KPMG

Sectoral Snippets

India Industry Information

Issue 16 - February 2008

KPMG IN INDIA

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KPMG

Sectoral Snippets

Russell Parera

Chief Executive Officer

KPMG in India

Sectoral Snippets, Issue 16

Despite fears of a slowdown, high interest rates and oil prices, and an appreciating rupee; the Indian economy recorded over 9 percent growth in the first two quarters of this fiscal year. Moreover, with the 2008-09 Union Budget around the corner, the Indian Finance Minister is faced with the task of balancing inflation and growth, while providing for the sectors in urgent need of attention like welfare, infrastructure, agriculture and the labor market.

In other developments, Russian Prime Minister Victor Zubhkov's visit to India went a long way in improving bilateral economic cooperation. In addition to this, Mauritius' Prime Minister Navinchandra Ramgoolam visited India and advocated the strengthening of economic and cultural ties between the two countries.

We hope you find this edition of Sectoral Snippets useful.

Regards,

Russell

Table of Contents

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

"It is a matter of considerable satisfaction that despite turbulence and heightened global uncertainties, our economy grew by 9.6 percent in 2006-07 and is estimated to grow close to 9 percent this year. Which side of 9 percent it is difficult to say."

Finance Minister P. Chidambaram
(Source: Business Standard February 1, 2008)

The turmoil in the global financial system triggered by the sub-prime crisis in the U.S. is having an impact on India too, in the form of uncertainties and volatility in the capital markets.

The past few weeks have witnessed negative global cues due to the apprehensions expressed by the U.S. Federal Reserve Chairman. A resultant slowdown, if any, could have a direct impact on the Indian services sector, which in turn acts as an important demand driver for industrial production.

The Index of Industrial Production stood at 7.6 percent in December 2007 compared to 13.4 percent in December 2006; however, it has been higher than the preceding months in 2007. The Mumbai Sensex – which represents one of the fastest-growing capital markets in the world in 2007, at 51 percent – has fallen close to 20 percent since January 2008, albeit, in line with its peers.

Nonetheless, the confidence of the Indian public is clearly reflected as the economy grew faster in 2006-07 than previous estimates and registered 9.6 percent growth . According to the Central Statistical Organization estimates, the economy is on course to grow by 8.6 percent in 2007-08.

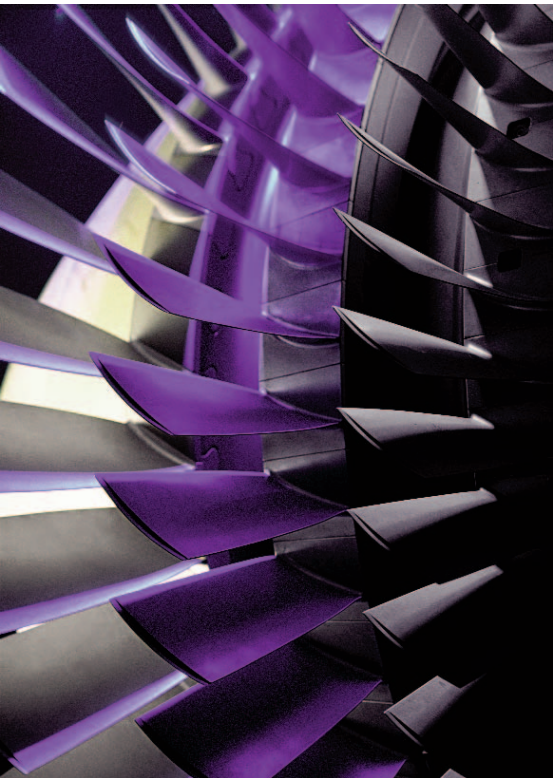
The government, in its endeavor to sustain growth, is looking at appropriate policy amendments. Although these measures may temper some of the investors, most of them recognize that India is a high-quality, long-term growth story, and that has not changed. The sustainability of India's economic growth is among the finest in the emerging markets universe. The efficient utilization of capital and quality of entrepreneurship in India is also well recognized.

The reasons for the recent swings in the capital market may have been excess valuations and hype, which are now getting corrected. This much needed correction should clean out most of the momentum players and bring in longer-term stable investors into the market.

The nation is now keyed-up for the upcoming budget (February 29) which is likely to maintain a fine balance between the trends of industry (i.e. high growth and focus on infrastructure) and inclusive growth (i.e. low inflation, focus on agriculture and education).

Analyst: Asmita Deshmukh

Auto and Auto Components



- **Volvo to foray into used truck market**
  Global Truck maker, Volvo plans to enter the used truck market in India. Volvo will buy used tippers—which are used in mining and construction— from its customers at an agreed price and refurbish them internally and externally, before reselling them to a new buyer with a six-month warranty. The price of a used Volvo will be substantially lower than its original selling price. Volvo's foray into the used truck market is aimed at catering to the growing truck market and demand for the Volvo-brand in India.

- **Mahindra to sell Scorpio SUVs and delivery vans in Brazil**
  Mahindra & Mahindra (M&M), a leading utility vehicle maker in India, will sell Scorpio SUV and its Pik-Up range (single and double cab) in Brazil with Bramont-Montadora Industrial e Comercial de Veiculos. A facility has been set up to assemble the vehicles with an annual capacity of 5,000. The assembling of the vehicles would be undertaken by Usiparts—a Usiminas System company—and the chassis, suspension and engines (power-train) would be assembled by Bramont at its plant in Manaus (AM).

- **Skoda to make India its regional manufacturing hub**
  Skoda Auto plans to make India its regional manufacturing hub to tap the domestic market as well as neighboring markets like Nepal, Sri Lanka, Burma and Bangladesh. Skoda currently assembles cars at its Aurangabad facility in Maharashtra. It plans to produce cars in India by 2010 with a manufacturing target of 50,000 units.

- **GM plans second plant in India**
  General Motors (GM) India is planning to commission its second plant in Talegaon near Pune in the second half of 2008. The new plant will have a capacity of 140,000 units per annum and entail an investment of USD 325 million (INR 1,300 crore). GM currently has a facility at Halol in Gujarat with a production capacity of 85,000 units per year.

- **Tata Motors to supply 50,000 upa electric micro pick-ups to Chrysler LLC**
  Tata has signed a contract with Chrysler LLC to develop electric vehicles. The first vehicle is said to be an electric version of Tata's Ace micro pik-up truck which will be sold in the U.S. The vehicle has already cleared safety and reliability tests and a prototype is ready to be manufactured. Tata Motors expects to export around 10,000 units by year-end and ramp up to 50,000 units in the following year.

"In terms of growth, the Indian automotive market is second to China. But it is certainly more exciting to be here as long-term strategies aren't enough. One needs to have short-term responses in place or create a leadership. The Indian market keeps players on the toes".

Karl Slym, President and MD, GM India.
(Source: Times of India, January 16, 2008)

Analyst: Rajiv Somani

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Banking and Insurance

"In addition to the increase in Japanese companies establishing operations there [India] in recent years, there are many promising business opportunities anticipated in India, including various large infrastructure-related projects".

Mizuho Corporate Bank, Press Release.

(Source: Mint, January 25, 2008)

- **Japan's Mizuho strikes alliance with State Bank of India**
  Mizuho Financial Group has signed an alliance with State Bank of India, the country's largest lender with around 14,000 branches, with the aim of strengthening the cooperation between the two banks in a wide range of areas, including syndicated lending, trade finance, and infrastructure finance, taking advantage of each party's large corporate customer base and extensive business specialization. This is the first such alliance agreement between a major Japanese commercial bank and a financial institution in India. Mizuho currently operates branches in Mumbai and New Delhi. The agreement does not involve a capital alliance.

- **BNP Paribas infuses USD 145 million in Indian operations**
  European banking group BNP Paribas has infused USD 144.8 million by way of fresh equity in its Indian operations. The fresh equity infusion was made in the last quarter of 2007 taking its capital base in India to USD 406.5 million. BNP Paribas is an active player in corporate investment banking and also has a strong presence in the private banking arena. BNP has further diversified into different areas like asset management, housing finance, life insurance personal investment services and fleet management through Joint Ventures (JVs) in India. The group is also partnering with SREI Infrastructure Finances for leasing and financing construction equipment.

- **Indiabulls ties up with French insurance company Sogecap**
  Indiabulls Financial Services has tied up with Sogecap, the insurance arm of French financial major Societe Generale, for its foray into the life insurance business. Indiabulls has received the Reserve Bank of India's approval to invest in its insurance JV. The total investment in the insurance company will be USD 250 million for the next two to three years, into which Indiabulls will be putting around USD 100 million, and the the rest will be brought in by the foreign partner. The company is currently undergoing the regulatory approval process with Insurance Regulatory and Development Authority.

- **Carlyle group invests in Repco Home Finance**
  Carlyle group, a global Private Equity (PE) firm, has invested USD 27.7 million in the south-India based Repco Home Finance. Repco, a subsidiary of Repatriates Co-operative Finance and Development Bank, plans to use the funds to improve its equity base and thereby expand its loan portfolio. Repco provides housing and commercial property loans, largely focusing on southern India.

- **Mahindra Finance makes preferential allotment to two PE Funds**
  Mahindra and Mahindra Financial Services Ltd. (MMFSL), a non-banking finance company of the auto major Mahindra and Mahindra, has made preferential allotment of 10 percent (10.9 million shares) to TPG-Axon and Standard Chartered private equity for USD 105 million. With this investment, the promoter shareholding in MMFSL has come down to 60.1 percent. MMFSL plans to use the funds primarily for the operations of the company.

Analyst: Kunal Jain

Consumer Markets and Retail

"India is the fastest growing market for Canon, which grew at 35 percent last year, even surpassing China's which grew at 30 percent. In 2008, we expect Indian operations to grow at 40 percent and it will continue to be the fastest growing market".

Alok Bharadwaj, Senior Vice-President, Canon India.

(Source: Asia Pulse, January 21, 2008.)

- **Godrej Consumer to acquire South African hair brand Kinky**
  Godrej Consumer Products Limited (GCPL), one of the leading companies in the Indian fast moving consumer goods sector, has signed an agreement to acquire the South African hair business Kinky. Kinky is a self created premium brand in South Africa whose trademark is registered in several countries of the world. The company's products are manufactured at the company's plants in Johannesburg and Durban. Earlier in September 2006, GCPL acquired the South African Rapidol Pty. Limited, a marketer of permanent hair colorant. Through both these acquisitions, GCPL expects to diversify and strengthen its hair product portfolio in South Africa and other African countries.

- **Canon reinforces India focus, allocates highest global spend**
  Japanese digital imaging major Canon, plans to spend USD 25.5 million on marketing in 2008 in India, the highest amongst all the global subsidiaries. Canon India is targeting USD 177.8 million in revenues in 2008, up from USD 129.6 million in the previous year, driven by the retail business, launch of new products and enhanced brand appeal. Canon has entered into commercial arrangements with major retail players like Future Group (Home Solutions and Big Bazaar), Tata (Croma), Reliance Digital and Metro Cash & Carry to bolster its distribution ties. Canon India has recorded good growth in mid-end cameras, color segment copiers, laser printers and camcorders.

- **Starbucks strikes up partnership with PVR to enter India**
  U.S.-based leading coffee chain, Starbucks, has entered into a distribution tie-up with India's leading multiplex operator, PVR Limited for its select products. PVR has started retailing Starbucks products at its three multiplexes in Mumbai and Delhi and plans to extend the arrangement across major metros in the future. Starbucks had earlier withdrawn its application to operate under a single-brand retail chain in India after failing to get regulatory approvals.

- **LG India to invest over USD 278 marketing and expansion**
  LG Electronics India plans will invest over USD 278.96 over a period of next three years in order to consolidate its position in the premium segment and to increase its revenue. Of the planned investment, USD 253.6 million would be used to fund marketing initiatives with a focus on plasma TVs, IT products, split ACs and GSM handsets, while USD 30.4 million would be towards Pune plant's production capacity and other infrastructure. LG India is targeting revenues of USD 4.1 billion by 2010 from the expected figure of USD 2.4 billion this year.

- **Consumer durables growth to surpass 12 percent: FICCI**
  According to The Federation of Indian Chambers of Commerce and Industry (FICCI), the consumer durables sector in India is set to surpass the 12 percent growth rate during the financial year 2007-08. As per the survey, consumer durables sector is poised for a quantum leap due to technological improvements, falling prices due to competition, aggressive and innovative marketing and declining import tariffs. The market for non-IT consumer durable goods is estimated at around USD 8.9 billion in 2006-07 with 11.5 percent growth, against 8.5 percent growth in the previous year.

Analyst: Kunal Jain

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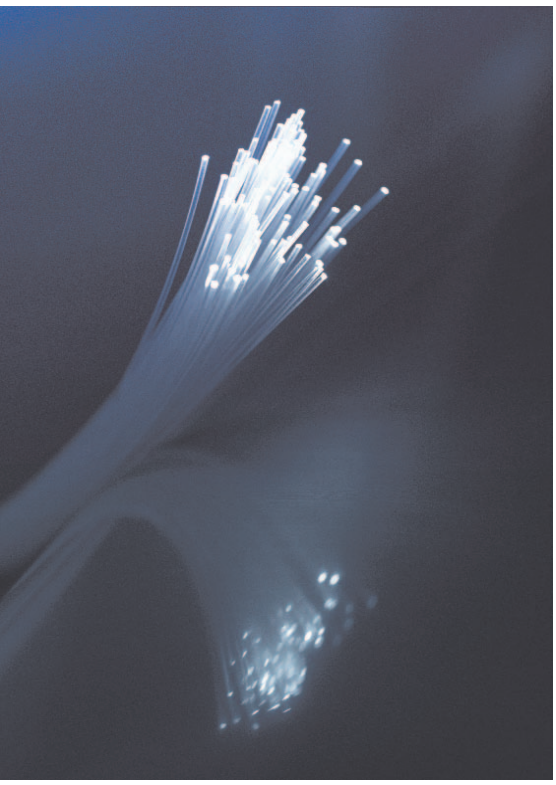
IT / ITeS



Highlights of the Strategic Review 2008

USD billion	FY2007	FY2008 E
Domestic	**16.2**	**23.2**
IT Services	5.5	7.9
ITES-BPO	1.1	1.6
Engineering, R&D, Software Products	1.6	2.2
Hardware	8.0	11.5
Exports	**31.8**	**40.8**
IT Services	18.0	23.1
ITES-BPO	8.4	10.9
Engineering Services and R&D, Software Products	4.9	6.3
Hardware	0.5	0.5
Total	**48**	**64**

Source: NASSCOM

- **Satyam buys Bridge Strategy Group**
  Satyam Computer Services Ltd., a leading IT services provider from India, has acquired Chicago-based Bridge Strategy Group (Bridge), a management consulting firm in all cash deal for USD 35 million. Bridge was founded in 1998 and earned revenues worth USD 17 million in the last fiscal year. Bridge has a team of 40 consultants and develops profitable growth, operations design, performance improvement, and execution strategies for clients of varying size.

- **Wipro wins USD 100 mn deal from Saudi Arabian airlines**
  India's third largest IT company Wipro Ltd., has bagged a five-year contract from Saudi Arabian Airlines. The USD 100 million contract was awarded to Wipro Arabia, a joint venture between Wipro Infotech and the Dar Al Riyadh that provides IT solutions and services in Saudi Arabia. The contract involves data center consolidation and management, integration and management of a highly secure converged network and comprehensive enterprise-wide managed infrastructure and security services.

- **Mindtech acquires Infotech Consulting**
  Mindtech (India) Limited, an IT services company has acquired U.S.-based Infotech Consulting, a multi-disciplinary technology services firm for about USD 21 million. Infotech had an estimated revenue of USD 31 million as of December 2007 and employs over 250 people in the U.S. Mindtech expects to benefit from Infotech's large commercial and governmental customer base and significant specialization in business application consulting and security, infrastructure and managed services.

- **TCS's U.K. arm bags USD 200 mn contract**
  Tata Consultancy's U.K. subsidiary Diligenta, has won a USD 200 million order from Canadian financial services major Sun Life Financial (SLF). The 10 year contract is to deliver business process outsourcing services to support SLF's U.K. operations.

- **Infogain acquires Pune-based Spider Systems**
  Infogain Corporation, a California-based provider of customer relationship management, enterprise resource planning and integration and business intelligence solutions and services has acquired Pune-based ERP Company Spider Systems Pvt. Ltd. The company believes the acquisition to be in line with its strategy to become a leading business process solution provider for mid-market companies.

- **Cranes Software acquires Engineering Technology Associates**
  Cranes Software International Ltd. (CSIL), the listed Indian IT company, has acquired U.S.-based Engineering Technology Associates (ETA), an auto consulting and product development firm for about USD 18 million. ETA specializes in developing computer aided engineering centric products for auto safety, vibration, and noise testing, under simulated conditions.

Analyst: Parnika Patil

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Media

- **NBC Universal acquires 26 percent Stake in NDTV's U.K. Subsidiary**
  U.S. media company NBC Universal has acquired a 26 percent stake in NDTV Networks, the U.K. subsidiary of NDTV India for about USD 150 million. Post this deal, NDTV will have reach to various programmes on NBC Universal. This acquisition is in line with NBC's international expansion strategy and will strengthen their position in the Indian Media Industry. Last year, private equity investors including Lehman Brothers, Goldman Sachs, CSFB and eight others had acquired about 24 percent stake in NDTV Networks, for USD 120 million.

- **Warner Bros Motion Picture in strategic alliance with Prime Focus**
  Warner Bros. Motion Picture Imaging and Prime Focus have entered into a strategic alliance that will allow both companies to expand their abilities to offer their digital post production capabilities to filmmakers, on a global scale. Prime Focus is an India-based post production house and offers a wide spectrum of services ranging with operations in U.K., U.S., Canada and India. The tie-up will allow both companies to manage their workflows more efficiently and economically and will give Prime Focus a chance to service Warner Bros projects and their clients.

- **India's first digital entertainment city in Hyderabad**
  The Andhra Pradesh government is planning to set up India's first Digital Entertainment City in Hyderabad in collaboration with group of animation and gaming firms and production houses. The government will allot 100 to 200 acres of land for the project which will house animation companies, game companies, film production houses, music studios, TV studios, training academies, regulation support offices and an entertainment complex, all in one location. The venture also plans open an academy to offer courses in digital entertainment which will be launched in June 2008.

- **DreamWorks to set up animation studio in Bangalore**
  DreamWorks Animation has tied up with Technicolor Services, a division of digital video technologies company Thomson, to launch an animation studio in Bangalore. Thomson recently invested in Paprikaas, through their Technicolor business and now with the assistance of DreamWorks Animation, is committed to building on the potential of the existing creative and technical talent base in India to develop a world-class animation studio. Paprikaas currently employs 250 artists and plans to hire an additional pool of 250 artists in the next 18 months.

- **Reliance ADAG signs USD 100 million deal with Manchester United**
  Reliance Entertainment's subsidiary, mobile games development company Jump Games has signed an exclusive three-year deal with the Manchester United Football Club. The deal will involve Jump Games designing, developing and distributing mobile games with Manchester United. The company has plans to bring some of the Manchester United players to play exhibition matches in India. Jump Games will introduce a new game every two months and be available globally through local network operators. The price will vary from market to market..

"This will be a significant investment for NBC Universal in an important emerging market and further illustrates our commitment to expand our company internationally, particularly in high-growth areas. The Indian TV market is growing at 16 percent annually, which provides huge opportunities now and into the future"

Jeff Zucker, President and CEO, NBC Universal.
(Source: Business Standard, January 23, 2008.)

Analyst: Ashwini Kulkarni

Oil and Gas

- **Indian companies jointly bid with international players in the NELP VII round**

  Indian state owned Oil and Natural Gas Corporation (ONGC) and Shell, a subsidiary of the Royal Dutch Shell Group, have recently revised their Memorandum of Understanding (MoU) to jointly participate in projects under the seventh round of New Exploration and Licensing Policy (NELP). The original MoU was aimed at cooperation in the area of enhanced recovery through field optimization using Shell's proprietary technology, and other mutually identified areas of cooperation. Oil India Ltd (OIL) will be tying up with BG Exploration and Production India Ltd (BGEPIL) to bid for both onland and deepwater blocks in NELP-VII. Operatorship for the deepwater blocks would be with BGEPIL while OIL would be the operator for onland blocks. OIL was awarded 23 blocks under the past NELP rounds, of which it bagged eight blocks in the sixth round.

- **OVL to pick up stake in Iran's Kish gas block**

  Indian petroleum major ONGC Videsh Ltd. (OVL), an overseas marketing arm of ONGC, is set to sign a deal with Iranian oil major Petropars for a stake in Kish gas block in Iran. OVL has estimated reserves of almost 7 trillion cubic feet (tcf) of gas and 1 billion barrels of oil in this block, which will soon be taken up for development. OVL and Petropars, have approached the National Iranian Oil Company (NIOC) for joint development of the Kish gas field. The field is stated to have about 48 trillion cubic feet of in-place gas reserves. Petropars is a subsidiary of NIOC, the national energy company that controls all Iranian oil and gas assets.

- **Essar Oil acquires 50 percent stake in Kenyan refinery**

  Essar Energy Overseas Ltd, a subsidiary of India's Essar Oil Limited, has acquired 50 percent of Kenya Petroleum Refineries Ltd (KPRL) which owns a four million metric tonne a year oil refinery in Kenya's Mombasa city. The Kenyan government holds the other 50 percent. Essar will acquire the stake from existing shareholders Shell Petroleum Company Limited, Chevron Global Energy Inc. and BP Africa Limited, beating competition from India-based Bharat Petroleum, Reliance and Libya's Oilibya. The KPRL plant, the only refinery in eastern Africa, produces LPG, gasoline, diesel, kerosene and fuel oil.

- **India's Adani Welspun wins 2nd oil and gas block in Thailand**

  Adani Welspun Exploration Ltd., a joint venture between India based Adani Group and Welspun Group, won a second oil and gas block in Thailand. Thailand's Energy Ministry on January 21 awarded concession rights for 13 onshore and offshore oil and gas blocks, with Adani Welspun winning Exploration Ltd. winning onland Block L22/50. The 13 blocks awarded this week are part of the 56 onshore blocks and nine offshore blocks in the Gulf of Thailand, spanning 2,35,606 sq km, which are being offered in the 20th petroleum concession bidding round of Thailand. Adani Group has interests in natural gas distribution, ports and power, while Mumbai-based Welspun Group is into making pipes for the oil and gas industry.

"India is an important growth market for Shell Aviation and the industry as a whole. This agreement extends our global network offering and will benefit both Indian and our global customers".

Sjoerd Post, Vice-President of Shell Aviation on forming a venture with Mangalore Refinery and Petrochemicals Ltd. (MRPL) to market aviation fuel.

(Source: Business Line, January 22, 2008)

Analyst: Amiya Swarup

Pharma

- **Zydus Cadila has entered into drug development collaboration with U.S.-based company**
  Zydus Cadila, an Indian pharmaceutical company, has entered into a collaborative agreement with U.S.-based Prolong Pharmaceuticals Inc., a drug delivery research and development company, to develop a next generation therapeutic protein 'PEG-EPO', for treating severe anemia.

  Zydus will conduct focused drug development operations, including pre-clinical candidate selection, filing of the Investigational New Drug, conducting pre-clinical studies and clinical trials and marketing it globally in mutually agreed upon geographic markets.

- **Teva plans investment in India worth USD 1 billion**
  Teva, the largest generics manufacturer in the world, has plans to make investments to the tune of USD 1 billion in India over the next two years. Of this amount, nearly USD 250-300 million will be spent on setting up greenfield facilities for manufacturing Active Pharmaceutical Ingredients (API). It has acquired over 100 acres of land in Madhya Pradesh to set up the facilities. The balance amount will be spent on acquisitions in India.

- **Marksans Pharma acquires U.K.-based company**
  Marksans Pharma has acquired U.K.-based Bell, Sons & Co. (Druggists) Ltd., a wholly owned subsidiary of Hale Group PLC, for an undisclosed amount. Marksans will get access to 34 product licenses of Bell. This acquisition will mark Marksans' foray in the U.K. markets. The regulated markets will now contribute as much as 50 percent to the company's total revenues.

"This collaboration will also enable Prolong to capitalize on the cost effective drug development capabilities that India offers".

Dr. Abe Abuchowski, President and COO, Prolong Pharmaceuticals Inc., commenting on the collaboration with Zydus Cadila.
(Source: Press Release, January 24, 2008)

- **Wockhardt plans aggressive expansion across India**
  Wockhardt Hospitals has planned aggressive expansion across India. Its plans involve setting up of 16 new hospitals by March 2009. Out of the 16 new hospitals, 11 will be brownfield projects in Ludhiana, Varanasi, Bhopal, Surat, and Goa. Under these projects, Wockhardt will partner with medium and small hospitals in Tier II towns, and use and expand their facilities by investing in a profit sharing model. Wockhardt will also build five greenfield hospitals in South Mumbai, Delhi, and Kolkata. Currently, Wockhardt has 15 hospitals across India.

- **Mauritius-based Evolvence India Life Sciences Fund is investing USD 30 million in Gland Pharma**
  Mauritius-based Evolvence India Life Sciences Fund is planning to invest USD 30 million in Gland Pharma Ltd, a Hyderabad-based injectable drugs manufacturer. Gland Pharma will use these funds for capacity expansion through the organic and inorganic routes. Gland Pharma will expand its operations in the injectables segment and make Abbreviated New Drug Applications (ANDA) filings in biologics, oncology and other generics. Evolvence will gain a significant minority stake in Gland Pharma through this deal.

Analyst: Nandita Kudchadkar

Power

- **REL, GMR among six other short listed firms to acquire Tuas Power**
  Reliance Energy Ltd. (REL) and GMR are the only two Indian companies to get short listed for the bidding process to acquire Singapore's Tuas Power. The other competing companies include China Light and Power and Hong Kong Electric. Tuas Powers's assets include 200 MW of oil-fired steam turbine plants and 1,470 MW of gas-fired combined cycle plants. Tuas caters to National Electricity Market of Singapore.

- **ETA Star acquires Indonesian mine to fuel Tamil Nadu power plant**
  ETA Star Group of Dubai has acquired a 100 million tonne coal mine in Indonesia worth USD 100 million, to fuel its proposed 1,200 MW power plant in Tamil Nadu. The mine will be owned by ETA Star Resources, a wholly owned subsidiary of the group. The group plans to start coal production by 2010 and the entire production will be for Indian power projects.

- **Suzlon bags order for 42.5 MW turbines**
  Suzlon Energy Ltd., world's fifth largest wind turbine maker has bagged an order from Spain. The order is for supplying 42.5 MW wind turbines from Eolia Renovables SRC SA and Iniciativas Energticas SA. Suzlon would start executing the contract for turn-key erection of a wind farm Jerez (42.5 MW) by installing 22 units of Suzlon's S88 2.1 MW turbines.

- **Gujarat strikes deal to swap coal for power with private companies**
  The Gujarat Government has negotiated a commercial deal with two private companies to get access to coal for its power industry. As a part of the deal between state owned Gujarat Mineral Development Corp. (GMDC) and Torrent Power Ltd. and KSK Energy Ventures Pvt. Ltd, the state-owned venture will get Gujarat exclusive rights to two-thirds of the 2,750 MW to be generated in the proposed USD 2.78 billion projects in Chhattisgarh. In return, the two companies will get a guaranteed supply of coal from the mines owned by GMDC.

"Renewable energy sources can be tapped at the local level without any recurring expenditure and promotion of renewable energy use will help achieve energy independence".

V.R. Eswaran, Executive Director, Non-Conventional Energy and Rural Development Society

(Source:The Hindu, January 27, 2008)

Analyst: Rajiv Parekh

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Real Estate and SEZs

"The launch of the domestic fund is in line with our expansion plans for India. We will invest in attractive locations and markets, which demonstrate high underlying employment and income growth. We are putting our own capital along with that of investors, in this exciting new venture. The fund will focus more on land banking and land acquisition, which is the key to high investment returns in the real estate sector."

Subhash Bedi, Director, Red Fort Capital Advisors on the launch of its USD 250 million India based real estate fund.

(Source: Business Standard, January 10, 2008)

- **Peninsula signs land deal with Essar**

  Peninsula Land, a real estate company, has signed a property deal worth USD 300 million (INR 1,200 crore) with Essar Realty Holdings, the realty arm of the Essar Group, to sell and lease premises at its upcoming IT park named Peninsula Technopark in Mumbai. The IT park is to be developed on the land owned by Swan Mills and jointly developed by Peninsula and Swan. It will have approximately 1 million square feet of space in four buildings. The project is expected to be completed in two years. Peninsula will utilize the sales proceeds, to repay the debt raised by Peninsula-Swan Joint Venture (JV) for developing the land.

- **CHD to invest USD 250 million on Real Estate Projects**

  CHD Developers Ltd, a real estate company, is planning to invest about USD 250 million (INR 1,000 crore) in the next four years to develop its ongoing projects and for expanding business at new centers like Bangalore and Udaipur. The firm is presently developing an integrated township at Karnal, Haryana on 200 acres of land and plans to come up with a low cost 'Senior Citizen Retirement Township' in the same city spread over 100 acres. The company is in process of raising USD 10.75 million (INR 43 crore) from preferential issue and has plans to go for another similar issue of USD 50-62 million (INR 200-250 crore) in the next three years. The township project at Karnal is expected to cost about USD 112.5 million (INR 450 crore) and would have a shopping mall on a 400,000 square feet plot and a hotel comprising 70 rooms.

- **IL&FS acquires 50 percent in Uppal Group Project**

  IL&FS through its real estate firm QVC Realty, has acquired a 50 percent stake in an integrated township project being developed by Uppal group, a Delhi-based real estate developer, for USD 75 million (INR 300 crore). The JV between is to be called Uppal QVC Realty. The project will be developed on a 150-acre project in Sector 99 of Gurgaon near Delhi. The current investment by the JV covers only the land cost at USD 1 million (INR 4 crore) per acre. The developers are planning to build and sell bungalows and plots sized between 300-500 square yards.

- **HDIL to invest USD 500 million in Kerala Township**

  Housing Development and Infrastructure Ltd. (HDIL), a real estate firm, is planning to invest USD 500 million (INR 20 billion) for a township in Kerala over the next four years. The township will be built in Kochi and would be spread over 70 acres comprising of commercial and residential buildings, schools and malls.

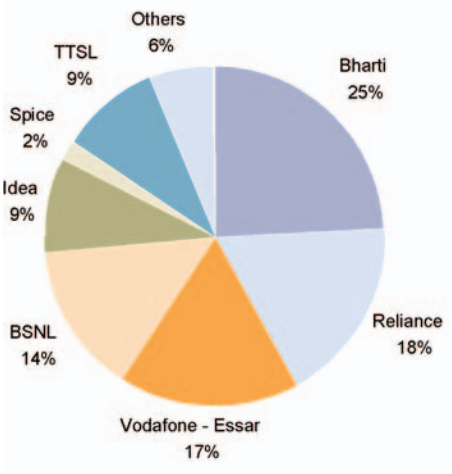
- **Jain Heights to invest USD 187 million in Bangalore and Chennai**

  Jain Heights, a real estate firm, is planning to invest about USD 187.5 million (INR 750 crore) for developing various projects in Bangalore and Chennai over the next five years. The company plans to develop around 5 million square feet of space spread across seven projects during this period. The company plans to intend to float a Special Purpose Vehicle (SPV) for each project and invite FDI into the same.

Analyst: Nitin Dehadraya

Telecom

Market share of total subs as of end - January



Source: COAI, Auspi

- **TowerVision receives USD 300 million investment**
  TowerVision, an independent telecom tower management company focused on providing passive infrastructure to the wireless telecommunications industry, has received USD 300 million investment from various investors including Morgan Stanley which has contributed significantly. It has operations in the telecom circles of Punjab, Haryana, Karnataka, Orissa, Bihar and Tamil Nadu and is promoted by RP Capital from the U.K., Israel's Fore Group and Mivtach Shamir Real Estate (also from Israel). The company plans to use the investment proceeds to augment its tower portfolio to 6,000 within the next 12 months.

- **Syscom to double SIM manufacturing capacity**
  Syscom, a company focused on SIM cards manufacturing, plans to invest USD 50 million (INR 2 billion) to double the capacity of its SIM card manufacturing facility over the next two years. The company has already invested USD 25 million (INR 1 billion) in the facility, situated at special economic zone in Noida, and expects to generate USD 125 million (INR 5 billion) in revenues. It enjoys a market share of around 40 percent in India and serves some of the major mobile operators such as Vodafone, Bharti, Idea Cellular, Reliance, BSNL, Dishnet and Grameen.

- **BSNL and SOMA Networks to rollout WiMax across three states**
  In order to deploy the world's largest mobile WiMax network, the state-owned, BSNL has tied-up with the US-based SOMA Networks, which will roll out mobile WiMax across three states — Gujarat, Maharashtra and Andhra Pradesh to provide wireless broadband coverage to nearly 200 million people over the next three years. This project is based on the Public Private Partnership(PPP) model and revenues will be shared between the two companies.

- **TRAI issues consultation paper on Mobile Television**
  - All companies seeking to offer mobile television services will have to mandatorily apply for a licence by paying a one-time entry fee in a closed bidding process
  - Telecom companies who wish to offer this service on their existing network can do so without seeking any fresh licence
  - The tenure of mobile television licences should be 10 years
  - It has also recommended charging the mobile television operators 4 percent of gross revenue per year or 10 percent of the reserve one-time entry fee limit for the concerned licence area, whichever is higher
  - It also recommended the sharing of terrestrial transmission infrastructure of Doordarshan along with the sharing of the mobile TV operators infrastructure for all mobile TV licence holders.

- **Bharti and IBM enter into a USD 150 million deal**
  Bharti Airtel, India's largest private sector telecom company has entered into a USD 150 million six-year agreement with global IT major IBM for implementing IT systems to launch interactive services in broadband, media, internet protocol television and direct to home segments. This agreement will also help Bharti to support channel transformation, essential for rural market penetration and the delivery of value-added products and services to the prepaid segment.

Analyst: Amit Shah

Transport and Logistics

- **GMR to bid for modernization of Prague airport**
  After successfully bidding for upgrading Turkey's Istanbul international airport, infrastructure major GMR will reportedly bid for the modernization of Prague airport in Czech. The company is betting big on the airport modernization business in Europe following its successful bid for modernizing Turkey's Sabiha Gocken airport. Prague airport is expected to come up for bidding mid-this year. Last month, the company set up a subsidiary, GMR Infrastructure Mauritius Ltd. to focus on overseas ventures.

- **Foreign Direct Investment (FDI) raised to 74 percent in Indian cargo airlines**
  FDI in Indian cargo airlines has been raised to 74 percent from 49 percent for international carriers, although no direct or indirect investment has been allowed for foreign airlines in scheduled, non-scheduled and chartered airlines. Also, 100 percent FDI in maintenance repair and overhaul (MRO) organizations, flying training institutes and for helicopters has been allowed.

- **MoS to infuse USD 132 million to develop smaller ports**
  The Ministry of Shipping (MoS) has made plans to set up a USD 132 million fund to improve road and rail connectivity with the smaller ports in the country to boost trade by assisting state maritime boards in dredging and rail-road related activities. There are about 200 small public and private ports in the country and out of them, only 13 are active. The fund is expected to help states like Gujarat, Maharashtra, Andhra Pradesh and Kerala develop these ports faster..

- **Jagson Airlines to fly as regional carrier**
  Jagson Airlines will start operations as a scheduled regional carrier in about three months. The airline is also reportedly planning to offload part of its stake to Private Equity (PE) players by May 2008. The company recently got a No-Objection Certificate (NOC) from the government to fly as a regional carrier from Delhi. The parent company, oil exploration major Jagson International, holds the majority stake in the airline.

  The airline currently has a fleet of five aircrafts and will be acquiring six to eight 50-seater Bombardiers or ATR aircrafts by the end of 2008. The regional carrier will be positioned as a 'value carrier' (in-between low-cost and full service) flying to non-metro cities in Uttar Pradesh, Madhya Pradesh and Chhattisgarh. The airline has landing rights at 40 airports.

"We scent an immense potential in airport modernization in Europe. Europe is lagging behind in airport privatization, especially Eastern and Central Europe. We expect more airports to come up for privatization and we will definitely bid for them".

Ashutosh Agarwala, CFO (Strategic Finance), GMR.

(Source: Economic Times, January 29, 2008)

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