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News Feature

Fat cats: India has 83,000 millionaires

Buoyant economic conditions and robust domestic stock market performance over the last couple of years has resulted in a rapid growth of India's population of high net worth individuals (HNIs), according to the first Asia-Pacific Wealth Report published by Merrill Lynch and Capgemini.

The report estimates there were around 83,000 HNIs in India at the end of '05, up 19.3% over the previous year. This growth rate was the second highest among all the countries and markets globally, the report said. The report has defined HNIs as people with net financial assets of at least \$1m, excluding their primary residence and consumables. Indian HNIs held \$290 bn in assets at the end of '05, representing 3.8% of total Asia-Pacific HNI wealth.

The report also found that only 0.01% of India's adult population are HNIs, which is below the Asia-Pacific average of 0.1%, showing significant potential for growth in the number of HNIs. Indian HNIs shared the fourth-highest average net worth in Asia, with South Korea, at \$3.5m per person. Hong Kong lead the region with \$5.3m, followed by China's \$5m and Singapore's \$4.7m. The average for Asia-Pacific HNI's net worth was \$3.2m.

<http://economictimes.indiatimes.com/articleshow/2132566.cms>

Overseas Investment

FIs in bourses likely to be capped at 49%

The Finance Ministry is likely to cap foreign direct investment in stock exchanges to 25 per cent and foreign institutional investment to 24 per cent, paving the way for New York Stock Exchange's reported move to acquire equity in Bombay Stock Exchange.

That way, the total foreign equity likely to be allowed in stock exchanges will have a ceiling of 49 per cent, Finance Ministry sources said. The new directive is likely to come through a notification by the Finance Ministry, they said, adding that RBI may also issue such a notification under the Foreign Exchange Maintenance Act.

According to existing FEMA norms for portfolio investment, an FII can invest up to 5 per cent in a company, while maximum three FIIs are allowed to hold 24 per cent in consolidated form in a company. FIIs are also allowed to invest beyond this level and up to sectoral caps subject to certain conditions.

<http://economictimes.indiatimes.com/articleshow/2138368.cms>

US firm plans US\$ 218.5 million desalination plant in Tamil Nadu

The US-based \$968 million Beta Empire Group is in talks with the government of Tamil Nadu to set up a Rs 1,000 crore water desalination-cum-power plant in Chennai.

The Group, which has its presence in a wide spectrum of business segments including edible nuts & food products, pharmaceuticals, shipping and consultancy, is venturing into the water desalination in India for the first time with this Chennai project. The Chennai desalination plant would have a capacity of 30,000 tonne per day.

The group chairman J Rajmohan Pillai and his team, who are currently in India exploring more opportunities for the new venture, said that the company would invest about \$200 million (about Rs 1,000 crore) in the Chennai project initially.

The group's infrastructure division —Pace CFS will be investing in this project through 100 per cent foreign direct investment (FDI) route and it will float a new Indian subsidiary to implement and run the desalination and power plants in the country.

<http://www.business-standard.com/common/storypage.php?autono=261391&leftnm=1&subLeft=0&chkFlg=>

IFC invests US\$ 100 million in HDFC Bank

International Finance Corporation (IFC), the private sector arm of the World Bank Group, will invest US\$ 100 million in the upper tier II subordinated bonds of HDFC Bank.

The upper tier II bonds, one kind of hybrid capital instrument, will have a final maturity of 15 years. The investment will help the bank augment its capital base primarily to support its growing asset business and will also increase the bank's long term resources, IFC executive vice-president Lars Thunell said.

"It will help further improve the bank's financial fundamentals by strengthening its capital adequacy and diversifying its funding sources," explained Aditya Puri, managing director, HDFC Bank.

Iyad Malas, director, south Asia, IFC said, "IFC has a long and fruitful relationship with Housing Development Finance Corporation (HDFC), the Bank's promoter. The investment will strengthen the efficiency and reach of the banking sector in India by supporting a private sector bank."

<http://www.business-standard.com/common/storypage.php?autono=261632&leftnm=2&subLeft=0&chkFlg=>

Trade News

Govt focuses to remove export bottlenecks

With India's exports surging by nearly 35 per cent this year, the government is now focusing on removing bottlenecks, simplifying procedures and reducing transaction costs to sustain the high growth rate.

"Reduction of transaction costs at every step is a top priority. Joint secretaries have been asked to visit all ports and identify bottlenecks. There is a need to set up benchmarks for every activity," a senior Commerce Ministry official said.

The official said while the export basket needed to be diversified, equal attention was now being paid to streamline various procedures and simplify the official machinery.

<http://economictimes.indiatimes.com/articleshow/2149626.cms>

India, EU group calls for all-sector liberalization

India and the European Union should liberalise all segments of services trade, including movement of professionals, the high-level trade group (HLTG) set up for the proposed India-EU trade and investment agreement has said.

National treatment for investors and elimination duties on 90% of tariff lines and trade volume in seven years time are also part of the group's recommendations.

The group will submit its report at the India-EU political summit on Wednesday following which a decision would be taken on commencement of negotiations.

Speaking to ET, sources said that negotiations may not begin immediately but would start early next year after the US elections were over and the World Trade Organisation talks were back on track.

<http://economictimes.indiatimes.com/articleshow/2143386.cms>

India set to ease market access to 50 countries

Playing generous Big Brother, India is set to roll out duty-free, quota-free market access for 50 least developed countries (LDCs) from Africa and Asia. The economic-diplomacy is expected to win not just hearts, but also the support of these poorer nations at multilateral fora like the United Nations and the World Trade Organisation (WTO). On the domestic front, the move could face resistance from certain sections of the industry — especially small players — as import competition would increase once these countries start tapping the Indian market.

A proposal to open up the Indian market to LDCs would be taken up soon by the Cabinet Committee on Economic Affairs (CCEA), highly-placed government sources said. The customs duty concessions would be rolled out from 2007, completely eliminating all tariffs in five years. The commerce & industry ministry has submitted a detailed note to the CCEA on the basis of inputs provided by the trade and economic relations committee (TERC) headed by prime minister Manmohan Singh. India does not want any reciprocity for the concessions which are purely voluntary.

<http://economictimes.indiatimes.com/articleshow/2133578.cms>

Perishable farm goods export to get a boost

The proposed amendments to the Agricultural and Processed Food Products Export Development Authority Act, 1985 will give a fillip to the export of perishable agricultural produce.

Companies like Bharti-Rothschild's joint venture FieldFresh, PepsiCo, ITC and others in the business stand to benefit from the proposals that also seek to establish a paperless single-window clearance system.

The move had been announced recently by Commerce Secretary GK Pillai and the amendments Bill is to be finalized shortly.

<http://www.business-standard.com/common/storypage.php?autono=261195&leftnm=3&subLeft=0&chkFlag=>

Sectoral News

Pharma sector Q2 profits to soar over 75%

Indian pharmaceutical companies are likely to post impressive earnings and revenue growth results for the September quarter after sailing through rough waters over the past couple of years.

The analysts expect the sector to witness an average profit growth of more than 75 per cent in the second quarter this year on the back of various restructuring and inorganic growth initiatives undertaken by the companies.

Prashant Nair, India-based pharmaceutical analyst of Global financial major Citigroup said that earnings growth is gaining momentum in the domestic pharma sector after a tough period in the past two years.

"We expect the sector to witness 77 per cent year-over-year and 18 per cent quarter-over-quarter growth in aggregate profits in the quarter ended September 30," Nair said.

<http://economictimes.indiatimes.com/articleshow/2138695.cms>

Foreign companies train sights on local health insurance mart

The domestic health insurance market is set for a transformation with foreign players setting their sights on it. Deutsche Krankenversicherung AG (DKV), a Munich Re group's health insurance firm, is entering the under-explored health insurance market through a joint venture with Apollo Hospitals Enterprise.

US-based UnitedHealth Group, too, is keen on India debut but prefers to wait till the foreign holding limit in the country is raised to 49 per cent from the current 26 per cent.

Apollo Hospitals informed the Bombay Stock Exchange that its board of directors today authorised Chairman Prathap C Reddy to sign a JV agreement with DKV tomorrow. DKV is the leader in the European health insurance market.

UnitedHealth Group International, a division of UnitedHealth Group and the largest and most diverse healthcare services company in the US, intends to set up a standalone health insurance firm in India.

“Though it is not in the immediate future, the company will wait till the cap on foreign direct investment of 26 per cent is lifted. We are informally looking for partners. The minimum capital requirement of Rs 100 crore is too high, and if regulatory changes lower it to Rs 50 crore, it will be more sustainable. An indication from Irda suggests that it may happen in 2007,” said Roberto Leonardi, executive vice-president and CEO, Asia, UnitedHealthcare Group International, while speaking at the 10th insurance summit organised by the Confederation of Indian Industry.

<http://www.business-standard.com/banking/storypage.php?tab=r&autono=261320&subLeft=1&leftnm=2>

Pharma hopes to reap from new acquisitions, local sales

Pharmaceutical companies are seen posting a 40-50% growth in earnings for the July-September quarter from the same period last year, driven by improved sales in domestic markets, new product launches in key markets and acquisitions.

Analysts are bullish on the earnings prospects of Ranbaxy and Dr Reddy's as revenues from the launch of a few generic drugs in June and benefits of recent EPS-accretive acquisitions are expected to reflect on the results.

<http://economictimes.indiatimes.com/articleshow/2153913.cms>

Mining, power drag output; manufacturing up

A strong showing by manufacturing sector offset the slowdown in power generation and mining production to propel industrial growth to 9.7 per cent in August this year as against 7.6 per cent last fiscal.

The industry recorded a yet higher 10.6 per cent growth during the first five months of this fiscal, reflecting a strong improvement over 8.7 per cent in the corresponding period of 2005-06, as per the government data released on Thursday.

In August, manufacturing grew by a robust 11.1 per cent as against 8.5 per cent in the same month last year. Mining registered a decline of 0.1 per cent as compared to a negative 2.5 per cent, while power generation increased at a slower rate of 3.7 per cent from 7.9 per cent last fiscal.

<http://economictimes.indiatimes.com/articleshow/2158460.cms>

Open skies policy to boost travel, hospitality segments

With the open skies policy effective from November onwards, the Indian travel and hospitality segment is set to witness a significant increase in business this winter season for both inbound as well as outbound travel.

Cox & Kings executive director Arup Sen says, “For the last couple of years, the government has permitted international carriers to increase the number of flights for a short period and many carriers have taken advantage of this policy.”

Tour operators have also benefited due to an increase in the number of seats. However, there will be a greater effect on outbound travel as more seats will be available for different destinations. Air Arabia manager (India) Rohit Ramachandran explains, “Last year, we had almost doubled our frequencies to India.

http://www.financialexpress.com/fe_full_story.php?content_id=143171

News Round – Up

Private equity investments top \$5 bn till Sept

Private equity firms have invested about \$5.4bn in India during the first nine months of '06. The latest quarter ended September '06 witnessed PE firms investing \$1,984m across 100 deals, according to a study by Venture Intelligence, a research service focused on private equity and venture capital.

“The amount invested during the July-September '06 quarter was 2.8 times of that invested during the same period last year and marginally higher than that during the April-June '06 quarter,” said Arun Natarajan, founder & CEO of Venture Intelligence.

<http://economictimes.indiatimes.com/articleshow/2143148.cms>