

## Weekly Economic Bulletin

Date: January 2-8, 2007

Issue No.194

### Contents

- |          |   |          |
|----------|---|----------|
| <b>1</b> | <b>News Feature</b>   | Page 1   |
|          | <ul style="list-style-type: none"><li>• PE players emerge biggest investors in '06 with \$28 billion</li></ul>  |          |
| <b>2</b> | <b>Overseas Investment</b>  | Page 1-3 |
|          | <ul style="list-style-type: none"><li>• Foreign investors pick 20% stake in Edelweiss Capital</li><li>• Morgan, 2 others to get 11% stake in Core</li><li>• Daimler Chrysler to set up factory</li></ul>  |          |
| <b>3</b> | <b>Trade News</b>   | Page 3-4 |
|          | <ul style="list-style-type: none"><li>• India zooms past China in car exports</li><li>• India, Italy see scope to expand trade</li><li>• Govt likely to lift sugar export ban</li></ul>   |          |
| <b>4</b> | <b>Sectoral News</b>  | Page 4-7 |
|          | <ul style="list-style-type: none"><li>• Healthcare outsourcing now \$300m biz, growing at 150%</li><li>• Air cargo sector set for rapid growth</li><li>• Railways open container business to pvt players</li><li>• IT services, BPO set to log 26% growth in '07</li><li>• Tourism projects likely to get tax exemption for 10 yrs</li><li>• Infrastructure industry growth up 9.5%</li></ul> |          |
| <b>5</b> | <b>News Round-up</b>  | Page 7-8 |
|          | <ul style="list-style-type: none"><li>• Single-window advisory on cards for NRI investment</li></ul>  |          |

### **News Feature**

**PE players emerge biggest investors in '06 with \$28 billion**

Private equity emerged as the single largest investor class driving equity deals in India in 2006, overtaking both foreign and domestic strategic investors.

PE investment in India also broke through the global average (20%) of investment as a proportion of total merger & acquisition (M&A) deals by accounting for 28% of the total deals in India by value, which touched \$28.16 billion in 2006.

Last year, India recorded PE deals worth \$7.86 billion, according to Grant Thornton data, which is way above the figure of \$5.4 billion worth of inbound strategic M&A investment. In 2005, PE investments at \$2.03 billion was less than half of the value of inbound deals which was pegged at \$5.17 billion.

PE funds also, for the first time, overtook Indian companies — which struck domestic M&A deals worth \$4.99 billion, in their investments in India Inc.

As per the Grant Thornton Dealtracker, overall M&A transaction announced in 2006 itself marked a significant 53% jump from \$18.35 billion recorded in 2005.

<http://economictimes.indiatimes.com/News/News By Industry/Finance Insurance/Finance/PE players emerge biggest investors in 06 with 28 b/articleshow/1086116.cms>

## **Overseas Investment**

### **Foreign investors pick 20% stake in Edelweiss Capital**

A clutch of financial investors including Government of Singapore Investment Corporation (GIC) and the New York-based hedge fund Galleon Partners have picked up around 20% stake in Edelweiss Capital for around \$90 million.

Edelweiss is expected to announce the deal soon after the Foreign Investment Promotion Board (FIPB) clears the investments. Sources said the new investors are awaiting FIPB approval. ET had first reported on December 6, 2006, that the foreign investors were close to buying stake in Edelweiss.

The decade-old Mumbai-based financial services company is valued at around \$400-450 million. Sources said Edelweiss is mulling over an initial public offer (IPO) by 2008 to give an exit option to its various investor groups. They, however, said the company doesn't have any immediate plan to hit the primary market now.

When contacted, Rashesh Shah, CEO and managing director of Edelweiss, refused to comment. According to sources, Edelweiss had held exploratory talks with some other investors as well before closing in on GIC and Galleon.

<http://economictimes.indiatimes.com/Foreign investors pick 20 stake in Edelweiss Capital/articleshow/1042529.cms>

## **Morgan, 2 others to get 11% stake in Core**

Three global investment majors will hold 10.8 per cent stake in Core Projects and Technologies (CPTL) after exercising an option to convert foreign currency convertible bonds (FCCBs) into stakes.

The firms — Morgan Stanley, Deutsche Bank and Grants Investments (an investment arm of Goldman Sachs) — had earlier acquired FCCBs worth Rs 39.76 crore from the Indian IT solutions firm.

The companies have now sent conversion notices to CPTL. Morgan Stanley has the largest share of 4.03 per cent, while Grants Investments has 3.46 per cent and Deutsche Bank has 2.59 per cent, Core Projects said in a release here today.

On November 13, 2006, Core Projects had issued 1,225 FCCBs of \$10,000 each. The issue was 'successful' and the bonds were listed on the Singapore Stock Exchange.

[http://www.businessstandard.com/common/storypage\\_c.php?leftnm=10&autono=270025](http://www.businessstandard.com/common/storypage_c.php?leftnm=10&autono=270025)

## **Daimler Chrysler to set up factory**

Daimler Chrysler, the world's second-largest luxury carmaker, plans to set up a new factory in India to assemble cars.

Daimler Chrysler will sign an agreement with the Maharashtra government tomorrow, Suhas Kadlaskar, the corporate affairs and finance director of the company's India unit, said in a phone interview today.

Daimler Chrysler joins Volkswagen, General Motors and other automakers in setting up new car factories in India where demand for automobiles is rising with an expanding economy and higher incomes.

Automakers last year announced a combined \$5 billion of investments in new factories in India by 2012.

"This plant is part of our 10-year plan," Kadlaskar said.

"We will gradually move out of the existing factory and consolidate our operations in the new factory."

[http://www.businessstandard.com/common/storypage\\_c.php?leftnm=10&autono=270182](http://www.businessstandard.com/common/storypage_c.php?leftnm=10&autono=270182)

**Trade News**

## **India zooms past China in car exports**

Here's where the dragon will have to dig its heels. China's car market may be double that of India, but when it comes to exports, it clearly lags behind. China's auto exports doubled to 340,000 units in 2006 but were less than half of India's total vehicle export tally of 970,620 units (including two- and three-wheelers). Sedan exports tripled to 90,000 units in China but fell far short of India's 191,723-unit passenger vehicle export tally.

According to SIAM statistics, India's passenger vehicle exports, dominated by cars, quadrupled from 46,028 units in 2001 to 164,965 units in 2004, hitting 171,608 units in 2005. India's total export CAGR in the 01-06 period was 41.72% with cars and jeeps clocking 33%. China's total vehicle exports, on the other hand, jumped 120% from 78,000 units in 2004 to 173,000 units in 2005. In terms of value, China's vehicle exports have hit \$1.58 billion while India's tally is expected to be \$2.8 billion, up from \$2.25 billion clocked in 2005. Just passenger vehicle exports from India (mostly cars and some jeeps) were worth an estimated \$1.4 billion in 2006.

[http://economictimes.indiatimes.com/India\\_zooms\\_past\\_China\\_in\\_car\\_exports/articleshow/1041894.cms](http://economictimes.indiatimes.com/India_zooms_past_China_in_car_exports/articleshow/1041894.cms)

## **India, Italy see scope to expand trade**

India and Italy emphasised on Friday the need to move forward to begin negotiations for a trade and investment agreement between India and the European Union as decided at the Helsinki Summit in October 2006.

The visiting Italian Minister for International Trade and European Affairs, Ms Emma Bonino, had extensive bilateral talks with the Union Commerce and Industry Minister, Mr Kamal Nath, on Friday, with both sides underscoring the scope for a much higher level of trade and economic engagement between the two countries.

Ms Bonino's visit is designed to lay the groundwork for the visit of the Italian Prime Minister to India next month with a strong contingent of 400-business delegation.

The Italian Minister endorsed Mr Nath's view that the proposed India-EU trade and investment pact was meant strictly for trade and investment and therefore, extraneous elements should not be brought into it as there were other fora to deal with such issues.

<http://www.blonnet.com/2007/01/06/stories/2007010605101000.htm>

## **Govt likely to lift sugar export ban**

India is likely to completely lift a ban on sugar exports within the next 20 days, Farm Minister Sharad Pawar said on Friday, with a bumper crop expected in the year to September. India, the world's second largest sugar producer and biggest consumer, is

likely to produce 23-24 million tonnes of sugar in the sugarcane crushing season that ends in Sept 2007, the minister said.

"The cabinet is likely to take up the issue of free sugar exports soon. I do not think it will take more than 20 days to complete the procedures of completely lifting the sugar export ban," Pawar said.

"We have to see Indian sugar exports are competitive and the government is studying the option of giving export subsidies."

He added total availability of sugar would be 27 million tonnes this season, with carry over stocks from the last crop year of about 4 million tonnes.

Output was 19.3 million tonnes in the last season.

[http://economictimes.indiatimes.com/News/Economy/Foreign\\_Trade/Govt\\_likely\\_to\\_lift\\_sugar\\_export\\_ban/articleshow/1064083.cms](http://economictimes.indiatimes.com/News/Economy/Foreign_Trade/Govt_likely_to_lift_sugar_export_ban/articleshow/1064083.cms)

## **Sectoral News**

### **Healthcare outsourcing now \$300m biz, growing at 150%**

Outsourcing in the healthcare sector has come a long way — from low-end claims processing and medical transcription to medical analytics and clinical processing. The US healthcare industry outsources to India not only its medical billing and insurance processes, but also data analysis and software development.

Though, at present, only a small percentage of such work is being outsourced to India, medical services outsourcing from the US has seen a CAGR of 150% in the last two years. The bulk of outsourcing is from the US while some work comes also from the UK and the Middle East.

"Healthcare BPO is still not very large in India. The industry is estimated at about \$300 million now. But it has immense potential and is a very attractive space to be in," says Divya Sehgal, CEO, Apollo Health Street.

Apollo, which has been in this space for the last six years, saw a 200% growth — both organically and inorganically — in the last 12 months, says Mr Sehgal.

Medical outsourcing has four clients — provider (hospitals and physicians), payer (health insurance companies), pharmaceutical companies and healthcare IT companies. "On the payer side, which is mostly data entry, about \$100-105 million worth is outsourced to India.

[http://economictimes.indiatimes.com/Healthcare\\_outsourcing\\_now\\_300m\\_biz/articleshow/1086151.cms](http://economictimes.indiatimes.com/Healthcare_outsourcing_now_300m_biz/articleshow/1086151.cms)

## **Air cargo sector set for rapid growth**

New infrastructure and aircraft in the pipeline.

European aircraft manufacturer Airbus Industries says India will require 165 freighters by 2025.

In contrast, Union Civil Aviation Minister Praful Patel says the country needs at least 500 dedicated cargo air planes in ten years, ie, by 2016.

The minister's estimates can be seen as being over-ambitious but cargo airline services are all set to boom.

The government is also gearing up to facilitate freighter boom in the country.

With more airlines planning to start dedicated freighter wings, the Centre is also preparing itself with a policy for equipping all domestic airports for handling international cargo by leasing space and land to private players through open tenders.

At present, Airports Authority of India (AAI) is handling international cargo at the four metro airports of Delhi, Mumbai, Chennai and Kolkata and at the four non-metro airports of Nagpur, Guwahati, Lucknow and Coimbatore airports.

Indian airports handled 3.42 lakh tonne of domestic cargo during 2005-06 against 3.25 lakh tonne in 2004-05, marking a 5.30 per cent growth

[http://www.businessstandard.com/common/storypage\\_c.php?leftnm=10&autono=270563](http://www.businessstandard.com/common/storypage_c.php?leftnm=10&autono=270563)

## **Railways open container business to pvt players**

The railways on Thursday opened its first window of privatisation by allowing private operators to run container trains, ending the monopoly of Concor.

The move is set to swell government coffers by Rs 2,000 crore annually. The model concession agreement for the same was signed between the railways and 14 private container train operators.

“The signing of concession agreement is an important milestone in the implementation of public private partnership (PPP) projects as envisioned by the railways,” said railway minister Lalu Prasad Yadav. The 14 operators include Anil Ambani-promoted Reliance Infrastructure Engineering, Adani Logistics, Boxtrans Logistics Container Rail Road Services, Gateway Distriparks, IL&FS and Pipavav Rail Corporation (PRC).

Mukesh Ambani's Reliance Industries, agriculture products company Cargill and fertiliser major Kribhco are keen on the second round of bidding for private container rail

operations, officials in the Rail Bhawan said. The private operators will invest Rs 400 crore for manufacturing 2,000 wagons for goods transportation.

[http://economictimes.indiatimes.com/Railways\\_opens\\_container\\_business\\_to\\_pvt\\_players/articleshow/1055707.cms](http://economictimes.indiatimes.com/Railways_opens_container_business_to_pvt_players/articleshow/1055707.cms)

### **IT services, BPO set to log 26% growth in '07**

Riding high on a bullish outlook, IT services and business process outsourcing (BPO) exports from India are expected to witness about 26% growth to log \$33.4 billion in 2007 as against \$26.5 billion in 2006.

This includes revenues from captive operations, MNCs & Indian pure play third party service providers. According to estimates by consulting firm NeoIT, the software and related services exports are likely to post \$20.8 billion in 2007 against \$17.1 billion in 2006, a growth of 21.6%.

The BPO space is predicted to grow at a faster rate of 34% to gross \$12.6 billion in 2007 compared to \$9.4 billion last year. "In the coming 12-18 months, the industry will continue to grow between 25-28%, even as the growth will be skewed towards larger players. We expect the top 3 players to grow between 32-35%, and the industry will continue to see marginalisation of the mid-tier and smaller companies," said Forrester Research country head & senior analyst, India Operations, Sudin Apte.

[http://economictimes.indiatimes.com/IT\\_services\\_BPO\\_set\\_to\\_log\\_26\\_growth\\_in\\_07/articleshow/1055573.cms](http://economictimes.indiatimes.com/IT_services_BPO_set_to_log_26_growth_in_07/articleshow/1055573.cms)

### **Tourism projects likely to get tax exemption for 10 yrs**

Tourism ministry has proposed to declare a conditional 10-year tax holiday for all tourism projects in the country. While companies would enjoy full tax exemption up to 50% of the profit, for enjoying tax benefits for balance amount they would be required to re-invest that part of the profit in tourism projects.

It is proposed that this no-tax regime should operate for at least 10 years beginning from April 1, 2007, till March 31, 2007. The tax concession period will however, be computed from the date of commencement of commercial operations. The proposal move is aimed at encouraging existing tourism industry to re-invest in the sector.

"Industry needs to be given a no-tax regime for a period of 10 years from the date of commencement of commercial operations; i.e., 50% of profits need not to be taxed and the balance 50% profit should also not be taxed provided that are ploughed back into investments in the tourism industry," an official in the ministry said.

[http://economictimes.indiatimes.com/Tourism\\_projects\\_likely\\_to\\_get\\_tax\\_exemption\\_for\\_10\\_yrs/articleshow/1042891.cms](http://economictimes.indiatimes.com/Tourism_projects_likely_to_get_tax_exemption_for_10_yrs/articleshow/1042891.cms)

## **Infrastructure industry growth up 9.5%**

The index of six infrastructure industries registered a growth of 9.5 per cent by rising to 221.6 in November 2006, 5.7 per cent more than in November 2005.

During the April-November 2006-07 period, six core-infrastructure industries registered a growth of 7.8 per cent, as against 5.2 per cent during the corresponding period of the previous year.

The infrastructure index has a combined weightage of 26.7 per cent in the index of industrial production (IIP).

Crude petroleum production (weightage of 4.17 per cent in the IIP) rose by 10.1 per cent in November 2006, compared to a negative growth rate of 8.5 per cent during the same period in the previous year.

Petroleum refinery production, having weightage of 2 per cent in the IIP, registered a growth of 16.4 per cent in November last year, compared to growth of 1.5 per cent in November 2005. Refinery production grew by 13.5 per cent during the April-November 2006-07 period.

[http://www.businessstandard.com/common/storypage\\_c.php?leftnm=10&autono=270073](http://www.businessstandard.com/common/storypage_c.php?leftnm=10&autono=270073)

## **News Round – Up**

### **Single-window advisory on cards for NRI investment**

Prime Minister Manmohan Singh on Sunday said the government would soon set up an overseas facilitation centre that would advise Indians settled abroad on investments.

Inaugurating the Pravasi Bharatiya Divas 2007, Singh said the facilitation centre was being developed on the understanding that an entity independent of the government would prove to be an effective instrument to liase with the Indian diaspora on matters related to investments in India.

Proposals to constitute a council for promotion of overseas employment and set up a university for persons of Indian origin (PIOs) here were also being considered, Singh told a gathering of about 1,200 PIOs and NRIs.

The three-day event is being organised by the ministry of overseas Indian affairs in partnership with the Delhi government and the Confederation of Indian Industry.

[http://www.financialexpress.com/fe\\_full\\_story.php?content\\_id=151085](http://www.financialexpress.com/fe_full_story.php?content_id=151085)

