

## More flights, lower fares as India, US sign open skies pact



INDIA SIGNED an important 'open skies' agreement with the US, paving the way for a reduction in fares and more flights between the two countries.

The pact allows Indian airline companies unrestricted access to key American destinations like New York and Los Angeles, besides enabling onward connectivity to countries like Canada. Reciprocal facilities have been granted by India to American airlines.

The liberal pact will lead to increased co-operation between US and India, US transport secretary, Norman Mineta said after signing the pact. American airlines are planning to launch a number of new services to India using the new arrangement.

While Delta is launching a daily service between New York and Chennai, Continental is working on a direct flight between Delhi and New York. Northwest, on the other hand, is launching a Bangalore-Minneapolis flight, Mineta said.

From the Indian side, Jet Airways is planning to launch new connections to the US, while Air-India is expanding its operations. The additional capacity and new options are expected to bring fares down. Air-India now operates 28 flights a week to the US via UK, France and Germany, carrying nearly two million passengers annually.

## EU-India trade up 17 per cent



16.7 per cent over the previous year. India's exports to EU grew 6.5 per cent over 2003: textile exports went up by 6.9 per cent, agricultural products by 7.6 per cent and metals

TRADE between the European Union and India reached Euro 32.2 billion in 2004 with India's exports at 15.5 billion euros and EU's exports to India at 16.6 billion euros.

Figures released by Eurostat, EU's statistical bureau, show the total bilateral trade in 2004 was up

Private Indian carriers like Jet Airways and Air Sahara will benefit. Indian Airlines would also be in a position to operate flights to the US. This is the most liberal aviation agreement signed by India.

Direct flights between the two countries are expected to come up soon, providing point-to-point connectivity for passengers from both countries. Currently, most of the traffic between the two countries is carried by airlines based in Europe, Southeast Asia and the Gulf.

Apart from signing the 'open skies' pact, Mineta also launched the US-India Aviation Co-operation Programme which will involve giant multinationals like Boeing, GE, Pratt & Whitney, Bell Helicopter, Raytheon and Honeywell.

The historic 'open skies' agreement is a conclusion of negotiations held in Washington and New Delhi since January 2005.

## Koreans dominate white goods market

DESPITE increased competition LG Electronics retained its leadership position in colour televisions (CTVs), refrigerators, washing machines and microwave ovens.

According to ORG-GFK's just released data for the 12-month period between April 2004 to March 2005, CTVs, washing machines and microwave ovens, all recorded double-digit growth, while fridges remained in cold storage for yet another year, registering overall growth of less than 6 per cent.

LG's had a 35 per cent market share in washing machines, while it had captured 41 per cent of the microwave market, twice its nearest rival Samsung.

Colour televisions also remained a Korean stronghold. Sales grew 12 per cent in value, and here too LG had a 25 per cent market share followed by Samsung with 17 per cent. Refrigerators, registered only a 5.2 per cent growth in value but Samsung doesn't figure among the top three in this segment.

Analysts said that fridges as a category was not likely to witness significant acceleration in growth. "Consumers aren't upgrading. In contrast, it's emerging categories like microwave ovens and DVD players that have been growing. The trend is expected to continue this year as well," they said.

and granites by 55.6 per cent.

EU's exports to India also went up by 16.8 per cent over 2003. EU's textile exports are the only sector which showed a decline of 6.8 per cent over 2003.

These figures are provisional as Denmark and Luxembourg have not yet sent their figures for the month of December 2004. Further, these figures are for the 15 EU member states (not 25 EU members).

## Foreign majors bid for infrastructure projects

AT LEAST two dozen foreign giants in civil engineering, construction and infrastructure consultancy have been drawn to India by frenetic activity in various sectors such as roads, ports and sea-bridges.

The leading companies - which are either undertaking projects or bidding for them - include Bouygues of France, Hong Kong-based China Harbour & Bridge Company, Laing O'Rourke of the UK, South Korea's Hyundai Engineering and Construction, Thailand's Italthai Engineering and Sweden's Skanska.

Industry sources said that civil engineering companies such as Turkey's Limak, Baelim of Korea, Dyckerhoff of Russia, Widmann from Germany, Malaysia's IJM Construction, SDN and Road Builders and Japan's Kajima and Taisei are undertaking projects floated by the National Highway Authority of India (NHAI) and infrastructure projects of various state governments.

Maharashtra State Road Transport Corporation sources said that Hyundai Engineering and Construction, Bouygues Enterprises, Laing O'Rourke, Italthai Engineering, Skanska and China Harbour Engineering, in consortium with Indian companies, are bidding for the world's second largest sea-link project, the \$890 million Mumbai Trans-Harbour link.

A senior Larsen & Toubro official said that advanced technology is the key selling point of all these engineering companies. "The highly-sophisticated technologies provided by multinational companies attract Indian companies to join in a consortium, while bidding for domestic infrastructure projects," he said.

The sudden rush of foreign firms into the country has also forced domestic majors like Larsen & Toubro, Hindustan Construction Company, Bharat Heavy Electricals, Gammon India and Patel Engineering to refocus on India.

## Foreign funds keep faith in India story



NEW FOREIGN funds have not stopped investing in Indian equity markets despite a slowing down of inflows.

In the month between March 14 and April 15, 2005, around 14 new funds have been registered with the

Securities and Exchange Board of India, taking the number from 675 to 689.

Most of the FII's which have been registered are from European countries such as France, the Netherlands, Germany and Ireland among others. Many investors in the Indian markets are retirement and pension funds.

Retirement funds have gained confidence in the Indian story after California-based CalPERS announced its entry into the Indian stock markets last year.

## Royal Dutch/Shell to invest \$688 million

ROYAL DUTCH/SHELL recently announced plans to invest \$688 million in setting up a bulk cargo and container terminal at Hazira port, where it has built an LNG receiving terminal.

"The cargo terminal would be for Essar Steel's captive use," Shell India Pvt Ltd Director Marc den Hartog said.

For the container terminal, Shell is talking to several multinational firms, including Maersk, P&O Ports of Australia, Port of Singapore Authority and Dubai Port International.

"The ultimate investment (in the two terminals) will be of the order of \$688 million," he said but did not give any time frame for project completion.

While Essar is expected to take a 50 per cent stake in



the \$100 million bulk cargo terminal, Shell may offer up to a 49 per cent equity stake in the container terminal to the MNCs it is talking to.

Hartog said Shell has begun commercial supplies of natural gas from its LNG terminal at Hazira, its first customer being Gujarat State Petroleum Corp.

## Realty VC kicks off with \$55 million corpus

DEVELOPMENT of malls in the country is likely to get a shot in the arm with the first-of-its-kind retail real estate venture capital fund kicking off with a corpus of \$55 million.

Promoted by Pantaloon Retail's Kishore Biyani, the Kshitij Venture Capital Fund will also offer investors a green shoe option of investing a further \$22 million. The fund will focus on investing in as well as managing shopping malls and complexes, specially in non-metro cities, and will typically invest in projects that will go on stream in 18 to 24 months.

Development of mall properties in the 300,000 to 500,000 sq ft range will be the focus of investment. The fund will raise money from high net worth individuals.

The fund's trustees expect to ramp up the fund to garner over \$220 million over the next few years.

The Kshitij fund has a guaranteed return of 8 per cent interest on investment, but the expected rate of return could touch 30 per cent, according to the promoters. The venture fund has been set up for a 20-year period. The current scheme though is for seven years, but the trustees can extend it by one year.

## Briefs

## Export target at \$92 billion

THE government of India moved the export target for the current fiscal to \$92 billion from \$80 billion last year. Services exports — for which no authoritative numbers are available — were estimated to be \$30 billion. Imports for the year were up 34 per cent to \$105 billion, of this the oil import bill was \$29 billion.

## Huawei plans telecom unit

HUAWEI Technologies, China's largest telecom equipment maker, plans to set up a \$100 million manufacturing unit in India to tap rising demand for communications gear in the country. India is the world's fastest growing mobile market. About two million new users are entering India's 52-million-strong mobile market each month, making it a hotly competitive zone for global majors such as Ericsson, Motorola and Nokia.

## Telecom target

INDIA'S telecom ministry has set a target of \$800 million in foreign direct investment in telecom manufacturing in the year to March 2006 in a bid to lower costs further. The target for the next year is pegged at \$1 billion. The sector has attracted only \$2.3 billion in foreign investment in the past 15 years.

Nokia, the world's largest handset maker, has already announced plans to set up phone manufacturing units in India. SonyEricsson, the sixth biggest, has asked its vendors to look at manufacturing phones in the country. Fifth-ranked LG Electronics, already makes mobile phones in India.

## Indian liquor king buys rival

LIQUOR giant McDowell & Co Ltd signed an agreement with Shaw Wallace & Co Ltd to acquire a controlling share in the latter for \$290 million. McDowell, is part of the UB Group, controlled by Vijay Mallya. It will now sell 55 million cases of liquor in the country, catapulting it to the second rank globally, next only to Diageo with 91 million cases, and surpassing Pernod Ricard with 53 million cases.

## Cairn plans \$1.33 billion investment

The UK-based Cairn Energy has drawn up a \$1.33 billion investment plan for developing an oil field it found in Barmer district of Rajasthan. The field is expected to produce 125,000 barrels per day from mid-2007.

Cairn, which has established 136.34 million tonnes of in-place oil reserves in the 10 Rajasthan discoveries, will drill over 300 wells to bring the field to production. Four fields have been declared commercially viable. The recoverable reserves for the remaining finds are being appraised.

## Rural India turns prosperous

MARKETING PROS are beginning to take note of the rising middle class in rural India.

The countryside is changing as jobs in manufacturing and services supplement farm incomes, says R.V. Rajan, who helped found the Rural Marketing Agencies Association of India this month. He said television has also introduced new needs for a population once dismissed as largely poor and illiterate.

"Many big-ticket brands, especially in the consumer durable sector, are doing well in rural India," Rajan said.

Rajan estimates the rural retail market to be over \$28.6 billion. Fast-moving consumer goods like soft drinks, shampoos and detergents make up just over half of the market but, as rural incomes grow, sales of durables such as televisions and motorcycles are rising rapidly.

There's double-digit growth in the countryside, says Rajan.

Companies that have targeted small towns and villages — home to 70 per cent of India's one billion-plus

population — have prospered.

South Korean's LG Electronics Inc, market leader in India for home appliances, has targeted the provinces heavily, tailoring its marketing to local traditions, needs and dialects.

"Some 40 per cent of university graduates are from rural India. Many remain in the villages and look for jobs in industries in nearby towns," Rajan said. They need not go to big cities to shop, with malls springing up in smaller towns.

The income disparity between cities and the hinterland is narrowing, says Rajesh Shukla, a senior fellow at the National Council of Applied Economic Research (NCAER), an independent think tank. But incomes in rural India still have some catching up to do; average per capita rural income of \$135 in 2001/02 was still only 63 per cent of the urban average.

NCAER estimates that demand from the rural market will have grown from 45 per cent of total consumer demand in 1995 to 60 per cent by 2010.

## Passenger vehicle sales cross the million mark

THE passenger vehicle market (which includes cars and utility vehicles) rose 18 per cent to touch 1,061,000 units in 2004-05 crossing the one million mark.

According to a report from the Society of Indian Automobile Manufacturers (SIAM), the passenger car market reported a 18 per cent jump in domestic sales to 820,000 units in 2004-05 while utility vehicle sales grew 20.4 per cent to 176,000 units and multi-purpose vehicles were up 9.2 per cent to 65,000.

The two-wheeler market, predominantly motorcycles, grew 15.7 per cent to 6.2 million units. Sales of trucks and buses was up 22 per cent to 318,000.

Overall buoyancy in the economy, coupled with easy funding options, helped most car manufacturers report good sales. While industry leader Maruti Udyog's sales moved up 16.5 per cent to 417,000 cars, Tata Motors, the number two carmaker, saw sales moving up an impressive 34 per cent to 145,000 cars.

In the motorcycle segment, market leader Hero Honda and second largest player Bajaj Auto reported sales with a 19 per cent growth in 2004-05 to 4.9 million units, up from 4.1 million in the previous fiscal.



## FDI hike spurs foreign telcos to feel India pulse

INDIA SEEMS to be the flavour of the season for foreign telecom companies. Apart from majors like Vodafone, Deutsche Telekom, NTT Docomo and Russia's Sistema, several other foreign telcos like Orascom (from Egypt), Alpha Telecom (Russia) and China Telecom also appear to have developed an appetite for India.



Officials of foreign telcos have been visiting India to get a better insight on the telecom sector. Foreign equity funds, especially American funds that have not invested in India so far, are also thinking of investing in India's telecom sector.

This is the first time since 1996-97 that the Indian telecom sector is witnessing so much interest from foreign investors. Interest in Indian telcos has gone up after the hike in FDI limits from 49 per cent to 74 per cent this January.

BPL Mobile has appointed JM Morgan Stanley to find a strategic partner. The BK Modi controlled Spice Telecom is also believed to be up for sale. With the markets saturated in the developed countries, foreign telcos can't afford to miss out on India and China, the largest and fastest growing markets in the world.

Tony Nash, vice-president-strategic marketing Orient Networks, says, "While China's manufacturing capabilities have given it an advantage in one area, India's telecom advantages have helped it capitalise heavily on the recent boom in business process outsourcing."

By '07, India is expected to have about 250 million phone connections. This kind of growth cannot be sustained by domestic resources alone and requires large foreign investments.

## Moody's ranks Tata Steel on par with global majors



MOODY'S Investor Services has positioned Tata Steel on par with steel majors, Arcelor and Thyssen Krupp, by assigning a 'Baa2' rating with stable outlook.

This assumes importance as Tata Steel plans to raise \$1.1 billion for its expansion programme. The rating for Tata Steel is one notch above Moody's current sovereign rating for India of Baa3 and is also the highest rating for an Indian company.

The rating reflects Moody's opinion on Tata Steel's ability to honour its financial obligations as if it had a single class of debt and a single consolidated legal entity structure, the company said.

At this level, Tata Steel is one notch below New Corp, Posco and Nippon Steel. B. Muthuraman, Managing Director, Tata Steel, announced. The company plans to take its steel production to 15 million tonnes by 2010 from 4 million tonnes in 2004.

Some of its plans include investment in NatSteel; 2.4-million tonnes expansion at Jamshedpur; 6-million tonnes greenfield expansion at Orissa; a greenfield project at Bangladesh; port infrastructure at Dhamra, Orissa; a coke project at Haldia; a limestone joint venture in Thailand; a ferro-chrome project in South Africa and a titania project at Tamil Nadu.

Tata Steel has completed the techno-commercial feasibility study for its titanium project. For the greenfield project at Bangladesh, a pre-feasibility study is on. International steel prices will be stable or may go up marginally in the next 12 months, according to Muthuraman.

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## Arvind to launch own brand in US

AFTER years of just being a preferred supplier to some of the world's top retailers and brands like Wal-Mart, GAP, JC Penny, and Marks & Spencer, Arvind Mills is now thinking of launching its own brand of garments in the lucrative US market.

Among the options the company is weighing is to partner one or more of their buyers such as Wal-Mart and get shelf-space for their own brand in their stores.

## TCS crosses \$2 billion mark

TATA CONSULTANCY SERVICES (TCS) has become the country's first IT company to cross the \$2 billion mark as it closed fiscal 2005 with \$2.16 billion in revenues and with a net profit of \$439 million. However its Q4 net was down 34 per cent to \$105 million.

The decline in net profit during the fourth quarter is attributed to the booking of foreign currency revenues at a lower rupee rate of Rs 43.50 compared to Rs 44.74 to a dollar.

## Daiwa to re-enter Indian market

DAIWA Securities Group Inc., Japan's second-biggest securities firm, has said it will re-enter the Indian market in July. Daiwa will offer products such as Samurai bonds, or yen bonds issued in Japan by non-Japanese entities, and euroyen bonds to Japanese investors. It would also act as an agent for Indian stocks and may engage in the mergers and acquisitions (M&A) business.

## Card spending up 42 per cent

THERE has been a major jump in use of credit and debit cards as means of payment by foreign tourists. Tourists from US, UK, France, Australia and UAE are the biggest spenders in India while those from Japan and China have the highest average spend per transaction.

Visitor spends using Visa cards accounts for \$910 million or 18 per cent of total foreign tourist spend of \$4.94 billion in 2004.

## BankAm to invest \$175 million

BANK OF AMERICA will invest \$175 million in its Indian operations. Recently, HSBC had brought in \$150 million and Citigroup invested \$50 million in Citi Financial, its NBFC arm. Deutsche Bank had also brought in \$91 million and put \$50 million into an NBFC arm, while Barclays infused \$50 million.

Of the \$175 million, BankAm has brought in \$150 million as additional Tier-I capital. Additional Tier-II capital of \$25 million will also be infused this fiscal.