasing number of distribution channels to provide value-added services to customers.

Direct banking, retirement services and life insurance would be the key business areas for ING. In India, ING group caters to retail banking, life insurance and asset management services..

http://www.financialexpress.com/fe_archive_full_story.php?content_id=120623

