KPMG

Sectoral Snippets

India Industry Information

Issue 12 - July 2007

KPMG IN INDIA

AUDIT ▪ TAX ▪ ADVISORY

Sectoral Snippets

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KPMG in India

Sectoral Snippets, Issue 12

This year, India's telecom sector registered substantial growth, with India's mobile phone subscriber base registering a record growth rate of 82.2 percent to touch 174 million subscribers. Around 6.8 million subscribers were added over the last two months, making India one of the world's fastest growing telecom markets.

The growth cutting across sectors was reflected in the Nifty and BSE Sensex reaching a high of 4,620 and 15,794, respectively, on July 24, 2007. The telecom sector constitutes around 10 percent of the BSE Sensex.

India's demographics are also in focus with around 35 percent of India's population falling between the ages of 15 to 59. These favorable demographics and higher disposable incomes are contributing to increased demand for fund management and wealth management services in India.

These and other such sectoral developments are covered in this issue of sectoral snippets. We hope you find the information useful and informative.

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.

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Indian Economy

Once considered as a dead weight on the economy, India's huge population base is increasingly being looked upon by industry experts and analysts as an asset to the country's economy. The population is expected to give a boost to India's economy, which has witnessed a rise in the nominal GDP growth from 7.5 percent in 2004-2005 to over 9 percent in 2005-2006.

India's population, which stood at 340 million at the time of independence in 1947, is now more than 1.1 billion. This figure is further expected to touch 1.4 billion in 2025 and 1.6 billion in 2050.

The total size of India's population might be overwhelming, but the working-age profile is expected to participate in further building the Indian economy. India's working-age population is largely between 15 to 59 years. According to industry figure, approximately 35 percent of India's population falls in this age bracket.

This helps India to trace its growth path, especially at the time when the population of developed nations like Europe and Japan are already graying. Even, the working-age populations of the U.S. and China are projected to decline over the next two decades. According to industry reports, by 2020 the U.S. will be short of 17 million people of working age, China 10 million, Japan 9 million and Russia 6 million.

However, reports further highlight that India will have a surplus of 47 million people, giving the country a competitive edge in labor costs, savings and meeting demands of growing sectors like IT/ITES, BPO, finance and so on.

India's increasingly younger demographic profile gives it a distinct advantage in the global outsourcing market as it provides for a large, educated workforce that is capable of meeting the 'brainpower' demand of the global economy.

The country is also witnessing a change in the savings pattern. Traditionally, Indian households invested in property, cash, and gold. But financial experts believe that the attitude towards investing has already demonstrated changes in the saving pattern. The level of savings increased from 8.9 to 10 percent of the country's GDP over the past 10 years, of which the mutual funds component rose from 0.5 percent to 4 percent.

The demographic shift, will thus, increase the overall propensity to save. India's national savings have risen over the last two decades from 19 per cent to 23.5 per cent of national income. Household savings have risen sharply from 14 percent to 22 percent and corporate savings from 1.5 percent to 4.0 percent.

Further, the government is taking steps to improve literacy and knowledge-based skills. The government has proposed to double the spending on education from the present 3 percent of GDP.

India is, thus, facing a highly favourable demographic prospect. If harnessed, it could lead to a virtuous circle of higher savings, investment and growth.

"More than half the country's population under 25 years of age. What that does is put the funds management industry and the rest of the economy in a very different place and plane relative to most of the developed markets... It's about accumulation, it's about growth, and it's about risk versus return. It also means that the bulk of the earning years are still to come."

Ashu Suyash, Managing Director, Fidelity Fund Management
(Source: Money Management Website, July 19, 2007)

Analyst: Meghana Biwalkar

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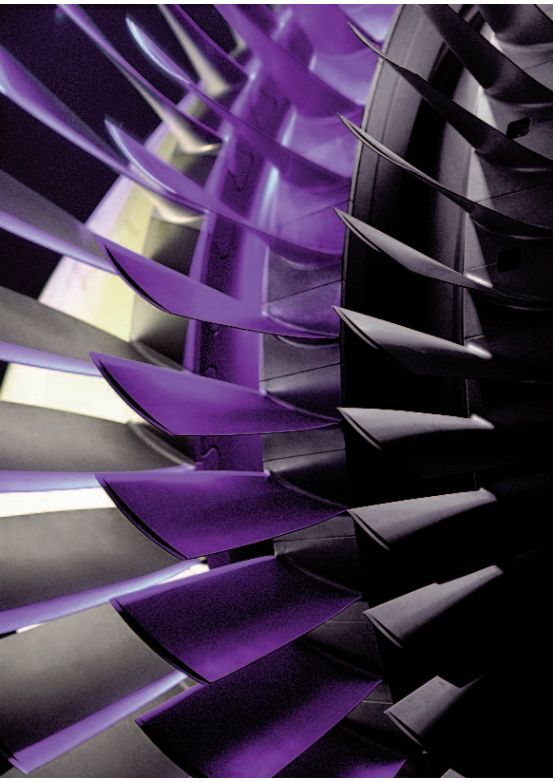
Auto and Auto Components



- **Continental AG and Rico Auto form joint venture**
  Continental AG has entered into a joint venture with Rico Auto Industries, an Indian auto component manufacturer, to setup a hydraulic brake systems plant in Gurgaon, India. The plant will be set up in two phases and is expected to be operational in 2008. In the first phase, the company expects to generate sales worth USD 40.4 million and an annual turnover of USD 81 million (INR 3.57 billion) in the second phase. This new plant will become the production base of Continental AG's hydraulic braking products in India.

- **M&M to launch utility vehicle 'Pik-Up' in Australia**
  Mahindra and Mahindra (M&M), has tied up with TMI Pacific, a unit of Sydney based dealer Tynan Motor Group, to roll out its utility vehicle Mahindra Pik-Up in Australia. In the first year, TMI expects to sell at least 600 units in Australia. Mahindra 'Pik-up' is powered with a 2.5-litre turbo diesel engine and complies with Euro IV standards. The launch of Mahindra Pik-Up in Australia marks M&M's entry into the Australian market.

- **Volkswagen to set up car manufacturing facility in India**
  German car manufacturer, Volkswagen, will invest USD 530 million to set up a car manufacturing facility near Pune, India. The plant is expected to be operational by 2009 and will produce 1,10,000 vehicles annually. The materials required for production will be sourced from local suppliers in India. Volkswagen's objective in setting up a local manufacturing plant in India is largely to have long-term business relations in India.

"India has the capability to become the low-cost car hub in future and is important for our growth strategy"

Giovanni De Filippis, Managing Director, Fiat, India
(Source: Economic Times, June 29 2007)

- **Tata Motors to raise USD 450 million from overseas market**
  Tata Motors will raise USD 450 million, (excluding the green shoe option) through the issue of foreign currency Convertible Alternative Reference Securities (CARS) from global markets. According to the company's sources, an application will be submitted to list the CARS on the Singapore Stock Exchange. The funds raised will be a part of the total planned capital expenditure of USD 2.94 billion, which the company intends to invest in the next three to four years.

- **Amtek Auto acquires JL French Withams**
  Indian auto component manufacturer, Amtek Auto, acquired U.K.-based JL French Withams (JLF) for USD 35 million to gain access to its aluminum foundries for its auto components business. JLF makes high pressure die-casting aluminum (HPDC), which is used by auto companies. JLF's acquisition will not only aid Amtek's die-casting business, but will also add big clients like Ford, Land Rover and Peugeot to its client base. This acquisition was predominantly aimed to target the European automotive industry.

Analyst: Ranjeet Javeri

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Banking and Insurance

""The Indian non-life market is set to grow dramatically over the next few years. The simplest forecasts suggest that premium income could double in five years to reach USD 11.6 bn in 2010. When the structural changes are taken into consideration, this growth becomes exponential, with relatively slow growth in 2007 rising to rapid growth by 2010".

India 2010: Lloyd's view
(Source: Lloyd Market Intelligence, June 2007)

- **Non Life Insurance premium income to touch USD 11.6 billion**

  The non life insurance premium income may reach USD 11.6 billion in 2010 (almost double the existing premium), according to a report by Lloyd, a U.K. based insurance player. Further, the report states that the growth prospects in India are real and understandably attractive to western insurance companies searching for growth outside saturated and developed markets. However, the increased capital supply may depress prices to unrealistic levels in the short term.

  According to the Insurance Regulatory and Developmental Authority (IRDA), the non-life insurers earned a premium of INR 256.4 billion (USD 6.3 billion) for the financial year ending 2007. This was 22 percent higher than the previous year's premium. The report further notes that India is the 27th largest market in the world in terms of non-life premium.

- **SG Group forays into consumer retail financing**

  France-based, Societe Generale (SG) group, a non banking finance corporation (NBFC), entered into consumer retail financing with the launch of the FamilyCredit brand in India. The group acquired an 89 percent stake of Apeejay Finance Limited in September 2006. The FamilyCredit brand will provide loans for automobiles and two-wheelers and consumer and personal loans. There is stiff competition in consumer retail finance with the likes of Citigroup, DBS Cholamandalam, GE Money, etc. Industry sources expect the FamilyCredit brand to disburse an amount close to INR 4,000 crore (USD 1 billion) in the next few years of its operations.

- **BOI acquires a mid size bank in Indonesia**

  Bank of India's first overseas acquisition is Bank Swadesi, a mid-sized bank, operating in Indonesia for the last 38 years and has 16 outlets. Bank Swadesi is listed on the Jakarta Stock Exchange and has a licence for forex business.

  On December 11, 2006, BOI announced that it would acquire a 76 percent stake in PT Bank Swadesi Tbk. In addition to this, it signed a conditional sale-purchase agreement for this purpose with the majority shareholders of the Bank Swadesi.

- **Investment Banks in India minting money**

  As per Dealogic and the Financial Times, London, the investment banking industry earned an estimated USD 288 million, in the six months ended June 2007. These earnings were around 12 percent short of the entire earnings for 2006. The investment banking activity is on the rise with robust activity across sectors, inbound and outbound. Further, there have been record size equity offerings.

  According to Dealogic, Indian companies have sold about USD 12.83 billion worth of stock in the first half of this year, which is just short of USD 14.84 billion for the year 2006. Thus, the country's investment banks have earned an estimated fee of USD 187 million. On the mergers and acquisitions front, deals involving Indian companies have risen to USD 54.28 billion.

Analyst: Aman Kaushik

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Consumer Markets and Retail

"M&As are on the radar, and we are on the lookout for acquisitions which are a strategic and cultural fit with our existing portfolio".

Martial Rolland, Chairman and Managing Director, Nestle India

(Source: Economic Times, July 6, 2007)

- **Wipro to buy Singapore based consumer products firm**

  Wipro Ltd., India's third-largest software company, plans to acquire consumer products firm Unza Holdings for around USD 246 million. Unza is one of the leading producers of personal care products in Southeast Asia. It has operations in over 40 countries and manufacturing plants in Malaysia, Vietnam, China and Indonesia. Unza has a portfolio of about 36 brands. Some of its leading brands include, Enchanteur, Safi and Romano in the personal care products market and Vigor and Maxkleen in the household products market. The acquisition will enhance the product portfolio of Wipro's consumer care division and enable it to bring some of Unza's brands to India.

- **SABMiller to invest USD 123 million in India**

  Brewing giant, SABMiller plans to invest about USD 123 million in India. The company plans to increase the production capacities of its breweries in the states of Haryana and Andhra Pradesh.

  At present, SABMiller has ten production facilities in India with a total production capacity of around 42 million cases per annum. It plans to increase its capacity by eight million cases by the end of 2007. Another U.K.-based brewery, Cobra Beer recently invested USD 20 million in two greenfield projects in India.

- **Tommy Hilfiger to increase retail presence in India**

  Tommy Hilfiger plans to expand its retail presence in India by opening 11 new stores by the end of 2007. Tommy Hilfiger was launched in India in 2004 and it sells accessories and apparels for men, women and children. At present, the company has a presence in seven Indian cities. The company plans to open its next store in Ahmedabad and then in Pune.

  Further, the company plans to increase its retail presence in the form of standalone stores and shop-in-shops across departmental stores.

- **Indian company Himatsingka acquires stake in U.S. firm**

  Indian textile design and manufacturing company, Himatsingka Seide, acquired an 80 percent stake in Divatex Home Fashions Inc., for USD 53 million. Divatex is a U.S.-based distributor of bed linen products. The acquisition was carried out through the company's wholly-owned subsidiary, Himatsingka America Inc. The enterprise value of the transaction was USD 75 million.

  Also, earlier this year, Himatsingka acquired Italy's Giuseppe Bellora. The two acquisitions will help the company strengthen its global distribution network in the home textile segment.

- **Bata India to open 200 new stores**

  The footwear company, Bata India Ltd, plans to open 200 new stores in the next two to three years. These stores will be opened in malls across the country. The stores will have an international feel and would be on par with stores in countries like Singapore and Malaysia. At present, Bata has about 1,100 stores in the country with an estimated market share of 30 per cent in the organized footwear segment in India. The company plans to target Tier I and Tier II cities for expansion.

Analyst: Sitanshu Sheth

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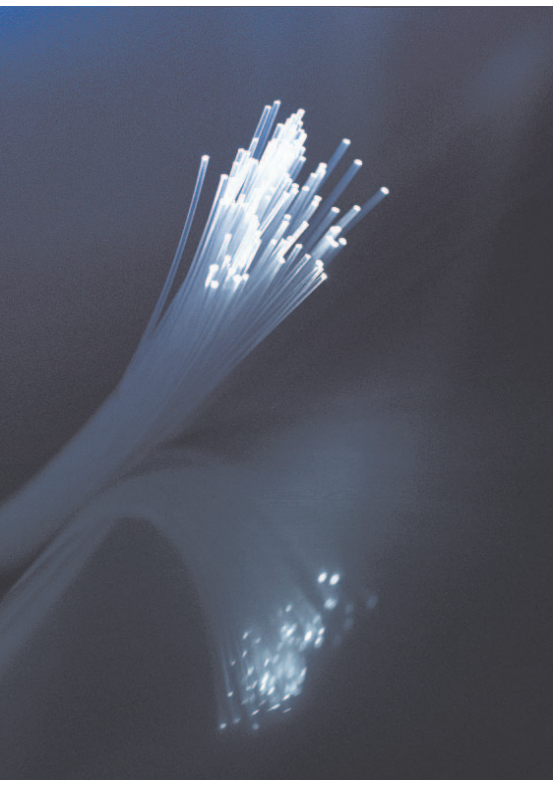

- **Blackstone buys Intelenet Global Services**
  In the country's largest management buyout (MBO) deal, the management team of BPO player Intelenet Global Services, backed by global private equity investor Blackstone, has bought out the existing promoters, Barclays Bank Plc and HDFC, for an undisclosed amount. According to the terms of the deal, Blackstone will hold 80 percent in the firm and the employees, including the management team, will hold the rest.

- **IBM bags USD 45 million contract from Indian tax authority**
  India's Central Board of Direct Taxes (CBDT) and Global technology major, IBM, have signed a five-year agreement to modernize the formers' Information Technology (IT) infrastructure for USD 45 million. As per the terms of the deal, IBM will offer integrated infrastructure solutions to CBDT's data centers in Delhi, Mumbai and Chennai. In addition to this, IBM will facilitate management services for the Income-tax department across 745 offices in 510 cities. The contract will enhance CBDT's IT systems portfolio making it faster, cheaper and more secure to meet the future demands.

- **Accenture to invest more than USD 250 million in three years**
  To address the increasing demand for services and advice, Accenture will invest more than USD 250 million in India. The investment will be made over the next three years, with an aim to help clients align their IT strategy with their business strategy. Also, Accenture is looking at expanding its service offering in the areas of next-generation data center capabilities, enterprise network offerings, specialized IT infrastructure, application security capabilities and next-generation workplace capabilities.

""India as a market might be very small for us at present, but it is quite promising. We want to be a part of that growth and have been investing significantly both in people and infrastructure and also extending our reach to customers in different locations across the country".

William P (Bill) Sullivan, President and Chief Executive Officer, Agilent Technologies

(Source: Business Standard, June 11, 2007)

- **Genpact acquires Axis Risk Consulting Services**
  Genpact, India's largest third party Business Process Outsourcing (BPO), acquired Axis Risk Consulting Services, an India-based risk consulting firm, for an undisclosed amount. Axis will enable Genpact to expand its finance and accounting solutions portfolio, which includes outsourced transactional services and financial planning and analysis. This acquisition will help Genpact obtain over 80 clients based in India, North America, Europe and Asia. Post-acquisition, Axis will operate as an independent unit of Genpact.

- **Hexaware bags order from Japanese System Integrator**
  Hexaware Technologies, an Indian IT and BPO service provider, secured a multi-year order from a Japanese system integrator. The order aimed at modernizing the Information Technology (IT) of a postal department of a South East Asian country. The company has already signed the first phase of the order for USD 18 million. Over 150 software developers are likely to be employed by Hexaware for this multi-year logistics engagement. The agreement will increase Hexaware's presence in the Asia-Pacific (APAC) region.

- **Carlyle invests USD 10.3 million in Elitecore**
  The Carlyle Group, a global private equity firm, has made an investment of USD 10.3 million in Elitecore Technologies Ltd, an IT company headquartered in Ahmedabad, India. It focuses on the fast growing Internet security and the convergent billing solutions markets. The funds will be used for Elitecore's ongoing product development, research and development, working capital, new products and infrastructure build-up.

Analyst: Devesh Bhatt

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Media

- **NDTV signs distribution deal with BT media**
  As a part of its strategy for global growth, New Delhi Television (NDTV) has signed an agreement with British Telecom's (BT) media and broadcast division, to be its global network supplier. This will facilitate the distribution of NTDV to television platforms like BSkyB in the U.K. and DirecTV in the U.S. by the end of July 2007. BT will also carry live NDTV news bulletins to multiple platforms through its state-of-the-art network, specially rolled out for television and media companies.

- **UTV Motion Pictures PLC raises USD 70 million on AIM**
  UTV Software Communications Ltd's U.K-based movie arm, UTV Motion Pictures PLC raised USD 70 million on the Alternative Investment Market (AIM) of the London Stock Exchange through an initial share sale. UTV Software Communications is a media and entertainment company that makes films and television serials. It expects the listing to aid mergers, alliances and joint ventures with global film companies. The company has also diversified from the movie distribution business into the production of live-action and animation movies in India and Hollywood.

- **ESPN Inc. acquires Cricinfo**
  ESPN, an U.S. based sports broadcaster, has acquired Banglore-based Cricinfo from the Wisden group. Cricinfo was one of the first sites in India to be dedicated to cricket. Cricinfo received its first major investment from Sify in 1999. Four years later, it was bought by the Wisden group. At present, it has 6-10 million visitors per month, mainly from the U.S., U.K., India and Australia.

  The acquisition complements ESPN's growing online business. Its existing online portfolio includes ESPN.com, Spanish sports website ESPNdeportes.com, and the football website ESPNsoccernet.com.

"Cricinfo is a tremendous property with a great fan base and will be a strong addition to ESPN"

Russell Wolff, MD, ESPN International
(Source: The Economic Times, June 12, 2007)

- **Disney and Yash Raj Films collaborate to produce animation films**
  Walt Disney Co. has entered into an equal partnership with Yash Raj Films, an Indian production and exhibition company, to produce a series of Indian-style animated feature films. These will be Disney's first co-produced animated feature films outside the U.S. Initially, the alliance is likely to produce one animation film per year and then ramp up to about eight movies annually. Overseas growth is high on Disney's agenda and it is scouting for partners particularly in India, as production costs are usually cheaper in India than in the U.S. The first film to be co-produced by this alliance will be 'Roadside Romeo', set to release in 2008.

- **Hollywood Studios signs USD 100 millon pact**
  U.S. based Hollywood Studios International has signed a 50:50 joint venture deal, worth USD 100 million with Carving Dreams Entertainment (CDE), a Mumbai-based talent agency and entertainment company. The deal is to develop and produce at least five films in a span of two years.

  The films will be shot in India, the Middle East and Europe with a budget of USD 100 million. The first film will cost around USD 25-30 million and is expected to be complete by 2009.The deal gives CDE an opportunity to enhance its relationship with Hollywood's talent agencies.

Analyst: Ashwini Kulkarni

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Oil and Gas

- **GAIL and China Gas enter into a JV**

  Gas Authority of India Limited (GAIL) and China Gas Holding Limited (China Gas) have signed a 50:50 Joint Venture (JV) agreement, to pursue business opportunities in the gas sector. GAIL is a state run supplier and transporter of natural gas, while China Gas is a natural gas services operator. In addition to this, China Gas handles the operation and management of the city gas pipeline infra-structure and distribution of natural gas. GAIL and China Gas will collaborate on natural gas sector projects in the areas of compressed natu-ral gas (CNG), coal bed methane (CBM), laying of pipelines and liquefied natural gas (LNG) in China, India and other Third World countries.

- **NELP VII will offer 80 oil and natural gas blocks**

  The Indian Ministry of Petroleum and Natural Gas plans to offer domestic and international players, 80 oil and gas blocks in the seventh round of National Exploration Licensing Policy VII (NELP VII) next month. NELP was launched in 1999, and the proposed auction would be the largest single round so far. The ministry has awarded 162 oil and gas blocks in the previous six rounds. In Febru-ary 2007, under NELP-VI, the ministry allotted 52 blocks, of which 21 deep-water blocks were awarded to the Oil and Natural Gas Corporation (ONGC). The government is expected to collect nearly USD 12 billion from blocks auctioned under NELP-VI.

- **India to import natural gas from Algeria**

  ONGC India will sign a deal to import 1.25 million tonnes of LNG from Algeria annually. Petronet LNG, India's largest LNG importer, will be sourcing LNG from Sonatrach, Algeria's national oil com-pany. In April, the Oil and Natural Gas Corporation (ONGC) signed a Memorandum of Understanding (MoU) to train Algerian oil sector personnel. The training will cover diverse areas, ranging from reservoir management to seismic studies.

- **D1 Oils to invest USD 10 million in India**

  D1 Oils, a U.K. based bio-diesel producer, will invest about USD 10 million in India, to source jathropha seeds (which are used to produce bio- diesel) and set up an oil refinery. At present, D1 Oil is overseeing jatropha cultivation in around 46,000 hectares of land in Tamil Nadu, Andhra Pradesh, Karnataka and West Bengal. Further, in keeping with its expansion plans, D1 Oil is aiming to produce around 20,000 tonnes of jathropha oil for blending with fossil fuels. For this purpose, it is planning to acquire an additional 100,000 hectares of land for the cultivation of jathropha. To acquire the land, D1 Oil has entered into joint ventures in Gujarat, Uttar Pradesh, Jharkhand, Orissa and all seven states in the north eastern region.

- **Sudan invites India to bid for exploration blocks**

  Sudan has invited India to bid for exploration blocks in the country's next licensing round. In the recent past, India has played a large role in the development of Sudan's oil sector. Further, ONGC Videsh, (ONGC's overseas arm) has a 25 percent interest in the Sudan based Greater Nile Petroleum Operating Corporation (GNPOC).

"India's refining sector has registered an impressive growth in the recent past and as a result of this, the country is set to emerge as a net exporter of petroleum products"

(Source: Government of India designated Parliamentary standing committee report, UPI Energy, June 7, 2007)

Analyst: Amiya Swarup

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Pharma

- **Zydus Cadila acquires a Brazilian company**
  Zydus Cadila, an Indian pharmaceutical company, has acquired a 100 percent stake in Quimica e Farmaceutica Nikkho do Brasil Ltda (Nikkho), a Brazil-based, mid-sized, privately held pharmaceutical company. At present, Zydus has a presence in Brazil's pure generics business. This acquisition will give Zydus an entry in Brazil's branded generics space.

  Nikkho has 22 products under 13 different brands across various therapeutic areas such as general medicine, paediatrics, gynaecology, neurology, gastroenterology, otolaryngology, respiratory and dermatology. Further, Nikkho posted sales of USD 26 million for CY 06.

- **Strides Arcolab acquires Grandix Pharmaceuticals Limited**
  Strides Arcolab, an Indian exporter of branded generic products, has acquired a 100 percent stake in Grandix Pharmaceuticals Limited and its subsidiary Grandix Laboratories Limited. The acquisition was reported to cost about USD 24 million. At present, Strides does not have a significant presence in the India. However, with this acquisition, Strides will strengthen its domestic presence by leveraging on Grandix's product portfolio and medical representatives. Grandix Pharmaceuticals, a branded pharmaceutical company with a focus on South Indian markets, reported sales of USD 11.8 million in FY 06.

- **Aptuit Inc. to invest over USD 100 million in Laurus Labs**
  Aptuit Inc., a U.S.-based drug development company, is planning to invest USD 100 million in Hyderabad-based Laurus Labs Limited. The investment will be over the next four years, with an aim to form a new contract drug development company called, Aptuit Laurus.

  The new entity will provide Aptuit's global offerings in drug development. This will be achieved by leveraging Laurus' expertise in Research and Development (R&D) and manufacturing and infrastructural facilities in Hyderabad, Vishakhapatnam and Bangalore. Thus Aptuit Laurus will provide a range of services, technologies and manufacturing capabilities that cover the entire process of drug development to emerging and established pharma companies.

- **TCG Lifesciences enters in to drug discovery pact with Forest Laboratories**
  TCG Lifesciences, an Indian drug discovery research and development services company, has entered into a drug discovery pact for inflammatory diseases with Forest Laboratories Holdings, a wholly-owned subsidiary of Forest Laboratories Inc. As per the agreement, Chembiotek (the chemistry and biology research arm of TCG Lifesciences) will conduct research to identify and optimize the lead molecules in collaboration with the scientists from Forest. In return, Chembiotek will receive milestone payments from Forest. Further, Forest will finance all subsequent drug development and commercialization activities and retain the ownership and worldwide rights of the compounds.

"We now see ourselves adding value to our global expansion strategy by successfully penetrating the branded generics market in Brazil"

Mr. Pankaj R. Patel, Chairman and Managing Director of Zydus Cadila
(Source: Company Press Release)

Analyst: Nandita Kudchadkar

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Power

- **India's NPCIL to enter into hydro-power business**

  The Nuclear Power Corporation of India Ltd (NPCIL), which has a nuclear power generation capacity of 4,120 MW, is now entering the hydropower business. As part of its diversification plan, NPCIL has entered into a partnership with Tehri Hydro Development Corporation (THDC) to jointly develop two pumped storage schemes in Maharashtra.

  Initially, NPCIL will restrict its involvement to offering financial assistance (USD 741mn), while THDC will provide the technical expertise. Further, it is also planning to tie up with the Hydroelectric Power Corporation and the Uttaranchal Jal Vidyut Nigam to develop hydro power projects in Uttaranchal.

- **AES India plans to invest USD 2.55 bn in the Indian power sector**

  AES India, a subsidiary of the U.S. power major AES Corp, is planning to invest USD 2.55 billion in the power sector in India. The investment is to attain a capacity of 5,000 MW in the next five to seven years.

  AES India has already signed a memorandum of understanding (MoU) with the Government of Chhattisgarh to set up a 1200 MW power plant, with an investment of around USD 1.2 billion in the Raigarh district of Chattisgarh. At present, it is operating a 420 MW power plant in Orissa through a joint venture with Orissa Power Generation Corporation.

- **DS Construction acquires Globaleq's American Assets**

  DS Construction Limited (DSCL), an India based infrastructure company, has acquired Globaleq's American assets for USD 542 million. The acquisition was made through a 50:50 joint venture with Israel Corporation.

  Globeleq Ltd's American assets consists of gas and hydro based power plants in Peru and Bolivia and fuel-based power assets in El Salvador, the Dominican Republic, Guatemala, Nicaragua, Panama and Jamaica. The total capacity of its combined assets is over 2,180 MW. DSCL has already been awarded 1,260 MW projects in India. Therefore, with this acquisition it will have a total capacity of over 3,400 MW and a presence in the American market.

- **NHPC to invest USD 6.7 billion in Arunachal Pradesh**

  SK Garg, Chairman and Managing Director of National Hydro Power Corporation (NHPC), has announced that NHPC will invest USD 6.7 billion in Arunachal Pradesh. The investment will be made over the next ten years, for the development of mega hydro projects. In addition to this, it has signed a revised MoA with the State Government for the development of three hydro power projects. One of these projects, the Dibang Hydel project will be biggest hydro power project in India. The project will have a capacity of 3,000 MW, and is expected to be completed by 2016. The other two projects will be located in Tawang with a capacity of 750 MW each. The State of Arunachal Pradesh has already signed MoUs and MoAs for a total capacity of around 30,000 MW including 10,230 MW with PSUs like NHPC on seven projects which are likely to be completed by the end of the 12th plan period.

"We are convinced that India is ideal for manufacturing the world's lowest cost solar modules. With its manufacturing prowess and vast need for energy, we consider India key to bringing Clean Affordable Renewable Energy, via thin film solar modules, to our customers"

Dr. Prabhu Goel, Chairman, Signet Solar
(Source: Business Wire, June 7, 2007)

Analyst: Amit Chhallani

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Real Estate and SEZs

"A recent study by the Associated Chambers of Commerce and Industry of India (Assocham) pegs the total share of FDI in the domestic real estate market at 26 percent out of the total FDI expected by 2010."

(Source: Financial Express)

- **Maharashtra Government Signs MoU with Vornado Realty Trust**
  The Maharashtra State Government has signed a Memorandum of Understanding (MoU) with U.S. based Vornado Realty Trust. The MoU is for the development of an integrated township in Hingewadi near Pune. A Special Purpose Vehicle (SPV) called Vornado Hingewadi Township Pvt, Ltd. was formed for the development of this township. Vornado will invest USD 200 million to develop the township over the next five years. The aim of this project is to promote the 'walk to work culture' among software professionals working in the Information Technology (IT) parks.

- **HDIL to invest USD 134.23 million in Hyderabad**
  Housing Development and Infrastructure Limited (HDIL), is planning to develop a residential and commercial project in Hyderabad with an investment of over USD 134.23 million. The project will be developed in two phases over a period of four years. Accordingly, HDIL has signed an agreement with Anish Construction Company for the acquisition of 73 acres of land to develop the first phase of the project. As per this agreement, the profit from the project will be shared, in a ratio of 75:25 between HDIL and Anish Construction, respectively.

- **DLF, Fortis to set up hospitals**
  DLF Ltd, has entered into a joint venture agreement with Fortis healthcare, a Ranbaxy group company, to set up hospitals in India. Fortis will have a 74 percent stake and DLF will have 26 percent stake in the venture. The two companies plan to set up a chain of hospitals with the capacity to house 200 to 450 patients across 31 Indian cities. The project is likely to be completed in three to five years, with an investment of about USD 1.3 billion.

- **NTC to redevelop 100 acres of mill land**
  National Textile Corporation (NTC), has planned to redevelop and modernize four of its mill properties in central Mumbai. The properties in question are- India United Mill No.1, Apollo Textile Mills, Gold Mohur Mills and New City Textile Mills. NTC plans to undertake this task through joint ventures with real estate developers and textile corporate houses, and has invited Expressions of Interest (EoI) for the same. Further, it will give a 49 percent stake in this project to the developers or consortium of companies, while retaining the remaining 51 percent stake. In addition to this, NTC is seeking clearance to sell 93 acres of surplus mill land in Mumbai.

- **Alliance to launch real estate TV channel**
  Alliance group, a South India based company, is planning to launch a Real Estate Television channel. The channel will be free-to-air and will be available on both DTH and cable platforms across the country. In addition to this, the channel will also be available in the Middle East and South East Asia, where there are large numbers of Non Resident Indians (NRI). Alliance has planned to invest about USD 22.37 million in this channel. The channel will broadcast programmes providing comprehensive and authentic updates on all aspects of real estate.

Analyst: Nitin Dehadraya

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Telecom

"The mobile market in India is catching up very fast and will soon surpass the U.S. to become the second largest market for Nokia"

D. Shivakumar, Managing Director and Vice President, Nokia India

(Source: The Economic Times, June 25, 2007)

- **RPG Cellucom to open 3,500 mobile and IT retail outlets**

  Dubai-based Cellucom and the RPG Group have formed a joint venture company called, RPG Cellucom. This company plans to open 500 outlets for telecom retail and Information Technology (IT) products by March 2008. Further, RPG Cellucom aims to capture 3 percent market share and generate revenues of INR 35 billion by 2009. Post expansion, RPG Cellucom is expected to have retail shops across the country, which will sell products from all the leading brands in telecom and IT.

- **HP to launch range of Smartphones in India**

  Hewlett-Packard (HP), the world's leading manufacturer of Personal Computers (PC) and printers, is foraying into India's Smartphone market. Smartphones are phones, which have the ability to run software programs, browse the internet and store data.

  The Smartphone market accounts for approximately 5 percent of the total mobile phone market, according to company executives. HP launched its first Smartphone in India in June 2007. Further, it expects to roll out at least twelve new models, by the end of this calendar year. These phones will be priced between USD 250 to 350.

- **Sony Ericsson to set up R&D unit in India**

  In a bid to strengthen its presence in India, the fastest growing mobile market in the world, Sony Ericsson is planning to set up a mobile Research and Development (R&D) unit in India. The unit will be situated in the city of Chennai in South India. The proposed unit will be a part of Sony Ericsson's global network of R&D units spanning countries like China, Japan, Sweden, the Netherlands, the U.S. and the U.K.

- **Yahoo partners with Idea**

  Yahoo, has tied-up with Idea Cellular, India's sixth largest cellular telephony company, to offer Yahoo's mobile search service Yahoo!oneSearch in India. With this service, Idea customers will be able to access news, web images, financial information, weather conditions and websites. Yahoo expects that catering to Idea's 15 million subscriber base (spread across 11 circles) will make it the leader in the mobile search category. On the other hand, with this service, Idea will be able to provide its customers easy and reliable mobile search options.

- **Indian mobile subscriber base touches 174 million**

  In May 2007, India's total mobile subscriber base touched the 174 million mark, with 6.8 million additional subscribers. Therefore including the fixed line subscriber base of 44 million, the total telecom subscriber base stood at 218 million. In addition to this, India's tele-density touched 19.25 percent. Bharti Airtel, India's largest mobile telecom company, added 1.9 million new subscribers; while Reliance Communications, the second largest mobile telecom company added additional 1.4 million subscribers.

Analyst: Amit Shah

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KPMG

Transport and Logistics

"We will partner with globally reputed companies for technology and know-how and use our local execution skills and expertise to set up the centre. The centers will not be restricted to the Group's captive use, but will be available for everybody. The idea is to become the country's largest independent owner and provider of logistics facilities and one-stop solution to clients".

Sameer Sain, Chief Executive Officer, Future Capital Holdings

(Source: Business Standard, July 9, 2007)

Analyst: Preeti Sitaram

- **Future Capital to launch logistics fund worth USD 500 million**
  The financial arm of Future Capital plans to launch a USD 500 million logistics fund by December 2007. The offshore fund will invest in large warehouses in major cities across the country. The centers, on the other hand, will cater to the cold warehousing needs of retail and FMCG businesses. In this context, Future Group plans to enter into a joint venture with a North American company for the setting up of logistic centers. The major idea behind this project is to emerge as the country's largest independent owner and provider of logistics facilities.

- **Indian shipping companies to acquire vessels in Singapore**
  Singapore, a tax-friendly economy, is encouraging the Indian shipping companies to acquire vessels through their subsidiaries in Singapore. Mercator Lines, India based shipping company, has signed an agreement with an overseas company for acquiring four dry bulk carriers through Mercator Lines (Singapore) Pte. On the same lines, the Liquid Natural Gas (LNG) transportation specialist, Varun Shipping Company Limited is also planning vessel acquisition through its Singapore subsidiary for USD 244 million. Owing to the tax benefits, Tolani Shipping has moved all its ships under the Singapore subsidiary.

- **SCI plans to invest USD 4 billion for fleet expansion**
  As part of an ambitious fleet expansion plan, Shipping Corporation of India (SCI) is looking at an investment of USD 4 billion to acquire 72 vessels over the next five years. The current capacity of the company stands at around 4.8 Dead Weight Tonnage (DWT). Once the fleet expansion project is complete, SCI expects to increase it to at least eight DWT. SCI has already placed an order for 12 vessels under the fleet acquisition project.

- **L&T to undertake shipyard project**
  The engineering and construction major, Larsen & Toubro Ltd, plans to start an integrated shipyard project in Chennai with an estimated investment of USD 488 million (INR 20,000 million). According to the company, Ennore in Chennai has been short listed for this project. With a huge potential for infrastructural development, housing and ports, Larsen & Toubro would like to invest in Tamil Nadu as a whole. In this context, the company has informed the state government of Tamil Nadu regarding the project's importance, employability and benefits.

- **German and Australian companies eyeing Indian logistics companies**
  Bertling Logistics of Germany is examining two or three Indian logistics companies for acquisition at around USD 49 million (INR 2000 million). Toll Holdings, the Australian major, has also announced its interest in acquiring logistics companies in India.

- **Civil aviation sector to increase FDI limit**
  The civil aviation sector has planned to open up its cargo sector. Also, it proposes to increase the foreign direct investment (FDI) limit to 74 percent from the preset level of 49 percent. According to the Air India authorities, the issue is under consideration by the Foreign Investment Promotion Board and the Ministry of Commerce. The authority also revealed that the state-owned carrier had plans to convert its two passenger Airbus 310s into freighters.

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