



KPMG

Sectoral Snippets

India Industry Information

Issue 36 - October 2009

KPMG IN INDIA

Sectoral Snippets



Russell Parera
Chief Executive Officer
KPMG in India

Sectoral Snippets, Issue 36

Indian companies have started posting their second quarter results and so far, a majority of the companies' results are better than the last four quarters, supported by lower interest rates and wages, and a dip in the cost of raw materials. The first 50 companies to announce their results have indicated a marked rise in demand, reporting higher net sales following consistent decline in revenues during the previous two quarters.

In addition to this, industrial output for the month of August rose 10.4 percent from last year, its quickest pace in the last 22 months. As the second quarter results continue to be announced, the higher industrial output and influx of FII funds has strengthened the Indian Rupee, causing it to appreciate in the last fortnight.

I hope you find this edition of the snippets interesting and informative.

Regards,
 Russell

Table of Contents

1. Indian Economy	3
2. Auto and Auto Components	4
3. Banking and Financial Services	5
4. Consumer Markets and Retail	6
5. Hospitality	7
6. IT / ITeS	8
7. Media	9
8. Oil and Gas	10
9. Pharma	11
10. Power	12
11. Real Estate and SEZs	13
12. Telecom	14
13. Transport and Logistics	15

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



Despite slowing from the highs of around 9 percent growth witnessed in the past few of years, India's economy is expected to grow close to 6 percent in 2009-10¹. Amid the domestic and global liquidity crunch; large domestic savings, low export dependence and a large consumption base is likely to help sustain growth.

There has been an improvement in industrial activity with the Index of Industrial Production (IIP) expanding at 6.8 percent in year-on-year (Y-o-Y) terms in July 2009. After continued low to negative growth since October last year, the robust numbers witnessed in the last two consecutive months indicate the likely inception of industrial recovery in India². Moreover, a double digit growth in consumer durables segment for the fourth consecutive month indicates improving demand conditions which augur well for the industrial sector.

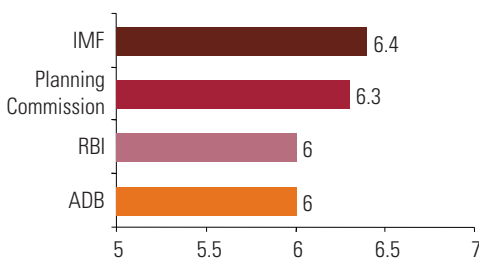
On the other hand, India's stock market (BSE Sensex) has risen by over 70 percent from its previous lows earlier this year³ indicating soaring investor confidence.

While the Indian Government has targeted a growth of 10 percent in 2010-11, some of the challenges which remain ahead are as follows:

- Keeping inflation under control
- Ensuring inclusive growth
- Dealing with future global shocks, which are likely to impact capital flows and exports

While all economies have been impacted by the crisis in some way, a combination of expansionary fiscal and monetary policies and strong fundamentals is likely to enable India to perform better as the global recovery continues.

GDP Estimates for 2009



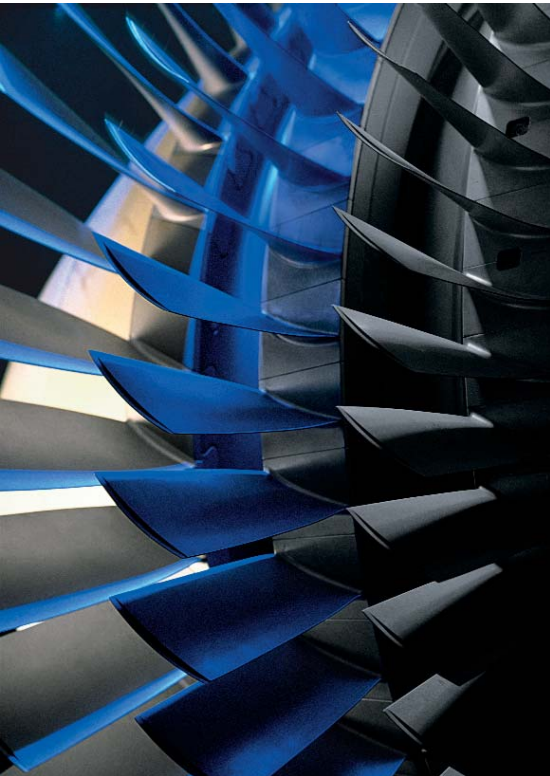
Source: Businessworld, IMF forecasts 2010 India GDP at 6.4 %

¹ Reserve Bank of India, September 11, 2009

² Ministry of Statistics and Programme Implementation, September 11, 2009

³ Bloomberg as of September 30, 2009

Auto and Auto Components



- **GM, Reva sign pact to launch electric car; Reva to unveil two new models in India by 2011**

General Motors India (GMI) and Reva Electric Car Company (RECC) have reportedly inked an agreement to launch an electric car, Chevrolet Spark, in India in 2010. The electric car is expected to be manufactured at one of GMI's facilities at Halol or Talegaon.

Reva is reportedly also planning to launch two models, NXR (NeXt Reva and NXG (NeXt Generation), in India by early 2010 and 2011 respectively. Both models are expected to be manufactured at Reva's new green manufacturing facility in Bangalore which has a maximum annual capacity of 30,000 units and is likely to be operational by the first quarter of the next fiscal year. The company plans to export about 50 percent of its production.

- **M&M to up stake in Swaraj Engines**

Indian automobile manufacturer Mahindra and Mahindra Limited (M&M) is reportedly in plans to increase its stake in Swaraj Engines by buying out Kirloskar Oil Engine's (KOE) stake in the same. The company is believed to be consolidating its stake in Swaraj engines in a bid to expand its diesel engine business. Through its acquisition of Punjab Tractors in 2007, M&M held a 33.2 percent stake in Swaraj Engines and a 14 percent stake in Swaraj Mazda. M&M is currently in negotiations with KOE which reportedly holds a 17.39 percent stake in Swaraj Engines.

- **Toyota buys stake in Tube Investments of India**

It has been reported that Japan-based Toyota Group has purchased a 1.5 percent stake in Tube Investments of India (TII) through its member firm Toyota Tsusho Corporation. The flagship company of the USD 3 billion Murugappa Group, TII manufactures precision steel tubes and strips, car doorframes, automotive and industrial chains and bicycles and is reported to be a supplier to Toyota's vendors in India and their dealers overseas.

- **Ford India invests an additional USD 500 million for Chennai facility**

Ford India has reportedly formalized an agreement to invest an additional USD 500 million in its manufacturing facility at Maraimalainagar, near Chennai, by signing a Memorandum of Understanding with the Government of Tamil Nadu. The investment is expected to double the company's annual production capacity to 200,000 cars. The additional funds are also expected to be deployed to set up a new plant for the manufacture of 250,000 engines annually. Construction of the engine plant, which is likely to be operational next year, is reportedly in progress.

"The Indian market is a tremendous market and it offers Ford a chance to leverage all intellectual capability around the world to bring a fabulous small car to India"

Alan Mulally, CEO, Ford Motors

(Source: The Wall Street Journal, September 29, 2009, 'Why Ford's Small Car is Made in India')

Banking and Financial Services



• Sberbank plans to foray into Indian financial services market

Russia-based Sberbank (Savings Bank) is planning to enter the Indian financial service market by opening branch in New Delhi. The entry into the Indian financial service market is part of the bank’s strategy to expand its presence in the emerging markets. It has received approval from the Reserve Bank of India (RBI) to open a fully operational branch.

Sberbank is the largest credit institution in Russia and the former Soviet space, accounting for about a quarter of the aggregate Russian banking assets and a third of banking capital. The bank intends to build a foothold in India and China to generate about 5 percent of net income outside Russia by 2014.

• L&T Finance to acquire DBS Cholamandalam AMC

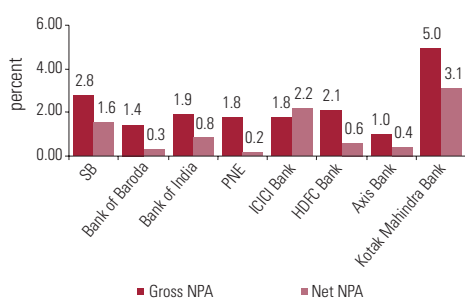
L&T Finance, the captive financing arm of L&T plans to enter the mutual fund industry by acquiring 100 percent stake in DBS Cholamandalam Asset Management Company (AMC) for consideration of around USD 9.2 million. The acquisition is part of L&T Finance’s strategy to have presence across the entire gamut of financial services in India.

DBS Cholamandalam AMC is a joint venture unit between Chennai-based Murugappa Group and DBS Bank of Singapore. DBS Cholamandalam AMC was formed in 1996 and has been managing assets worth USD 614.8 million with over 2,00,000 customer accounts at the end of August 2009. The company is present at over 20 locations in the country.

• World Bank approves loan for India’s PSU banks

World Bank has approved a loan of USD 4.3 billion for India in a bid to support the government’s measures towards minimizing the adverse impact of the global financial crisis and boosting infrastructure development. Of the USD 4.3 billion loan amount, USD 2 billion might be directed towards enhancing the capital of public sector banks. According to data on the World Bank’s website, the government had identified 19 banks which together would need a capital infusion of USD 4.8 billion by 2011 to support their growth and simultaneously retain the state ownership not below 51percent.

Gross and Net NPAs in Q1 2009 – 10



Source: CRISIL Research, August 24, 2009

• Credit Suisse plans to launch banking operations in India

Credit Suisse has received approval from both the Reserve Bank of India (RBI) and Securities and Exchange Board of India (SEBI) to set up banking business in the country; however, Credit Suisse is waiting for a final approval from the finance ministry. Credit Suisse is already present in the Indian financial service market through Credit Suisse First Boston Securities and Credit Suisse Securities. The final approval will allow the bank to offer range of products and services, including derivatives and forex services.

The final clearance from the finance ministry will open opportunities for other Swiss banks to enter the Indian financial services market.

Consumer Markets and Retail



- **LG to invest USD 1 billion in the Indian Market**

South Korean consumer durables major LG plans to invest about USD 1 billion in India for marketing and research over the next five years. The Korean major, which has been investing around 130 million dollars a year on R&D and marketing in India, plans to increase this spend to around 200 million every year to push sales and expand research activities. The R&D and marketing investment would be apart from the funds invested to create new capacities and expansion. The company has already invested around USD 245.9 million in setting up its two manufacturing plants in India.

- **Carrefour plans its foray in India**

One of the world's largest retail chains, Carrefour, is likely to enter India through the cash and carry format and is expected to strike an alliance with one of India's biggest retailers, Future Group. Although Carrefour is keen on a food-sourcing joint venture, a franchisee agreement looks more likely. Future Group's leading position in the Indian retail market in the front-end, sourcing, logistics and distribution is expected to help Carrefour build a strong position overnight in India.

- **Johnson & Johnson expands its Indian portfolio; launches Neutrogena brand**

Health and skin care products maker Johnson & Johnson launched its global beauty care brand 'Neutrogena' in the Indian market. The company introduced 22 products in the skin care category and plans to bring in more products from its global portfolio in future. The company aims to be among the top five skin care brands in India in the next 3-5 years period. Neutrogena is an old global brand and offers over 400 products in the international markets.

- **Indian hypermarket chain enters into a licensing agreement with US retailer**

Indian retail company, Spencer's Retail, has entered into an exclusive licensing pact with a US fashion and lifestyle company, Marc Ecko Enterprises, to sell its apparel brands in India. As part of the deal, Spencer's plans to open standalone Marc Ecko stores in the country from 2010. This will be Spencer's third such partnership with a global apparel brand. It already has exclusive partnerships with the Ladybird range of children's wear and with US casual wear brand, Beverly Hills Polo Club (BHPC). The partnership with Marc Ecko is in line with Spencer's strategy to focus on specialty lifestyle retail as a future growth area. It has already set up four standalone BHPC stores in the National Capital Region (NCR) and is selling the Ladybird range, owned by British high-street retailer Woolworths, through its chain of hypermarkets.

“Going forward, we are going to increase it (investment in R&D) to around 200 million dollars every year (in India). India is the fastest growing market for us and is the focus area. The Indian operations have been averaging a growth of 30 percent annually”

Moon Bum Shin, MD, LG Electronics India

(Source: Livemint, September 24, 2009, LG to invest USD 1bn in India on marketing and R&D)

Hospitality



- **Huge expansion plans of Marriott in Asia's growth markets**

Marriott has huge expansion plans in Asia's growing markets. The company considers Asia as a dynamic market and continues to focus on the market. It is expected to add about 16,000 rooms to Marriott's Asia-Pacific portfolio. The 21 newly announced hotels include seven Courtyard hotels in India, China and Cambodia, two luxury JW Marriott hotels in China, 10 Marriott hotels in China, the Philippines and Thailand and two Renaissance Hotels in China. The company already has 37 hotels under construction across the region and indicates that it is expecting to build 58 new hotels by 2013.

- **Interglobe plans 14 hotels in India in next three years**

Interglobe Hotels, a JV between Interglobe Enterprises and French hospitality company Accor, plans to set up 14 hotels in India. The hotels are reportedly being branded as 'Ibis'. The company plans to expand its footprints in 10 Indian cities like Mumbai, Chennai, Bangalore, Hyderabad, Ahmedabad, Jaipur and Nashik over the next three years. It is likely to open its second property in Pune in October this year which is expected to be followed by another property in Mumbai.

- **Royal Orchid plans to aggressively expand in mid-market hotel category**

Royal Orchid Hotels plans to add 3000 hotel rooms across India with an investment of USD 125-208 million. The expansion strategy aims at increasing the presence of the Royal Orchid Central brand. Further investment is expected to be decided upon the business model -ownership or managed properties. The brand 'Royal Orchid Central' is a 4-star contemporary, business hotel brand, which is also classified as an economy hotel. Currently, the company's properties under various brands are present in Pune, Bangalore, Jaipur, Mysore and Goa. More properties are expected to come up in Hyderabad, New Delhi, Shimla, Navi Mumbai and Ahmedabad. The company is looking to expand through management contracts and is in talks with a number of developers.

- **Pride Hotels plans to fund its expansion through IPO and PE**

Pride Group of Hotels is planning to finance its expansion plans through IPO and PE funding. The company is likely to invest ~USD 165 million to set up 30 hotels by 2015. It plans to take the IPO route to raise USD 41.2 million in January 2010. It is now looking to raise USD 9.3 million through second round of PE funding from Kotak Realty Fund and a Mauritius-based fund. It has already generated USD 51.4 million from internal accruals. It has already expended USD 15.6 million for its Bangalore hotel which is also a part of this ~USD 165 million expansion plan. Remaining funds are expected to be raised through bank term loans and other financial institutions.

"Most hotels in the country are expected to maintain the room rates at the last year's levels, as the market is still to recover completely and any further increase will just worsen matters"

SP Jain, Pride Hotels Chairman and President of the Hotel and Restaurant Association of Western India (Source: Financial Express, September 18, 2009, 'No hike in hotel prices this festive season')

IT / ITeS



- **TCS opens new delivery center in Argentina**

India-based Tata Consultancy Services (TCS) has opened a new delivery center in Buenos Aires with a view to expand its offerings in Latin America. The company plans to employ about 250 professionals in this center. The new center is to provide consulting, advanced IT solutions, Business Process Outsourcing (BPO) services and IT product implementations besides being the company's first regional SAP center. This is the eighth global delivery center of TCS in Latin America.

- **Mindtree acquires Kyocera Wireless India**

Mumbai-based Mindtree has acquired Kyocera Wireless India (KWI) with immediate payment of USD 6 million. Further payment would be as per its revenue in FY11 and FY12. Mindtree expects the acquisition to contribute about USD 9 million in revenues for the period October 2009 to March 2010, with profit after tax in the range of 13-15 percent. KWI, a unit of San-Diego based Kyocera Wireless, develops custom wireless handsets for Indian service providers and has about 600 employees in India.

- **HCL signs a five year engagement with Energy Future Holdings**

HCL Technologies Ltd. (HCL), one of the India's leading IT services providers, has entered into a five year transformational IT infrastructure management contract with Texas-based Energy Future Holdings Corp (EFH). As per the terms of the contract, HCL would manage EFH's IT Infrastructure landscape comprising of Data Center (DC), Voice and Data Networks and End User Computing Services. HCL's Service Desk would provide support to EFH end users, including desk-side support, in complete compliance with various regulatory frameworks. EFH is a privately-held energy company with a portfolio of competitive and regulated energy subsidiaries.

- **Dell acquires Perot in USD 3.9 billion cash deal**

Dell has acquired technology services provider Perot Systems in a transaction valued at approximately USD 3.9 billion. The acquisition would enable Dell diversify beyond hardware area, which has become a commodity business with low single-digit margins. The deal would also enable Dell to compete better not only with IBM, Accenture, Hewlett Packard but also with Indian technology services players such as TCS, Infosys and Wipro. This acquisition would also enlarge Dell's footprints in India. Perot Systems has about 8,300 employees while Dell has close to 12,000 people in India.

“India offers tremendous opportunities in innovation and market potential. EMC's commitment of USD 1.5 billion over the next five years illustrates the important role India will play in the company's long-term strategic Asia –Pacific – Japan (APJ) and global growth plans”

David Goulden, Executive Vice President and Chief Financial Officer, EMC

(Source: EMC Press Release, September 9, 2009, 'EMC to Increase India Investment by USD 1.5 Billion')

Media



- **Sanara Media enters in a joint venture with US animation company**

Sanara Media has entered into a 51:49 joint venture with US-based World Studio Group to set-up Sanara WSG Films. The joint venture company will be headquartered in California and produce family entertainment films and animation projects. The joint venture provides Sanara Media an entry in the US' animated films market. Sanara Media is expected to invest USD 10 million over a period of three years in the venture.

- **UTVi strikes alliance with Bloomberg**

Global business news and information company Bloomberg has entered in an agreement with UTV Software Communication's UTVi for a co-branded business channel. Beginning October, the channel is expected to be re-branded as Bloomberg-UTV. With the alliance, UTVi would gain access to the global feed from Bloomberg Television, the 145 bureaus that Bloomberg News has across the world, in addition to its international programming elements.

- **Den Networks raised USD 20 million in pre IPO placement**

Indian cable operator Den Networks, planning to raise USD 104 million through a initial public offering (IPO), has raised USD 20 million in a pre-IPO placement of its shares with a Mauritius-based fund. EMSAF Mauritius has acquired approximately 4 million shares amounting to 3.9 percent in the company for USD 20.8 million. The deal values the company at approximately USD 510 million. The total cable households in India are expected to rise from 90 million in 2009 to 130 million by 2013.

- **ESPN Star Sports to launch Sports News channel in India**

ESPN Star Sports (ESS) is planning to launch a 24*7 sports news channel "ESPNNews" in India and is seeking Government approval to downlink the proposed channel. ESS, has also re-launched its channels across all Asian countries with new logos, presentations and graphic and is hoping the re-launch would enhance its brands. ESS holds exclusive broadcast rights to T20 Champions League, Champions Trophy, FIFA World Cup and the T20 World Cup. ESS is a 50:50 joint venture between The Walt Disney Co-owned ESPN and News Corp-owned STAR TV. The Indian arm contributes approximately 45-55 percent of ESS' total revenues.

- **Big Cinemas plans to add 100 more screens by 2010**

Big Cinemas part of the Adlabs Films, plans to add around 100 more screens to its existing network of over 200 screen across 66 cites in India by 2010. The group has also announced re-organizations on Big Cinemas operations to expand its regional market penetration and to support the growth momentum. Tushar Dhingra, COO, Big Cinemas would handle operation in North, East and Central India while Ashish Saksena is expected to be COO of the West and South region. Adlabs Films operates multiplexes under the brand name Big Cinemas, has a global footprint of 459 screens in India, US, Malaysia and Netherlands.

"The addition of 14-15m TV sets every year and a rapid change in preference of premium channels will drive viewership of business news in India. This is where our association with Bloomberg will create impact for the Indian market"

Ronnie Screwvala, Chairman, UTV News

(Source: BBC News, September 11, 2009, 'Indian media firm, Bloomberg, to share business news content')

Oil and Gas



- **ONGC to invest USD 10 billion in E&P**

State-run, Oil & Natural Gas Corporation (ONGC) is expected to pump in around USD 10 billion in order to develop new oil and gas fields and increase output from its existing fields. The company is likely to spend about USD 3.2 billion to increase oil production from its new fields. ONGC also has plans to intensify its domestic exploration and aggressively pursue overseas acquisitions.

- **Total SA withdraws from Vizag project**

French oil major, Total SA, has withdrawn from the planned USD 10 billion refinery-cum-petrochemical project at Vizag in Andhra Pradesh. The global economic downturn has reversed fortunes for refiners and has resulted in Total putting their participation on hold. Earlier the Mittal Group had backed out from the project, meaning that the project now faces an uncertain future.

- **State-run firms shell out USD 440 Million for Oil India stake**

State-run firms Indian Oil Corporation (IOC), Bharat Petroleum Corporation Limited. (BPCL) and Hindustan Petroleum Corporation Limited (HPCL) have purchased a 10 percent stake in Public Sector Unit (PSU) explorer Oil India Ltd. (OIL) for approximately USD 440 million. While OIL offered 11 percent fresh equity to the public through its Initial Public Offering (IPO), the State-run refiners picked up the Government's stake in OIL as part of a divestment plan.

- **Petronet to establish power plants**

India's largest Liquefied Natural Gas (LNG) importer, Petronet LNG Limited (PLL), is set to diversify downstream and set up two power plants in the country. The company has also planned a USD 400 million rights issue to partly fund the project and the remaining amount would be raised in the form of debt. PLL is expected to set up two power plants with a capacity of 1,200 MW each, next to its two LNG terminals in Dahej and Kochi.

- **IOC drops EoU status for Paradip Refinery**

IOC has decided not to ask for an export oriented unit (EoU) status for its upcoming refinery project in Paradip, Orissa. This is mainly because the local demand for petroleum products is likely to continue to be more than that from global users. IOC has proposed to complete its refinery by 2012 in order to make it eligible for a 7 year tax holiday.

- **KSIDC, GAIL in pact for gas pipeline infrastructure**

The Kerala State Industrial Development Corporation (KSIDC) has tied up with the Gas Authority of India Limited (GAIL) for developing gas pipeline infrastructure. The natural gas is to be supplied for various applications, such as power generation, manufacture of fertilizers and city gas distribution (CGD) for domestic, automobile and commercial end users, etc. These projects are likely to have a positive effect on the industrial development of the state.

"It does not make sense to be an EoU, when you get incentives from the government for selling in the local market"

Sarthak Behuria, Chairman, Indian Oil Corporation Ltd.

(Source: The Economic Times, September 16, 2009, 'IOC sheds EoU tag for Paradip refinery')

Pharma



- **Orchid receives FDA approval for its Piperacillin-Tazobactam ANDAs along with 180-day exclusivity**

Orchid Chemicals & Pharmaceuticals Limited, an Indian pharmaceutical company, has received approvals from the US Food and Drug Administration (FDA) for its Abbreviated New Drug Applications (ANDAs) for Piperacillin and Tazobactam in injectible form. The approvals cover Orchid's generic equivalents in 2.25g, 3.375g and 4.5g vial as well as 40.5g (Pharmacy Bulk Package) dosage forms and strengths. The company has been granted a 180-day generic drug exclusivity as it has been determined as the 'first applicant' for the products. Orchid is expected to launch these products in marketing and distribution partnership with Apotex in the US.

- **UN awards contract to Shantha Biotechnics for supplying its pentavalent vaccine SHAN5™**

Hyderabad-based Shantha Biotechnics, an Indian biotechnology company, has received a contract worth USD 340 million from the United Nations (UN) for the supply of its pentavalent vaccine SHAN5™, which is a combination vaccine of Diphtheria, Pertussis, Tetanus, Haemophilus influenza B and Hepatitis B. The cover period for the contract is 2010–12. The company has also received pre-qualifications by the World Health Organization (WHO) for supplying its other vaccines SHANVAC-B™, SHANTETRA™ and SHANTTT™ to UN agencies globally. Shantha Biotechnics was recently acquired by Sanofi Aventis through its vaccine division Sanofi Pasteur.

- **Lupin buys US rights of cholesterol lowering drug Antara®**

Lupin Limited, one of India's leading pharmaceutical companies, announced the acquisition of US rights for product and related assets inclusive of inventory for cholesterol lowering drug Antara®. The company clinched the deal with the bankrupt Oscient Pharma for ~USD 39 million under the procedures of the U.S. Bankruptcy Court. Antara reportedly generated sales of USD 70 million in 2008. The acquisition is in line with the company's US strategy to increase the sales of branded drugs which generally have higher margins than generic drugs.

- **Biocon partners with Amylin for diabetes drug**

Biocon Limited, one of India's leading biotechnology companies, announced an exclusive agreement with US-based Amylin Pharmaceuticals for the collaborative development, manufacture and commercialization of a peptide therapeutic for the potential treatment of diabetes. The agreement offers the scope to achieve synergies by utilizing the capabilities of both the companies. Biocon is expected to conduct research, trials and manufacture the potential drug based on Amylin's 'phybrid' technology, which combines the pharmacological effects of two peptide hormones into a single molecular entity.

"The Indian medical tourism industry is at a nascent stage, but has an enormous potential for future growth and development. This sector has the highest growth potential after IT and BPO and will bracket India among the world's elite healthcare providers"

Aarex India, a medical referrals agency

(Source: The Economic Times, September 21, 2009, 'After IT, BPO, medical tourism emerge as fastest growing sector')

Power



“Today India is ranked as the fifth largest market globally for wind power in terms of installed capacity and this will only elevate in years to come. This is an important time to be involved with wind energy and in helping to shape the future of our nation's renewable energy agenda”

Mr. T P Chopra, President and CEO, GE India

(Source: The Economic Times, September 16, 2009, ‘GE Energy to set up its 1st wind turbine unit in India’)

- **Tata Power scouting for coal assets overseas**

Private power company Tata Power is believed to be scouting for coal mines abroad, including Australia and Mozambique, to meet demand for its upcoming projects. The company currently has 30 percent ownership in a block in Indonesia through which it is able to meet 50 percent of its coal requirement.

Tata power has an installed capacity of 2,768 mw and has set a target of becoming a 12,000 mw company by 2014. This 12,000 mw capacity includes the company's projects which are at various stages of implementation.

- **BHEL bags USD 75.8 million order for 700 MWe nuclear power project**

Engineering giant Bharat Heavy Electricals Limited (BHEL) has bagged a USD 75.8 million order from the Nuclear Power Corporation of India Limited (NPCIL) for supply of four steam generators for India's second 700 MWe nuclear power station, being set up at Rajasthan Atomic Power Project, Kota.

BHEL is expected to design, manufacture and supply these steam generators. The company has so far supplied 32 nuclear steam generators for eight 220 MWe nuclear power stations at Narora (UP), Kaiga (Karnataka) and RAPP (Rajasthan). It has also supplied four nuclear steam generators for India's first 500 MWe nuclear power station at Tarapur Atomic Power Project (Maharashtra).

- **NTPC signs pact with RIL for buying part of K-G D6 gas for USD 4.2/ mmbtu**

The state-run National Thermal Power Corporation (NTPC), recently signed a pact with Mukesh Ambani-led Reliance Industries to buy a part of natural gas allocated to it from K-G D6 fields at a rate of USD 4.2 per mmBtu.

NTPC is expected to buy 0.61 million metric standard cubic meters of gas a day for its plant in Anta in Rajasthan. The volumes are only a fraction of the one-fourth of the 2.67 mmscmd gas the Government had allocated to NTPC.

The state-run power utility signed a Gas Sales and Purchase Agreement (GSPA) with RIL and a separate Gas Transportation Agreement with Reliance Gas Transportation Infrastructure Ltd.

- **GE Energy to set up its 1st wind turbine unit in India**

Power Generator GE Energy plans to set up its first wind turbine generator plant in the country. The plant is expected to commence production in second half of 2010. The facility would also enable GE Energy to create a larger sourcing base from India for critical items, including blades, towers, gear boxes, castings and forgings.

Real Estate and SEZs



- **Another textile company entering real estate business**

After Century Textiles and Bombay Dyeing, it is Raymond, the flagship company of the Singhania group which has expressed its interest to enter into the real estate business. Initially the company is planning to develop the surplus land in Thane for developing affordable housing property using 15-20 acres of surplus land as a part of first phase of development.

- **Indiareit plans USD 103 million realty fund**

Indiareit Fund Advisors Private Ltd., promoted by Piramal Enterprises is planning to set up second real estate fund with an overall corpus of USD 103 million. The fund is likely to make investments in projects in Mumbai, New Delhi and Alibaug with a focus on the residential segment. The funds are expected to be raised from High Networth Individuals (HNIs) and institutional investors. The fund would look at investment opportunities where it can earn a 20 percent return on investment.

- **Omaxe to invest USD 307 million in four projects**

Real estate company, Omaxe is expected to develop four new housing projects at an investment of USD 307 million over next three years. The projects would be located at Faridabad, Indore, Allahabad and Chandigarh with a total of 2000 units. The company is expecting to have a revenue realization of USD 471 million over the next 30 months.

- **Safe home buying with new real estate bill**

A draft bill on real estate regulator is expected to protect the interests of homebuyers by ensuring transparency. According to the draft, a developer will have to register a project with the regulator before he can market the properties. For this, the builder will have to submit a documentary proof of land ownership and the mandatory licenses to the regulator for registration. Once verified, the entire information about the project will be available on the regulator’s Website that will be accessible to everybody. The regulator will also scrutinize the advertisements and names of brokers.

- **IREO to invest USD 2 billion**

Global investment fund IREO plans to invest USD 2 billion to develop an integrated township with approximately 20,000 flats in Gurgaon in next seven to eight years. The township will be developed with an upmarket design and would also comprise hotels, educational institutes, medical facilities and commercial spaces.

Estimated margins on affordable housing	(INR per sq.ft.)
Sale price	2,000 – 2,500
FSI-adjusted cost of land	300-400
Cost of construction	1,000
Overheads	100
Interest on land	54-90
Operating profit	550-900
Taxes @30%	165-275
Net profit	385-625
Net profit margin	19-25%

Source: Report on Real Estate, 15 September 2009, IIFL

Telecom



• Bharti and MTN deal called off

The much-awaited deal to create the third largest service provider in the world has been called off. Bharti announced that the two companies were not able to reach common ground in terms of the corporate structure as per the Indian laws. The South African government along with the company officials lobbied for the dual listing of Bharti and MTN in South Africa and India so as to help the companies to seamlessly merge their global operations. The Indian government, while being in favor of the deal, was unwilling to change or modify the laws for the same.

• Number portability by end of December

TRAI has announced that Mobile Number Portability will be implemented by December 31, 2009 in all metros and category A circles. The remaining circles in India will have access to this facility by March 31, 2010. TRAI has issued the guidelines for the implementation of MNP. There is no clarity on the cost of this service as of now.

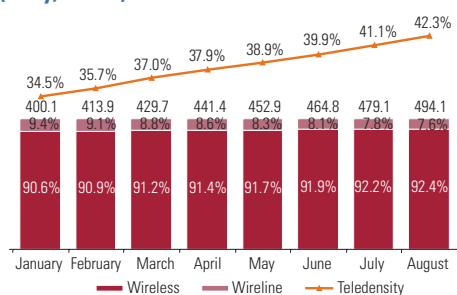
• 3G auctions on December 07, 2009

The government is likely to hold the 3G auctions on December 07, 2009 and the bids will be invited from October 26, 2009 to November 13, 2009. It is also expected to hold the auctions for EVDO (CDMA version of 3G) and Broadband Wireless Access two days later. The winners will be required to pay their bid deposit within five days of the closure of the auction and pay the balance after 15 days.

• New operators to pay three percent of revenues as 3G spectrum fee

Datacom solutions, telecom subsidiary of consumer goods giant Videocon, is believed to have entered into a tower sharing agreement with Tata Teleservices. As per the agreement, Tata Teleservices Limited (TTSL) is likely to provide the transmission services and Wireless Tata Tele Infoservices Limited (WTTIL), the joint venture between TTSL and Quippo, will provide the passive infrastructure in the form of towers and shelters. Videocon has licenses to operate in 14 telecom circles and plans to invest INR 10 billion on towers within this fiscal. Both Datacom and TTSL are rolling out their GSM services together and this agreement is likely to be instrumental in helping them to save on operating costs.

Subscriber Base and Teledensity, 2009 (July, 2009)



Source: TRAI, September 23, 2009

• Tata Teleservices takes bill off the pulse

Tata Teleservices has announced that it will be charging its CDMA customers per call instead of the number of minutes they make a call for. It has announced that it will be charging the customers 2 cents for every local call and 6 cents for every STD call regardless of the minutes of usage.

Transport and Logistics



- **Government not to allow FDI in helicopter services**

The Government of India has decided not to allow airlines to invest in local helicopter service providers. As per the current guidelines helicopter service providers are required to procure only an extra permission from the ministry if it intends to fly airplanes in India. The current FDI guidelines for investing in airlines do not allow a foreign carrier to invest in an Indian carrier. The finance ministry and the department of industrial policy and promotion have also decided that foreign helicopter service providers should be classified as foreign airlines, which are not allowed to have direct or indirect ownership in Indian airlines.

- **India Nepal sign new Air Service Agreement**

India and Nepal have revised the Air Service Agreement (ASA) to allow increased air traffic between the two countries. As per this agreement the two countries have agreed to increase the weekly seat capacity to 30,000 from the current 6,000. It is agreed that Nepal airlines can now operate to a total 21 destinations in India and Indian carriers can fly to seven new destinations in Nepal. The agreement has come into force and the designated Nepalese airline would be allowed to operate upto 10,000 seats per week to/from Mumbai and Bangalore each and upto 15,000 seats per week to/from Delhi. This restriction will become null and void from January 1, 2011. The two countries have also allowed the designated airlines of each other to operate any number of all-cargo services between the two countries.

- **Aqua Logistics files draft red herring prospectus**

Aqua Logistics Ltd., an integrated logistics solutions provider, is said to have filed its Draft Red Herring Prospectus with Securities and Exchange Board of India (SEBI) for its planned initial public offer (IPO). The company plans to use the proceeds from the IPO to fund its purchase of specialized equipments, expansion and establishment of offices, proposed acquisitions, additional working capital requirements, public issue expenses and general corporate purposes. The shares are expected to be listed on the National and Bombay Stock Exchanges (NSE and BSE). Saffron Capital Advisors and Centrum Capital are the Book lead managers and Link Intime India is registrar to the issue.

- **Stone India to manufacture freight cars**

Stone India Ltd., an Indian engineering company manufacturing railway components, through a new subsidiary Stone Intermodal Ltd is planning to enter the logistics business and manufacture freight cars capable of running both on roads and on railway tracks. The company is said to have formed a technical collaboration with RailRunner NA Inc., US-based rail products and services company, to use RailRunner's patented technology to manufacture freight cars in India. Stone India is planning to invest about USD 31 million in two phases to build the new manufacturing facility. The company has currently submitted the designs of the new freight cars to the Union rail ministry for approval and expects to start manufacturing them within a year.

“A strong growth is expected on the back of favorable regulatory environment, greater thrust on logistics infrastructure spending and the changes which we expect from organised players gaining a larger market presence in the industry”

Manoj Mohta, Head, Crisil Research

(Source: Reuters, September 23, 2009, 'Logistics sector poised to grow, high spend a worry-Crisil')

Reference material for preparing this document was taken from the following sources:

Note:

1 USD= 48.8 INR

Sources

Foreword:

- The Economic Times, Top 50 cos lend weight to rebound, October 15, 2009
- The Times of India, Strengthening rupee threatens the recovery of export sector, October 20, 2009
- Reuters, August industrial output up 10.4 pct y/y, October 12, 2009

Economy:

- Businessworld, IMF forecasts 2010 India GDP at 6.4 %
- Reserve Bank of India website, September 11, 2009
- Reuters, Govt. forecasts India's GDP at 6% for FY10 – FM, Sept 07, 2009
- ADB Website, September 22, 2009

Auto

- The Financial Express, GM inks pact with Reva for electric variant of Spark, September 25, 2009
- Wheels Unplugged, REVA NXR and NXG electric cars to be launched in India by 2010-11, September 26, 2009
- The Business Standard, M&M may buy Kirloskar's stake in Swaraj Engines, September 25, 2009
- The Times of India, Toyota buys stake in Tube Investments, September 21, 2009
- The Hindu Business Line, Ford to invest Rs 1,500 cr more in Chennai facility, September 25, 2009
- Dow Jones International News, Continental, Modi Rubber sign pact, September 24, 2009

BFSI:

- The Economic Times, Russia-based Sberbank plans to foray into Indian financial service market, September 14, 2009
- Business Standard, L&T Finance ventures into mutual fund industry, September 26, 2009
- Livemint, World Bank approves USD 4.3 billion loan for India, September 24, 2009
- The Economic Times, Credit Suisse plans to launch banking operations in India, September 30, 2009
- The Economic Times, Axis AMC focus on new business segments, September 13, 2009

CM:

- Livemint, LG to invest USD1bn in India on marketing and R&D, September 24, 2009
- Economic Times, Future Group, Carrefour tie up likely, September 14, 2009
- Business Standard, Johnson & Johnson expands portfolio; launches Neutrogena brands, September 03, 2009
- www.indianretailforum.com, Spencers Retail Enters Into A Licensing Pact With Marc Ecko , September 14, 2009
- Business Week, Mothercare's India ops get DLF push, September 09, 2009

Hospitality:

- Economic Times, Marriott plans 21 new Asian hotels amid global downturn, September 10, 2009
- Business Standard, Interglobe to set up 14 hotels in 3 yrs, September 10, 2009
- Business Standard, Royal Orchid to add 3,000 hotel rooms, September 28, 2009
- Economic Times, Pride Group of Hotels plans IPO of Rs 200 crore, eyes PE funding, September 14, 2009
- DNA, Thailand's Absolute Hotel to set up shop in India, September 01, 2009

IT:

1. TBusiness Standard, TCS opens new delivery centre in Argentina; to employ 250, September 16, 2009
2. The Economic Times 'Mindtree acquires Kyocera Wireless India', Sept 29, 2009
3. HCL Press Release, HCL Signs a five year engagement with Energy Future Holdings for IT Infrastructure Management Services, September 17, 2009
4. Financial Chronicle, Dell acquires Perot for USD 3.9 billion in all cash deal, September 22, 2009
5. EMC Press Release, EMC to Increase India Investment by USD 1.5 Billion, September 9, 2009

Media:

- Economic Times, Sanraa Media in JV with US animation co, September 04, 2009
- Economic Times, ESPN Star Sports to launch sports news channel, September 07, 2009
- Indo-Asian News Services, Big cinemas to add 100 more screens by 2010, September 10, 2009
- BBC News, Indian media firm, Bloomberg, to share business news content, September 11, 2009
- Asia Pulse, India's Den Networks raises USD20 million in pre-ipo placement, September 21, 2009

Oil and Gas:

- The Economic Times, ONGC to invest INR 50,000 Crore in E&P, September 14, 2009
- The Economic Times, Total SA pulls out of USD 10 bn refinery-cum-petrochem project in AP, September 15, 2009
- The Economic Times, IOC, BPCL, HPCL shell out INR 2,200 Cr for 10 percent in Oil India, September 15, 2009
- The Economic Times, Petronet to set up power plants, plans rights issue, September 17, 2009
- The Economic Times, IOC sheds EoU tag for Paradip refinery, September 16, 2009
- The Economic Times, KSIDC, GAIL in pact for gas pipeline infra, September 14, 2009

Pharma:

- Company Website, Orchid's Piperacillin-Tazobactam ANDAs receive US FDA nod, September 16, 2009
- Company Website, Shantha Biotechnics Awarded Large Vaccine Contracts by United Nations Agency, September 1, 2009
- Company Website, Lupin Expands Branded Play Announces Acquisition of US Rights to ANTARA, September 29, 2009
- Company Website, Biocon Limited and Amylin Pharmaceuticals Enter a Global Development and Commercialization Agreement for a Novel Peptide Hybrid, September 11, 2009
- Livemint, Pharma export certificates to be issued by Centre, not states, September 6, 2009
- Pharmabiz, DCGI issues guidelines on grant of CoPP by CDSCO from October 1, September 25, 2009

Power:

- 1 The Economic Times, Tata Power scouting for coal assets overseas, September 29, 2009
- 2 The Economic Times BHEL bags Rs 365 cr order for 700 MW nuke power project, September 25, 2009
- 3 The Economic Times, NTPC signs pact with RIL for buying part of K-G D6 gas for USD4.20, September 23, 2009
- 4 The Economic Times, GE Energy to set up its 1st wind turbine unit in India, September 16, 2009
- 5 The Economic Times, IOC to form joint venture with NPCIL for nuclear power plants, September 2, 2009

Real Estate:

- Business Standard, Raymond diversifies into real estate business, September 18, 2009
- The Economic Times, Piramals' Indiareit plans Rs 500-cr realty fund, September 17, 2009
- Business Standard, Omaxe to invest Rs 1,500 cr in four projects; mulls price hike, September 29, 2009
- The Economic Times, Buying home to get safer, new real estate bill mooted, September 27, 2009
- Business Standard, IREO to pump in Rs 10k cr to build 20,000 houses, September 25, 2009

Telecom:

- The Economic Times, Bharti Airtel-MTN deal called off, October 01, 2009
- The Economic Times, Number portability by end of December, September 24, 2009
- The Economic Times, 3G auctions on December 07, 2009, September 14, 2009
- The Economic Times, New operators to pay 3 percent of revenues as 3G spectrum fee, September 09, 2009
- The Economic Times, Tata Teleservices takes bill off the pulse, September 02, 2009
- Business Standard, Government to announce uniform telecom license fee, September 01, 2009

Transport and Logistics:

- Economic Times, 'MP plans country's largest integrated logistics park', August 24, 2009
- Alassets, 'DHFL in joint venture with real estate investor Redwood for Indian PE fund', August 10, 2009
- Economic Times, 'LDA, ABG Ports team up to offer logistics services to Indian ports', August 5, 2009
- Silicon India, 'Govt may vest ownership of roads with NHAI', August 26, 2009
- Reuters, 'RPT-India to hold road show for USD 20.68 bln road projects', August 31, 2009
- Steeltguru, 'JSW group to develop ports in India and abroad', September 1, 2009
- Financial Express, 'DCI to buy 3 dredgers for INR 1,722 crore', August, 21, 2009

KPMG in India

Mumbai
KPMG House, Kamala Mills Compound
448, Senapati Bapat Marg
Lower Parel
Mumbai 400 013
Tel: +91 22 3989 6000
Fax: +91 22 3983 6000

Delhi
DLF Building No. 10,
8th Floor, Tower B,
DLF Cyber City, Phase 2, Gurgaon 122 002
Tel: +91 124 307 4000
Fax: +91 124 254 9101

Bangalore
Solitaire, 139/26, 3rd Floor,
Inner Ring Road, Koramangala,
Bangalore 560 071
Tel: +91 80 3980 6000
Fax: +91 80 3980 6999

Chennai
No.10 Mahatma Gandhi Road
Nungambakkam
Chennai 600 034
Tel: +91 44 3914 5000
Fax: +91 44 3914 5999

Hyderabad
8-2-618/2
Reliance Humsafar, 4th Floor
Road No.11, Banjara Hills
Hyderabad - 500 034
Tel: +91 40 6630 5000
Fax: +91 40 6630 5299

Kolkata
Infinity Benchmark, Plot No. G-1
10th Floor, Block – EP & GP, Sector V
Salt Lake City, Kolkata 700 091
Tel: +91 33 44034000
Fax: +91 33 44034199

Pune
703, Godrej Castlemaine
Bund Garden
Pune 411 001
Tel: +91 20 305 85764/65
Fax: +91 20 305 85775

Kochi
4/F, Palal Towers
M. G. Road, Ravipuram,
Kochi 682 016
Tel: +91 484 309 4120
Fax: +91 484 309 4121

Contact us:

For further information about this newsletter, please contact:

Ramesh Srinivas
Head - Consumer Markets
e-Mail: ramesh@kpmg.com
Tel: +91 80 3980 6800

Abizer Diwanji
Head - Financial Services
e-Mail: adiwanji@kpmg.com
Tel: +91 22 3983 5301

Rajesh Jain
Head - Information, Communication &
Entertainment
e-Mail: rcjain@kpmg.com
Tel: +91 22 3983 5300

Jai Mavani
Head - Infrastructure & Government
e-Mail: jmavani@kpmg.com
Tel: +91 22 3983 5724

Yezdi Nagporewalla
Head - Industrial Markets
e-Mail: ynaporewalla@kpmg.com
Tel: +91 22 3983 5101

Vikram Utamsingh
Head - Private Equity
e-Mail: vutamsingh@kpmg.com
Tel: +91 22 3983 5302

Research Inputs by KPMG's India
Research Center