KPMG

Sectoral Snippets

India Industry Information

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KPMG IN INDIA

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Sectoral Snippets

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KPMG in India

Sectoral Snippets, Issue 3

The year 2006 is being hailed as the 15th continuous year of economic reforms in India. The word 'continuous' has special significance for India, as there have been multiple changes in government during this period, most of them consisting of loose coalitions across disparate political parties. The continued focus on reforms, therefore, indicates a very broad-based political consensus, which augurs well for the future of continued economic reforms in India.

The first quarter numbers for FY06-07 are in and the Indian economy has registered a growth of 8.9 percent over the same period last year. The high growth rates might not be sustained over the year, but that has not stopped analysts from issuing positive revisions of their forecasts for India. This month, our focus is on the buoyant Indian economy.

Your comments are valuable to us and will help us cater to your needs. So, do write in.

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. Research inputs provided by KPMG's India Research Centre.

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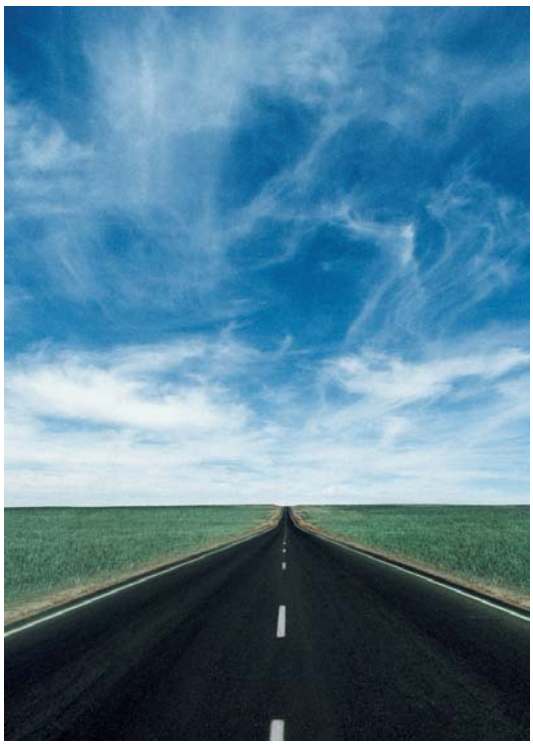
Indian Economy



"In every quarter but one, of this Government, GDP grew by over 7 percent. During the last five quarters we have moved up a notch. I am confident that GDP will grow by at least 7.5 percent every quarter now and even do 8 percent if we followed prudent policies and fiscal discipline."

P Chidambaram, Finance Minister

If media reports are to be believed, Finance Minister P Chidambaram is satisfied with India's economic performance in this, the 15th year of reforms in the country.[1] The stock markets have recovered following a record crash, with the Bombay Stock Exchange (BSE) index crossing the 12,000 mark.[2] The services sector grew by 13.2 percent, manufacturing by 11.3 percent, while agriculture continued at the previous year's rate of 3.4 percent.[3] The economy registered a growth of 8.9 percent during the April-June quarter, buoyed by investor confidence and an excellent monsoon, among other factors. This has resulted in speculation that the RBI may raise interest rates to restrain inflation. However, in the wake of the stronger-than-expected growth, Morgan Stanley has indicated that it will raise its forecast for India's Gross Domestic Product (GDP) for the year from 6.8 percent to 7.6 percent.[4]

Special Economic Zones

The approval of Special Economic Zones (SEZs), under the SEZ Act passed in 2005, has invited a certain amount of criticism. The government has cleared 150 applications from foreign and domestic companies, while another 225 are in the pipeline. According to Commerce and Industry Minister Shri Kamal Nath, SEZs will earn US dollar ($)9.6 billion in the next few years. However, the finance ministry believes that the losses in direct tax, customs and excise duty (arising from tax holidays, exemptions, etc.) will amount to $19.5 billion by 2009-10.[5]

India and the rest of the world

A growing population of young people with disposable incomes and the willingness to spend has increased India's attractiveness as a market. The global interest in trade with India is testimony to this.

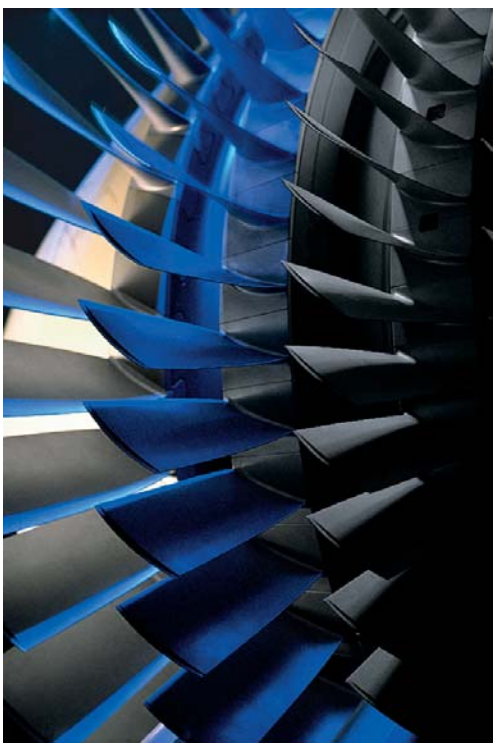
- The New York Stock Exchange (NYSE) is negotiating to pick up a 26 percent stake in the BSE. A team from the NYSE was reportedly in Mumbai on September 26 for talks with BSE officials.[6]
- Following Prime Minister Manmohan Singh's visit to South Africa, the two countries are reportedly preparing to discuss a preferential trade agreement to increase two-way trade from $4 billion last year to $10 billion by 2010.[7]
- Karien Van Gennip, Minister of Foreign Trade, Netherlands, has indicated that the Dutch government is likely to set up a trade board with an India Action Plan to increase bilateral trade between the two countries.[8]
- Regulatory authorities approved Indian direct investments worth $225 million into the U.S. from April 2005 to January 2006, the highest to any country.[9]
- For the first time, Canadian exports to India have crossed one billion dollars, while two-way trade is now close to three billion dollars.[10]
- The World Economic Forum, in its annual review of global competitiveness, has ranked India 43rd, two notches above last year's rank of 45. This puts the country much higher than China, Russia and Brazil. Interestingly, India is ranked 26th in terms of 'innovation' factors, while China stands at 57.[11]

At a recent awards function in Mumbai, Prime Minister Manmohan Singh spoke of creating an environment that will raise the level of investment in India and introducing greater flexibility in the country's labor markets, while keeping in mind the interests of workers. He also promised that opposition to the tabling of the crucial bill on raising the foreign direct investment (FDI) cap in insurance would soon be a thing of the past.[12] India's economic story has apparently only begun.

1 Press Trust of India report, September 29, 2006
2 Financial Times, September 29, 2006
3 Associated Press Financial Wire, September 29, 2006
4 Asia Pulse Pty Ltd, September 4, 2006
5 AFX News Limited, October 1, 2006
6 The Economic Times, October 4, 2006
7 Press Trust of India report, October 1, 2006
8 Asia Pulse Pty Ltd, September 6, 2006
9 Asia Pulse Pty Ltd, September 11, 2006
10 Financial Post, September 9, 2006
11 The Telegraph, October 4, 2006
12 The Economic Times, October 9, 2006

Analyst: Anjali Pai

Auto & Auto Components



Auto components - Key Statistics

Year	Production (INR million)	Investment (INR million)
2000-01	3,965	2,300
2001-02	4,470	2,300
2002-03	5,430	2,645
2003-04	6,730	3,100
2004-05	8,700	3,750
2005-06	17,174	9,800

Source: ACMA

- **Magna International evaluates green-field opportunities**

  Canada-based Magna International, the world's third largest supplier of auto components, is looking at setting up plants in India for their Indian and overseas customers over the next 10-12 months. These plants will manufacture components and sub-assemblies, chiefly power trains and engine components. The investment involved is estimated to be around $22 million or INR (Rs)1,000 million.

- **Goodyear plans $11 million investment in retail network**

  Goodyear India Ltd is to invest $11 million to strengthen its sales network in the fast-expanding Goodyear Tire & Rubber company (the largest U.S. tire maker). Goodyear India will set up 300 branded shops by the end of 2008.

- **Manufacturers join hands to develop HCNG vehicles**

  Five Indian vehicle manufacturers—Bajaj Auto, Ashok Leyland, Tata Motors, Mahindra & Mahindra, and Eicher Motors—plan to jointly develop hydrogen-blended compressed natural gas (HCNG) vehicles. They are expected to sign a memorandum of understanding (MoU) soon to fix the timeframe for introducing the vehicles. This initiative is part of a roadmap to develop alternative fuel sources by the government and the Society of Indian Automobile Manufacturers. It is expected to translate into 100,000 hydrogen-powered vehicles in the country by 2010. The government is reportedly investing $5.2 billion (Rs240 billion) in the hydrogen initiative.

- **Bharat Forge to set up SEZ**

  Bharat Forge, a Pune-based forging company, is setting up a special economic zone (SEZ) near Pune on 5,000 acres of land at an estimated investment of five billion dollars (Rs200 billion). The SEZ, which will cater chiefly to auto industry units, is expected to generate jobs for 60,000-70,000 people. Bharat Forge and the government of Maharashtra have signed an MoU for this project.

- **TVS Motors inks joint venture with Colombian firm**

  Two-wheeler manufacturer TVS Motors has acquired a 26 percent stake in a joint venture with a Columbian firm for assembling scooters and high-end motor cycles. The company will export the motorcycles as completely knocked-down (CKD) kits, which will be assembled in Columbia by the JV. South America will be the second international base for TVS after Indonesia, where the company is investing $55 million (Rs 2,500 million) in setting up a manufacturing plant that is expected to begin operations in early 2007.

  TVS is also in talks with a Brazilian automobile company for a similar venture. The Brazilian JV is expected to Brazil, Argentina, Bolivia, Chile, Paraguay, and Uruguay.

- **Mahindra Systems & Tech plans European components firm**

  Mahindra Systems & Technologies, an automotive components subsidiary of Mahindra & Mahindra, is on the verge of acquiring a European components firm. The company is looking at overseas acquisitions of $300-400 million, which will give it access to a bigger technology and customer base.

Analyst: Lalitha Balan

Banking and Insurance

"Even if the assets of all the banks in the country were aggregated it would not figure among the top 10 banks in the world. The biggest issue India faces today is a relatively weak and fragmented banking industry."

O P Bhatt, Chairman, State Bank of India

- **Government-owned banks should consolidate: FICCI Survey**
  In the face of growing competition, consolidation is the best way to achieve global standards in the banking sector, a survey by the Federation of Indian Chambers of Commerce and Industry (FICCI) concludes. The survey of banks found that the banking sector is in favor of creating six or seven large banks like the State Bank of India (India's largest asset-sized bank). Strict corporate governance norms and higher foreign direct investment (FDI) limits were cited as other measures that could be implemented to create an efficient and seamless banking system.

- **Yes Bank enters retail broking business**
  Yes Bank is the latest to join the growing retail broking service providers business. A private sector institution, Yes Bank has sought permission for retail broking from the RBI. A host of foreign, government-owned, and private banks have entered the retail broking business. Foreign bank ABN Amro launched its broking business last year. The government-owned State Bank of India provides retail broking services through its arm SBI Caps. Private sector banks like ICICI, HDFC, and Kotak Mahindra already have retail broking arms.

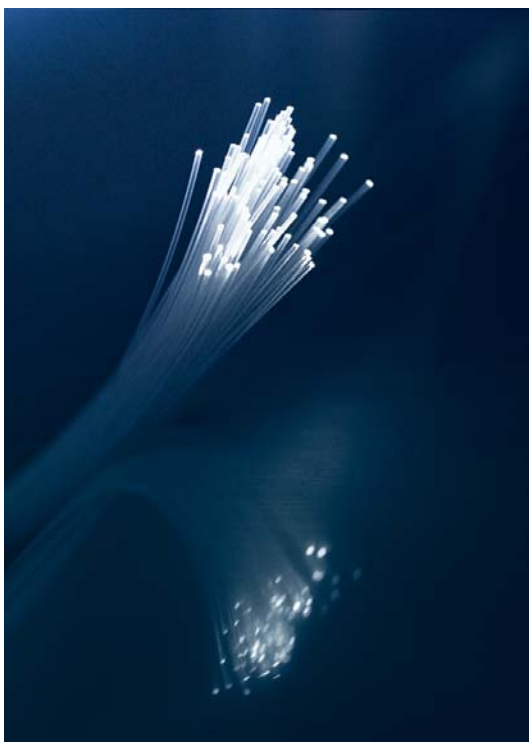
- **Banks form non-compete pact**
  Government-owned banks—Oriental Bank of Commerce, Indian Bank and Corporation Bank—have signed an MoU to provide uniform banking services to improve customer service and lower intermediary costs. However, the tie-up is not a prelude to a merger among the banks. Between them, the three banks have 3,611 branches: Corporation Bank has 894, Oriental Bank 1,312, and Indian Bank 1,405. They also have a network of 1,783 ATMs, of which 910 belong to Corporation Bank, 537 to Oriental Bank and 336 to Indian Bank.

- **India's wealth has doubled: Global Wealth 2006 Study**
  According to the Boston Consulting Group's Global Wealth 2006 Study, India's wealth (assets under management) has more than doubled, from $268 billion (2000) to $559 billion (2005), at a CAGR of around 16 percent. India is also seen as the fastest member of the BRIC (Brazil, Russia, India, China) nations. The study ranks India as the 19th wealthiest nation. The U.S. tops the list with $31 trillion worth of assets under management. The study projects that India will touch $1 trillion of assets by 2010, which will be close to one percent of the global wealth estimated at $115.8 trillion in the same year.

- **United Western Bank merges with IDBI**
  The Reserve Bank of India (RBI) has approved the takeover of the United Western Bank (UWB) by the Industrial Development Bank of India (IDBI). The merger will take effect from October 3, 2006. The RBI also lifted the moratorium on UWB from the same date. IDBI will pay Rs 28 for every UWB share, valuing the acquisition at close to $32.6 million. Around 17 banks and entities had evinced interest in acquiring UWB, which has a deposit base of $1.3 billion and has 3,000 employees. It has over 230 branches across Maharashtra, Goa, and Karnataka.

Analyst: Aman Kaushik

IT / ITeS



- **Global firms expand network and employee base**

  Global IT firms are widening their network in India. IBM India has opened another Global Delivery Centre (GDC) in the country, which will employ 3,000 people. Sun Microsystems hopes to increase its presence from five cities in June 2006 to 20 cities by March 2007. HP has announced the opening of a GDC in Chennai. Accenture opened a GDC in Gurgaon. The GDC, Accenture's 10th in India, will employ 1,100 people; the company currently has 19,000 people on its payroll.

  Other firms are strengthening their staff base. Unisys Corporation will set up two additional facilities in the country and increase its employee base to 6,000 by 2008. UK's insurance giant Aviva will move 1,000 jobs to India by 2008. Business Process Outsourcing (BPO) firm OfficeTiger, which will add 2,500 people to its global payroll, is looking at expanding its facilities in South India where it currently employs 4,000 people.

- **Govt invests in computer service centers**

  In a major e-governance drive, the GoI has approved an investment of $1.3 billion for the setting up of 100,000 computer service centers (computer kiosk), to be rolled out by March 2008. The project will be funded through the public-private partnership route, with central and state governments contributing $370 million. Microsoft Corporation India and Hughes Network Systems announced a partnership to roll out 5,000 kiosks across the country by 2007-end.

- **Desktop sales to touch six million**

  Estimates of the Manufacturers' Association for Information Technology suggest that desktop sales for FY06-07 will be around 5.6 million. Between April and June 2006, 1.02 million desktops and 0.18 million laptops were sold in India. With 6 out of every 10 units sold being a branded machine, it is evident that branded desktops are being preferred over assembled ones.

- **Dell manufacturing plant in India**

  Dell Inc is likely to set up its fourth Asian manufacturing facility in India at a cost of around $60 million. The plant will have the capacity to manufacture 300,000-400,000 desktops a year and will employ 1,000 people. It is likely to be operational in the first half of 2007.

- **Oracle's open offer for i-flex**

  Software major Oracle has made an open offer for a 20 percent stake in its financial software subsidiary, i-flex. The open offer became mandatory after i-flex allotted preferential shares to Oracle, increasing the latter's stake from 52.5 percent to 55 percent. Oracle acquired 42 percent in i-flex last year and became a majority shareholder this year.

- **Google looks for niche acquisition targets**

  To expand its presence in India, Internet giant Google is reportedly looking for acquisition targets. It is believed to be taking stock of start-up firms with distinctive business models especially in the advertisement space, based on SMS and voice.

Investment Plans of MNC IT Giants

Company	Investment ($ billion)	Period (years)
IBM	6.0	3
Microsoft	1.7	4
Intel	1.0	5
Cisco Systems	1.1	3
SAP	1.0	5

Source: The Economic Times, June 7, 2006; www.rediff.com, December 7, 2005; www.rediff.com, December 5, 2005; www.channeltimes.com, October 20, 2005; The Economic Times, August 3, 2006

Analyst: Devesh Bhatt

Media

"Your success depends on how you focus on content, delivery and distribution."

Subhash Chandra, Chairman, Zee Telefilms Ltd

- **India, Asia's largest pay-TV market by 2012**
  According to a study by research firm Frost & Sullivan, India is expected to have the largest pay-TV market in Asia by 2012. Market size is expected to increase from $3.5 billion in 2005 to $10.31 billion in 2012, a CAGR at 16.7 percent. Satellite Direct-To-Home (DTH) is expected to drive average revenue per user and subscriber growth. Japan will continue to be the largest DTH market in the Asia-Pacific region due to its sophisticated infrastructure, high income per capita and deep penetration. India and China are likely to emerge as the largest potential markets.

- **Zee Network signs strategic pact with China Central Television**
  Zee Network is establishing its presence in China through a two-year strategic deal with Beijing-based China Central Television (CCTV), China's largest TV network. Zee will now have access to news and other programs from CCTV International (CCTV-9). It has also been authorized to pick up CCTV signals and transmit it over the Zee Network. In turn, Zee will provide CCTV the license to use its news and programs.

- **Anil Ambani Group launches Big 92.7 FM radio channel**
  The Anil Dhirubhai Ambani Group (ADAG) has launched a $85 million FM channel Big 92.7 in Hyderabad and Chennai. It plans to widen its reach to 45 cities by March 2007. The channel is said to be spending nearly one million dollars on promotions in Delhi alone. It will offer programs for 12 hours beginning at 6.00 a.m. ADAG has also set up a Web-based media-monitoring centre in Mumbai to monitor all the 45 stations live and provide 24x7 technical assistance.

- **HT, TOI in joint venture**
  HT Media Ltd and The Times of India Group signed an MoU (subject to Board approval) on October 3, 2006, to set up a 50:50 joint venture. The joint venture, which will function as a standalone business, will publish a newspaper in Delhi. HT Media is a leading Indian multimedia group, which publishes the Hindustan Times and the Hindustan (Hindi paper). The Times of India Group is India's largest media house, with leading newspaper, magazine, radio, Internet and television brands.

- **Sony to buy stake in Ten Sports**
  Sony Corp's Sony Entertainment Television (SET) is reportedly buying a 50 percent stake in Dubai-based Taj Entertainment Networks' Ten Sports, which is valued at $135-160 million. Sony's SET is the third-biggest cable broadcaster in India and has rights to the International Cricket Council matches till 2007, including the Cricket World Cup in West Indies next year. Taj Entertainment is owned by Bukhatir Investments Ltd, which also has presence in banking and real estate.

Analyst: Preeti Sitaram

Oil & Gas

Global energy giants British Gas, British Petroleum, Italy's ENI and Malaysia's Petronas are among the 66 firms that have bid for exploration acreages offered by the government in the sixth round of the New Exploration and Licensing Policy.

www.atimes.com, September 20, 2006

- **Sixth round of NELP attracts global oil majors**
  The New Exploration Licensing Policy (NELP) received 165 bids for the 55 oil and gas blocks that were put up for auction. As many as 34 foreign companies, including 19 new ones, participated in the sixth round of the NELP. Global oil majors British Gas, British Petroleum, Italy's ENI and Malaysia's Petronas were some of the bidders. Focus, Petrogas GSPC, Santos, Prize Petroleum and Cairn are the other multinationals that participated in the bids. An investment of $8-10 billion is expected over three exploration phases. Expertise in deepwater drilling projects in the past will act as major short-listing criteria.

- **Coal-bed methane bids finalized**
  The Government of India (GoI) has received 54 bids from 26 firms for 10 coal-bed methane (CBM) blocks on offer. While Reliance bagged four blocks, major international player BP Exploration won one block, a consortium that includes Arrow Energy of Australia won three blocks and a U.S. group Coalgas Mart LLC won two blocks. India has in excess of one trillion cubic feet of untapped CBM reserves.

- **MNCs line up to join hands with ONGC**
  Norway's NorskHydro and Shell have evinced interest in entering ONGC's existing fields, where they plan to invest in improving the output from oil and gas assets for a share.

- **Cairn Energy's IPO plans face DGH's wrath**
  The Director General Hydrocarbon (DGH), the upstream regulator of India, has objected to Cairn announcing enhanced reserves equivalent to 3.4 billion barrels of oil from the Rajasthan field, without keeping it in the loop. Cairn is a wholly-owned subsidiary of UK-based Cairn Energy. DGH has approached the Securities and Exchange Board of India to take necessary action. Cairn plans to divest up to 49 percent of its stake through an initial public offering (IPO) by December 2006. Cairn Energy Plc is also exploring its options in midstream activities in India.

- **ONGC-Sinopec joint venture acquires Columbia's Omimex**
  The 50:50 joint-venture of India's Oil and Natural Gas Corporation (ONGC) and China's Sinopec acquired Columbian oil firm Omimex de Columbia from Texas-based Omimex Resources for $850 million. Omimex de Columbia has exclusive oil and gas operations in Columbia, which includes onshore production and exploration areas. It has reserves of over 300 million barrels with current production of 20,000 barrels of oil per day.

- **Gujarat's gas field up for bidding**
  Gujarat State Petroleum Corporation Ltd will invite final bids by mid-October from four foreign firms to buy up to 30 percent in its gas discovery in the Krishna-Godavari basin. The state-run exploration firm has shortlisted oil majors Chevron Corp, BG Group, and Italy's ENI from the 13 that had expressed interest. Financial capability will be the key selection criteria for the final bids. Firms that lost the race include ExxonMobil, Royal Dutch/Shell and France's Total. The gas field is estimated to have reserves of about 20 trillion cubic feet of gas.

Analyst: Amiya Swarup

Pharma

"Indian pharma will need to play on volumes to maintain margins, keep a tight control on costs, and continue to aggressively pursue exclusivity opportunities in the U.S. generics market."

John Morris, Global Pharma Chair, KPMG, UK

- **Indian pharma companies eye Japanese market**
  Indian pharma companies are increasingly looking at Japan as a new destination for growth. The $60 billion Japanese pharmaceutical market is the third largest in the world. Ranbaxy Laboratories was the first to foray into Japan. It entered the Japanese market through a joint venture with Nippon Chemiphar Limited. Lupin and Cadila Healthcare have also ventured into this market. Wockhardt, a biotechnology-focused pharma company, is working on a joint venture in Japan.

- **Reliance Life Sciences to set up $106.4 million data centre**
  The Mukesh Ambani-promoted Reliance Life Sciences is likely to set up a world-class clinical data management (CDM) centre at a cost of approximately $106.4 million (Rs 5,000 million). This is in line with company's plan to become a fully integrated player in the global clinical research space. The CDM centre will have a team of 100 scientific and software professionals and will take up in-house and client-based outsourcing projects.

- **Biocon launches world's first anti-EGFR cancer antibody**
  Biocon, India's largest biotechnology company, has launched BIOMAb-EGFR, a therapeutic monoclonal antibody-based drug for treating head and neck cancers. This is the world's first commercially available anti-EGFR cancer antibody. The drug targets and blocks the Epidermal Growth Factor Receptor (EGFR) that reproduces cancer cells. With this launch, Biocon ventures into proprietary immunotherapeutic drugs and joins the exclusive league of monoclonal antibody developers worldwide.

- **Dr Reddy's to develop cancer drug with ClinTec International**
  Dr Reddy's Laboratories, one of India's leading research-based pharmaceutical companies, has entered into a co-development and commercialization deal with ClinTec International, a UK-based clinical research organization, for an anti-cancer compound, DRF-1042. Both companies will co-develop DRF-1042 and undertake Phase-II and Phase-III clinical trials to secure USFDA and EMEA approvals.

- **India's medical tourism market to touch $2 billion mark by 2010**
  Industry experts expect the medical tourism industry in India to hit the two billion dollar mark by 2010. Last year, 200,000 medical tourists visited India, and the figure is expected to grow by 50 percent this year. According to the Union Minister for Tourism Ambika Soni, the ministry's Incredible India campaign is expected to aggressively promote Indian hospitals abroad as centers offering the best medical services.

- **Pharma and biotech focused fund to raise $150 million**
  Evolvence India Life Sciences Fund, established to make equity and equity-related investments in pharmaceutical and biotechnology companies in India, is planning to raise $150 million. The fund is expected to focus on small and medium businesses. It is expected to acquire minority stakes in pharma and biotechnology-focused companies with an approximate investment size of $5-15 million and an outlook of five to seven years.

Analyst: Amit Shah

Power

"The market for wind energy in India is enormous and we have feedback that order books of all the windmill manufacturers are full. There is space for existing players to expand as well as for new players to enter."

Anil Kane, President, World Wind Energy Association

- **Ministry to ensure early closure of two ultra mega power projects**
  The Ministry of Power has announced that the last date for submission of bids for two ultra mega power projects—Sasan (Madhya Pradesh) and Mundra (Gujarat)—will be November 22. The bid will open on November 29 to ensure timelines for early closure are maintained. The awards of the projects will be announced by December 31. Power-purchase agreements for the 4,000-MW projects will be signed by February 22, 2007, after which the projects will be handed over to winning bidders. Those contending for the projects include Tata Power, Reliance Energy, Sterlite and Torrent; Essar, National Thermal Power Corporation (NTPC) GMR-China Light and Power, and Jindal have bid only for Sasan, while Gujarat-based Adani Group has bid only for Mundra.

  The World Bank's private investment arm, International Finance Corporation has reportedly approached the government for funding these projects, each of which may need $2.58-2.80 billion.

- **DEG picks up 12 percent stake in Lanco project**
  Deutsche Investitions-und Entwicklungsgesellschaft (DEG), a member of the German KfW Banking Group, has picked up 12 percent equity in Lanco Amarkantak Power Pvt Ltd, which is setting up the 4x300 MW Pathadi coal-fired power project near Korba in Chhattisgarh. The project will be executed in two phases of 2 x 300 MW each, at a total cost of about $1.03 billion.

- **NTPC approves 7,000 MW gas-based plant in UAE**
  The NTPC board has approved a proposal to set up a 7,000-MW gas-based power plant in the United Arab Emirates at an initial investment of $2.15 billion. Approval from the Ministry of Power is awaited. UAE has assured uninterrupted supply of gas to the proposed plant and to NTPC's existing gas-fired power plants at a discount to prevailing market prices.

- **REC to disburse $12.90 million in loans between 2007 and 2012**
  The Rural Electrification Corporation (REC), a GoI enterprise under the Ministry of Power, will disburse loans of around $12.90 billion in the 11th Plan period (2007-12). Loan contracts will involve conditions like multi-year tariffs, annual reduction in aggregate technical and commercial (AT&C) losses, franchising of high loss-making feeders, opening up of rural areas, and financial discipline. The REC provides financial assistance to state electricity boards, state government departments and rural electric cooperatives for rural electrification projects.

- **NHPC planning to foray into thermal power generation**
  The National Hydroelectric Power Corporation (NHPC) is planning to venture into thermal power generation as part of a diversification exercise. It is in talks with the Madhya Pradesh government to set up a 2,000 MW thermal power plant in the state. Preliminary discussions have been initiated through Narmada Hydroelectric Development Corporation, a joint venture of NHPC and the government of Madhya Pradesh, which has two hydel projects in the state.

Analyst: Amit Chhallani

Telecom

- **Increased foreign investment in telecom equipment manufacturing**
  The telecom equipment manufacturing industry in India is expected to witness foreign investment of $1.5 billion over the next two years. This includes Motorola and Foxcon's proposed SEZ plans near Chennai with an approximate investment of $500 million. The Department of Telecom has drafted an action plan for the sector, which includes the setting up of at least four telecom specific SEZs. According to a paper prepared by the department, the industry has also been included in the 'Strategies and Priorities 2006' and is being monitored by the Prime Minister.

- **Huawei opens new facility in Bangalore**
  Chinese telecom equipment major Huawei Technologies has opened a new facility in Bangalore. It will develop optical network products and wireless LAN solutions and will employ 180 software engineers. Huawei's optical solutions are widely deployed by major telecom companies for providing IPTV services, triple play (high speed Internet, television and voice) services, mobile services, and leased line services to customers.

- **Mobile value-added services growing rapidly**
  Mobile Value-Added Services (VAS) in India are growing at 30 percent. According to the Telecom Regulatory Authority of India (TRAI), VAS services like SMS, ring tones, caller tunes, messaging, etc., contributed to about 10 percent of the revenues in 2005. With the launch of 3G services, which will enhance existing applications, the VAS segment is expected to grow at a higher pace.

- **Tata Teleservices to undertake capex of $900 million**
  Telecom service provider Tata Teleservices is expected to invest $900 million (Rs40,000 million) to augment and strengthen its network in 20 existing circles and other proposed circles. The company hopes to increase its customer base to 18 million by next year and to take the number of its retail outlets to 3,500.

- **BSNL on expansion drive**
  India's largest telecom company, state-owned BSNL, is expected to invest $3.8 billion in the current financial year. Of this, $1.3 billion will be spent on expanding GSM services, $667 million on expanding broadband services, and $220 million on setting up a call data record–based billing system.

- **HFCL gets license from Qualcom for 3G handsets**
  Himachal Futuristic Communications Ltd (HFCL), a Delhi-based telecom equipment manufacturing company, has received a license from Qualcom, which owns the patent to CDMA technology, to develop, manufacture, and sell CDMA mobile handsets and fixed wireless phones in India. This will facilitate local manufacturing and make handset prices more competitive. HFCL expects to commence production at its facilities in Solan and Chennai from April 2007.

"Now, every significant global telecom manufacturer is either manufacturing here (in India) or is in the process of setting up manufacturing facilities. Today, it is entirely possible for India to emerge as a major manufacturing hub for the world on lines of China."

Ravi Sharma, Managing Director and President, Alcatel South Asia

Analyst: Amit Shah

Consumer Markets & Retail

"The Indian economy is soaring, I think Indian people love brands. I am excited about it and I feel very positive that we are going to build a wonderful lifestyle business here."

Tommy Hilfiger, Principal Designer and Chairman of the Design and Strategy Board, Tommy Hilfiger Corporation

- **Coffee retail market to garner $70.9 million in investments**
  Domestic and international coffee chains have lined up $70.9 million for aggressive expansion plans over the next three to five years. While Starbucks plans to enter the Indian market in 2007, Costa Coffee has set aside $32.8 million to set up 300 outlets in the next five years. The coffee retail market in India is expected to grow at an annual rate of 30 percent.

- **Calvin Klein launches retail operations in India**
  Calvin Klein, a 100 percent owned subsidiary of New York-based Phillips-Van Heusen has entered into an exclusive distribution and retail store license agreement with Murjani India Ltd (part of the Dubai-based Murjani Brothers Ltd). The launch is expected early next year and will include Calvin Klein's bridge line of women's and men's apparel and accessories. The agreement also entails opening 40 standalone Calvin Klein, Calvin Klein Jeans and Calvin Klein Underwear stores over the next five years.

- **Carrefour in talks with Landmark Group for retail foray in India**
  French retail giant Carrefour is in talks with the Dubai-based Landmark Group to open about 200 stores in India over the next 10 years. Negotiations are still at a very early stage and Landmark is optimistic about the potential joint venture going ahead. If the deal is finalized, stores will be located in primary and secondary cities throughout India.

- **Wal-Mart solidifies plans to enter India, seeks local alliances**
  U.S.-based Wal-Mart, the world's largest retailer, has solidified plans to enter India. The current FDI regime allows single brand retailers to take 51 percent in a joint venture with a local partner. Therefore, the retailer is considering several alliances, of which the strongest contender seems to be DLF Universal. DLF proposes to be the company's franchisee in India, setting up over 100 malls in 60 cities over four to five years. DLF will own the stores, while Wal-Mart will take care of back end and other logistics. Wal-Mart is also looking to partner with Reliance Industries for sourcing items like fresh fruits and vegetables. The added advantage would be the 40-plane air cargo fleet being developed by Reliance, which will meet Wal-Mart's transport and logistical needs.

- **Processed foods sector to grow three fold by 2012**
  A recent study conducted by Frost & Sullivan has found that the food preservative industry earned $16 million in 2005 and is expected to earn $56.5 million in 2012. This growth is expected to benefit the organized food processing industry as 85 percent of food preservatives are used in the food processing sector. The other beneficiary will be the personal care segment,. The domestic food processing industry has been rapidly moving towards increased processing, technological advancement and value addition and is now expected to attract multinationals that had earlier steered away from India due to the insignificant market size.

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