

## Weekly Economic Bulletin

Date: March 27th-April 2nd, 2006.

Issue No. 154

### Contents

- |   |   |           |
|---|---|-----------|
| 1 | <b>News Feature</b> <ul style="list-style-type: none"><li>• India's 4th In Global GDP Growth Race</li></ul>   | Page 1    |
| 2 | <b>Overseas Investment</b> <ul style="list-style-type: none"><li>• McAfee set to invest \$80 mn in India over 4 yrs</li><li>• TNT to invest €100 mn in India</li><li>• Techbooks eyeing buys in India, US</li><li>• i-mate to set up subsidiary in India</li><li>• Doha Bank plans branches in India</li><li>• Integreon plans facility in London</li></ul> | Page 1- 3 |
| 3 | <b>Trade News</b> <ul style="list-style-type: none"><li>• India, Korea begin talks on economic pact</li><li>• IBSA agree on intensifying trade</li><li>• India, Singapore begin CECA review</li><li>• Call for India, US partnership</li></ul>  | Page 3-4  |
| 4 | <b>Sectoral News</b> <ul style="list-style-type: none"><li>• Ranbaxy acquires Romanian generics co for \$324m</li><li>• Videocon to buy Daewoo Ele</li><li>• BHEL in talks for nuclear tie-up</li><li>• New India seeks overseas reinsurance partner</li><li>• Myanmar okays GAIL plan to buy stake in A-3 Block</li></ul>                                  | Page 4-6  |
| 5 | <b>News Round-up</b> <ul style="list-style-type: none"><li>• India, China surge ahead on global GDP charts</li><li>• Design is the new USP in Indian market</li><li>• I believe India's time has come: Sunil Mittal</li><li>• Chennai most attractive city for offshoring services'</li><li>• Economic growth at its best ( CRISIL Study)</li></ul>         | Page 6-8  |

### **News Feature**

#### **India's 4th In Global GDP Growth Race**

The stupendous rise of the sensex is backed by sound fundamentals emanating from the real economy. The Indian economy was the fourth-largest contributor towards incremental global GDP growth in '05. The US tops the list, followed by China and Japan.

It is also encouraging to note that India has edged out industrial heavyweights like Germany, United Kingdom and France in terms of incremental GDP contribution in the previous year. An ETIG analysis has found that the Indian economy contributed around 3.2% to total incremental global growth recorded in '05.

The analysis computed global GDP composition and global GDP growth composition ratios respectively. The global GDP composition measures the absolute size of an economy with respect to the absolute size of world GDP, whereas the global GDP growth composition measures the incremental growth recorded by an economy with respect to the overall.

<http://economictimes.indiatimes.com/articleshow/1470256.cms>

## **Overseas Investment**

### **McAfee set to invest \$80 mn in India over 4 yrs**

McAfee Inc, the second-largest anti-virus software maker, committed on Wednesday to invest more than \$80 million in its India centre over the next four years.

The McAfee India centre will increase its headcount to more than 1,000 employees by the end of 2008, with a focus on developing products targeted at Indian and Asia-Pacific customers, the U.S. company said in a statement. It did not give its current number of employees in India.

<http://economictimes.indiatimes.com/articleshow/1470029.cms>

### **TNT to invest €100 mn in India**

Express service provider TNT on Wednesday said it will invest €100 million (approximately Rs 540 crore) over five years in its India Road Network programme for offering services using an integrated air and road network.

"With a commitment of investing €100 million over five years, this launch makes TNT the first multinational brand in India to offer international and domestic service using an integrated air and road network," TNT said in a statement.

The India Road Network, linking over 140 cities spanning across 32,000 kms, would offer customers a fully inclusive door-to-door day definite solution with complete track and trace capabilities, it added.

<http://economictimes.indiatimes.com/articleshow/1469714.cms>

### **Techbooks eyeing buys in India, US**

Within a year of completing the takeover of Maximize Learning, Techbooks is on the prowl again eyeing acquisitions in India and the US. Techbooks, a Knowledge Process Outsourcing company, is on the lookout for companies specialising in services such as content IT and litigation support or have customers in verticals including pharmaceutical and healthcare industry.

For organic growth, the company plans to invest \$5-7 million this year to augment its capacity in India. "For acquisition we will consider companies with revenues of \$10-20 million. We hope to complete a buy-out this year," said Mr Ranjit Singh, CEO of Techbooks.

<http://www.thehindubusinessline.com/2006/03/27/stories/2006032702180200.htm>

### **i-mate to set up subsidiary in India**

Provider of mobile devices and applications i-mate on Wednesday introduced a new enterprise solution 'i-mate Suite' and said it will set up its subsidiary in India for distribution.

It hopes to tap the growing Indian market for high-end converged mobile devices, which is expected to increase about 1.75-2 lakh units by growing at the rate of 40 per cent this year.

The company's first office would be set up in Delhi and later it will move to cities like Mumbai, Bangalore, Hyderabad and Chennai, head of Indian operations of i-mate Pankaj Mohindroo said.

<http://economictimes.indiatimes.com/articleshow/1469680.cms>

### **Doha Bank plans branches in India**

Unveiling its ambitious expansion plans, Qatar's Doha Bank has said it is gearing up to open branches in India, Washington and London.

Steps to execute the expansion plans will be taken after approval from the Qatar Central Bank, the banking regulatory authority in Doha, the bank's board of directors said in its annual financial report.

The report and proposals to amend some key 'articles of association' to help expand its scope of business to cover Islamic banking and bond issuance, were tabled at the annual general meeting (AGM) of the bank's shareholders in Doha on Wednesday.

<http://economictimes.indiatimes.com/articleshowcnews/1470351.cms>

### **Integreon plans facility in London**

The business process outsourcing (BPO) company, Integreon, is planning to set up a delivery centre in London with an initial capacity of 50 seats, even as it mulls establishing a low-cost offshore operations facility.

We expect the delivery centre in London to be operational in the coming six months, and are also considering low cost offshore operations in the Philippines or South Africa. In addition, we are looking for a new location within India. We are considering various places such as Chandigarh, Kochi, Pune or Chennai," said Mr Prashant Chawla, Chief Operating Officer and Chief Financial Officer, Integreon.

The company now has delivery operations in Mumbai (one facility each in Powai and Andheri) and recently established a centre in New York..

<http://www.thehindubusinessline.com/2006/03/31/stories/2006033103560400.htm>

## **Trade News**

### **India, Korea begin talks on economic pact**

India and Korea have commenced negotiations towards a Comprehensive Economic Partnership Agreement (CEPA), with the India-Korea Joint Task Force (JTF) holding its first meeting over the last two days in the Capital.

An official release said that the JTF discussed the modalities of the negotiations and that seven working groups have been constituted to carry out the negotiations in specific areas. These areas are — trade in goods; trade in services; investments; other rules and economic cooperation; general provision and dispute settlement mechanism; rules of origin and Customs administration and procedures.

<http://www.thehindubusinessline.com/2006/03/27/stories/2006032702450300.htm>

### **IBSA agree on intensifying trade**

India, Brazil and South Africa have agreed to keep a rapidly growing trilateral trade as a way of strengthening their common standings in talks for trade liberalisation with developed nations, officials of the three countries said.

"We are doing the right thing," Brazil's Foreign Minister Celso Amorim said yesterday at the closing of a one-day forum on trade and investment among the three nations.

Only in the last two years, bilateral trade with India increased by 170 per cent. With South Africa it went up by 86 per cent," he said, adding that 54 per cent of Brazil's total trade of about USD 200 billion last year came with developing nations.

<http://economictimes.indiatimes.com/articleshow/1470290.cms>

### **India, Singapore begin CECA review**

The progress in negotiations on conclusion of mutual recognition agreements in goods and professional qualifications will be taken up by India at the review meeting of the India-Singapore comprehensive economic and cooperation agreement (CECA) in Singapore.

Indian commerce and industry minister Kamal Nath, who is representing India in the meeting, will also pursue the issue of grant of qualified full banking status to State Bank of India (SBI) by Singapore.

Mr Nath and his Singapore counterpart are expected to review the working of all the agreements under CECA and to suggest ways to further enhance the economic engagement between the two countries, an official release said.

[http://www.financialexpress.com/fe\\_archive\\_full\\_story.php?content\\_id=122285](http://www.financialexpress.com/fe_archive_full_story.php?content_id=122285)

### **Call for India, US partnership**

It would be in the interest of both India and the US to partner with each other as India progresses on higher growth path, said the US Ambassador to India, Mr David C. Mulford, here on Wednesday.

While speaking at the inauguration of the newly renovated building of the US Educational Foundation in India, Mr Mulford said the US would now focus on increasing the presence of US universities in India. he said in 2004-05 only 1,000 US students came to India compared to over 80,000 Indian students who went to study in the US.

<http://www.thehindubusinessline.com/2006/03/31/stories/2006033103140300.htm>

### **Sectoral News**

#### **Ranbaxy acquires Romanian generics co for \$324m**

Pursuant to its acquisition of GSK's unbranded generic business in Italy, Ranbaxy on Wednesday announced its largest-ever overseas acquisition so far, by striking an agreement to buy Romanian generics major, Terapia, for \$324m.

With Romania slated to become a European Union-member next year, the acquisition would help Ranbaxy to further strengthen its presence across Europe and CIS markets.

<http://economictimes.indiatimes.com/articleshow/1470261.cms>

### **Videocon to buy Daewoo Ele**

In yet another overseas takeover, Videocon Industries has agreed to acquire South Korean firm Daewoo Electronics Corp for approximately \$112.7 million (around Rs 492 crore).

Industry sources say the paperwork for the deal will take another three to four months before the group can make a formal announcement. This will be second big overseas takeover by Videocon after it took over European firm Thomson last year for Rs 1,260 crore in a share swap deal.

[http://www.financialexpress.com/latest\\_full\\_story.php?content\\_id=122004](http://www.financialexpress.com/latest_full_story.php?content_id=122004)

### **BHEL in talks for nuclear tie-up**

Power equipment major Bharat Heavy Electricals Ltd (BHEL) is in talks with global nuclear players, including Alstom, GE Energy and Siemens, for possible tie-ups to enhance its nuclear capabilities.

The State-owned BHEL, which already supplies equipment to Nuclear Power Corporation of India Ltd (NPCIL) projects, is exploring the possibilities of a technical tie-up for high-end nuclear equipment, a Government official involved in the exercise said. BHEL has also initiated talks with a Russian firm, officials said.

"Talks have been on with four leading global nuclear equipment suppliers and a tie-up with one of these players could be on the cards. The tie-up with a foreign partner would mainly be for manufacturing equipment of 700 MW and 1000 MW capacities. BHEL has the capacity to manufacture equipment of up to 500 MW units," the official said.

<http://www.thehindubusinessline.com/2006/04/02/stories/2006040202560100.htm>

### **New India seeks overseas reinsurance partner**

Indian health insurers are going overseas for cover. The New India Assurance Company has decided to seek international reinsurance for its loss-ridden health portfolio.

This would be the first time that an insurance company will be opting for reinsuring its health segment.

The company is understood to be in talks with leading international reinsurer Munich Re for a possible tie-up.

A senior official at New India Assurance said that the main reason behind seeking reinsurance was to make health insurance a more profitable venture. "Currently, the

medic claim portfolio is loss-making. By tying up with an international reinsurer, we would not only be able to diversify our risk, but also gain from its expertise in designing products," the official said.

<http://www.thehindubusinessline.com/bline/2006/03/30/stories/2006033003050600.htm>

### **Myanmar okays GAIL plan to buy stake in A-3 Block**

The Government of Myanmar has approved a plan by GAIL India (Ltd) to own a 10 per cent stake in an offshore gas and oil project called the A-3 Block, the company said in a statement on Thursday.

GAIL will buy the stake from South Korea's Daewoo International Corporation.

The A-3 Block was awarded to Daewoo International in February 2004. GAIL had, thereafter, signed an assignment on October 3, 2005, for equity participation in the block. As per the Production Sharing Contract, the assignment agreement required formal ratification of the Government of Myanmar, the statement said.

<http://www.thehindubusinessline.com/2006/03/31/stories/2006033103960200.htm>

## **News Round – Up**

### **India, China surge ahead on global GDP charts**

India and China seem to be growing at a fast clip. From the table, it is also noticeable that both India and China have much higher global GDP growth composition ratios than their absolute composition in global GDP. This is an indicator showing that these economies are growing faster than the overall global average.

For instance, while the Indian economy accounted for close to 1.8% of the overall global GDP composition in '05, it accounted for 3.2% of the global GDP growth composition. Likewise, the Chinese economy accounted for 9.4% of the global GDP growth composition and 4.3% of overall global GDP in '05.

The reverse is noticeable in most of the developed economies, which have a lower global GDP growth composition rate than their overall global GDP composition rate. This indicates that developed economies are growing at a slower pace compared to global GDP growth

<http://economictimes.indiatimes.com/articleshow/1470185.cms>

### **Design is the new USP in Indian market**

The new unique selling proposition (USP) in the Indian market is design. With consumers becoming design conscious, brands are increasingly getting focused on right-look factor to sell more.

Design-led marketing is catching up with brands across product categories. Motorola, Puma and Samsung have tasted success, globally and in India, by reinventing their brand around better visual appeal.

Globally, Sony Vaio notebooks, Apple iPods and iMacs, Ikea and Bang & Olufsen have also used design as their selling point.

US mobile phone manufacturer Motorola got a much-needed boost to its sales in India with the launch of its sleek and stylish model, the Razr. This was followed by models high on design quotient, such as the slimline Slvr.

<http://economictimes.indiatimes.com/articleshow/1470203.cms>

### **I believe India's time has come: Sunil Mittal**

Hospitality and tourism will be 'the next big waves' that will hit India, says Sunil Bharti Mittal, Chairman and group Managing Director of Bharti Enterprises.

Hospitality and tourism will be the next big waves that will hit India in a very dramatic manner because there are going to be so many spin-off industries that will arise out of these verticals", Mittal said.

He also said that opportunity for India in the healthcare sector is also huge, because "we have the talent, knowledge and people to do the job.

[http://www.financialexpress.com/latest\\_full\\_story.php?content\\_id=122042](http://www.financialexpress.com/latest_full_story.php?content_id=122042)

### **Chennai most attractive city for offshoring services'**

Chennai is the most attractive Indian city for offshoring services beating traditional top cities such as Bangalore, Mumbai and the National Capital Region (Gurgaon, Faridabad and Noida), according to A.T. Kearney's Indian City Services Attractiveness Index 2005, a report by the US-based A.T. Kearney, a management consulting firm.

Hyderabad follows a close second and Kolkata is emerging as a credible alternative to cities with more established offshoring services industries, which include information technology, ITeS (information technology enabled services) and business process outsourcing, said Mr Arjun Avtar Sethi, Principal, A.T. Kearney.

The cities were benchmarked as attractive based on three major categories of financial costs (compensation, infrastructure costs and cost of living); people skills (availability of educational skills and attrition rates) and business environment (city infrastructure,

quality of life and government support). Chennai emerged as a leader across all categories followed by Hyderabad, NCR and Bangalore, he told newsmen.

<http://www.thehindubusinessline.com/2006/04/02/stories/2006040202550100.htm>

### **Economic growth at its best ( CRISIL Study)**

The growth momentum of 2003-04 and 2004-05 continued in 2005-06. The CSO's advance estimates peg the GDP growth for the Indian economy at 8.1% in 2005-06 with agriculture, industry and service growing at 2.3, 9.0 and 9.8% respectively. The average annual growth rate of 8% in the three consecutive years starting 2003-04 is the highest-ever achieved in India. This stellar performance on the growth front makes India the second fastest-growing economy in the world after China.

What is noteworthy is that high oil prices and volatility in the agricultural sector have failed to slow the overall growth performance. Further, the recent macroeconomic trends show that economic growth in India is also becoming more balanced and more sustainable - consumption-led growth is now being balanced by a strong contribution from investment-led sources of growth.

[http://www.financialexpress.com/fe\\_archive\\_full\\_story.php?content\\_id=122419](http://www.financialexpress.com/fe_archive_full_story.php?content_id=122419)