

The KPMG logo is positioned in the top left corner of the cover. The background of the entire cover is a blue-tinted photograph of a pair of glasses resting on a calendar page. The glasses are in the foreground, and the calendar grid with numbers is visible behind them. The overall aesthetic is professional and analytical.

KPMG

Sectoral Snippets

India Industry Information

Issue 1 - August 2006

KPMG IN INDIA

Sectoral Snippets



Russell Parera
Chief Executive Officer
KPMG in India

Welcome to the inaugural issue of Sectoral Snippets

We have received many requests for sector-wise news updates on India from KPMG offices and their clients. These are in turn for their clients, who are keen on tracking developments in the Indian economy, and some of its most dynamic sectors. This monthly newsletter is our effort to meet this demand.

Sectoral Snippets provides a high-level overview of the Indian economy, along with snippets of information on some key sectors. We envision this to serve as a catalyst to your further exploration of that sector or issue.

Please feel free to contact us for any further information that you may require. We look forward to receiving your feedback and suggestions on this newsletter, including sectors that you would like to see covered here.

Regards,
 Russell

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About Sectoral Snippets

Sectoral Snippets is an India-focused, monthly, freely-distributable newsletter brought out by KPMG in India. This newsletter provides an overview of the Indian economy in the form of news-briefs from across key sectors.

Contact mknowledge@in.kpmg.com if you are interested in receiving this newsletter on a regular basis, or wish to unsubscribe.

Indian Economy



The Indian stock market crash in May of this year was evidence of the volatility of an economy that is increasingly integrating itself with the global environment. On the up-side, this integration is leading to trends such as Indian companies increasingly buying foreign ones, some even larger than themselves; e.g. Tata Coffee buying Eight O'clock Coffee of the U.S., for USD 225 mn recently.¹

Between April 2005 and January this year, Foreign Direct Investment inflows increased 70 percent as compared to the corresponding period last year.

In recent times India has been more and more actively pursuing a strengthening of relationships with a host of countries:

- According to the Indian Brand Equity Foundation, 71 percent of the surveyed Japanese companies in India are planning to increase their investment in the country
- India is seeking stronger ties with Brazil, Russia and China (the other BRICs countries) to, among other things, identify barriers to trade and take steps to eliminate them
- An India desk has been set up in Victoria, Australia to aid Indian firms wanting to enter the Australian markets
- Singapore has plans to make investments up to USD 10 bn in India over the next five years in different sectors²

A shift that is taking place in India is the move from the labor cost arbitrage to one of both intellectual property and labor (e.g. Clinical Research Outsourcing and animation).

The India growth story has now begun eliciting interest from small and medium enterprises in various countries, including Germany and Korea, amongst others.

¹The Financial Times July 18, 2006

²Asia Pulse Pty Limited May 26, 2006

Auto & Auto Components



- **Honda plans an aggressive expansion strategy for India**

Japan's Honda Motor, will invest USD 648 mn (INR 3,000 crore) over the next ten years for two-wheelers and cars in India. Honda would also enter the small car segment in India, for which it plans a second production unit. By 2010, Honda will have a two-wheeler capacity of 7-7.5 million in a market of around 12 million, while for cars they will raise production to 1,50,000 units, which is three times the current level.

- **Volkswagen, General Motors to set up new plants in India**

Wolfsburg-based Volkswagen is investing USD 324 mn (INR 1,500 crore) to set up a manufacturing and assembly plant in district Ropar, Punjab. The plant will manufacture one lakh cars, which will be priced between USD 8,644 (INR 4 lakh) and USD 21,610 (INR 10 lakh) each. The company is expecting to clock a turnover of USD 1513 mn (INR 7,000 crore) once the plant becomes operational. General Motors is in talks with the Government of Maharashtra for setting up an assembly line to achieve its target of two lakh units by 2010.

- **Component companies to keep pace with Auto boom**

Indian component makers are ramping up capacity to keep pace with the sudden rush of alliances - Suzuki-Nissan, Mahindra-Renault - in the automobile industry. A huge demand for localized products by auto makers to cut down on costs has led to a cramped order book position for the component industry. The Renault-Nissan alliance plans to source components worth USD 127 mn from India in the next couple of years. Bharat Forge has plans to invest USD 130 mn (INR 600 crore) in its Pune plant for increasing domestic capacity to 2,40,000 MT. The size of the auto component industry has grown from USD 2.4 bn in 1997 to USD 10 bn in 2006.

- **Michelin eyes the Indian OEM market**

Michelin is keen to enter the OEM Indian passenger car and truck markets. The company has initiated discussions with some truck manufacturers for this. Currently, Michelin is importing tyres from its Chinese plant to service the truck and bus markets in India. Tyre Market in India(2005-06): Bus and Truck tyre production - 11,940,937 units and passenger car tyre production - 13,605,352 units.

- **Lamborghini cruises into India**

After the Bentleys and the BMWs, it is the turn of Italian sports car maker Lamborghini to enter India. It has launched two models to begin with - Gallardo and Murcielago. The company has sold six cars even before its Indian debut and is targeting sale of 10 more units of the two models this year.

- **TATA – Fiat group entered into 50:50 joint venture in India**

The JV will begin operations in late 2007. Both Tata Motors and Fiat group will invest in the new venture. This will help Fiat reduce the risk of operating in an emerging market and reduce the level of capital it needs to commit to a new project. On the other hand, Tata Motors will gain access to Fiat's world-class technology, along with an opportunity to open up new markets in Latin America, by leveraging Fiat's manufacturing and distribution networks.

"In future, India will be a more important market for us than China"

Takeo Fukui, President and CEO, Honda Motors, July 2006

Banking and Insurance



- **Hundred branches a year proposed for foreign banks**

The Commerce ministry has proposed that foreign banks be allowed to open a maximum of 100 branches in a year. The ministry has also added that half of these branches must come up in rural areas. Present Reserve Bank of India (RBI) norms allow foreign banks to open only 12 branches a year. There are more than 40 foreign banks in India with assets estimated at USD 29.6 bn, 6.9 percent of the assets of all commercial banks in India.

- **Q1FY07 results: Private banks exhibiting impressive growth**

Private banks exhibited impressive growth reporting 26 percent rise in their aggregate net profit (y-o-y) for the quarter ending June, Financial year 2006-07 results (Q1FY07). Private banks have been reporting over 20 percent returns since the last five quarters. The aggregate net profit of 15 private banks increased to USD 304 mn this quarter.

- **Life Insurance business doubled in the last five years**

India's share of the world's life insurance business in respect of life insurance premium collection has doubled in the last five years. India, presently accounts for 1.02 percent of world's life insurance premium collection (0.5 percent in 2000). This has led to a rise in India's global ranking, in life insurance business, to 17 from 20 during the same period. The growing market share of India has been primarily attributed to its remarkable performance ever since liberalisation paved the way for a host of new investment type, unit-linked insurance plans.

- **RBI hikes interest rates for the third time this year**

India's central bank, the Reserve Bank of India (RBI) raised the repo and reverse repo rate by 0.25 percent again. The reverse repo — the rate at which RBI borrows from banks — is now 6.00 percent, while the repo rate — the rate at which RBI lends to banks — was raised to 7.00 percent. These are the highest short-term rates in the last four years. This is the third hike in repo rates in the current year. The RBI had first hiked rates in January, then in June, now in July 2006.

- **Banking Industry getting stronger as NPAs are on a decline**

The Indian banking system is increasing its strength with the gross non-performing asset (NPA) levels coming down to 3.5 percent of total advances, while the net NPA level was at 1.3 percent during the financial year end 2005-06. The much maligned Government-owned banks gross NPA declined to 3.9 percent on March 2006 (8.1 percent in March 2004) with net NPA level at 1.4 percent on March 2006 (3.1 percent in March 2004). Private sector banks Net NPA levels are better managed and are below 1 percent.

- **Dutch group Aegon foraying into life insurance**

Dutch financial group Aegon has announced a joint venture with the Ranbaxy group company Religare for insurance business. Insurance seems to be the latest buzzword with several tie-ups in insurance announced this year. Four plans have already been announced such as Bharti with AXA, Pantaloon with Generali, and IDBI, Federal Bank with Fortis.

Top Five Banks in India: (Assets and Market Cap)

	Figures in USD Million	Assets	Market Cap
1	State Bank Of India	156,162	9,156
2	ICICI Bank Ltd	62,128	10,611
3	Punjab National Bank	33,240	2,575
4	Canara Bank	29,978	1,732
5	Bank of Baroda	26,148	1,737

Source: Bloomberg, 31 July 2006

IT / ITeS



- **Indian IT industry to be around USD 38 bn by FY 2007**

NASSCOM, the apex body of Indian IT companies, estimates Indian IT industry (excluding hardware) to book revenue of about USD 36-38 bn for FY 2006-07, with a growth rate of 25-28 percent. Exports are projected to be around USD 29-31 bn, IT software and service exports are estimated to be around USD 21-22 bn and ITeS-BPO will generate revenue of around USD 8-8.5 bn.

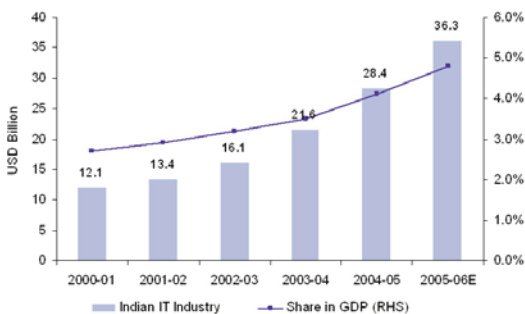
- **Microsoft will make investment of USD 150 mn in Pune Center**

The city of Pune in western state of Maharashtra has attracted the attention of big IT companies. Earlier TCS, India's biggest IT company announced its investment plan of USD 110 mn. Microsoft is the latest to join the list. It intends to invest USD 150 mn for its mega software development centre in the city. According to state officials they are also in talks with other MNC IT majors like IBM & HP to attract further investment in the state.

- **WNS listed on NYSE**

WNS Holdings Ltd., the parent company of Mumbai based WNS Global Services Ltd. (WNS), got listed on NYSE. WNS is the country's second biggest third party BPO and is also the first BPO from the country to be listed on NYSE. In the public offering 11.2 million American Depository Shares (ADS) were tendered at USD 20 per ADS, aggregating to USD 224 mn. WNS was promoted by British Airways and private equity investor Warburg Pincus is the current majority shareholder.

Indian IT Industry



Source: NASSCOM Strategic Review 2006

- **IT continues to create massive job opportunities**

TCS, Infosys, Wipro and Satyam, added 13,085 employees taking their combined staff strength to 186,034 as of June 2006. NASSCOM estimates demand for IT and back office professionals to be around 0.85 million and 1.4 million by 2010. The biggest problem these recruiters are facing is of quality manpower. Roughly 370,000 engineers are produced in India every year, 200,000 of these are considered to be reasonably good and employable. The IT industry will hire around 170,000 of these engineers this year.

- **Accenture to source complex R&D work from India**

Accenture will set up two centers of excellence in Bangalore as part of enhancing its business intelligence (BI) capabilities in India. Company plans to double headcount of its BI team in next two years, currently the team is believed to be around 1000 employees. Expansion of BI team is a part building information management services over three years, with USD 100 mn of investments. Accenture will also hire 100 researchers for its R&D lab in Bangalore for conducting research on systems integration and software engineering.

- **Kohlberg Kravis Roberts & Company to put in USD 515 mn**

US-based private equity fund Kohlberg Kravis Roberts & Company has submitted the proposal to Foreign Investment Promotion Board (FIPB), Govt. of India for investing USD 515 mn in Indian IT. Company's subsidiary will be engaged in IT business and will also acquire majority stake in Flextronics Software Services Ltd., which it acquired for USD 900 mn earlier this year.

Media



“India is a long-term strategic priority for The Walt Disney Company. The acquisition of Hungama TV, and the investment in UTV will significantly advance our presence in India and allow us to develop a strategic relationship with one of the country's leading integrated media companies”

Andy Bird, President, Walt Disney International

- **Walt Disney to Buy Hungama TV**

Walt Disney to acquire 100 percent of United Home Entertainment (Hungama TV). The acquisition is estimated at an enterprise value of USD 30.5 mn and will make Disney a leader in the USD 22.2 mn kid's entertainment space with a 49 percent market share. UTV holds 49 percent in United Home Entertainment. Disney also plans to acquire 14.9 percent in UTV Software Communications for about USD 14 mn. This would give Disney a foothold in the production of Bollywood movies.

- **Dish TV to offer gaming services**

Dish TV has tied up with U.S. – based Open TV to offer gaming services for a consideration of USD 100 mn for 5 years. Playjam, a gaming product is likely to be launched by Dish TV shortly. Though Dish TV is the first to introduce Value Added Services (VAS), others may soon follow suit. With regulations denying content exclusivity, providers would increasingly depend on VAS as an important differentiating factor.

- **Cambridge University Press forays into India**

Cambridge University Press has forayed into the Indian publishing segment by acquiring a 51 percent stake in Foundation Books Pvt. Ltd. for about USD 6 mn. The new entity would be called Cambridge University Press India Pvt Ltd. With a view to offering books at an affordable rate in India, which is a price sensitive market, Cambridge would publish books in India itself.

- **The Broadcasting Services Bill stands deferred**

The Government has deferred the proposed Broadcasting Services Regulation Bill 2006, scheduled to be tabled during this session of the Parliament. The draft proposed for content control for television channels, adhering to content code, mandatory registration of television companies with BRAI, and cap foreign content to 85 percent on international channels. However, the draft triggered protests from the industry over severe policing clauses that were finalized without consulting.

- **Visual Radio Launched In India**

Hutch, Radio Mirchi, Nokia and HP have launched the Visual Radio in India, which operates on the GPRS platform. With this, Radio Mirchi has become the first FM station to launch this service in New Delhi. It also plans to launch the service in Mumbai shortly. After Finland and Singapore, India will be the third country with visual radio.

- **CAS to be implemented in 3 metros by Dec 2006**

The Delhi High Court has directed the Government to implement the Conditional Access System in Delhi, Mumbai and Kolkata by December 31, 2006. The system, which is already in force in Chennai, enables viewers to view channels of their choice and pay only for the channels they have selected. The Telecom Regulatory Authority of India (TRAI) proposes to fix the maximum amount chargeable by a cable operator for free-to-air channels. A ceiling on tariffs charged by DTH providers is also being proposed.

Oil & Gas



“Natural gas is gaining importance in India as an alternative source of clean and competitive energy in view of the skyrocketing crude oil prices”

Murli Deora, Union Minister for Petroleum and Natural Gas, at the inauguration of the Natural Gas trading facility

- **Global eyes on New Exploration and Licensing Policy (NELP VI)**
 Petroleum Nasional Bhd (Petronas), Malaysia’s national oil firm has shown keen interest to bid for oil and gas blocks offered under NELP VI. 55 exploration blocks made available for bidding under NELP VI, with an initial total investment of USD 5 bn. Reliance is negotiating with Calgary-based Petro-Canada to jointly bid for blocks being offered.
- **54 firms queue for Coal-Bed Methane (CBM) blocks**
 Government of India received 54 bids for development of ten blocks of CBM. Eight overseas and 18 domestic companies have bid for CBM III. International players like BP of UK, Coal Gas of US, Arrow Energy of Australia, and GeoPetrol of France, have participated.
- **Sasol plans to invest USD 6 bn in India**
 Sasol, a South African company is planning to foray into the Indian markets with a USD 6 bn investment. India has reserves of 253 billion tonnes of coal. Sasol, listed in the Johannesburg and New York Stock Exchanges, has developed technology for the conversion of low grade coal into value-added fuels and chemicals. The company employs 30,000 people, has operations in more than 20 countries, and exports to over 100 countries.
- **Natural Gas is the Future**
 Multi Commodity Exchange (MCX) of India introduced futures trading in natural gas. This will give India’s energy participants to trade in Rupee denominated natural gas contracts that are linked to global price benchmarks. MCX entered into an exclusive licensing agreement with New York Mercantile Exchange in June 2006 to benchmark initial prices of the contract.
- **British Gas’s USD 90 mn plan in India faces hurdles**
 Government of India is seeking a No Objection Certificate from GAIL for British Gas (BG) to go solo in three states. BG sought permission from The Foreign Investment Promotion Board (FIPB) for setting up three subsidiaries, to develop gas distribution and transmission infrastructure. BG already has an existing joint venture in India with GAIL. BG plans to set its subsidiaries in Andhra Pradesh, Karnataka and Tamil Nadu with an investment of USD 30 mn each.
- **Gas Authority of India Ltd. (GAIL) pursues gas around the globe**
 GAIL, India’s largest gas distributor, has partnered with Brazilian major Petrobras to diversify into exploration and bid in the forthcoming NELP VI round. GAIL has been offered two exploration and production blocks on nomination basis by UzbekNefteGaz (UNG), the national holding company of Uzbekistan. GAIL is in talks with Sonatrach, which is an Algerian flagship, for long term supply contract and also eyeing a stake in Yemen Government’s proposed expansion of LNG projects.

Pharma



“India will be given priority in our contract manufacturing plans; India has the largest number of US FDA-approved facilities outside the US. I’m impressed with some of the facilities I’ve seen here”

Richard T Clarke, CEO, Merck

- **India to host world’s largest pharma meet in December 2006**
 In order to capture emerging business opportunities and mark its presence on the international front, CMP India and CMPi will jointly organize the world’s largest pharmaceutical convention on active pharmaceutical ingredients in India in December 2006. This event is expected to bring together various sectors of the Indian pharma sector, including academicians, equipment manufacturers and service providers.
- **Eisai Corp. plans to set up manufacturing unit in India**
 Leading Japanese pharma company, Eisai Corp., is planning to set up a manufacturing unit in Andhra Pradesh. It will invest USD 44 mn for the proposed manufacturing and research facility. The company has chosen India as its focused destination for its global operations. In 2004, the company made its India foray with the establishment of its marketing subsidiary.
- **Fortis to invest USD 135 mn on expansion of its healthcare foray**
 Fortis Healthcare, a Ranbaxy Group company focused on healthcare sector, is planning to augment its bed capacity by 1500 beds. The proposed investment to the tune of USD 135 mn also includes a 1000-bed Medicity in Gurgaon. The company is planning to become a national player and is foraying in other regions beyond North India.
- **Actis Biologics plans to set-up R&D Lab in India**
 Actis Biologics Inc, which focuses on biotech research, plans to set up a research and development (R&D) lab in India with an investment of USD 22 mn. The proposed facility will be based in Mumbai and will employ 60 people, and is expected to be operational by September 2006.
- **Philips planning to make medical equipment in India**
 Consumer electronics major Philips, is looking at various options for manufacturing high-end patented products which are in the global pipeline. The company has already performed a feasibility study and is looking at possibly setting up a green-field project.
- **Indian Pharma industry to touch USD 13 bn mark by 2008**
 As per industry body Assocham, Indian pharma industry is expected to touch USD 13.3 bn mark by 2008. Exports from India will grow by 18 percent and reach USD 6.6 bn figure. Exports will grow on the back of patent expiry of branded drugs in the developed economies like the U.S. and Europe. It also said that strong chemistry skills and low labor costs, gives India an edge over other generic drug manufacturing countries.
- **SEZ Board of Approval gives in-principle nod for 15 Pharma SEZs**
 Eleven Pharma SEZs and four Biotech SEZs have been approved by the Govt. of India. These include Divi’s Laboratories at Vishakapatnam, Serum Institute at Pune, Ranbaxy Laboratories at Mohali, Zydus’s SEZ at Ahmedabad, Maharashtra Industrial Development Corporation’s (MIDC) 2 SEZs in Maharashtra, Jubilant Organosys in Gujarat and Bioconat Bangalore.

Analyst: Amit Shah

Power



“India has scaled up its estimate of power requirement to between 800,000 MW and 950,000 MW by 2030 to achieve the targeted growth of over eight percent annually. This would imply substantial increase in annual oil imports which could be around 300 to 400 million tonnes and coal imports that could touch 800 million tonnes annually”

Prime Minister Manmohan Singh at a recently held energy conclave

- **ADAG to set up world’s largest power plant in Orissa**

Anil Ambani, Chairman of Anil Dhirubhai Ambani Group (ADAG) has announced an investment plan of over USD 12.8 bn. This is by far the largest by any business house in India, for setting up a 12,000 MW power plant and other projects in the State of Orissa. In the first phase of the power plant, ADAG group would spend USD 3.80 bn to produce 4,000 MW of power. It would also spend USD 2.1 bn in power evacuation and transmission projects.

- **Chhattisgarh to become India's power hub by 2011**

The Chief Minister of the State of Chhattisgarh has said that his state will become India’s power hub by 2011, with an additional power generation capacity of 12,000 MW. He further added that the state has the potential to meet India's growing energy demands for the next 100 years, with the total power generation capacity of up to 100,000 MWs. Chhattisgarh has an investment outlay of USD 9.4 bn in the offing, in both public and private sectors.

- **Tata Power plans to set up 2,744 MW power plants**

Tata Power Company Ltd. (TPC), India’s largest private power company with an installed power generation capacity of 2300 MW plans to set up three power plants with a total capacity of 2,744 MW. These will be in the states of Chhattisgarh, Orissa and Jharkhand at an investment of around USD 2.3 bn, to meet the energy needs of group company Tata Steel's expansion plans. Tata Power has applied for allocation of 12 captive coal blocks in Jharkhand, Orissa and Andhra Pradesh.

- **CESC to add 2750 MW to its installed capacity**

Private power utility CESC limited, part of the RPG Group has drawn up an ambitious plan for adding 2750 MW to its installed capacity. It is setting up two greenfield projects and expanding one of its existing power plants, encouraged by a substantial jump in export of power in 2005-06.

- **CCEA approves PGCIL's USD 1229.50 mn projects**

Cabinet Committee on Economic Affairs (CCEA) has approved two transmission projects of Power Grid Corporation of India Ltd (PGCIL’s) entailing a total investment of USD 1.2 bn to facilitate drawal and dispersal of power imported from other regions, to various load centres in the Western Region. The Western Grid scheme is being implemented in two parts. Its first part would be executed at an investment of USD 762 mn, the other part would be implemented through 100 percent private sector participation at a cost of USD 349 mn.

- **NTPC to foray into the manufacturing of light emitting diode lamps**

National Thermal Power Corporation (NTPC) plans to foray into the manufacturing of light emitting diode (LED) lamps, through a joint venture with a private foreign collaborator. NTPC will have a majority stake in the proposed venture and it will have a debt equity ratio of 30:70. The proposed venture is a part of the power ministry’s aim to reduce demand on rural electricity by using energy efficient LED lamps in rural areas.

Telecom



- **Samsung Electronics plans to invest USD 200 mn in India**

The proposed investments will be channelised for augmenting the production capacity to 20 mn handsets p.a. by 2010. Samsung commenced its manufacturing facility in February 2006 with USD 20 mn investment and currently manufactures six models for Indian, as well as export markets. Company's products in India are focused towards the metros and cosmopolitan towns where the demand for feature-rich phones is high. The company currently holds a 10 percent market share in the colour screen phones.

- **BSNL to invest USD 490 mn for telecom infrastructure expansion**

Bharat Sanchar Nigam Limited (BSNL), India's largest and government-owned telecom player, is planning to invest USD 490 mn this year for augmenting its telecom infrastructure. The proposed investment will be used for the improvement of CellOne connectivity, broadband connection, setting up of an Intelligent Network and IT infrastructure.

- **Telecom equipment market in India grows by 25 percent**

India's telecom equipment market grew by 25 percent to USD 11.8 bn in 2005-06. 38 million mobile handsets were sold during 2005-06. Technology-wise, GSM enjoys 73 percent share and the balance is held by CDMA. Nokia remained the leading telecom equipment vendor with revenues of USD 2.7 bn followed by LG Electronics.

- **Chennai to house Nokia's global network management centers**

Nokia plans to shift the global management of its network management services to Chennai. With this, the Chennai centre will become the hub for other Nokia operations centres around the world. The Chennai centre currently provides services such as remote care, remote integration, consulting, and planning & optimisation.

- **India's telecom subscriber base at 153 mn**

India's total telecom subscriber base stood at 153 mn in June 2006, including 112 mn wireless subscribers and 41 mn fixed line subscribers. Technology wise, GSM has 70 percent share of the total wireless subscribers and the balance is held by CDMA. Tele-density reached 13.9 percent in June 2006 as compared to 9.4 percent in June 2005.

- **DoT rules out 74 percent FDI in telecom through automatic route**

In the interest of the national security, the Department of Telecom (DoT) has ruled out a suggestion to put 74 percent foreign direct investment under the automatic route. This was stated by DoT in a note to Department of Economic Affairs as part of its inputs to the Investment Commission. The current FDI policy in telecom allows up to 49 percent FDI through automatic route.

"As far as the number of subscribers are concerned, we have reached 100 million mark in 2006 and if this pace is maintained then by 2010 we could reach 300-400 million and if we go aggressively then reaching 500 million mark would not be a long dream"
Sunil Mittal, Chairman Bharti Airtel Ltd.

Consumer Markets & Retail



"India is becoming a consumer economy."

Mike Duke, Wal-Mart's Vice Chairman and Head of International Operations

- **Walmart receives approval to set up offices in India**

The government has allowed Walmart to set up two offices in India to conduct market studies to identify plausible entry strategies and potential Indian partners for its retail foray. These offices do not require FDI and cannot conduct any business in India, thereby complying with current "FDI in retail" regulations.¹ Walmart is projected to source goods worth USD 4 bn² from India in the future to add on to its existing network of sourcing partners in the country.

- **Reliance Industries Ltd (RIL) to foray into agri retail in India**

As a part of its retail initiative, Reliance Industries Limited (RIL- India's largest private sector company) plans to invest USD 5 bn by 2011. This is to connect farms and unorganized retail stores through a distribution system guided by the latest logistics technology. In order to execute this strategy, RIL plans to create "a second green revolution" by forming 1,600 farm-supply hubs across India that provides credit, buys produce and sells seeds, fertilizer and fuel. Through this, the company hopes to create enough of a surplus to generate about USD 20 bn in agricultural exports annually.

- **Rural demand for FMCG to rise to over 50 percent by 2012 in India: ASSOCHAM**

As per Assocham, rural India has a population of about 750 million people, which is nearly three times the urban one. It predicts that the rural and semi-urban markets in India will not only drive the FMCG (Fast Moving Consumer Goods) business in the future by a CAGR of 50 percent but also push the USD 12.8 bn industry to an estimated USD 22.8 bn by 2012. Market penetration currently stands at about two per cent in the rural and semi-urban areas against total growth rate of about eight percent and offers great opportunities for FMCG companies.

- **UB buys Bouvet-Ladubay, a wine subsidiary of Taittinger of France**

United Breweries (UB), India's largest liquor producer, has acquired the 150 year old wine maker, Bouvet-Ladubay, a subsidiary of French champagne group, Taittinger, for USD 15 mn. UB will import wine from the French company and will also gain access to important wine technology, which will facilitate its plans to set up a new winery in India. The acquisition of the French company is just two months after UB exited plans to buy Taittinger, when French regional bank Credit Agricole du Nord Est topped its bid.

- **Blue Star enters refrigerator deal with Italian co "ISA Italy"**

Mumbai based air-conditioner maker Blue Star Ltd has signed an agreement with Italy based ISA S.p.A. to bring the company's refrigeration equipment to the Indian market. Blue Star would source products worth USD 4.2 mn from ISA in the first year and sell them co-branded as Blue Star-ISA. India currently offers huge opportunities in the cold chain equipment segment and is a market that is very lucrative to invest in.

¹Current FDI regulations permit only international single-brand retailers to take up to 51 per cent in a joint venture with a local partner. International multiple-brand retailers can operate through franchises or the cash-and-carry route in India.

²Source: Business Standard, July 28th, 2006

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