KPMG

Sectoral Snippets

India Industry Information

Issue 10 - May 2007

KPMG IN INDIA

AUDIT ▪ TAX ▪ ADVISORY

Sectoral Snippets

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KPMG in India

Sectoral Snippets, Issue 10

Over the past few years, India has emerged as an attractive investment destination; despite issues such as infrastructure deficiencies, political uncertainty, and so on. The recent State elections, was one such example. With the Central Government getting further weakened, experts do not see any aggressive reforms to be announced. However, no major about-turns are also expected. After much uncertainty and expectations on account of the elections, market players opted to play cautiously, and the stock market emerged from the narrow range it was in.

This month, Sectoral Snippets covers aspects on how India is increasingly engaging with key global players; both at the country and company levels.

We hope you find this issue useful.

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

In 2006-07, the Foreign Direct Investment (FDI) inflow into India was close to USD 19 billion, of which USD 3.5 billion were reinvested earnings. The government aims to achieve a target of USD 30 billion in FDI this financial year. Further, manufacturing, automotive, semiconductors and the services sectors are expected to earn increased inflows. In 2006-07, FDI inflows showed a year-on-year growth of 250 percent. In mid-April this year, Finance Minister P Chidambaram approved 13 FDI proposals amounting to USD 109.7 million. These included investments in sectors such as, banking, construction, telecommunications and media.

A rise in capital inflows has pushed the Indian rupee to an eight-year high, as against the dollar. The appreciation of the rupee, which touched the 41 to a dollar level in April, has led India to become a one trillion dollar economy. India is the 12th economy in the world to reach this mark. Interestingly, the country's Gross Domestic Product (GDP) has doubled as compared to just six years ago, when GDP was a little below USD 500 billion. According to the High-Powered Expert Committee (HPEC), a committee set up by the government to recommend a strategy to make Mumbai an international financial centre, if India is able to increase its GDP growth rate to 10 percent by 2025, it will have a 10 trillion dollar economy.

On the subject of growth rates, according to a report by the McKinsey Global Institute called 'The Bird of Gold', if India is able to sustain its drive, incomes in the country could well triple in the next 20 years. This would most likely result in the creation of a 583 million strong middle class and lift a huge number of people out of poverty.

"India is going to compete with us. But we better be part of the game, rather than not be a part"

Second Finance Minister of Singapore, Tharman Shanmugaratnam

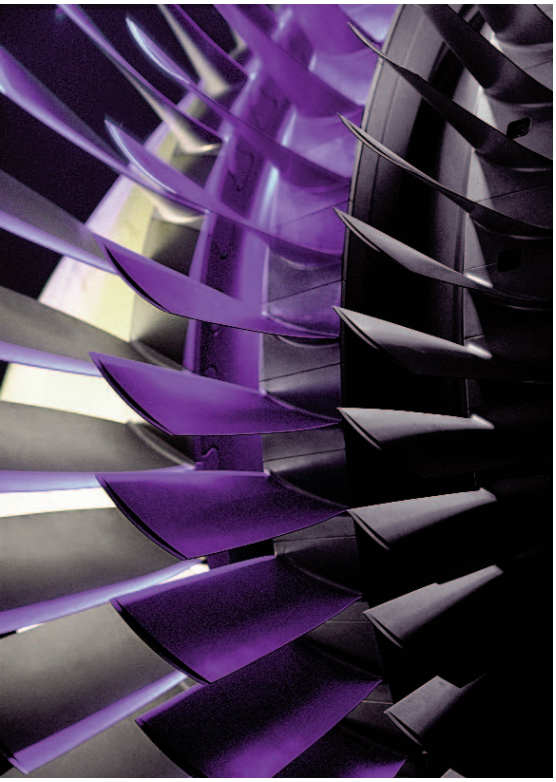
(Source: The Strait Times, Singapore - April 12, 2007)

India and the rest of the world

- On his visit to Kolkata in April 2007, Danish Ambassador to India, Ole Lonsmann Poulsen, stated that Denmark was interested in developing stronger ties with Indian companies. He added that the country was keen on building relations in niche areas such as pharmaceuticals, wind energy, and nano-scale biotechnology
- The U.S. is inviting investment from India in the knowledge-based industry, with an aim to improving the job prospects of Americans
- Greece and India have decided to increase their trade to USD 1.36 billion by 2010. Greece has shown interest in the shipping and tourism sectors of India
- In 2006-07, trade between Pakistan and India is supposed to have crossed USD 1.5 billion. Islamabad Chamber of Commerce and Industry President, Muhammad Nasir Khan led a delegation of businessmen that met with Indian Minister for Commerce and Industry, Kamal Nath to discuss the strengthening of ties between the countries
- Speaking in Zurich at the Forum for International Business '07, Kamal Nath appealed to Swiss businessmen to leverage their skills in technology and innovation to create competitive products
- In order to improve bilateral trade with Thailand, India may sign a Free Trade Agreement (FTA) by June 2007

Analyst: Anjali Pai

Auto and Auto Components



- **Robert Bosch to increase its stake in MICO**
  The German auto component manufacturer, Robert Bosch, plans to raise holding in its Indian subsidiary, Motor Industries Company Ltd (MICO) from 60.55 percent to 80 percent. Bosch has made an open offer of USD 97.4 (INR 4,000) per MICO share in cash; 20 percent higher than the average closing price in the preceding month. This move is aimed at strengthening its long term commitment to the growing automobile market in India.

- **Eicher Motors acquired a US-based engineering company**
  Eicher Motors has acquired the US-based engineering company, Hoff and Associates for USD 3.5 million, along with its 100 percent wholly-owned subsidiaries in Beijing and Shanghai. Hoff and Associates offer comprehensive engineering solutions utilizing sophisticated, computerized design, modeling, and analysis tools. Hoff and Associates acquisition will complement Eicher Motors engineering design services business unit, Eicher Engineering Solutions (EES). The acquisition marks the company's second international acquisition. Earlier in July 2005, Eicher Motors had acquired the Detroit-based, Design Intent Engineering.

- **Kinetic Engineering to build Italian motorcycles**
  Kinetic Engineering has signed an agreement with Italian motorcycles major, Cagiva to manufacture single-cylinder models in India. The models that would be produced in India include the two-stroke and four-stroke version of 125cc Mito. Cagiva's other major brands include, Cagiva, Husqarna and MV Agusta.

"The luxury car market is growing in India. There is an increased awareness about the availability of top-end brands, which should drive up our sales,"

Mohamed Rahman, Managing Director, Porsche India
(Source: The Telegraph, April 12, 2007)

- **Porsche sets up its subsidiary in India**
  Porsche, German sports car manufacturer, has now formally set up its subsidiary Porsche Cars India Pvt. Ltd in India, to cater to the growing demand for luxury automotive. Earlier, it sold its products through authorized dealers. Last year, Porsche sold around 160 cars in India. This number also included its leading models, Boxster, Carrera 911 and Cayman. In addition to this, Porsche launched the second-generation Cayenne sports utility vehicles, Cayenne, Cayenne S and Turbo in India, this year. Further, Porsche plans to launch a four-door coupe, Panamera globally in 2009. It will be simultaneously introduced in India, along with other global destinations.

- **Honda plans to setup second plant in Rajasthan**
  Honda, a leading Japanese car maker will invest around USD 240 million, to set up its second car manufacturing plant in Alwar, Rajasthan. The new plant will have an initial capacity of 60,000 units per annum, and is scheduled to be commissioned in the second half of 2009. The company will manufacture both, existing and new small car models from its new facility.

Analyst: Ranjeet Javeri

Banking and Insurance

"The need for capital is clearly driven by the growth momentum that we're seeing in the economy"

Kalpana Morparia, Deputy Managing Director, ICICI Bank

(Source: Financial Times, April 30, 2007)

- **India's largest private bank to raise USD 5 billion**
  ICICI Bank, India's largest private bank is expected to raise close to USD 5 bn through a public offering, later this year. ICICI Bank, listed in New York and India, plans to raise about USD 3.8 billion (INR150 billion) through a follow-on U.S. issue and USD 1.2 billion (INR 50 billion) in India. This would result in an equity dilution of close to 20 percent. According to the bank officials, in the next three years, Indian companies are likely to invest around USD 500 billion in infrastructure and manufacturing sectors. Thus, banks would need new capital to meet the expected increase in demand for loan and the new capital adequacy guidelines.

- **RBI mooting differentiated bank licenses**
  India's central bank, the Reserve Bank of India (RBI), made an announcement in its Annual Policy Statement for 2007-08 on the idea of a graded approach of licensing for domestic and foreign banks. The stated aim of RBI was to direct the resources of various banks to their niche areas and to sustain efficiency in the banking system. According to Sanjay Aggarwal, National Industry Director, Financial Services, KPMG in India, "This proposal is an encouraging measure". He further states that the scarce financial resources are likely to be utilized more effectively by niche players with significant depth in core activities.

- **GoM, Left parties fail to reach consensus on the Insurance Amendment Bill**
  The Group of Ministers (GoM) on Insurance, headed by External Affairs Minister Pranab Mukherjee, failed to reach a consensus with leaders of the Left party on the proposed comprehensive Insurance Amendment Bill. GoM will once again consult the Left party leaders in the second part of the Budget session to take a decision on the Insurance Bill. Some pending issues include: whether to allow 49 percent Foreign Direct Investment in the insurance sector and foreign reinsurers to open their offices in India.

- **Five new entrants in the private life insurance market**
  Disregarding the present impasse on the Insurance Amendment Bill, there is wide interest to foray into the life insurance business in India. According to the Insurance Regulatory and Development Authority, licenses will be issued to five new companies for life insurance business. Some of the foreign companies may include, French-based SCOR group, Australian-based QBE Insurance, South Korea-based Samsung Life and Japan-based Millea Holdings of Japan. At present, 16 private players operate in the life insurers' space in India. According to the market estimates, the sector offers immense potential as only around 2.5 percent of India's 1.1 billion population is insured.

Analyst: Aman Kaushik

Consumer Markets and Retail

"The Indian retailing industry is projected to attain a turnover of USD 430 billion by 2010 from the current USD 328 billion."

(Source: FICCI report on 'Organised Retail: Unfinished Agenda and the Challenges Ahead', April 22, 2007)

- **Tata Tea to acquire Polish brands Vitax and Flosana**
  Tata Tea, through its subsidiary Tetley Group, has signed an agreement to purchase two tea brands Vitax and Flosana, from Premium Foods of Poland. This acquisition would help Tata Tea climb to the second position in the Polish tea market, with 10.5 percent share in value terms. Vitax and Flosana are specialty tea brands, and offer a range of fruit, herbal and green tea. Further, this acquisition would complement Tetley's portfolio of Black and Earl Grey tea. Tata Tea is increasingly focusing on the specialty tea segment, and this is its fourth acquisition in this space.

- **Cobra Beer to invest USD 20 million in India**
  The UK-based Cobra Beer plans to invest USD 20 million in two green-field breweries in northern India and Hyderabad. The brewery located in North India with a capacity of 5 million cases would start production in 2008. Cobra Beer has reported sales of over 1 million cases in India. Cobra has a capacity of 4 million cases through contracts with various breweries in Goa, Rajasthan, Uttar Pradesh and Bihar. At present, Cobra Beer reaches out to 12 states and the expansion plans would further help the company to establish a pan India presence. The company also plans to enter the fast growing wine market in India.

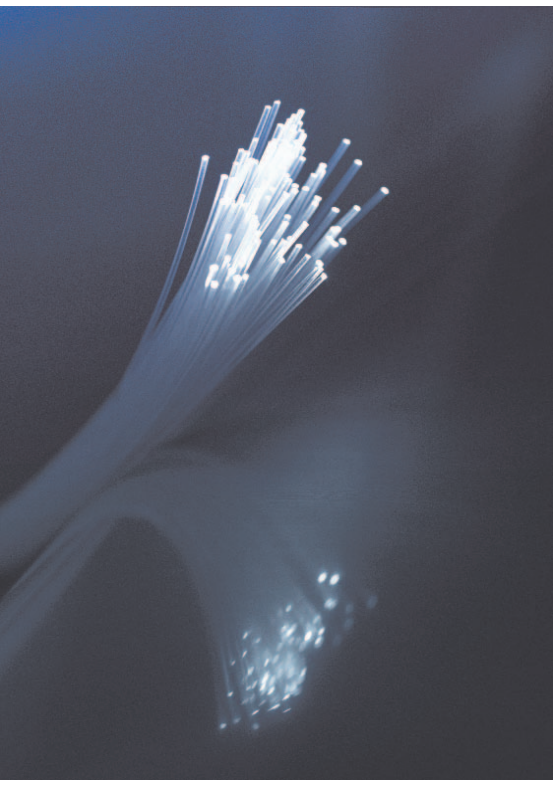
- **Reliance Retail launches its first consumer durables outlet**
  Reliance Retail, part of the Reliance group, has set up its first consumer durables and IT products outlet under the brand name, 'Reliance Digital' in the National Capital Region (NCR). The company plans to set up a total of 150 outlets across 70 Indian cities in the next 3-4 years. The stores would be spread across 15,000- 35,000 square feet and would offer 4,000 products under 150 different brands. The company also plans to launch a range of private labels in the consumer durables space.

- **Future Group launches home décor stores**
  Home Solutions Retail (India) Ltd, part of Indian retail giant Future Group, has entered the home improvement retail segment with the launch of its first store under the brand 'Home Town' in Noida. The company plans to open around nine such stores across India in the next one year, with an investment of USD 4.4 million per store. All Home Town outlets would be divided into three sections - exhibitions, markets and services. The exhibitions section would have live displays of various model rooms; while the markets segment would have products ranging from mattresses to home furnishings. Under the services section, the stores would offer facilities such as interior designing, tiling, plumbing and painting.

- **French apparel brand Etam plans an expansion in India**
  Etam, a French apparel brand, plans to invest over USD 20 million in setting up 40 outlets across 20 cities in India in the next 2-3 years. The company forayed in India through a 50:50 joint venture with Pantaloons Retail India Ltd (part of the Future Group). Etam has seven stores and six shop-in-shop outlets across five cities. At present, Etam plans to focus on retailing its range of lingerie. In addition to this, it plans to introduce ready-to-wear and accessories line for women in the near future. The company also plans to source its products from local manufacturers in India.

Analyst: Sitanshu Sheth

IT / ITeS



- **IT and ITES industry to reach USD 102 billion by 2011**
  According to a study conducted by IDC, Indian IT and ITES industry is estimated to grow at 18 percent Compounded Annual Growth Rate (CAGR) and reach USD 102 billion by 2011. The growth will be led by increase in IT-ITES exports, which is expected to grow at 17 percent CAGR to USD 64 billion. During the same period, the domestic IT industry is estimated to grow at 16 percent CAGR and ITES at 40 percent CAGR. In 2006, the IT and ITES industry revenues were around USD 44 billion.

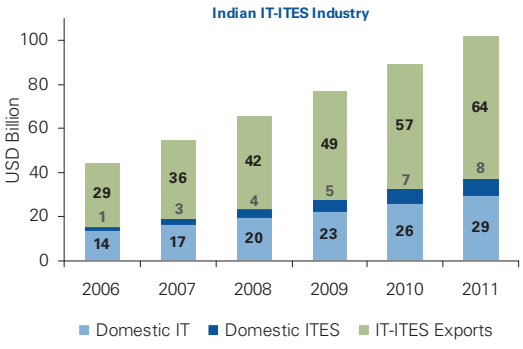
- **India's big five IT companies' revenues up by 43 percent**
  The combined revenues of India's Big Five domestic IT service companies -- TCS, Infosys, Wipro, Satyam and HCL Technologies -- for FY 2007 rose by 43 percent to USD 13.6 billion, up from USD 9.5 billion a year ago. The combined net profit also rose by 46 percent to USD 3 billion. In 2006-07, these companies together added over 76,500 people to their workforce, thus taking the total headcount to 300,000 plus. Around 100,000 people are expected to be added in this financial year.

- **CSC acquires Covansys for USD 1.3 billion**
  Following EDS and Capgemini's path, Computer Sciences Corporation (CSC) has signed a deal to acquire a company with significant India-based delivery capabilities. CSC agreed to buy Michigan-headquartered Covansys for USD 34.00 per share in an all-cash transaction, thus valuing the deal at USD 1.3 billion. Covansys has over 70 percent of its worldwide resources in India. The acquisition will nearly double CSC's workforce in India to 14,000.

- **KPO to touch USD 12 billion by 2010**
  Knowledge Process Outsourcing (KPO) is considered to be the next big growth driver, after call centers and Business Process Outsourcing (BPO). As per Evalueserve estimates, a KPO research unit, the Indian KPO industry is likely to grow to USD 11-12 billion by 2010, from the current base of USD 3 billion. In addition to this, it is expected to employ approximately additional 250,000-280,000 people, from its current number of 75,000.

- **Indian retail industry's IT spend to cross USD 1 billion by 2010**
  The rapidly growing organized retail sector in India is investing heavily in the IT infrastructure. According to Springboard Research, an IT market research firm, the retail industry is expected to spend USD 1.07 billion on IT by 2010; as against USD 253 million last year. The focus is largely on supply chain management and inventory management, which drives the demand for enterprise resource planning systems.

- **Kale consultants bags deal from SAS Cargo**
  The Sweden-based SAS Cargo, Scandinavia's leading cargo carrier, has signed an agreement with Kale Consultants, provider of software solutions and outsourced services to the travel and transportation industry. As per the deal, Kale Consultants will implement its cargo revenue accounting solution.



(Source:IDC)

Analyst: Devesh Bhatt

Media

- **TV18 group ties up with Hong Kong-based PE fund**
  The founders of TV18 Group, which runs CNBC-TV18, CNN-IBN and other regional language TV channels in India, have entered into a 75:25 joint venture with the Hong Kong-based private equity fund, Saif Partners, to broadcast entertainment and info commercial programmes globally. The joint venture will be called TV 18 HSN Cyprus. Network 18, the group holding company for TV 18, will hold 75 percent equity, while the remaining equity will be held by Saif Partners. Initially, the new company plans to broadcast programmes in India and will later tie-up with local TV channels in the Middle East, the U.K. and the U.S. to target Indian viewers in these markets.

- **Pyramid Saimira to float film content fund**
  Pyramid Saimira Theatres (PSTL), the digital film theatre chain in India, plans to float a film content fund that would assist production houses create and finance content. Initially, the fund hopes to raise about USD 150-200 million, which could go up to USD 500 million. This fund will be an alternate mechanism to private equity. The fund aims to provide a steady flow of film content to the company's theatre chains across the globe. The fund will minimize the risks in film-making by assuring that films are completed on time and within the estimated budget. It hopes to develop over 400 theatres in its network by the year-end.

- **Sun TV plans to foray into airline business**
  Sun TV, a private broadcaster, which operates 20 regional television channels and FM radio, plans to foray into the airline industry. It plans to operate in both the passenger and freight services segment in the domestic and international sector.

- **Moser Baer ventures into home video business**
  Moser Baer has entered into home video business with the national launch of 101 Hindi Titles priced at INR 28 for VCDs and INR 34 for DVDs. At present, Moser Baer has titles in all major Indian languages and non–film titles and soon plans to launch titles in English and other regional Indian languages. Apart from online purchase, the company already has 450 distributors across India.

- **Time Warner, Megabox to set up a multiplex chain in India**
  Entertainment giants Time Warner Inc. and Australian company, Hoyts are in talks with Indian real estate developers to set up a chain of multiplexes across the country. South Korean multiplex operator, Megabox is also believed to have shown interest in the Indian market. The deals are likely to be struck in the next 6 to 12 months, and the multiplexes are likely to operational in the next two years. Foreign entertainment players prefer to work on partnership basis with leading realty companies; as it helps them get properties in prime locations in major cities.

"India is set to overtake Japan as Asia's largest satellite direct-to-home (DTH) market by next year; India will also become Asia's leading cable market by 2010 and the most lucrative pay-TV market by 2015"

Report by Aseambankers, a major Malaysian research house
(Source:Business Times, April 19, 2007)

Analyst: Ashwini Kulkarni

Oil and Gas

- **OVL and IPR Red Sea Inc discovered oil in Egypt**
  ONGC Videsh Ltd. (OVL), the overseas marketing arm of Indian oil major Oil and Natural Gas Corporation Ltd., and IPR Red Sea Inc. made significant discovery in Gulf of Suez, Egypt. OVL and IPR have 70 percent and 30 percent participating interest, respectively, in North Ramadan Concession. The total potential resource in the block is estimated to exceed 200 million barrels of oil.

- **India and China join hands to explore oil in Angola and Venezeula**
  India's OVL and China's China National Petroleum Corporation (CNPC) will together bid for oil assets in An-gola and Venezuela. This will be the third co-operative initiative by the two companies in the past two years, where the companies had bought assets in Syria and Columbia. Both, India and China are striving to cut through competition for acquiring oil assets.

- **India is scouting for opportunities in Algeria, Syria and Egypt**
  The Oil and Natural Gas Minister of India is traveling to Algeria, Syria and Egypt to encourage ties and se-cure India's role in oil and gas sector. India and Algeria have agreed to increase corporation in commerciali-zation of liquefied natural gas (LNG) and liquefied petroleum gas (LPG). Egypt and India will jointly set up an oil refinery laboratory of the third and fourth generation to produce high quality oil products for the European markets.

- **OIL India and IOC looking for local partnership in Nigeria**
  Oil India Ltd. and India Oil Corporation Ltd. (IOC) have entered into a strategic partnership with Sunetra Re-sources Ltd to acquire oil and gas assets in Nigeria. The consortium would like to partner with a company that has won preferential rights to bid for a Nigerian exploration block on the basis of its promise to invest in infrastructure development of the African nation. The Government of Nigeria reportedly plans to auction 45 exploration blocks.

- **CNPC plans pipeline projects in India and Libya**
  China National Petroleum Corp. (CNPC), China's biggest state-owned oil company, is expanding its market through projects to build oil and gas pipelines in Libya and India. CNPC has already started construction of the 1,000-mile gas pipeline in India in January and has signed a contract for a 4.8-mile crude oil pipeline in Libya. Chinese companies are extensively looking at expanding their foreign presence for the country's booming economy.

- **India will explore Uzbekistan**
  Gas Authority of India (GAIL) is in technical talks with Uzbekistan to explore gas in the Central Asian country. India will also assist in setting up training institute for gas technology in Uzbekistan. GAIL has identified four specific blocks for gas exploration.

"The gas supply position in India would steadily improve from the current level of 70.54 million metric stan-dard cubic meters per day to 192.30 mmscmd in 2011-12 with increased supply of gas from Krishna-Godavari basin by 2009-10 where Reliance Industries and Gas Authority of India found huge reserves of gas"

Petroleum and Natural Gas Ministry
(Source: UPI energy, April 13, 2007)

Analyst: Amiya Swarup

Pharma

- **Zydus Cadila acquires Japan-based Nippon Universal Pharmaceutical**
  Zydus Cadila, is expanding its foothold in the Japanese generics market through the acquisition of Tokyo-based Nippon Universal Pharmaceutical, a privately-held pharmaceutical company. Zydus will leverage on Nippon's manufacturing base and strong distribution network to access over 4,000 hospitals and clinics. Zydus has already established its presence in the Japanese markets by setting up its subsidiary Zydus Pharma Inc in 2006.

- **Jubilant Organosys acquires US-based Hollister-Stier Laboratories**
  Jubilant Organosys, an Indian company that focuses on Contract Research and Manufacturing Services (CRAMS) segment, has acquired a 100 percent stake in Hollister-Stier Laboratories LLC, a US-based CRAMS company for USD 122.5 million. This acquisition will expand Jubilant's global business. It will also help the company to make inroads in the high growth injectables contract manufacturing segment. In 2006, Hollister reported total revenues of USD 55 million.

- **Wockhardt acquires France-based Negma Laboratories**
  Wockhardt Limited has acquired Negma Laboratories, a France-based research driven pharma company, for USD 265 million. This acquisition will mark Wockhardt's entry in the French generics market. In addition to this, Wockhardt will get an access to Negma's portfolio of 172 patents and the distribution network, through which it can market its portfolio. This is Wockhardt's fifth acquisition in Europe, and now it has a presence in all the key European markets, including Germany, UK, Ireland and France.

- **Wockhardt enters into in-licensing agreements with two foreign companies**
  GVK Biosciences, an Indian company focused on contract research services, has entered in a 50:50 joint venture with global contract research organization, INC Research, to set up INC GVK BIO Pvt Ltd in India. The new entity will provide PhaseI-IV clinical trial services for INC's global clients in the oncology, central nervous system, infectious diseases and pediatrics segments. This tie-up will give GVK Biosciences an access to INC's global customer base, while INC will leverage on GVK's low-cost research facilities.

- **Ranbaxy wins 180 days market exclusivity for Pravastatin 80 mg tablets**
  Ranbaxy Laboratories, India's leading pharma company, has received the U.S. Food and Drug Administration approval to manufacture and market Pravastatin Sodium Tablets (Pravastatin) in strengths of 10 mg, 20 mg, 40 mg and 80 mg. It has also won a 180-day market exclusivity to sell Pravastatin 80 mg tablets in the U.S. Pravastatin is used to treat hypercholesterolemia and reduce the risk of myocardial infarction.

- **Reliance Life Sciences enters into partnership with US-based MPM Capital**
  Reliance Life Sciences has entered into a strategic partnership with US-based global investment management firm MPM Capital L.P., in its fund, MPM BioVentures IV. The fund will have a corpus of USD 650 million, and will invest in emerging life science companies in India.

""Going forward, I believe this acquisition will unlock value for us, as generic market in Japan is just opening up and post-2010, we expect this market to be a major growth driver for our global business"

Pankaj R Patel, Chairman and Managing Director, Zydus Cadila on acquisition of Nippon Universal Pharmaceutical
(Source: Company Press Release, April 19, 2007)

Analyst: Nandita Kudchadkar

Power

- **TPC acquires SPV for 4,000 MW Mundra Ultra Mega Power Project**
  The Tata Power Company Ltd (TPC) has acquired the Coastal Gujarat Power Limited (CGPL), a special purpose vehicle (SPV) formed for the 4,000 MW Mundra Ultra Mega Power Project (UMPP) in Gujarat. CGPL has signed power purchase agreements (PPAs) with seven procurers (distribution licensees) for the sale of contracted capacity and supply of 4000 MW electricity to these licensees.

- **Krishnapatnam Ultra Mega Power Project delayed**
  The 4,000 MW Krishnapatnam Ultra Mega Power Project (UMPP) in Andhra Pradesh, which was to be awarded by April-end has been further delayed. The submission date of the request for proposal for the imported coal-based project has been postponed from April 11 to May 28, 2007. Thirteen companies, including six foreign players were qualified for the next round of bidding for the coastal project.

- **L&T signs MoU with Toshiba for manufacturing power plant equipment**
  Engineering and construction major, Larsen & Toubro (L&T) and Japan's Toshiba Corporation have signed a Memorandum of Understanding (MoU) to jointly manufacture power plant equipment in India. A new facility for making turbines for power plants will be set up in Central India with an investment of USD 72 million. The manufacturing is expected to commence in the latter part of FY 2008-09.

- **L&T enters into JV with Mitsubishi Heavy Industries**
  Engineering and construction major, Larsen & Toubro Ltd (L&T) and Tokyo-based Mitsubishi Heavy Industries Ltd (MHI) have entered into a Joint Venture (JV) agreement for setting up a manufacturing facility for super-critical boilers. The new JV will be called L&T MHI Boilers. It will have a product configuration catering to plant capacities ranging between 500 MW to 1,000 MW, and will require an investment of around USD 72 million. The JV will have its engineering centre in New Delhi.

- **NTPC looking at Tamil Nadu as location for Nuclear Foray**
  NTPC Ltd plans to set up a nuclear power station of 2,000 MW at Koodankulam in Tamil Nadu. The State Government will provide around 1,000 acres of land for the project. In this regard, NTPC intends to enter into collaboration with Automstroyexport of Russia for technology.

- **JSW Energy to invest USD 3.6 billion in thermal power projects**
  JSW Energy, the energy arm of the Sajjan Jindal Group, plans to invest around USD 3.6 billion in the next two to three years in thermal power projects in the western part of the country. The company plans to increase its power generation capacity to 5,000 MW from the current capacity of 260 MW. It has formed special purpose vehicles for the development of thermal power plants in Rajasthan, Karnataka, Maharashtra and Gujarat.

"Energy independence is India's first and highest priority. We are determined to achieve this by the year 2030 through three different sources - renewable energy, electrical power from nuclear energy and hydro-power for the transportation sector"

President A. P. J. Abdul Kalam addressing scientists of Greek's National Centre for Scientific Research
(Source: April 27, 2007, The Press Trust of India)

Analyst: Amit Chhallani

KPMG

Real Estate and SEZs

"Despite the current fluctuations in the real estate and property prices, our decision to enter this growth market is driven by our confidence in the strong economic fundamentals of India"

Shahram Abdullah Zadeh, CEO, Al Fajer Properties
(Source: Livemint.com, May 03, 2007)

- **ETA Star's first residential project in India**
  ETA Star, a freehold real estate developer in Dubai, has launched its first residential project in Chennai. The project would be called Jasmine Court, and has a total investment outlay of around USD 217.75 million (AED 800 million). The project is expected to be developed over an area of 4.4 acres, and would be located near the Chennai international airport. ETA Star plans to invest around USD 2.9 billion (AED 11 billion) in the Chennai real estate market to develop five more projects. The company has previously developed two residential projects namely, Binny Crescent and The Gardens near Bangalore.

- **Infinite India to invest USD 400 million in the Indian real estate sector**
  Infinite India has launched a real estate fund through a 50:50 joint venture with JM Financials. As per the agreement, the total investment would be around USD 400 million in the Indian residential, commercial and retail real estate market over the next two to three years. The company also plans to invest in various projects directly and through companies that are seeking funds from the market.

- **Sternon Group to invest in Mumbai**
  Sternon Group, the Dubai based real estate group, plans to develop a residential-cum-commercial township near the proposed New Mumbai International Airport in Panvel. The township would be developed over an area of 400 acres, with the residential portion being close to 250 acres. The company plans to invest USD 3-4 million in this project, and about USD 60 million would be raised by Garnet Construction. Garnet Construction plans to raise the amount either through foreign currency convertible bonds, preferential basis or through private placements.

- **Wachovia Corporation acquires 14.95 percent stake in Vipul Ltd**
  Wachovia Corporation, the US based financial institution, has acquired a 14.95 percent stake in Vipul Ltd, the Gurgaon based real estate company, for a consideration of USD 54.42 million. The investment has been made through WDC Ventures Ltd. After the acquisition, the promoters' share in the business would be 62 per cent. Vipul Ltd would use this fund to develop some existing projects and acquire new properties. Wachovia, on the other hand, plans to invest about USD 1 billion in the Indian real estate sector.

- **New rule for investment in real estate firms**
  In the real estate sector, the Department of Economic Affairs has classified foreign investment made through partial, optional and non-convertible preference shares as external commercial borrowings (ECB). As per the rule, ECB is only permitted for developing integrated townships of at least 100 acres. ECB guidelines do not allow the funds to be used for repaying loans on land acquired at different locations. Also, it is mandatory to disclose details regarding the use of funds raised from ECB.

  The Department of Industrial Policy and Promotion of Commerce and the Industry Ministry have also accepted RBI arguments of private placements in real estate companies. Pre-IPO, private placements in real estate companies would now be treated at par with portfolio investments. These placements would be recognized as FDI and not FII. However, such investments now have to meet the FDI guidelines issued for the real estate sector.

Analyst: Nitin Dehadraya

KPMG

Telecom

"We have studied Trai's recommendations. The 3G policy, which is to be announced shortly, will be in line with the recommendations of Trai. We are looking at competitive bids for 3G spectrum. We also want foreign telecom operators to come in and offer 3G services — this will make it interesting for the subscribers and introduce competition in offering these services"

Dayanidhi Maran - Hon'ble Union Minister of Communications and Information Technology
(Source: The Economic Times, April 30, 2007)

Analyst: Amit Shah

- **Spanco Telesystems receives PE funding from ChrysCapital**
  ChrysCapital has acquired a 15 percent stake in Spanco Telesystems, a leading networking and systems integration solutions company in India. In the past five years, Spanco Telesystems has reported a CAGR of 56 percent in sales and 75 percent in profit. The company's solution offerings include Networking solutions, Contact centre solutions, Voice solutions, Audio and video solutions and Wireless networking. The company's recent venture includes initiatives such as RFiD (Radio frequency identification), and is also looking at enhancing its presence in the European and Middle East markets.

- **BSNL to launch triple play services by second half of this year**
  BSNL, the state-owned telecom company, is expected to offer triple play services by the second half of 2007. It will offer voice, cable TV and Internet services on a single line. According to the industry, this move will open up a new revenue stream to the operator. BSNL plans to provide multi-service broadband access network support services like voice, high speed Internet access, IPTV on a large scale. BSNL is expected to provide both pre-paid and post-paid broadband services.

- **Bhrati Airtel announces USD 3.5 billion capital expenditure**
  Bharti Airtel, India's leading wireless telecom company, posted 59 percent growth in revenues and 89 percent growth in net profit for FY07. The revenues grew from USD 2.78 billion (INR 116.7 billion) to USD 4.42 billion (INR 185.2 billion), while the net profit rose to USD 1.01 billion (INR 42.6 billion) from USD 538 million (INR 22.6 billion) in FY06. The company has also announced USD 3.5 billion capital expenditure guidance for FY08. Bharti plans to employ 70 percent of this capital for strengthening and expanding the mobility network. The company, further, expects to spend USD 1billion on new non-mobility initiatives. It also plans to add 30,000 Base Transceiver Station in the coming year, to its current base of 39,000 BTS.

- **Maxis plans USD 3 billion expansion in India**
  Maxis, Malaysia's largest telecom operator, plans to spend USD 3 billion to expand its network in India in the next five years. It owns 74 percent stake in Aircel, which offers wireless telecom services across nine circles in India. This amount will help Aircel expand its reach across all 23 circles in India. According to company reports, Maxis will provide part of the amount, while the rest will be raised from debt and a potential share sale of Aircel.

- **Hutch-Vodafone deal gets FIPB clearance**
  The Foreign Investment Promotion Board (FIPB) and the Finance Minister, P Chidambaram have approved the Hutch-Vodafone deal. The deal will help Vodafone acquire management control of Hutch-Essar Ltd. In February 2007, Vodafone, UK's leading telecom company, acquired a 67 percent stake in Hutch-Essar, India's fourth largest wireless telecom company for USD 11.1 billion. Hutch-Essar is a JV between Hutchison Telecom International, promoted by Hong Kong-based businessman Li Ka-Shing and the Essar Group. Essar Group currently holds 33 percent stake in Hutch-Essar.

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"This deal is definitely going to be good for the shareholders; it is at a 40 percent discount to the originally agreed price"

Naresh Goyal, Jet Airways founder-chairman, on acquisition of Air Sahara.

(Source: www.bbc.co.uk, April 12, 2007)

- **Jet acquires Air Sahara for USD 340 million**

  Jet Airways, India's largest private airline, has acquired Air Sahara for USD 340 million (INR 14,500 million). Air Sahara has been renamed to Jetlite, and will be positioned between a low-cost carrier and a full-service airline. The deal gives the airline a combined domestic market share of about 32 percent. This is the second merger in the country's aviation industry after the two state-owned air-carriers, Air India and Indian Airlines announced their merger last month.

- **Airbus looks for USD 15 billion orders of new aircraft**

  Aircraft manufacturing major, Airbus hopes to book orders for 50 A-380 aircrafts (the world's largest passenger aircraft) from India for a total of USD15 billion over the next 20 years. The 240-feet-long A-380 aircraft is designed as a double-decker aircraft and can accommodate about 853 passengers in a single category (economy class) seating. In triple-category configuration (economy, business and first class) it can accommodate 555 passengers.

  The first commercial delivery of the A-380 aircraft will be to Singapore Airlines in October, 2007. So far, orders have been placed for over 150 A-380 aircraft by various airlines. Kingfisher Airlines has ordered for five A-380s from French aviation major, Airbus Industries and the airline will take delivery of the aircraft from 2011 onwards. Air India, Jet Airways and Air Deccan have reportedly evinced interest in flying the super jumbo, which will connect to metro cities within the country.

- **Proposal for terminus at Panvel**

  In an attempt to decongest existing terminal stations, like the Chatrapati Shivaji Terminus and the Lokmanya Tilak Terminus at Kurla, the Central Railway has prepared a masterplan to upgrade the Panvel station to a big terminus at a cost of USD5.2 million (INR 220 million). The Panvel terminus proposal has been designed keeping in mind the traffic projections for the next 10 years. The proposal has been sent to the Railway Ministry for approval.

- **Navayuga to construct port in Puri**

  Navayuga Engineering Company Ltd, a Hyderabad-based company, has proposed to construct a port at Astaranga in Puri district for an investment of USD 1,429 million (INR 60,000 million). According to the Government of Orissa, the company has proposed to develop the port at the mouth of Devi river in three phases on a build-own-operate-share-transfer basis. The estimated investment for this project is around USD 357 million (INR 15,000) million for the first phase. The second and third phases of the project will require an investment of USD 476 million (INR 20,000) million and USD 595 million (INR 25,000 million), respectively.

- **Chennai Port plans to invest USD 357 million in infrastructure projects**

  The Chennai Port Trust (ChPT) plans to invest about USD 357 million (INR15, 000 million) in the next two to three years on various infrastructure projects. These projects include investment worth USD 179 million (INR7500 million), which will be dedicated to elevate the expressway from the port to Maduraivoyal (up to National Highway 4). According to ChPT, it would modernize the port at a cost of USD 48 million (INR 2,000 million). Of this amount, USD 9.5 million (INR 400 million) would be spent on realignment of rail and road network inside the port for quicker movement of cargo.

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