

Weekly Economic Bulletin

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News Feature

Money chases foreign M&As

Indian firms need no longer worry about being armed with sufficient money to fund overseas acquisitions. Whether through the syndicated loans market or from private equity, they have far easier access to funds today.

And this is one reason why foreign buyouts are gathering pace. In the first six months of 2006, there have been 85 outbound deals valued at \$4 billion. Compare this with 2005, when there were 136 acquisitions valued at \$4.3 billion.

<http://www.businessstandard.com/common/storypage.php?autono=101460&leftnm=1&subLeft=0&chkFlg=>

Overseas Investment

Wal-Mart deepens India focus

Wal-Mart is becoming more serious about its India game plans. The retail behemoth, which has decided to pull out of German and South Korea markets to concentrate on core markets, has identified China and India as its future growth drivers.

As the Arkansas headquarters of Wal-Mart gears up to fine-tune its India entry plans, Amy Wyatt, international corporate affairs spokesperson, Wal-Mart Stores, confirmed the development to ET.

<http://economictimes.indiatimes.com/articleshow/1891029.cms>

SBI's first full-fledged branch in China

State Bank of India (SBI) on Wednesday became the first Indian bank to begin full-fledged operation in China by opening a branch here.

"Being India's largest bank, it is only befitting that SBI should be the first Indian bank to open a branch in mainland China," SBI Chairman O. P. Bhatt said at a reception held here in China's largest city and commercial hub.

Noting that India-China bilateral trade and investment opportunities had rapidly risen to record levels since 1997 when SBI established its Representative Office (RO) here, Mr. Bhatt said the bank was confident of operating in the huge Chinese market, which was opening up to foreign competition and expansion.

<http://www.hindu.com/2006/08/10/stories/2006081007331700.htm>

AT&T set to come back into ILD services

The US telecom major, AT&T Global Network Services, is all set to make a comeback into the Indian telecom sector with the Department of Telecommunications in the final stages of giving its approval to the company's application for a long distance licence. AT&T has formed a joint venture company with Mahindras where AT&T Global holds 74 per cent equity.

AT&T's application had run into rough weather after the DoT received complaints that the company's sister concern, AT&T Communications, was offering services without proper licences and thus evading various taxes payable.

<http://www.thehindubusinessline.com/2006/08/09/stories/2006080905330100.htm>

Japan keen on ties in manufacturing tech

Japan wants to co-operate with India in improving its manufacturing technology, Mr Yasukuni Enoki, Japanese Ambassador to India, said today.

Speaking at the Indo-Japan Chamber of Commerce and Industry here on 'Future Perspective of Japan-Indian Relations', Mr Enoki outlined three broad areas of action: conclusion of the CEPA, Co-operation in Japan-India manufacturing technology and people-to-people exchange.

Trade News

Textile sector turns SEZ savvy

After the IT industry the textile sector appears to be joining the SEZ bandwagon, with 8 zones planned with an outlay of US\$ 1.8 billion.

While four of the 26 parks being constructed under the scheme for integrated textile parks (SITP) will be upgraded to full special economic zones (SEZ) status, handicrafts will also get a fillip with four SEZs.

The proposed textile parks at Mundra (Gujarat), Perundurai (Tamil Nadu), Palamanara (Andhra Pradesh) and Brandix Lanka's planned unit at Visakhapatnam are likely to get the government's nod for SEZ status.

http://www.businessstandard.com/common/storypage_c.php?leftnm=10&autono=101455

Bunching of imports driving up wheat prices

Have government-owned companies gone overboard in importing wheat and in the process driven up global prices?

This is a question that many in the trade are asking and not without reason. Within the last one month, the State Trading Corporation of India (STC), MMTC Ltd and PEC have floated tenders for import of around 6.5 lakh tonnes (lt) of wheat.

This comes well after STC had contracted 35 lt for the public distribution system (PDS), the last tender for which was floated on June 8 and finalised on June 26.

<http://www.thehindubusinessline.com/2006/08/10/stories/2006081001990800.htm>

Excise duty collections up 7.8 pc in April-July

The Centre appears to be well on course to achieving the budgeted targets for indirect tax collections for 2006-07 if one goes by the latest data put out by the Government on Wednesday.

The Finance Ministry said today that excise duty collections have increased by 7.8 per cent during the first four months of the current fiscal to Rs 32,754 crore as against the collection level of Rs 30,387 crore recorded in the same period last year.

<http://www.thehindubusinessline.com/2006/08/10/stories/2006081002410900.htm>

Sectoral News

India high on foreign financial services companies' radar

Foreign financial services companies have set their sights on the Indian market. Rising disposable income and an array of financial products available for sale, have thrown up opportunities for marketing financial services.

E-Trade has increased its stake in IL&FS Investsmart, and also appointed its nominee to head the company. India Infoline and Indiabulls also have attracted foreign investors in recent times.

While Indian entities started off primarily as equity brokers, they have morphed into financial services houses, offering largely fee-based services, while some have fund-based activities too.

<http://economictimes.indiatimes.com/articleshow/1882651.cms>

Energy sector to get a boost with Government push

The government is ready with a blueprint to attract big-ticket investments from West Asia into the country's energy sector.

While the ministry of power has already identified projects, with capacities totalling 9,500 mega watt and with investments of over Rs 40,000 crore, the petroleum ministry has also held discussions with its oil and gas companies for offering stakes to West Asian investors.

This exercise, government sources said, would not only increase the foreign direct investment (FDI) inflows from the Gulf countries, which are just 1.59% of the total FDI

approvals in India since August 1991, but also help form long-term commitments for sourcing crude oil and gas by India from these countries.

http://www.financialexpress.com/fe_full_story.php?content_id=136581

Indian IT companies eye big acquisitions abroad

Indian information technology (IT) and business process outsourcing (BPO) companies have been on an overseas shopping spree that is set to get bigger. This year, so far, Indian vendors have picked up about a dozen companies spending over \$500m. Barring couple of exceptions the buys have been small — in the range of \$40-60m, but this will change soon.

The reasons for the shopping binge are not far to see. The valuations for overseas companies are attractive - averaging less than 1.5 times revenue multiples. Acquisitions help acquire clients and more importantly domain expertise in niche areas. Besides, it gives access to new geographies and an onshore presence.

<http://economictimes.indiatimes.com/articleshow/1879432.cms>

Bank deposits more than double in April-July period

Banks have raised over US\$ 21.4 billion in deposits since April 1 '06, which is more than twice the US\$ 10.4 billion raised during the same period last year. The deposit raising frenzy has helped rebalance last year's lopsided business growth which saw loan growth outstripping fresh deposit mobilisation by a wide margin.

But these deposits, which were raised using the lure of higher rates, may prove to be costly as the government has stayed banks from raising lending rates.

<http://economictimes.indiatimes.com/articleshow/1869194.cms>

Holland to offer expertise in water management

There is substantial room for growth in India-Netherlands economic relations, said Ms Karien van Gennip, the Dutch Minister for Foreign Trade, in an interview given to Indian journalists at Amsterdam recently. Ms Gennip will be visiting New Delhi, Hyderabad and Chennai in the first week of September and will be leading a large delegation of Dutch businessmen.

<http://www.thehindubusinessline.com/2006/08/13/stories/2006081302510500.htm>

News Round – Up

Indian firms queue up for US listing

New Delhi: A large number of Indian companies are vying to list their shares on foreign exchanges, particularly in the US, on the back of the successful listing of BPO major WNS on the New York Stock Exchange and continuing expansion by domestic companies into the overseas markets. Over 100 Indian companies have started posting earnings as per the US GAAP (Generally Accepted Accounting Principles) guidelines and all of them are mulling to list on the US stock exchanges, investment banking sources said.

With the Indian companies continuing to expand their footprints on the US shores and the overseas revenues playing a larger role in their balance sheets, particularly in the IT sector, the companies are increasingly getting attracted to the brand value addition and exposure a US listing provides, they said. This emerging trend is driving both the NYSE and Nasdaq to go an extra mile for wooing Indian companies to get listed in the US, promising fair and transparent exchange markets.

http://www.financialexpress.com/fe_full_story.php?content_id=136574