

Weekly Economic Bulletin

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News Feature

India Inc's the second largest investor in London

India, which till recently used to depend on overseas investments to boost its economic development, is now playing a different role — that of an investor.

A report by Think London, a FDI agency, said the India Inc has now emerged as the second largest investor in London, accounting for 30% of all the foreign investment in London. The US continued to be biggest accounting for 50% of the investments.

In '05, as many as 22 Indian corporates set base in London creating 400 new jobs in sectors like pharma, telecon and IT. One of the biggest job creators was the Bangalore-based Microland, which is expected to create around 50 jobs.

<http://economictimes.indiatimes.com/articleshow/1440576.cms>

Overseas Investment

Honda to invest \$90 mn in India

Japan's Honda Motor Corp. is to invest 4 billion rupees (\$90 million) in its two-wheeler operations in India over the next three years, a senior company official said on Wednesday.

Yukihiro Aoshima, President of Honda Motorcycle and Scooter India, told reporters the company would produce 900,000 units in the fiscal year ending March 2007.

http://www.financialexpress.com/latest_full_story.php?content_id=119826

IBM to set up shop in Bangalore

Global IT major IBM Inc Wednesday announced the setting up a global business solution centre here to provide a range of services to its clients worldwide.

According to a company statement, the centre will enable its consultants to develop and deploy solutions in about 50 business areas, including consumer driven supply chain optimisation, banking risk and compliance and retail merchandising.

The company is expected to invest about \$200 million annually to develop, enhance and market the solutions globally

<http://economictimes.indiatimes.com/articleshow/1443750.cms>

Indian cos striking mega M&A deals

If the year's start turned out to be a cracker for Indian diplomacy, it also rained deals for India Inc. The first two months of '06 have witnessed 57 deals of over \$3.5bn in value. Besides, continuing last year's trend, crossborder deals constituted 78% of the total M&A deals

According to a Grant Thornton survey, Indian companies made some \$2.2bn worth of acquisitions abroad making up almost 63% of the total M&A deal value. The biggest catch in outbound deals was ONGC Videsh's acquisition of a Brazilian oil field for \$1.4bn. The other large transactions included, Dr Reddy's acquisition of German major, Betapharm Arzneimittel for \$570m and United Phosphorous' acquisition of Advanta Netherlands for \$119m.

<http://economictimes.indiatimes.com/articleshow/1442273.cms>

Kanbay to invest \$50 m more in India operations

Kanbay Inc, technology solutions provider, has sewn up plans to invest about \$50 million in its India operations this year.

The money would be used to set up a campus at Hyderabad with seating for 3,500 techies, a training centre in Pune and an ERP (enterprise resource planning) centre of excellence (CoE) also in Hyderabad.

Addressing a press conference here today, Mr Kenneth M. Coppins, Executive Vice-President, Global Client Services, Kanbay said the decision to establish a separate centre for ERP services followed the company's recent acquisition of Adjoined Consulting Inc for \$165 million.

<http://www.thehindubusinessline.com/2006/03/10/stories/2006031002540400.htm>

Trade News

India, Chile to sign PTA on 8 March '06

India and Chile will on Wednesday sign a Preferential Trade Agreement as part of initiatives to increase trade and investment between the two countries.

The agreement will be signed by Commerce Secretary S N Menon and Chilean Ambassador Jorge Heine, in the presence of Commerce Minister Kamal Nath, an official release said

The PTA is consequent to the signing of a Framework Agreement on Economic Cooperation on January 20, 2005 during the visit of the Chilean President to India.

<http://economictimes.indiatimes.com/articleshow/1441762.cms>

Double treat: New I-T rule makes foreign trade easier

India's trade with countries like Taiwan has received a big boost with the introduction of a new provision in the Income-Tax Act that allows specific associations in India to

enter into agreements on taxation with their counterparts abroad, with approval from the government of India.

The practice, hitherto, has been to have Double Taxation Avoidance Agreement (DTAA) only with countries. But section 90 A introduced in this year's Budget says specific associations in two countries can have an agreement on taxation, with the approval of the respective governments.

India considers Taiwan, a province of China and hence could not put in place a DTAA with it so far. However, this hurdle has now been removed with the insertion of section 90 (A) in the I-T Act. Experts on international taxation feel with a GDP in excess of \$353bn and a growth rate of 4.3% a year, Taiwan is too huge an economic power to ignore and this provision removes the difficulty arising from not having a DTAA between the two countries.

<http://economictimes.indiatimes.com/articleshow/1440429.cms>

Trade with US: India likely to overtake China

Can India beat with China in its trade volumes with the US? Perhaps yes, says Mr R Christian M Bartley, Executive Director of World Trade Centre of the US.

Addressing a gathering at FAPCCI (Federation of Andhra Pradesh Chambers of Commerce and Industry) here, he said India might end up taking a larger trade pie than China with his country.

Mr Bartley was part of a business delegation from the US interacting with the entrepreneurs to explore opportunities in forging joint ventures and agreements. The key differentiators were quality and respect for intellectual property rights, he reasoned

<http://www.thehindubusinessline.com/2006/03/09/stories/2006030901810500.htm>

Sectoral News

S'pore's PSA buys into Indian shipping JV

An arm of Singapore's PSA International (Pte) Ltd. has bought a 21 per cent stake in a shipping venture floated by India's Oil and Natural Gas Corp. Ltd. (ONGC) and Shipping Corp. of India Ltd.

PSA Marine (Pte) Ltd., whose parent is owned by Singapore state investment group Temasek, will pay an undisclosed amount for the stake in Offshore Marine Services Ltd., an official at state-run energy explorer ONGC said on Wednesday.

ONGC and Shipping Corp., also state run, each hold 24.5 per cent in the venture, and they will offer the remaining 30 per cent to financial institutions, the official said

The new company will serve ONGC's offshore marine vessel operations and other Indian oil and gas companies

http://www.financialexpress.com/latest_full_story.php?content_id=119835

MTNL eyes stake in Chinese telcos

The Mahanagar Telephone Nigam Limited (MTNL) is exploring investment opportunities in Chinese telecom companies and also scouting Nigeria and Sri Lanka for investment/joint ventures in wireless segment, the Rajya Sabha was informed on Monday.

Replying to a question, minister of state for IT and telecom Shakeel Ahmad said various telecom technologies/companies are being considered for acquiring stake

http://www.financialexpress.com/fe_archive_full_story.php?content_id=119652

SKM Egg to set up arm in Japan

SKM Egg Products Export India, the largest producer and exporter of egg powder and related products in the country, will set up a marketing subsidiary in Japan to sell its products directly. SKM Japan, a joint venture between SKM and a foreign partner, will start its operations in April '06. The company established its subsidiary, SKM Europe, in the Netherlands recently to expand its presence in Europe.

Japan and Europe are the largest markets for SKM, which has a 100% export oriented unit at Erode. It exports 2300-2500 tonne of egg powder per annum to Europe and 1000-1200 tonne to Japan.

<http://economictimes.indiatimes.com/articleshow/1444954.cms>

Volvo, Mazda may shore up Ford's presence here

The blue oval footprint in this market is all set to go way beyond just the Ford India brand. A clutch of global brands from the Ford family may debut in India, though most of them will opt for the completely imported route to begin with.

According to sources in the auto industry, teams from Mazda and Volvo cars are in India, testing potential launch models. The idea, say sources, is to expand Ford's brand and badge presence in India with imported top-of-the-line models from Mazda, Volvo, Jaguar and Aston Martin.

<http://economictimes.indiatimes.com/articleshow/1444725.cms>

Chennai may be Dell's PC assembly hub

The world's largest computer maker Dell appears to be zeroing in on Chennai as the location for its computer assembly unit in India, although sources close to the American giant maintained that it's still a toss-up between Andhra Pradesh and Tamil Nadu.

Dell already operates three call centres in India, with a total capacity of nearly 10,000 seats, and is set to operationalise a fourth one in Gurgaon with 1,000 employees. Dell's employee base in India is about 16% of its total global workforce of 63,000. Sources said Dell's final decision will be governed by the fiscal benefits offered by each of the state governments, and the conducive work environment they promise.

<http://economictimes.indiatimes.com/articleshow/1444745.cms>

Telekom Malaysia buys 49 pc in Spice for \$179 m

Telekom Malaysia (TM) has picked up a 49 per cent stake in Spice Communications Private Ltd for \$178.85 million. The deal will close in a month.

The company has pipped rival Maxis Communications in clinching the deal. It has a global mobile subscriber base of over 20 million and is Malaysia's fourth largest listed firm. Spice operates in two circles, Punjab and Karnataka, with a total subscriber base of over 1.8 million.

The stake was purchased from Deutsche Bank and Ashmore Investment Management Ltd consortium. The remaining stake would continue to be held by the B K Modi-owned McorpGlobal.

<http://www.thehindubusinessline.com/2006/03/11/stories/2006031104200100.htm>

News Round – Up

Free India beats China again

Singling out India and China as the main drivers of growth in the travel and tourism industry, a report released at the International Tourism Fair here has said that India enjoys an edge over its neighbour as the average Indian traveller is considered a "highly valuable proposition" abroad.

Many European destinations are rethinking their China strategies and are starting to invest more in India. While China is a controlled and regulated market, Indians are already free to travel abroad wherever, whenever and however they wish," said the report, released at ITB-Berlin, the world's largest travel and tourism fair which begins today.

"Compared to the Chinese, Indians have a higher level of travel experience and speak much better English," it said adding that the average Indian traveller was a "highly valuable proposition" because of higher disposable incomes, growing aspirations and the country's continued liberalisation of its foreign policies.

http://www.financialexpress.com/latest_full_story.php?content_id=119817

India tops Asian peers in FDI in 2005, says S&P

India witnessed a 13.2% increase in foreign direct investment (FDI) in 2005, to \$6 billion and has been the highest beneficiary among the five largest Asian FDI beneficiaries

However, considering the significant increase in FDI to Czech Republic and Republic of Turkey, India failed to make it in the list of the 10 largest beneficiaries of emerging market recipients of FDI in 2005, which it did in 2004. As per a report released by Standard and Poor's (S&P), Asia continued to receive the highest FDI inflows in 2005, as it has for the last six years. It accounted for 44.7% of the total FDI inflows amounting to \$161.5 billion. S&P believes that the Asian high yield corporate sector would witness another strong year in 2006, as defaults stay low and economic conditions remain relatively strong. However, it expects the credit volatility to gradually emerge over the medium term as interest rates rise and the quality of issuances deteriorates.

http://www.financialexpress.com/fe_archive_full_story.php?content_id=119664

Indian markets will outperform for next 10 years, says Faber

According to investment guru Mr Marc Faber all asset classes have entered a correction mode. As interest rates, he says, are rising and bonds markets are experiencing weakness in the US, people are beginning to reassess the risk profile they want to take.

Looking ahead, he says, following this correction the money will come back mostly into emerging economies. About Indian economy, he opines that it can grow at 8-10 per cent in the next 5-10 years. As per him, emerging markets, including India, would outperform for next 10 years.

<http://www.thehindubusinessline.com/2006/03/11/stories/2006031103911500.htm>

'India can be made manufacturing hub'

The Finance Minister, Mr P. Chidambaram, today said that the Government was committed to making India a manufacturing hub for a host of industries such as textiles, leather, food processing, handicrafts and petroleum products.

Replying to the general discussions on the Budget 2006-07 in Lok Sabha here today, Mr Chidambaram expressed confidence that the success achieved in the automobile sector, particularly in the efficient production of small cars, could be replicated in these identified sectors as well.

He urged the Members of Parliament to "throw away your political and ideological blinkers" and lend a helping hand to recapture primacy in manufacturing that the country enjoyed in these sectors.

"We have the capacity to become world leaders and top three in at least a dozen industry sectors. Automobile is one such sector. There is a revolution happening in automobiles here. India is today the most efficient producer of automobiles in the world. Unfortunately, we are not noticing this," Mr Chidambaram said, adding that in the next 3-5 years, India would be the largest producer of small cars in the world.

<http://www.thehindubusinessline.com/2006/03/11/stories/2006031103340900.htm>