

Weekly Economic Bulletin

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News Feature

India Inc strikes \$36.8b M&As in just 2 mths

The rockfest on the Indian deal-street is gaining decibels. Corporate India struck deals worth \$39 billion in the first two months of 2007 of which \$36.8 billion were strategic mergers & acquisitions deals and the remaining \$2.2 billion were private equity (PE) deals.

According to data compiled by advisory firm Grant Thornton the numbers notched up in the first two months of 2007 is almost 180% of the cumulative value of strategic M&A deals announced in 2006 calendar year. India Inc announced M&A deals worth \$20.3 billion in 2006 in addition to \$7.6 billion worth of PE deals.

After big bang January, when the Tatas announced the acquisition of Anglo Dutch steel maker Corus, February was a whopper, thanks to the mother of all takeovers, the \$11.1 billion Vodafone-Hutchison Essar deal, and the not so big, \$6 billion plus Hindalco-Novelis deal.

The multi-billion buy-outs has skewed average deals this year substantially. While the average deal size in 2006 as a whole was pegged at \$42.3 million, the average for the first two months stands at \$360.8 million.

http://economictimes.indiatimes.com/News/Economy/Indicators/India_Inc_strikes_368b_MAs_in_just_2_mths/articleshow/1744267.cms

Overseas Investment

Intec to invest \$12 mn in B`lore

UK-based Intec Telecom Systems, which offers operational support, access billing and retail billing services for telecommunications operators worldwide, has lined up a \$12 million expansion plan for its Bangalore office.

Intec, which services 60 per cent of the world's top 100 telecommunications firms, has a 333-seater office in Bangalore. It caters to Intec's customers across all geographies in the telecommunications' retail billing space.

Recently, the company moved a portion of the mediation operations (tracking movement of telephone calls and data on the network) to Bangalore. Intec's India operations account for 21 per cent of Intec's strength of 1,600.

"Our business is expanding rapidly in developing nations, especially where telecommunications sector is opening up. The scope for expanding Bangalore operations is immense since the talent availability is tremendous. We intend to double the Bangalore office headcount to touch 600 over the next 18 months. We plan to invest \$12 million in

2007 for expansion of the Bangalore office,” Intec Telecom Systems COO (Product Operations) Gary Bunney told Business Standard.

<http://www.business-standard.com/compindustry/storypage.php?tab=r&autono=277364&subLeft=1&leftm=1>

US cos eye Bengal for big investment avenues

US companies such as Best Buy (consumer electronics and networking solutions), ITT Defence (manufacturers of defence equipment and security systems), Lighthouse Funds (financial services) and Johnson & Johnson (pharma and allied sectors including research and development) are now looking afresh at `Brand Bengal' for investment opportunities in manufacturing, retail and services.

Speaking here on Wednesday at an interactive session organised by the Confederation of Indian Industry-Eastern Region, on `Indo-US Economic Cooperation', Lt Gen Dan Christman (Retd), Senior Vice-President, International, US Chamber of Commerce, and leader of a strong USIBC (US-India Business Council) delegation now touring India, said Bengal, as part of the `India Rising' story, now offers large investment opportunities for US companies in different areas such as security systems, financial services, IT infrastructure and retail.

According to him, Indo-US business ties need to be strengthened now, and more strategically aligned, considering that bilateral trade ties are now at an all-time high. In 2005, sales of US goods and services to India increased by over 30 per cent, and Indian exports to US grew by over 20 per cent.

He said Kolkata is important for US companies as it is now planning to integrate into the global supply chain, and players like Best Buy specialising in global networking systems, are now looking at West Bengal with renewed interest.

<http://www.blonnet.com/2007/03/08/stories/2007030802932100.htm>

Trade News

Exports may more than double to \$4 bn by 2010

The country's seafood exports are likely to more than double to over \$4 billion dollars by 2010 from the present level of two billion dollars, a chamber study has said.

“We can double our exports of seafood provided the fishing capacity is expanded by equipping the vessels with accurate remote sensing tools,” a ASSOCHAM study said.

Besides, the exporters should be provided liberal fiscal assistance through the Marine Products Export Development Authority (MPEDA).

The seafood exports, which remained stagnant at \$1.6 billion in 2005-06 moved up to \$2 billion in the first nine months of current fiscal. "Demand in trading blocs like the EU, the US and Canada is moving up further," the study said.

The country has less than 50,000 fishing vessels each with a capacity of 1.5 tonne. This should be expanded to five tonne to increase fish acreage. The vessels should also be equipped with the remote sensing devices to exploit the deep sea shipping potential of the country's marine products.

http://www.businessstandard.com/common/storypage_c.php?leftnm=10&autono=276629

India offers \$15 mn LoC to El Salvador

India on Friday offered to extend a line of credit (LoC) of \$15 million for developing economic cooperation with El Salvador.

The two countries also reached an agreement in a range of common areas of cooperation at a meeting between Minister of State for External Affairs Anand Sharma with the visiting El Salvador Minister of External Relations Francisco Esteban Lainez.

A joint communique issued at the end of the meeting said India agreed to consider further credit amounts after initial LoC is fully utilised. Reiterating its interest in continuing and expanding its development partnership with El Salvador as a part of its commitment to "South-South cooperation", India also said it would set up an Information Technology Training Centre in the Central American nation.

India also agreed to increase the number of ITEC (Indian Technical and Economic Cooperation) training scholarships to EL Salvador nationals from existing ten to fifteen. "El Salvador is a country located strategically in the Central American region, integrated with SICA, and has now the means and the policy to play an important role," Sharma said.

An MoU with the SICA (Central American Integration System) countries has already been signed and the priority areas of cooperation would be agriculture, IT, education, tourism and culture, Sharma said.

In an interaction with Indian industry leaders, Lainez talked about production of ethanol as a source of energy derived from sugar cane and other bio-fuel production alternatives. Recognising India's "enormous advances" in the field of IT and agriculture, the Salvadoran foreign minister said his trip has "reaffirmed the great friendship" that existed in two countries.

Sectoral News

India's healthcare spending to cross Rs 200,000 cr by 2012

The CII- Mckinsey report says that 80 % of the investment would come from pvt sector.

India will spend a huge Rs 200,000 crore on healthcare in the next five years as the country, on an economic upsurge, is witnessing changes in its demographic profile accompanied with lifestyle diseases and increasing medical expenses.

“Changing demographics and disease profiles and rising treatment cost will cause the spending on healthcare delivery to over Rs 200,000 crore by 2012,” a CII-Mckinsey study on ‘Health in India’ has said.

The healthcare sector contribution to GDP and employment is significant and it is one of the largest service sectors of the economy. Given the appropriate regulatory support and clearer roles for public and private healthcare delivery, the sector can play an even greater role, the report said.

“Revenues from the healthcare sector account for 5.2 per cent of the GDP and it employs over 4 million people. By 2012, revenues can reach 6.5 to 7.2 per cent of GDP and direct and indirect employment can double,” it said.

The report suggests that to meet the rising demand, India will need to invest in infrastructure and create cost-effective facilities, "Investment would be needed for building a healthy base of hospitals and medical personnel. “ An investment of Rs 100,000 crore to Rs 140,000 crore would be needed to create the desired capacity, it said.

http://www.businessstandard.com/common/storypage_c.php?leftnm=10&autono=276726

Cement, telecom lead the growth story

The top five growth industries in the manufacturing sector during the October-December quarter of the current financial year are cement, steel, pharma, gems and jewellery and engineering, according to a study done by Cygnus Business Consulting and Research, a Hyderabad-based knowledge products and services organisation.

Cygnus, which analyses the performance of 25 industries and major companies in various sectors every quarter, stated that chemicals, FMCG, power, automobile and auto components seemed to be laggards during the last quarter.

The growth in the services sector, the study pointed out, was led by telecom, followed by retail, media, information technology services and construction.

Compared with the corresponding quarter in the previous year, as per the study, the sales and profit after tax of Indian industry as a whole grew 27 per cent and 75 per cent respectively.

“This growth momentum will continue into the last quarter of the year, though a few of the interest rate sensitive sector may be affected in a small way because of higher interest

outgo,” Cygnus director, ORS Rao, said while releasing the company’s analysis of quarterly performance of Indian industries.

http://www.businessstandard.com/common/storypage_c.php?leftnm=10&autono=276646

Car sales zoom 46% in Feb

Riding on the back of lucrative discounts and buoyant demand, partly fuelled by portends of price increase in mid-March, car sales grew by a robust 46.5 per cent last month to 92,594 units, according to Society of Indian Automobile Manufacturers, the industry body.

In contrast, motorcycle sales grew by only 4.93 per cent to 5,16,410 units. The buoyancy in passenger cars is unusual for February, a month in which car sales often remain lukewarm in expectation of sops that the Union Budget may announce.

The sales stood at only 63,213 units last February, when customers had postponed purchases in the run-up to the widely-expected excise duty cut on small cars – it was reduced from 24 per cent to 16. Small cars that qualify for the lower excise — Alto, Santro, Indica diesel, Swift diesel, Wagon R and Zen Estilo – sold 68,900 units, 70 per cent of the total, in February this year.

Analysts, however, point out increased sales of bigger mid-segment cars in February, reflecting the growing preference of the Indian consumer for larger cars regardless of the higher price. Sales of the A3 segment cars increased by 39 per cent in February to 2,225 units against 1,604 units in the same month last year.

<http://www.business-standard.com/compindustry/storypage.php?tab=r&autono=277203&subLeft=1&leftnm=1>

Nicholas Piramal to invest \$50 m in contract manufacturing biz

Domestic pharma major Nicholas Piramal is planning to invest \$50 million (or Rs 222 crore) in the next two years towards creating additional capacity for its contract manufacturing business.

“Nicholas Piramal is planning to upgrade its Indian and UK custom manufacturing facilities for formulations, and to create higher-end capabilities, notably for sterile clinical manufacturing,” Nicholas Piramal investor relations and M&A vice-president Vijay B Sathye told ET.

Since its foray into the contract manufacturing business in 2003, the company has been rapidly scaling up its capabilities, investing close to \$200 million (or Rs 884 crore) in this segment. The acquisition of Avecia Pharmaceuticals last year and Pfizer’s Morepeth

facility in the UK has put the domestic drug maker at the top of the league among Indian contract manufacturers.

“The company’s custom manufacturing business is expected to generate around 40% or Rs 1,000 crore of revenues in the financial year ended March 31, 2007,” said Mr Sathye. Going forward, the company expects contract manufacturing to account for over 50% of total revenues.

<http://economictimes.indiatimes.com/News/News By Industry/Healthcare Biotech/Nicholas Piramal to invest 50 m in contract manufacturing biz/articleshow/1744241.cms>

News Round – Up

Forbes' rich list reflects Indian realty boom

The boom in the real estate sector has led to a mushrooming of Indian billionaires on the Forbes list, a trend reminiscent of that seen in the IT sector earlier.

According to the Forbes list of billionaires, five Indians from the real estate sector with a combined wealth of \$24.5 billion figure in the coveted list this year. These include Mr Kushal Pal Singh of DLF, Mr Ramesh Chandra of Unitech, Mr Pallonji Mistry of Shapoorji Pallonji Group, Mr Vikas Oberoi of Oberoi Construction and Mr Pradeep Jain of Parsvnath Developers

Similarly, five Indians from the infotech/software sector are present on the Forbes list, which has ranked 946 billionaires from across the world. These include Mr Azim Premji of Wipro, Mr Shiv Nadar of HCL and three from Infosys — Mr N.R. Narayana Murthy, Mr Nandan Nilekani and Mr Senapathy Gopalakrishnan. The combined wealth of these five from the IT sector stood at \$25.4 billion, driven mainly by Mr Azim Premji's personal wealth of \$17.1 billion.

Meanwhile, the India growth story was very apparent on the Forbes compilation of global billionaires. By sheer numbers, Indians topped the list of richest people in Asia with 36 billionaires, of whom Forbes placed Mr Lakshmi Mittal, Mr Mukesh Ambani and Mr Anil Ambani in the elite global top 20. The combined wealth of Indian billionaires, including familiar names such as Mr Azim Premji, Mr K.P. Singh, Mr Sunil Mittal, and Mr Adi Godrej, swelled to \$191 billion — equal to one-fourth of India's GDP.

<http://www.blonnet.com/2007/03/10/stories/2007031005960100.htm>

Aussies to tap supermarkets for its food products

The Australian government's National Food Industry Strategy (NFIS) and Austrade backed by other Australian government agencies have initiated a test marketing food retail in India.

As part of the test marketing initiative, a group of 12 major Australian food producers have linked with India-based distributor AB Mauri to sell their products directly at retail outlets.

Supermarkets in Bangalore are taking part in the programme, which will include in-store promotions to inform consumers of the various products ranging from pastas to cake mixes and sauces to tinned vegetables, snack bars and fruit conserves.

Presently, Australia exports \$300 million worth of wheat, pulses and lentils to India. Processed food accounts for \$5 million, through these innovative exercise we plan to take it to \$15 million in three years. Indo-US bilateral trade is worth \$8 billion. While India imports are worth \$7 billion with it importing coal, gold, wheat and wool. On the other hand India exports IT, machinery and other industrial inputs.

http://www.businessstandard.com/common/storypage_c_online.php?leftnm=11&bodyFlag=IN&autono=21306