

## India's cell phone base tops 300 million mark

THE total wireless subscriber base in India shot up to 305.24 million towards the end of August 2008, according to figures released by the Telecom Regulatory Authority of India (TRAI).

In August, 9.16 million new subscribers were added, ensuring that India remained the world's fastest growing cell phone market. India is the second largest cell phone market in the world – in terms of total subscribers – after China.

There were 343.87 million telephone connections – both wired and wireless – in India at the end of August, 2008. Just about four years ago, there were just 75 million telephone subscribers in India. According to projections, India will have 615 million mobile telephone users in about four years.

Overall tele-density has gone up to 29.83 per cent from 29.08 per cent in July 2008. Overall tele-density was just 2.32 per cent in 1999; it reached to 8.2 per cent in October 2004 and has now more than tripled.

According to the TRAI, there were 4.73 million broadband subscribers in India at the end of August 2008, as against 4.57 million a month earlier. The Indian Government has set a target of 20 million broadband users by the end of 2010.



## Private sector net profit grew by 26 per cent last financial year: RBI



THE private sector in India saw a 26 per cent expansion in net profit in financial year 2007-08 (which ended on March 31, 2008), according to a study by the Reserve Bank of India (RBI), the country's central bank.

Net profits of 2,359 non-government, non-financial companies last fiscal amounted to \$28.6 billion, a significant 26.2 per cent increase over the previous year. Their aggregate sales grew by 18.3 per cent, notes the RBI.

Profits surged despite a 14.8 per cent increase in depreciation provisioning and a 28.8 per cent rise in interest payments. Total provisioning added up to \$8.66 billion and interest payments amounted to \$5.47 billion. The total expenditure of all these companies rose by 18.2 per cent.

According to the central bank, private Indian companies will invest \$40 billion in new projects in the current fiscal. "With the prospects of decelerating pace in the growth of domestic and global economy, the environment for fixed investments due to its cyclical nature could become less conducive," notes the RBI.

Last year, private companies got funding of over \$60 billion for 910 projects from banks and other lenders, which was marginally higher than in the previous fiscal. The infrastructure sector accounted for about half of the total funds raised during the year, with power projects (71) accounting for a bulk of it. Other infrastructure projects that were funded in the private sector included 52 technology parks and special economic zones, nine telecom projects, four road and water management projects and six ports and airports. Gujarat was the top destination for these investments (22 per cent) with 100 new projects being taken up last year, involving an investment of \$13.33 billion, said the RBI. Maharashtra (12.7 per cent), followed by Orissa (10.9 per cent), Andhra Pradesh (8.5 per cent), Chhattisgarh (6.2 per cent), Tamil Nadu (5.6 per cent) and Karnataka (3.7 per cent) have also attracted significant investments.

## Currency futures trading takes off in India

INDIA, which is developing sophisticated financial markets and hedging tools, has now initiated currency futures trading. Union Finance Minister, P. Chidambaram, clicked the first currency futures trade at the National Stock Exchange recently, opening the first session of trading.

"We need to revitalise exchange-traded interest rate derivatives markets, offer exchange-traded credit derivatives and also strengthen the corporate bond markets," says Chidambaram. "These three products are high on our priority list." The Reserve Bank of India (RBI), and the Securities and Exchange Board of India (SEBI), the capital market regulator, are examining a proposal to allow exchange-traded interest rate derivatives.

The Minister urged the market regulators to consider allowing more than one currency for futures – at present only dollar-rupee futures are permitted – and also allow foreign institutional investors (FIIs) and non-resident investors to hedge in the market. "We need to work toward the removal of entry barriers for domestic companies and foreign financial firms in all segments in the financial services industry," he notes.

FIIs are not allowed to trade in currency futures. The trading limit for individuals is \$5 million and \$25 million for trading members.

Exchange-traded currency futures trading is expected to take off after the Multi Commodity Exchange of India (MCX) and the Bombay Stock Exchange (BSE) launch their platforms. Both have received in-principle approval from SEBI.

According to C.B. Bhavé, chairman of SEBI, two more entities have sought permission to start currency futures trading. Kerala-based Federal Bank and the National Multi Commodity Exchange (NCMEX) have applied to the market regulator.

Federal Bank, a Kerala-based bank, plans to set up the currency futures exchange in partnership with several other banks, financial institutions and even public and private sector companies. An international exchange is also expected to join in as a partner in the proposed exchange.



## Asset reconstruction attracts new players

BANKS and financial institutions are unveiling plans to set up asset reconstruction companies (ARCs). Reliance Capital, part of the Anil Dhirubhai Ambani Group (ADAG), Yes Bank and investment bank Edelweiss Capital are among those with plans to set up ARCs.

According to Anil Ambani, chairman of ADAG, "Reliance Capital would enter the banking sector as and when regulations permit. The company would also enter the asset reconstruction, institutional broking and private equity business." ADAG has already registered an ARC with the Reserve Bank of India (RBI).

The Asset Reconstruction Company of India (ARCIL) is one of the largest players in the sector. Major shareholders in ARCIL include State Bank of India, IDBI, ICICI Bank, GIC and IDFC. International investors include Barclays Bank and First Rand Bank of South Africa. Other ARCs include International Asset Reconstruction Company, Kotak Mahindra ARC, ASREC India – which has been promoted by UTI and several state-owned banks – Assets Care Enterprise Ltd (promoted by IFCI) and Dhir and Dhir ARC.

Rana Kapoor, managing director and ceo, Yes Bank, expects regulatory formalities relating to the setting up of the ARC to

be completed by the end of the year. The bank will hold a 29.5 per cent stake in the ARC. Investment bank Edelweiss Capital is also finalising partners for its new venture. Rashesh Shah, chairman of Edelweiss, says the firm will rope in both domestic and international partners. According to RBI rules, the sponsor of an ARC can have a maximum stake of 49 per cent.

The asset quality of scheduled commercial banks in India has improved significantly in recent years, according to the RBI. Gross non-performing assets (NPAs) were at 2.4 per cent as on March 31, 2008, and net NPA was down at 1.1 per cent.



## IIFCL taps Japanese banks for \$1.2 billion



Government-owned India Infrastructure Finance Company (IIFCL) is planning to raise funds to meet the growing demands of the infrastructure sector. The Union Cabinet recently approved a plan to double its authorised capital to \$426 million; the company is now awaiting clearance for raising its paid-up capital.

IIFCL has approached international lenders, including a consortium of Japanese banks, for \$1.2 billion in debt. The Union Government is also expected to inject about \$42.6 million into its capital base. It has joined hands with Infrastructure Development Finance Co Ltd (IDFC) and Citigroup Inc under the 'India Infrastructure Initiative,' which aims to collectively facilitate large-scale capital investments into infrastructure assets in India.

About \$5 billion is to be raised in long tenor debt and equity capital in several tranches over the next few years under this initiative. Of this, a \$3 billion debt fund will be raised by IIFCL and another \$25 million would be contributed by it towards the corpus of the \$2 billion venture equity fund to be set up by IDFC, Citigroup and Blackstone Group.

## NISM to launch companies' database

THE National Institute of Securities Markets (NISM), which has been promoted by the Securities and Exchange Board of India (SEBI), will publish a comprehensive corporate and financial database of Indian companies, dating back to 50 years.

NISM will access data that listed companies have been filing with the capital market regulator and with stock exchanges over the years. "We will try to create a single interface and provide a common platform for users," said G. Sethi, director of NISM. The database will be launched in December and will be sold to subscribers.

The institute is also collaborating with the Indian School of Business (ISB), Hyderabad, the Centre for Monitoring Indian Economy and other stock exchanges for this project. The database will be modelled on the lines of the Wharton Research Data Services, which the leading college – affiliated to the University of Pennsylvania – launched about 15 years ago.



### Briefs

#### DuPont launches India photovoltaic unit

DuPont India, a subsidiary of E.I. DuPont de Nemours & Company, has launched a new unit, DuPont Photovoltaic Solutions, to market solar power products and provide technical assistance to customers in India. The new unit aims to generate revenues of \$1 billion by 2012.

The American major has also opened a corn research centre in Bangalore to help farmers increase productivity. The \$2.5 million centre is DuPont's fifth research facility in India. DuPont has increased its research investment in India by 55 per cent in 2008.

#### German realty fund makes \$200 million investment

MPC Synergy, a German real estate fund, has made the second-largest foreign direct investment (FDI) in the Indian real estate sector, by investing \$200 million in special purpose vehicles floated by Phoenix Mills, a Mumbai-based developer. The fund – a joint venture between Germany's MPC Capital, and Synergy Asset Management of Switzerland – has picked up stakes in 21 projects promoted by the developer.

#### NRI group opens hospital in Kolkata

Columbia Asia Hospitals, a Malaysia-based international hospital chain, has opened a new facility in Kolkata. The company, which has hospitals in Bangalore and Gurgaon, has invested \$5 million for the 100-bed facility at Salt Lake in Kolkata. The hospital chain, promoted by US-based NRIs, has a strong presence in Malaysia and Vietnam. It plans to invest \$15 million in new hospitals in India, besides expanding its presence in South East Asia.

**Briefs**

**India is key strategic market for Finnish major**

METSO Minerals, a subsidiary of Finland's engineering and technology major Metso Corporation, is investing nearly \$45 million in a multi-functional industrial facility in Alwar in Rajasthan to cater to the growing demand for crushing and vibrating equipment and pumps. The company has already invested \$60 million in India, which has emerged as a key strategic market for it.

**US fund starts VC lending unit in India**

SVB Financial Group, a Nasdaq-listed firm that has provided venture capital for several international technology companies, plans to launch a non-bank venture lending business in India. SVB India Finance Pvt Ltd will provide debt capital to venture-backed, early- and mid-stage companies India. The group, which owns Silicon Valley Bank, has offices in Bangalore and Mumbai. It has an India-focussed co-investment fund (SVB India Capital Partners) and a cross-border consulting arm (SVB India Advisors Pvt Ltd).

**Tata Capital in tie-up with Tokyo brokerage**

TATA Capital, a wholly-owned subsidiary of Tata Sons, has joined hands with Mitsubishi UFJ Securities, a Tokyo-based brokerage, for investment banking, global offerings of Indian equities, stock and bond trading and online trading systems development. The Japanese firm, which recently started a subsidiary in India, will help the overseas expansion of Tata Group companies by offering fund-raising and mergers and acquisition services in Japan, the US and Europe.

**Tesco joins hands with Trent for retail foray**

BRITISH retail giant Tesco has joined hands with Trent, the retail arm of the Tata Group, to launch its wholesale cash-and-carry business in the country. The company will invest over \$100 million in the next two years, and the first outlet will be opened in Mumbai. These outlets will sell fresh food, grocery and non-food products to small retailers, restaurants, groceries and other businesses. Trent will pay a fee to the \$100 billion British major for its retail expertise, and technical support that it will get for its own hypermarket chain, Star Bazaar.



India allows 100 per cent foreign direct investment (FDI) in the wholesale cash-and-carry format in the retail sector. These operators can only sell to wholesalers and not to retail consumers. Germany's Metro and South Africa's Shoprite have started cash-and-carry ventures, while American giant Wal-Mart has signed up with Bharti Enterprises for a similar venture. "Our India foray complements our entries into China and the US," said Sir Terry Leahy, ceo of Tesco. "Our agreement will enable us to share our global retail expertise, supporting Trent in the development of their Star Bazaar hypermarket business."

Tesco already has a strong presence in India; it employs about 3,000 people at its Bangalore facility, which provides IT, financial and business services to the entire group. Tesco also has sourcing offices in Delhi, Bangalore and Tirupur, from where it buys over \$300 million worth of products every year.

According to Noel N. Tata, managing director of Trent, "Our ability to access Tesco's retail knowledge and expertise will play an important role in our endeavour to offer a unique shopping experience to customers across the country. Their wholesale cash-and-carry business will provide us with the opportunity to tap into a world class supply chain."

**Reliance Retail ties-up with UK's Hamleys**



RELIANCE Retail has entered into an exclusive, pan-India franchise agreement with Hamleys, a nearly 250-year-old UK-based toy retailer. The Indian toys and games market is estimated at about \$600 million.

Hamleys brings to this partnership its skills and capabilities of creating a unique store experience, training its staff to deliver this experience, designing stores and developing private label products to complement the brands.

It is set to open a store each in Mumbai and New Delhi in 2009, followed by a nationwide expansion. The stores will sell a wide range of toys from much loved brands to more traditional and nostalgic toys, as well as quirky and unusual treasures. Toy demonstrators and magicians will bring the store to life. "Our partnership with Hamleys heralds the beginning of a new era in the evolution of the toy market in India," says Bijou Kuriem, president and ceo of Reliance Lifestyle Holdings Pvt Ltd, a wholly owned subsidiary of Reliance Retail Ltd. "We hope to bring world class toy stores, which will capture the imagination and attention of children in India." The British toy retailer has been on a global expansion spree. It recently launched its first store in Amman, Jordan, and will soon be opening a 32,000 sq ft store in Dubai, and another in Dublin, Ireland.