

Weekly Economic Bulletin

Date: May 8 – 14, 2006.

Issue No. 160

Contents

- | | | |
|---|--|----------|
| 1 | News Feature <ul style="list-style-type: none">• India's GDP to double, if 10% growth is on | Page 1 |
| 2 | Overseas Investment <ul style="list-style-type: none">• India desirable market for US energy sector investments• Britain's BG eyes expansion in India• Virgin Atlantic interested in Indian carriers• Schneider bullish on Indian arm• LG to make India hub for optical devices | Page 1-4 |
| 3 | Trade News <ul style="list-style-type: none">• India, Myanmar to expand trade ties• 'Indo-China trade to hit \$100bn'• India signs 3 yrs work plan with Israel• Look east | Page 4-6 |
| 4 | Sectoral News <ul style="list-style-type: none">• Indian, Malaysian cos to tie up in MRT project• Geojit spreads wings with Saudi Jt venture• Wipro partners Irish firm | Page 6-7 |
| 5 | News Round-up <ul style="list-style-type: none">• India Inc gets more leverage abroad• Contract farming lures India Inc biggies• India to surpass US, Russia in mobile phone base | Page 7-9 |

News Feature

India's GDP to double, if 10% growth is on

Haruhiko Kuroda, president of ADB, said India "is on the verge of accelerating the growth" and could double its GDP in just 7 years if a 10% growth rate is maintained.

"I am very hopeful that India can reach the developed economy status at some stage as the country's economy is accelerating, leading to reduction of poverty," Kuroda said after the conclusion of the 39th annual general meeting of the Asian Development Bank here.

Pointing out that the Indian economy had been growing at 8% during the last three years, Kuroda said further acceleration was possible if steps were taken to improve infrastructure and continue reforms.

"India's GDP will double in 10 years if there is a 7% growth rate. This could be achieved in 7 years if there is a 10% growth rate," the ADB Chief said.

Favouring increased private sector participation in the development of infrastructure in the region, Kuroda said it was essential to ensure that the poor got the benefits of progress and prosperity.

http://businessstandard.com/common/storypage_c.php?leftnm=11&bKeyFlag=IN&auto no=361

Overseas Investment

India desirable market for US energy sector investments

Despite not having very large oil and gas reserves, India seems to be a desirable market for foreign investments. According to a recent poll by Ernst & Young, five countries — Norway, Canada, Qatar, India and the United Arab Emirates — emerged to have favourable conditions for US investments in the energy sector.

Driven by high demand and pricing, interest in oil and gas exploration is surging across the globe.

To meet the energy demands, US-based oil and gas companies are increasingly looking for opportunities outside the safety net of familiar political, economic and legal systems, and moving into countries with unpredictable rules, limited infrastructure, and shortages of skilled labour.

According to Energy Information Administration figures, India has the smallest oil and gas reserves of all countries surveyed with just 10 billion barrels oil equivalent (BBOE). However, according to the E&Y poll, its rapidly growing economy and favourable foreign investment policies have helped India to attract significant oil and gas investments.

<http://www.thehindubusinessline.com/2006/05/12/stories/2006051203430900.htm>

Britain's BG eyes expansion in India

British energy giant, BG group is eyeing rapid expansion in India. As a part of the strategy, BG energy holdings, the group's holding company in India is setting up a 100% arm to develop natural gas transmission and distribution infrastructure and gas distribution and sale in the state of Karnataka.

This will be followed by similar initiatives for the other southern states of Andhra Pradesh and Tamil Nadu. BG group is one of the leading players in the global energy market with £5.6bn in revenues.

The total project cost is pegged at Rs 225-450 crore (\$50m-\$100m) of which BG would invest Rs 135 crore (\$30m) by way of equity over the next 3-5 years. According to sources, to implement the project, BG will set up infrastructure in Karnataka for supply of piped natural gas to domestic, commercial and industrial customers.

Besides, it would also sell compressed natural gas for CNG vehicles. BG plans to primarily secure natural gas for distribution from the gas fields off the east coast of India and from LNG terminals currently being planned and constructed at various places on the west and east coast of the country.

BG, which has been operating in India since 1991, has two existing JVs in India engaged in natural gas distribution it holds 49.75% in Mahanagar Gas (MGL) and 65.12% in Gujarat Gas Company (GGCL).

While the former venture operates in Mumbai and Greater Mumbai, the latter distributes piped natural gas in Gujarat. Technically, the proposed project falls under the same activity as MGL and GGCL, and hence it attracts press note 1 norms of Foreign Direct Investment. But there's no overlap with the existing ventures as geographical scope of the venture is restricted to Karnataka. So there would be no overlap in commercial operations.

<http://economictimes.indiatimes.com/articleshow/1519690.cms>

Virgin Atlantic interested in Indian carriers

Richard Branson-promoted Virgin Atlantic Airways is interested in investing in the Indian civil aviation sector once the Union government relaxes regulations for foreign airlines to pick up stake in domestic carriers.

"The virgin group is interested in investing airlines across the globe. In India, aviation sector is booming and we are definitely looking at investing in India," Virgin Atlantic GM (India) Joe Thompson said.

The company is looking at picking up stake in domestic budget carriers.

"But nothing has been decided... what I can say is that the market in India is definitely interesting and the conditions are so good for investment," Thompson said.

<http://economictimes.indiatimes.com/articleshow/1522624.cms>

Schneider bullish on Indian arm

Schneider Electric, power and control specialist company, is open to acquisition in India but its priority is to focus on building upon its business through its existing facilities and the innovation centre to expand its market.

India is an important country among the emerging markets and has a great potential for power automation for secure energy and conservation. Emerging markets contribute 30 per cent of Schneider's global sales revenues of 11.7 billion.

Addressing a press conference here, Mr Jean-Pascal Tricoire, President & CEO, Schneider Electric, said the Indian subsidiary was set to play a key role in its emphasis on technology driven innovations to provide its global business a greater strength.

He said India itself would be an important market with its increasing usage of alternative energy sources for which Schneider could provide technologies.

Schneider Electric India currently has manufacturing facilities in Chennai, Baroda, Nashik and Hyderabad and an R& D centre in Bangalore. The subsidiary, which generated a revenue of 120 million last year, is fast emerging as an export hub of the company with 50 per cent contribution, Mr Tricoire said.

He said the company consolidated its business through organic and inorganic growth and would be investing more on innovations.

<http://www.thehindubusinessline.com/2006/05/14/stories/2006051402730200.htm>

LG to make India hub for optical devices

LG Electronics India is planning to make India the sourcing hub for optical storage devices (OSD). The company will feed the Persian Gulf region, south-east Asia and other markets for OSD from its new manufacturing base at Pune.

LG would soon start manufacturing of OSDs in its Pune factory in two months time and India will be a sourcing base for OSD, Girish V Rao, vice-president (sales & marketing) of LG Electronics, said in Kolkata today at the launch of the Golden Boot offer for West Bengal and north-eastern Indian markets.

The majority of OSD production in India would be exported. The overall export target from India is also being doubled. Exports from India were \$100 million in 2005, this year our target is \$200 million of exports, Rao said.

http://businessstandard.com/common/storypage_c.php?leftnm=11&bKeyFlag=IN&auto no=505

Trade News

India, Myanmar to expand trade ties

India and Myanmar have agreed to expand and diversify bilateral trade, in keeping with the target of raising the two-way trade to \$1 billion by 2006.

This has been indicated in the agreed minutes of the second meeting of the India-Myanmar Joint Trade Committee (JTC), which was co-chaired by the Commerce and Industry Minister, Mr Kamal Nath, and the Myanmar Commerce Minister, Brig.Gen. Tin Naing Thein.

In his address at the meeting, Mr Kamal Nath said that although there had been significant increase in bilateral trade to over \$500 million in 2004-05, this was still short of the target set by the two sides at the first meeting of the JTC held in Yangon in 2003.

Both the ministers emphasised the natural complementarities of the two economies and noted that after Myanmar's entry into the BIMSTEC and ASEAN, new avenues had opened for greater cooperation on a bilateral and regional/multilateral basis.

<http://www.thehindubusinessline.com/2006/05/14/stories/2006051402410500.htm>

Indo-China trade to hit \$100bn

Trade between India and China could reach \$100 billion by 2015 as the two fast-growing Asian neighbours bolster bilateral ties, a Chinese trade official said on Friday. India wants higher trade and investment flows to push its growth rate to 10 per cent from 8 per cent in 2005/06. China also sees India as a major market for its products.

"China and India have a history of increasing bilateral trade for the last 10 years and now we are setting a new target of \$100 billion that should be achieved by 2015," Yu Ping, Vice Chairman of China Council for Promotion of International Trade (CCPIT), said at a business conference.

Yu, who is leading a 27-member delegation to India, said the previous trade target of \$20 billion set by the two nations would be hit this year, two years ahead of schedule.

To boost trade, he said the two nations needed to lift trade barriers, open markets further and improve cooperation between government and private entrepreneurs.

The Chinese industry representatives said Indian and Chinese companies could forge ties in several areas including organic chemicals, plastics, pharmaceuticals, paper, precious stones, electrical machinery and medical equipment as well as precision engineering products.

http://www.financialexpress.com/latest_full_story.php?content_id=126977

India signs 3 yrs work plan with Israel

India and Israel have signed a three year comprehensive work plan for cooperation in the field of agriculture, the first such agreement which is expected to lead to a breakthrough in advancing practical cooperation. The pact was signed between Union Agriculture Minister Sharad Pawar and his Israeli counterpart Shalom Simhon on Wednesday.

Pawar is leading a high-level delegation comprising of chief ministers of Gujarat, Rajasthan and Nagaland, besides agriculture ministers from seven states, officials and a large business delegation to Agritech 2006, a tri-annual international agriculture event showcasing Israel's latest technologies in the field.

The plan has outlined development of agri-business projects, collaboration in research and development, farmer-level exchanges and cooperation in gene bank resources as some of the major focus areas.

As per the agreement, Israel will transfer to India technologies and techniques related to post-harvest management and value addition for fruits, vegetables and dairy products, energy efficient and cost effective green house structures and water management, including recycling of wastewater for irrigation.

The two countries also plan to set up a joint research and development fund, offering seed money for joint projects promoting agricultural innovation. The process to formulate the Work Plan for Cooperation in Agriculture was initiated during Pawar's November 2005 visit to Israel.

<http://economictimes.indiatimes.com/articleshow/1525797.cms>

Look east

India and Thailand have witnessed an enhanced economic cooperation recently, thanks to the introduction of the FTA regime. Once the tax reduction system was introduced in 82 items, the bilateral trade began a northward journey reaching currently at \$2 billion. The target now is to complete tax free trade on all goods by 2010.

Thai investment in India (approvals) from August 1991 to January 2006 reached \$74.74 million out of the \$36 billion FDI that came into India during that period. The top five sectors of FDI are telecom, hotel & tourism, food processing, chemicals and electrical equipment. Thai-land now is the 24th largest investor in India and the third largest from the ASEAN region after Malaysia and Singapore.

In a recent study, Confederation of Indian Industry (CII) recommended that India and Thailand could jointly de-velop tourism roadmap in the region. For instance, Phuket

and Port Blair may offer combined tourist destinations, it suggested. In gems and jewellery, precious and semi precious stones such as rubies and emeralds may be more cost effectively sourced from Thailand and jewellery making expertise from India.

<http://economictimes.indiatimes.com/articleshow/1526700.cms>

Sectoral News

Indian, Malaysian cos to tie up in MRT project

Indian and Malaysian companies are collaborating in a proposed joint venture to build a Mass Rapid Transit System (MRT) in Colombo, an official has announced.

They will be signing a memorandum of understanding with Sri Lanka's Board of Investment (BOI) for a feasibility study on the project, BOI chairman Lakshman R Watawala said on Saturday.

"We have identified the need for a rail-based urban transport system and this firm (joint venture) has come forward to do a feasibility study for an MRT on costing and finance," he said.

<http://economictimes.indiatimes.com/articleshow/1520456.cms>

Geojit spreads wings with Saudi jt venture

With the opening of the Rs 480-crore (400 million Rial) joint venture company in Saudi Arabia, Geojit Financial Services Ltd is poised to become the first Indian stock broking company to enter into a foreign country and commence capital market operations for foreign nationals.

"Taduwal, the Saudi Stock Market, has become the world's third largest equity market with a daily turnover exceeding \$10 billion. Of the 2.7 crore population with an average per capita income of \$12,900, over 60 per cent are active in capital market operations," Mr C.J. George, Managing Director, Geojit Financial Services, said.

Geojit, along with the Al Johar Group of Saudi Arabia, and business houses from Oman, the UAE and Bahrain, is setting up the brokerage company, utilising its vast experience, expertise and technology in this field. The company has targeted 10 per cent of the market share with 15 branches, scheduled to open in the next couple of years.

Till recently, only Saudi-based banks were permitted to undertake stock market operations, which has now been thrown open to others as well. "The joint venture will not only be the first company from India, but possibly the first company after banks, to commence stock market operations in Saudi Arabia," Mr George said.

<http://www.thehindubusinessline.com/2006/05/14/stories/2006051402740200.htm>

Wipro partners Irish firm

Wipro Technologies, the global services business of Wipro Limited, has announced that it has entered into a partnership with Dublin, Ireland-headquartered IONA Technologies, to deliver service oriented architecture (SOA) solutions. IONA is a global player in integration solutions for IT environments.

According to the partnership, Wipro will utilise IONA's Artix extensible enterprise service bus (ESB) to deliver SOA deployments that can effectively extend existing enterprise IT assets to new process automation applications.

David Henderson, group head, Wipro Consulting, said, "We believe that IONA brings a unique approach to SOA that complements Wipro's capabilities to deliver solutions to our customers. Together, we make a compelling proposition to organisations that are investing in SOA."

According to the company, the initial stages of the partnership will focus on customers in the financial services industry. Subsequently, both the companies are planning to broaden the scope of the relationship across various vertical markets such as telecommunications, government and healthcare, it said

http://businessstandard.com/common/storypage_c.php?leftnm=10&autono=90922

News Round – Up

India Inc gets more leverage abroad

With public sector banks (PSBs) moving towards financing acquisitions of Indian corporates abroad, they are finding an unlikely ally — foreign banks with Indian operations. Increasingly, foreign banks, including Citi Bank and Standard Chartered are syndicating with large PSBs for funding Indian companies going global.

As more Indian companies go global, this space will only grow. Public sector banks with a pronounced presence overseas, including in South-East Asia, Europe and the US are keen to fund this growth in association with foreign banks.

"We are open to partnering with public sector banks," Sanjay Nayar, CEO, India, Citibank, told ET. The bank already has recourse and non-recourse type of financing arrangements with these banks. If a loan is with recourse, the lender has the ability to fall back to the guarantor of the loan if the borrower fails to pay.

Standard Chartered already has several syndication arrangements with PSBs. "Standard Chartered, for instance, tied up with the State Bank of India in New York for the Jet Airways deal," said Jaspal S Bindra, general manager, South East and South Asia.

Corporates looking to grow inorganically to attain scale of operations are seriously looking at big ticket acquisitions that can't be financed through their reserves. With deal sizes only getting bigger, PSBs in association with foreign banks can fund these big acquisitions. Typically, foreign currency loans are used to fund such corporates. For smaller deal sizes, corporates used rupee loans that were hedged.

<http://economictimes.indiatimes.com/articleshow/1519718.cms>

Contract farming lures India Inc biggies

A combination of agriculture reforms and a huge business opportunity has generated a huge buzz in contract farming. The amendment of the Agricultural Produce Marketing Committee (APMC) Act in 14 states and the introduction of an integrated food bill has made corporate India take a look at the agriculture sector.

There are many obvious benefits from contract farming accruing to both farmers and corporates. Abhiram Seth, executive director, exports and external affairs, PepsiCo India Holdings, says: "Contract farming led to savings of nearly 20-30% for the company."

Even if such savings are split in half with the farmer, it leads to a doubling of his income, since net realisation for farmers are seldom higher than 10-12% of the price that consumers pay for food.

According to a model by Rabo India Finance, farmers' offtake could increase to as much as 32-33% of total revenues after disintermediation in the supply chain. Finally, consumers too could save 10% of their spends on food due to the supply chain efficiencies.

According to sources in the agriculture ministry, the total area currently under contract farming covers nearly 7m acres of the total cultivable land of 400m acres, less than 2%. However, if one were to count purely corporate contracts with farmers for their crops, then this figure would barely touch 200,000 acre.

<http://economictimes.indiatimes.com/articleshow/1519650.cms>

India to surpass US, Russia in mobile phone base

India is on track to surpass the US and Russia in mobile phone user base, thanks to the accelerating growth of the wireless communications network in the country, says a study by a leading research firm.

"Adding five million subscribers per month, India will become the world's second largest mobile phone market by 2008," says the study - "India's Wireless Market: Model for the Next Phase of Global Wireless Expansion".

The report, authored by wireless expert Chetan Sharma and conducted for Datacomm Research Company, says India's wireless boom is largely the result of government decisions on competition.

Its regulatory mechanism can serve as a model for both developing and rich nations.

"India passed Japan in total subscribers last month. In the next few weeks, it will break through the 100 million subscriber barrier," Sharma says in the 86-page report released by the St. Louis, Missouri-based research firm.

<http://economictimes.indiatimes.com/articleshow/1524042.cms>