

Sectoral Snippets

India Industry Information

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KPMG IN INDIA

Sectoral Snippets



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Against the backdrop of India's increasingly prominent position in the changing global Asian geo-strategic roadmap and good economic momentum, the spotlight of late has been on India's nuclear capabilities. Apart from the military ramifications, boosting our nuclear power is expected to have positive gains with regards to improving efficiency, costs and even in terms of logistics since less coal will have to be transported.

Further, the recent visit of the Indian Prime Minister Manmohan Singh to Russia was an important milestone in Indo-Russian relations both in terms of bilateral ties and military and economic cooperation. Accordingly, India and Russia have set a joint trade target of around USD 10 billion by 2010.

German Chancellor Angela Merkel visited India and it is likely that enhanced political and business ties (between India and Germany) will give an impetus to global warming and trade talks.

Also, U.S. Treasury Secretary Henry Paulson concluded a visit to India, where amongst other things, he addressed the U.S.-India CEO Forum's Infrastructure Summit.

We hope you find this edition of Sectoral Snippets useful.

Regards,

Russell

Table of Contents

1. Indian Economy	3
2. Auto and Auto Components	4
3. Banking and Insurance	5
4. Consumer Markets and Retail	6
5. IT / ITeS	7
6. Media	8
7. Oil and Gas	9
8. Pharma	10
9. Power	11
10. Real Estate and SEZs	12
11. Telecom	13
12. Transport and Logistics	14

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



India has slowly emerged over the past 16 years from the shadows of centralized planning to a more deregulated environment. During this journey, India has learned that there are no shortcuts to sustainable economic growth.

The Reserve Bank of India (RBI) recently released the mid-term review of the Annual Policy for 2007-08. In an attempt to sterilize the excess liquidity released into the system, the Cash Reserve Ratio (CRR) has been hiked by 50 basis points (bps) to 7.5 percent with effect from November 10, 2007. As a result of this, banks may be inclined to raise interest rates further. Even with inflation hovering around the medium term target of 4.0 – 4.5 percent, all other benchmark interest rates have still been left unchanged. The real GDP growth expectation has been retained at 8.5 percent for 2007-08.

With an increase in CRR limits, in addition to the fact that corporates can now easily access funds from overseas; there is a strong possibility of a slowdown in credit growth. The hike in CRR increases the expectations for an immediate fall in interest rates, in view of the easy liquidity position and low inflation.

According to RBI, management of capital flows, related liquidity implications and overall stability were the biggest challenges in the domestic scenario. With the exception of any undesirable developments surfacing in various sectors of the economy, the monetary policy has to contend with the risks to overall macroeconomic stability. These risks include threats to inflation expectations originating from fluctuations in asset prices, the re-pricing of risks and their dissemination across the financial system.

On a celebratory note, with the recent commemoration of Diwali, the Indian festival of lights, retail consumption was at an all time high. Various sectors received a much needed push, however, capital markets continued to remain volatile. Industrial production growth nearly halved to 6.4 percent in September this year, pulled down by a relatively poor show by the manufacturing sector, especially the consumer durables segment. The Index of Industrial Production (IIP) for the same month last year stood at 12 percent. Higher interest rates and other infrastructural constraints have resulted in this reduced rate of growth.

To proceed with the nuclear deal with the U.S. following an apparent nod of approval from the Left parties, the Indian government may soon approach the International Atomic Energy Association (IAEA) for negotiations on India-specific safeguard protocols.

“With inflation coming up a bit in 2007, we think the monetary responses by the (Reserve) Bank of India have been appropriate. The credibility of the monetary policy in India has become better and stronger and the steps of the liberalisation of the financial markets of India are probably the steps in the right direction”.

Rodrigo de Rato, Managing Director, IMF
(Source: DNA Website, October 16, 2007)

Auto and Auto Components



- **Global OEMs to test their vehicle performance in India for global markets**

Global car companies like Nissan, Toyota, Honda, BMW and Volkswagen have shown a keen interest in testing their vehicle performance in India to get international certification. These car makers are in discussion with the National Automotive Testing and Research and Development Infrastructure Project (NATRIP) to take on the performance tests of their future vehicles, intended for both the overseas as well as the Indian market. International players are preferring India over China to test their up-coming vehicles due to its stronger Intellectual Property Rights system. Another reason is the testing costs are much lower in India as compared to other international vehicle testing agencies.

- **Fiat Group Co. Magneti and Maruti Forms a JV**

Maruti Suzuki India Ltd. has entered into a joint venture (JV) agreement with Magneti Marelli, a Fiat Group company to set up a facility at Manesar to manufacture electronic control units for diesel engines. The JV will invest USD 19 mn in the new unit and will have a capacity to manufacture 5,00,000 units per annum. Magneti Marelli will hold a stake of 51 percent, Suzuki will hold 30 percent and Maruti will hold 19 percent in the JV. The new plant is expected to start its production by 2008.

- **Hyundai launched i10 for the global market from India**

In October this year, Hyundai Motor Co. has launched its 1.1 litre petrol car i10 in India to cater to both the domestic as well as international markets. i10 will be Hyundai's first vehicle to be produced at its overseas plant. Hyundai Motor is looking to leverage India's manufacturing capabilities to expand its presence in the global market. The vehicle is positioned in the compact segment in India and will compete with popular car models like Maruti's Wagon R LX, Zen Estilo and Tata's Indica V2 Xeta .

- **Rico Auto forms a JV with Canadian powertrain supplier**

Rico Auto Industries, Gurgaon-based manufacturer of powertrain components has entered into an agreement to form a 50:50 JV with Magna Powertrain, a unit of Canadian-based Magna International, to setup a facility in Gurgaon, Haryana. The new plant will manufacture oil and water pumps with aluminum housings for automotive engine applications and will cater to both the local and the European market. The facility is expected to commence its production in early 2009.

- **American Axle to form JV with Sona Koyo Steering Systems**

A Detroit-based component manufacturer American Axle & Manufacturing Holdings Incorporated has formed a JV with Indian component maker Sona Koyo to manufacture a light truck, passenger car and SUV axle assemblies for the Indian market. The JV will be called AAM Sona Axle and will be headquartered in Pune. A new Greenfield manufacturing facility will be set up in north India and is expected to commence operations in 2008. The JV will give American Axle a manufacturing and operational presence in India.

"We hope that with India becoming the hub for small cars we would see a significant increase in the company's presence in many more countries,"

Jae Kook Choi, President, Hyundai Motor
(Source: The Hindustan Times, October 31, 2007)

Banking and Insurance



- **Reserve Bank of India (RBI) increases cash reserve ratio**

India's central bank, RBI increased a half percentage point in the Cash Reserve Ratio (CRR) - the part of deposits that banks have to keep with the RBI as cash - to 7.5 percent in the mid-term review of monetary policy. Repo rate (the rate at which RBI lends to banks) and the reverse repo rate (the rate at which RBI borrows from banks) remains unchanged at 7.75 and 6 percent respectively. Industry experts have pointed out that the banking industry would have to move INR 14,000 crore to the apex bank (the RBI) as a result of this CRR hike.

- **Private sector banks exhibiting higher growth in the second quarter results**

Private sector banks have again come out with impressive results. The leading private sector banks have exhibited more than 30 percent loan growth with Axis Bank, HDFC Bank and ICICI Bank showing 53, 45 and 33 percent loan growth (year on year growth) respectively. On the other hand, most of the state sector banks had credit growth rates of between 20-30 percent. On the revenue side, the net interest income for the private sector banks also grew more than the state-owned public sector banks. Leading private sector banks Axis Bank, HDFC Bank and ICICI Bank grew at 61, 44 and 26 percent, respectively while the state-owned banks' net interest income largely grew in single digits. India's largest asset sized bank the State Bank of India year-on-year growth in net interest income, was just 6.3 percent.

- **Top five Mutual Fund Houses have 40 percent of total mutual fund market size**

Indian mutual fund industry crossed the INR 5 trillion (USD 127 billion) mark at the end of October 2007 for the first time, but two-fifth of the total is controlled by the top five fund houses. As per the Association of Mutual Funds of India, the top five fund houses — Reliance Mutual Fund, ICICI Prudential, UTI Mutual Fund, HDFC Mutual Fund and Franklin Templeton — together own assets worth nearly INR 2 trillion (USD 50.9 billion), which is about 40 percent of Assets Under Management (AUM) of all the fund houses. At present, the total AUM of the remaining 27 fund houses stands at about INR 3 trillion (USD 76.3 billion). Reliance Mutual Fund, part of Anil Ambani group firm Reliance Capital, is the largest fund house with AUM of close to INR 79,900 crore (USD 20.33 billion).

- **Debit cards growth on the rise**

The debit cards are growing in similar fashion as the mobile connections. As per the Reserve Bank of India, at present, about 2 million cards are being added every month. Debit cards issued in the country have touched 85 million and they have doubled in about two years. Two leading banks in India alone have 50 mn debit cards. Every bank issues these cards free to their savings account holders. Mostly, ATM cards double up as debit cards that can be used at various merchant establishments. With about 300 million savings bank accounts in the Indian banking system the potential for debit cards usage is bound to grow.

“RBI's mid-term monetary policy is a continuation of its policy announced last time, except that it has realized that there is excess liquidity and raised the requirement for banks to keep cash with the central bank by 0.5 percent”.

P Chidambaram, Finance Minister,
Government of India

(Source: The Economic Times, October 31, 2007)

Consumer Markets and Retail



- **Del Monte acquires 40 percent in FieldFresh**

Singapore-listed food and beverage major, Del Monte Pacific has picked up a 40 percent stake in FieldFresh Foods Private Limited, a 50-50 joint venture between Bharti Enterprises India Ltd. and EL Rothschild. Del Monte is reported to have acquired this 40 percent stake from EL Rothschild for about USD 20 million, while Bharti will continue to hold 50 percent in the venture. FieldFresh has been exporting fresh fruits and vegetables to key markets including U.K., West Asia and Europe.

- **Mahindra Group forays into retail**

Mahindra & Mahindra, best-known as an automotive and tractor maker, announced a foray into the rapidly growing Indian organized retail market with a multi-format specialty retail chain selling apparels, toys and furnishings. The new venture is expected to be launched over the next one year and would form part of Mahindra's fully owned subsidiary Mahindra Intertrade. The group already distributes Lego, Walt Disney and Mattel toys and other branded products through its Mahindra Intertrade unit.

- **McDonalds to reach airports, railway stations and highways**

Quick service restaurant chain, McDonald's India would be investing around USD 76.3 million in next three years to fund its expansion plan which includes extending its services to airports, railway stations and highways. As a part of this strategy, McDonalds recently opened a restaurant at the domestic airport in Delhi and has also signed an agreement with Indian Railways for opening an outlet at the old Delhi railway station. McDonald also has tie-ups with Bharat Petroleum and Hindustan Petroleum, which enables it to open outlets on highways.

- **Max Hypermarkets enters into an alliance with Spar International**

Max Hypermarkets, promoted by the Dubai-based Landmark Group, has entered into a franchising agreement with Dutch food retail major Spar International to open hypermarkets and supermarkets in India. According to the license agreement, Spar will provide core retailing knowledge and transfer brands, while Max will manage the finances and operations at the front end. The group plans to initially invest around USD 50 million and expects to open the first two Spar branded stores in Bangalore next month. Landmark also operates the "Lifestyle" branded stores in India.

- **Adani to invest more in fruits and vegetables business**

Adani Agrifresh, part of the flagship Adani group, plans to invest around USD 254 million towards creating an integrated supply chain network to distribute fruits and vegetables to organized retailers. The integrated supply chain will cover areas like sourcing, product handling, and storage and distribution. At present, Agri Fresh supplies fresh produce to the major retailers like Food Bazaar, ITC's Chaupal Fresh, Metro, Heritage, Trinetra, FabMall and Mother Dairy.

"Food processing and agri-business sector is projected to grow in the range of 9-12 percent in the near future. Of this, fruit and vegetable processing is expected to shoot up to 10 percent by 2010 and to 25 percent by 2025, from the existing 2 percent".

KPMG-FICCI Report on Indian Food Processing and Agri Business Sector

(Source: The Economic Times, October 19, 2007)

IT / ITeS



- **Satyam acquires U.K.-based Nitor Global**

Satyam Computer Services Ltd, an IT consulting and services provider acquired U.K.-based Nitor Global Solutions Ltd., a niche Infrastructure Management Services (IMS) consultancy firm in a cash deal worth USD 5.5 million. The deal marks the second acquisition in Europe by the Indian software giant. Satyam expects to benefit from Nitor's relationships with the dominant players in the banking, pharmaceutical, telecom and media sectors in Europe. Nitor posted USD 3 million revenues in 2007.

- **TCS bags contract from Nielsen**

Tata Consultancy Services (TCS) has won a 10 year global contract from the Dutch media and market information provider The Nielsen Company for the value of USD 1.2 billion. The deal is the biggest ever outsourcing deal won by an Indian firm. As per the agreement, TCS will manage Nielsen's IT operations worldwide, support and maintain existing applications and develop new applications. The order also includes setting up an innovation center for next generation businesses in information and media. The other parts of contract are in the BPO, KPO; and transformation and innovation space..

- **Cisco and Wipro form strategic alliance**

Indian IT service company Wipro and U.S.-based Cisco Systems Inc. have collaborated to jointly develop and deliver IT infrastructure service solutions. Under the agreement, Cisco's networking solutions will be merged with Wipro's infrastructure and managed services. The services will be offered globally, with an initial focus on India, the Middle East and Africa. Cisco will also set up a Cisco Solution Centre at Wipro's campus in Bangalore, where the companies will work together to develop new products. The alliance is expected to generate revenues of USD 1 billion by 2010.

- **3i Infotech buys J&B Software Inc.**

3i Infotech, a global provider of IT Solutions has acquired U.S.-based J&B Software Inc. and its subsidiaries for USD 25.2 million. The J&B Software provides software products and services related to remittance processing in the U.S. The acquisition will enable 3i Infotech to penetrate the BFSI customer base in the U.S. and will take J&B's payment processing solutions to global markets. 3i Infotech expects the purchase to provide significant cross-selling opportunities and enhance its per share earnings

- **Patni secures USD 200 million outsourcing contract**

Patni Computer Systems Inc. (PCS), a Mumbai-based IT services provider, has secured a USD 200 million multi-year contract from The Carphone Warehouse (Carphone). U.K.-based Carphone is leading mobile phone retailer with over 2,100 stores across 11 countries. As per the terms of the contract, Patni will be its technology partner and provide integrated services in consulting, system integration, application development and maintenance. Also it will partner in developing next-generation systems like Internet Protocol Television (IPTV) and multimedia content for Carphone. This deal brings out an increasing trend of Indian IT companies bagging million dollar deals which were earlier the domain of companies like Accenture and IBM.

“India is a growing market for our IT management software. The requirements of domestic companies will go up as they expand their operations. We expect the Indian market to attain critical mass soon and we will expand our business here in conjunction with our partners, the domestic IT firms”.

John Swainson, President and Chief Executive Officer, Computer Associates International

(Source: The Economic Times, October 17, 2007)

Media



- **Pyramid Saimira enters U.S. market; acquires FunAsia**

India's largest theatre chain company, Pyramid Saimira Theatre Limited (PSTL) has expanded its global footprint with the acquisition of Texas-based FunAsia. It plans to set up 60 screens in the U.S. and Canada by the end of this fiscal. PSTL also plans to foray into the U.K. market. It also acquired an existing theatre and radio drive-time hours in Chicago and radio time in Houston. Post acquisition, the PSTL banner will have about 703 screens globally. Besides film entertainment, PSTL is also focusing on food and beverages, DVD, radio channel and a community magazine.

- **Eros plans to set up India's first action studio**

Eros International plc plans to set up India's first action studio to be operational by 2008. The studio will house all the facilities required to make action thrillers of international caliber. The company intends to make at least three to four action movies a year under its film production unit. Eros also forayed into the visual effects industry by forming new subsidiary Eyeqube Studios Private Limited in association with Charles Darby, a leading international talent to exclusively handle its top end visual effects work.

- **BBC Worldwide to open local production base; launch DVDs in India**

BBC Worldwide plans to set up an international production base in India, wherein it will bring in its global production specialization to the Indian markets by working with local Indian talent. BBC also has plans to launch its DVDs in the USD 168 million (INR 700 crore) Indian DVD market. The Company is likely to rope in Indian music company Saregama as a partner for this venture. BBC Worldwide is also looking at expanding its brand portfolio across media platforms such as television, Direct-To-Home (DTH), print, online and radio.

- **Publicis Groupe to acquire 51 percent stake in Hanmer and Partners**

French media communications firm Publicis Groupe, plans to acquire 51 percent stake in India's public relations consultancy company Hanmer and Partners (H&P). Following the acquisition, H&P will be renamed Hanmer MS&L and will be aligned with Manning Selvage and Lee (MS&L), a global public relations firm. The development is in line with Publicis' commitment to expand its offering in high-growth emerging markets. This acquisition would considerably strengthen MS&L's presence and capabilities in India. To strengthen its presence in India's advertising market, Publicis recently acquired a majority stake in Capital Advertising.

- **ADAG plans two movie channels**

Anil Dhirubhai Ambani Group (ADAG) promoted Reliance Entertainment, is likely to launch its DTH transmission service around December 2007. The DTH launch would be supplemented with the launch of two movie channels, one in Hindi and the other in English. Reliance Entertainment also plans to launch two news channels around mid-2008. All the television channels of Reliance Entertainment would have the name Big, a label it uses for its FM radio channel launched through Adlabs Films, in which it holds a controlling stake.

"India is one of the fastest growing media markets in the world. If you have serious ambitions of being a global player, you can't ignore India" ,

Wayne Garvie, Managing Director, Content and Production, BBC Worldwide

(Source: The Economic Times- October 10, 2007)

Oil and Gas



- **57 oil and gas blocks on offer under NELP-VII**

Government of India (GoI) is planning to put on offer 57 blocks for auction under New Exploration and Licensing Policy VII (NELP VII) in November. Nine are in shallow water and 19 of these blocks are in deepwater while another 29 are onland blocks. The round, which is seventh in the series, is scheduled to be launched on November 5 followed by public advertisements on November 6. NELP was launched in 1999. The ministry has awarded 162 oil and gas blocks in the previous six rounds. In February 2007, under NELP-VI, the ministry allotted 52 blocks, of which 21 deepwater blocks were awarded to the Indian state-owned Oil and Natural Gas Corporation (ONGC). The Government is expected to collect nearly USD 12 billion from blocks auctioned under NELP-VI.

- **Triveni Engineers tied up with GE for oil and gas sector compressors**

Indian Triveni Engineering has tied up with U.S.-based General Electric (GE) for high speed compressors which are used in the oil and gas sector. This will give GE entry in India's fast growing high speed reciprocating compressor market, used widely in the oil and gas sector. Triveni is targeting 25-30 percent market share of the domestic market estimated to be worth of USD 100 million by 2010. Triveni will import bare compressors from GE Oil and Gas, sourced from its U.S.-based facility. It would then get engaged in the engineering design, manufacturing and assembly of the package. GE participates in a wide range of manufacturing, services and technology businesses in India. GE's revenues in India are approximately USD 2.8 billion.

- **ONGC Mittal Energy acquired 30 percent stake in Caspian Sea block**

ONGC Mittal Energy (OMEL), a joint venture between ONGC Videsh (OVL) and Mittal Investment Sarl (MIS), has acquired 30 percent Participating Interest (PI) in an exploration block in Turkmenistan. ONGC Videsh Limited (OVL) is the overseas arm of Oil and Natural Gas Corporation (ONGC). The exploratory block 11-12 in the Caspian Sea covers 5,663 sq km. The block was earlier awarded by Turkmenistan to Maersk Oil, in December, 2002. The consortium now comprises OMEL, Wintershall, a German company with 34 percent PI; and Maersk Oil, a Danish company with 36 percent PI.

- **Reliance Industries to explore Columbian waters**

Reliance Industries Ltd., Indian private petrochemical major, will sign contracts for two exploration blocks in Columbia. This will be RIL's first venture in Latin America's exploration and production sector. Both blocks lie in the 'frontier' Borojo Basin in the deep waters offshore Colombia and were awarded to Reliance by the country's upstream agency Agencia Nacional de Hidrocarburos in September 2007. Each of Reliance's blocks (Borojo North and Borojo South) measure around 4,000 sq km. Under Colombian law, Reliance must pay royalty to the government based on production which varies from 2 to 8 percent depending upon the production levels.

"Oil and gas is the fastest-growing segment within our infrastructure portfolio and we see it as a big part of India's infrastructure growth. Our agreement with Triveni is a key step in our localization and partnership strategy"

Pratyush Kumar, President and Ceo, GE Infrastructure (India) on alliance with Triveni Engineers
(Source: Economic Times, October 24, 2007)

Pharma



- **Wockhardt acquires U.S.-based Morton Grove**

Wockhardt Ltd., an Indian pharmaceutical and biotechnology company, has acquired Morton Grove Pharmaceuticals Inc., a U.S.-based company. Morton Grove is a liquid generic and speciality dermatology company with sales of USD 52 million. This acquisition will broaden Wockhardt's U.S. portfolio by adding 31 products and taking the total strength to 54 products. With this acquisition, Wockhardt will establish its position in U.S. liquid market.

- **Lupin acquires majority stake in a Japanese company**

Lupin Ltd., an Indian pharmaceutical company, has acquired a significant majority stake in Kyowa Pharmaceutical Industry Co. Ltd. (Kyowa), a Japan-based generics company. Kyowa is ranked among the top ten generic companies in Japan and has a presence in the psychiatry, neurological, cardiovascular, respiratory and digestive therapeutic segments. This acquisition will enhance Lupin's presence in the Japanese generics market.

- **Avesta Biotherapeutics and Research acquires a Germany-based biological company**

Avesta Biotherapeutics and Research Pvt. Ltd. (ABRPL) has acquired Siegfried Biologics GmbH, a biopharmaceutical contract development and Good Manufacturing Practices (GMP) manufacturing subsidiary of Switzerland's Siegfried Group. ABRPL is a joint venture between Avestha Gengraine Technologies and Meditab Specialities (of CIPLA group) for manufacturing biopharmaceutical products for worldwide markets with a specific focus on the Brazil, Russia, India and China (BRIC) markets. The acquisition of Siegfried will provide it with process development and GMP manufacturing capabilities.

- **Eli Lilly enters into an out-licensing agreement with Glenmark**

Eli Lilly and Company has entered into an out-licensing agreement with Glenmark Pharmaceuticals, an Indian pharmaceutical company with a strong research focus. Lilly will acquire the rights to a portfolio of Transient Receptor Potential Vanilloid sub-family 1 (TRPV1) antagonist molecules, including a clinical compound - GRC 6211 for treating various pain conditions. At present, GRC 6211 is in the early clinical Phase II stage of development. As per the agreement, Lilly will pay an upfront fee of USD 45 million followed by additional fees on potential development, sales milestones for the initial indication and sales royalties upon successful commercialization.

- **Ranbaxy acquires additional stake in Zenotech Laboratories**

Ranbaxy Laboratories, one of India's leading pharmaceutical companies, is increasing its equity stake in Zenotech Laboratories from the existing 7 percent to 45 percent. Zenotech Laboratories is a specialty generic injectables company with a specialization in biotechnology. This acquisition strengthens Ranbaxy's presence in the generic biologics segment.

"This is a very significant part of our strategy to tap leading global markets and establish a beachhead in the second largest pharmaceutical market in the world"

Dr. Desh Bandhu Gupta, Chairman, Lupin, commenting on the acquisition of Kyowa

(Source: Company Press Release, October 10, 2007)

Power



- **Reliance Power grabs Andhra UMPP**

Reliance Power has bagged the Ultra Mega Power Project (UMPP) for Krishnapatnam (Andhra Pradesh). Reliance had bid the power supply at an average rate of 2.33 per unit, while other two players namely Larsen & Toubro (L & T) and Sterlite had quoted a bid of 2.68 per unit and 4.18 per unit respectively. For Reliance Power this is second UMPP in a row, after the first one of Sasan.

- **NHPC planning to add 25,000 MW capacity in next 20 years**

National Hydro Power Corporation (NHPC) is planning to add 25,000 MW of hydro generation capacity over next 20 years. Presently NHPC has managed to produce 4,145 MW from 11 projects since it was set in 1975. Additionally, the company is in the process of constructing 13 projects which will add 5652 MW, majority of which are likely to come up in 11th plan period

- **Reliance Power, L&T and Lanco bid for Talwandi Sabo project**

10 companies including Reliance Power, Larsen & Toubro (L&T) and Lanco Infratech have bid for setting up a 2,000 MW coal-based power project at Talwandi Sabo in Punjab. Other companies like Essar Power, Sterlite Industries, Torrent Power, GVK Power & Infrastructure, Jindal Steel & Power, Devona Thermal Power & Infrastructure of Indiabulls and Gujarat Paguthan Energy Corp have also showed interest for the project. The project is will be awarded on tariff based competitive bidding.

- **41 coal blocks for power firms**

The Indian Prime Minister has approved the allocation of 41 coal blocks to the public and private sector power companies to ensure achievement of target power generation in the XIth plan. 12 of the 41 blocks with reserves of 6.4 billion tones have been allocated to 18 central and state power utilities to sustain a power generation capacity of approximately 18,000 MW. Additionally, 15 blocks with 3.6 billion tonne capacity has been allocated to 31 private companies for supporting generation of 16,000 MW.

- **Indo-Asian Fusegear joins power distribution club**

Indian Electrical Equipment manufacturer Indo-Asian Fusegear, has said that it is in talks with state electricity boards, corporations and utilities in North India to take up distribution network on a franchise basis. For the proposed foray, the company has set up a new entity Indo Asian Power Distribution and Infrastructure with an investment of USD 6.3 million. The company has already submitted tenders in Rajasthan, Uttar Pradesh, Madhya Pradesh and Haryana which are likely to be finalized in next two to three months.

“India is witnessing phenomenal growth in the power sector, specifically power generation”

Anil Ahuja, Managing Director and Co-Head, 3i Asia

(Source: Energy Asia News, October 26, 2007)

Real Estate and SEZs



- **Omaxe acquires SN Realtors**

Omaxe Ltd. has acquired SN Realtors, NCR-based land owning company, for a consideration of USD 11.25 million (INR 450 million). The acquisition is in line with Omaxe's expansion plans in the real estate sector. By this take over, the company has acquired 11.012 acres of land in Faridabad; and plans to develop a residential project with an additional investment of USD 25 million (INR 1 billion). The project will have a salable area of 8.4 lakh square feet and would be completed in 24 to 36 months.

- **Vipul to build a USD 100 million housing project**

Vipul Ltd., a flagship company of the Vipul group, is coming up with a housing project in Ludhiana, India with an investment of USD 100 million (INR 4 billion). The project named Vipul World, will be spread over 109 acres and is being developed in association with Solitaire Capital, India, a real estate venture fund. The company has received a land use approval from the Government of Punjab.

- **Red Fort Capital to invest in India**

Red Fort Capital plans to invest about USD 425 million in various real estate projects in India. The company has already invested about USD 225 million in five projects, one in Chennai and two each in Bangalore and Hyderabad. At present, it has tied up with Prestige Group for an integrated township project in Bangalore. The project will be spread over 800 acres and would have an initial investment of about USD 180 million. Red Fort will invest USD 80 million and the remaining USD 100 million would be borne by Prestige. The company has invested USD 50 million (INR 2 billion) to purchase land in Hyderabad for building middle class housing units. In Bangalore, the company is developing the second phase of a tech park on a 2.2 million square feet land with an investment of USD 30 million.

- **Hero Group to foray into real estate**

Hero Group, the India-based manufacturer of two-wheelers, is planning to enter the real estate business in India. The company has about 10 acres of land at Gurgaon, Haryana, which it may use to build a commercial complex. At present, the company is in talks with various real estate companies in Delhi to develop this property.

- **RedHawk to build township in Hyderabad**

RedHawk Investments Group, a U.S.-based real estate firm, is planning to set up a USD 350 million (INR 1,400 crore) techno-township near Hyderabad in partnership with Dreamland Infrastructures. The company plans to develop about 30 million square feet of built-up area spread over 600 acre land, of which 26 million square feet will be used for residential purposes and the remaining for commercial and common use infrastructure. Dreamland has acquired the land for about USD 50 million (INR 200 crore). The project will be funded through private equity and debt.

“As the industry is yet to mature, the conventional price-earnings ratios or profitability ratios would be of little help. Therefore, a net asset value (NAV) based approach is taken which gives a fair idea of how much the company is worth at the time the NAV is estimated”

Ritesh Vohra, Director (investments), Saffron Asset Advisors

(Source: Business Standard, October 29, 2007)

Telecom



- **Government issues broad guidelines for 3G services**

The government has recently unveiled the broad guidelines of its 3G policy. As per the guidelines, the government would use the auction process for the allotment of frequencies for offering Third Generation (3G) services where all the telecom players, existing operators, licence holders and new international players would all be allowed to bid. According to a statement released by the Department of Telecom, "The 3G licences would be granted through a controlled, simultaneous ascending e-auction, by a specialized agency to ensure transparency in the selection process".

- **Number Portability to be introduced in four metros**

The government has decided to introduce number portability in a phased out manner. To begin with, this facility would be available in the four metros of Mumbai, Chennai, Delhi and Kolkata by the fourth quarter of 2008. Number portability would allow mobile telephony subscribers to change their service providers without changing their mobile numbers. This will compel telecom service providers to enhance the quality level of their services to prevent customer attrition.

- **BSNL to invest USD 15.2 billion by 2010**

BSNL, state owned telecom major, is planning to invest USD 15.2 billion (INR 600 billion) over the next three years across its GSM, Broadband and WLL services. At present, BSNL is the fourth largest mobile telecom service provider with 30 million subscribers. The company expects to add 100 million new subscribers and achieve a top slot with 33 percent market share by 2010. The company expects to fund its expansion plans through internal accruals and may look at market borrowing at a later stage.

- **Polycom's India revenue to reach USD 100 million by 2010**

Polycom, a U.S.-based teleconferencing and videoconferencing equipment provider, expects a three fold increase in its India revenue from USD 35 million this year to USD 100 million by 2010. At present, India is the fastest growing and a fifth largest market for Polycom. According to Robert C. Hagerty, Chairman and Chief Executive Officer, Polycom, "India will move up to the No. 3 position and soon after will be the largest revenue contributor for Polycom globally".

- **Bharti Airtel and Western Union enter into an agreement to offer mobile money transfer services**

Bharti Airtel, India's leading mobile telecom company, and Western Union, the world's largest money transfer company has entered in to an agreement to offer mobile money transfer services to Bharti Airtel's customers. Western Union has already signed a deal with 35 global GSM-based mobile operators including as MTN, Orange, Orascom, Smart, Telenor, and VimpelCom for this service. Bharti is expected to launch this service by the second quarter of 2008.

"By 2010 we have planned to become number one GSM player with at least 33 percent market share. Government has a target of 500 million connections from about 240 million now. We have plans to add about 100 million new subscribers by then".

Kuldeep Goyal, Chairman and Managing Director, BSNL.

(Source: The Economic Times, October 24, 2007)

Transport and Logistics



- **World Bank ranks India at 39th position in global trade logistics**

According to a World Bank study – ‘Connecting to compete: Trade logistics in the global economy’, India holds the 39th position on the Logistics Performance Index (LPI). The index is based on the ability to transport goods reliably and in a cost-effective manner to and from a country. The list of 150 countries has been topped by Singapore, followed by the Netherlands, Germany, Sweden and Austria. Other countries in the top10 include Japan, Switzerland, Hong Kong, U.K. and Canada. India is the second highest ranked nation among the BRIC countries after China. Brazil and Russia occupy the 61st and 99th place respectively.

- **Indian Railways to unlock around 50 acres of real estate**

The Railways are set to unlock around 50 acres of real estate in and around the New Delhi railway station for commercial development. The property, with a Floor Area Ratio (FAR) of 2.5, could reportedly fetch the Railways over USD 2,564 million, making it potentially one of the largest real estate deals in the country.

- **UTI Worldwide plans to invest USD 25 mn in India**

UTI Worldwide, a leader in the field of logistics solutions, plans to invest USD 25 mn in India during the next five years, making it the second business hub after China. The company is expecting a Compounded Annual Growth Rate (CAGR) of 20 percent in its bottom line for the next few years, and so has made investment plans of USD 80 mn for its global expansion. The main areas of investment by the company will be in technology procurement and skill up-management of its employees.

- **TRIL in JV with Jafza for logistics parks**

Tata Realty and Infrastructure Ltd (TRIL), has set up a Joint Venture (JV) with Jafza International of Dubai to set up a chain of logistics parks in India. Jafza International is the global operations arm of the Economic Zones World, which is the parent company of Jebel Ali Free Zone (Jafza). In its initial phase, the JV between the two companies will set up logistics parks in seven locations, which will involve an investment of USD 615 million. In the next phase, 15 to 20 hubs will be developed, which will involve a cost of USD 2,564 million. TRIL's real estate fund is about to close and expected to collect USD 750 mn, which includes a contribution of USD 50 mn by TRIL itself. The amount collected is more than the targeted amount of USD 450 mn and will be used to finance the logistics park project.

- **L&T to invest USD 769 mn to build two new ports**

Engineering and constructions major, Larsen & Toubro (L&T) has decided to set up two new ports with an estimated investment of USD 769 mn. Besides this, the company will also be building its third shipyard in the country. L&T Infrastructure Development Projects Limited (L&T-IDPL) will be involved in the construction of the ports.

“India is one of the nations making a transition from the vicious circle to the virtuous circle...and is also one of the comprehensive reformers in logistics along with South Africa and emerging economies in East Asia and Latin America”.

World Bank study – ‘Connecting to compete: Trade logistics in the global economy’

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