

Container traffic expanding 20 per cent annually



THE container business in India is growing at a brisk clip, as importers and exporters are increasingly shifting away from general cargo. Containerised traffic is growing by almost 20 per cent annually, nearly double the global average.

Container traffic is expected to double to 110 million tonnes in just under five years. According to Sabyasachi Hajara, chairman, Shipping Corporation of India (SCI), the container business is expected to grow at an average rate of 18 per cent in the next decade.

Major Indian ports currently handle container vessels with

a capacity of 9,000 TEUs (twenty foot-equivalent units), but this is likely to go up to vessels with a capacity of 13,000 TEUs shortly.

India's container segment will get a major boost following the development of the International Container Transhipment terminal at Vallarpadam, near Kochi, in the southern state of Kerala. Shipping Minister T.R. Baalu, who launched the construction work at the port in February, points out that the union government has launched an ambitious 'National Maritime Development Programme' to modernise the ports infrastructure. The government envisages investment of about \$12.5 billion over the next five years in the development of ports.

Danish shipping giant AP Moller-Maersk AS is investing over \$225 million to develop a new container berth at Pipavav port in Gujarat. The country's first private sector port is being operated by APM Terminals International BV, the third-largest container terminal operator in the world.

Meanwhile, about 20 trucking companies are planning to establish a consortium to operate rail containers, a business that was recently opened up to private participation.

The Indian government has licensed over a dozen private players to operate railway containers. The business has been dominated by state-owned Container Corporation of India. Road transport currently accounts for 70 per cent of the container market, but Indian Railways wants to increase its share to 50 per cent, and is encouraging private players to enter the business.

Automotive mission plan envisages \$40 billion investments

AN ambitious automotive mission plan (AMP) was launched in the national capital by Prime Minister Manmohan Singh recently. The 25-point plan aims to convert India into a manufacturing and export hub for small cars, multi-utility vehicles, two and three-wheelers, tractors and components.

The 10-year plan aims to generate investments of nearly \$40 billion, which could also lead to the creation of 25 million jobs. The plan lays emphasis on a rationalised tax structure, building new infrastructure, and export promotion drives. The automobiles sector is expected to contribute to 10 per cent of the country's gross domestic product (adding up to about \$145 billion) by way of revenues – double the existing level – by 2016.

The AMP envisages a better road and rail network, especially last-mile connectivity between ports and auto hubs. There are plans for special ports in Mumbai, Chennai and Kolkata, which will be equipped to handle half a million vehicles for exports.

India produced about 1.5 million cars and commercial vehicles in 2005-06, which is less than 2.5 per cent of the total



global production of 66.46 million vehicles. India's automobile exports, though rising sharply in recent years, still accounts for just 0.3 per cent of the global auto trade.

Heavy Industries Minister Santosh Mohan Dev expects automotive sector exports to jump from \$4.1 billion at present to about \$35 billion by the end of the AMP.

Ravi Kant, managing director, Tata Motors, feels the AMP "should definitely deliver India as the destination of choice in the global auto industry, for design and development, as well as manufacturing."

Briefs

DMRC to double its ITES facility

The Delhi Metro Rail Corporation Ltd (DMRC) plans to develop another 6-hectare facility at its Shastri Park IT complex. DMRC, which already has a 6-hectare facility, will be able to claim an IT enabled services special economic zone status following the doubling of its facility. Under the new guidelines, the minimum size for an ITES SEZ is 10 hectares.

Satyam begins work on China development centre

Satyam Computer Services Ltd, India's fourth-largest software firm, has started building its development centre in China, which will be its largest such facility outside India. The Hyderabad-based firm is also putting up a similar centre in Malaysia. Both the development centres will help Satyam offset rising costs in India by developing a base of skilled workers in other countries.

Kolkata hospital to set up facility in Bangladesh

The B.M. Birla Heart Research Centre, Kolkata, plans to establish a 200-bed super speciality hospital in Dhaka, along with eight diagnostic centres in Dhaka, Chittagong and Jessore. The centre, which plans to invest nearly \$7 million in Bangladesh in the initial stage, was the first hospital in India to get the quality certificate from the National Accreditation Board for Hospitals and Health Service Providers (NABH).

Chip design facility at Saltlec

The Indian Design Centre, the first integrated chip design facility, will come up at Kolkata's Salt Lake Electronics Complex (Saltlec). The centre would house research fabrication activity, training and incubation centres, said Debesh Das, West Bengal's IT minister. The facility would be built on a public-private-partnership basis and would cost around \$23 million.

Power exchange norms established

THE Central Electricity Regulatory Commission (CERC) has set up the norms for establishing a national power exchange. The proposed exchange, to be operational by the end of 2007, would provide a platform for buyers, sellers and traders of electricity to enter into spot and forward contracts.

According to A.K. Basu, chairman, CERC, participation in the exchange will be voluntary and existing power purchase agreements and bilateral contracts will continue to remain effective. There could be more than one power exchange, as inter-regional transfer capacity is expanding rapidly.

Several private companies are entering the power sector in India, and the regulator expects growing demand for trading in electricity. Private players will also be allowed to float the exchange, or participate in a joint venture.

The proposed exchange, which will operate like a stock or commodity exchange, will ensure a market-based institution enabling price discovery and price risk management to generators, distributors, traders, and consumers. It would also ensure a payment security mechanism to buyers and sellers.



Merchant power plants to bridge demand-supply gap

THE power ministry is pushing ahead with plans to meet the growing electricity requirements, by encouraging the concept of 'merchant power plants' (MPPs) in India.

Sushilkumar Shinde, the Power Minister, notes that MPPs are "a product of the restructuring of the electricity industry," and can provide the additional generating reserves that India needs now and will need in the future.

"The success achieved so far in the development of Ultra Mega Power Projects gives us the confidence to offer another route of power generation capacity addition through Merchant Power Plants," says the minister.

According to former power secretary R.V. Shahi, MPPs are a modern, market-based answer to the growing demand for electricity in the country. Merchant power plants are like wholesalers, unlike the conventional rate-based plants who generate power for their own customers. MPPs also differ from traditional power plants in the way they are financed and the manner they sell power, which is by competitive pricing and bidding.

Many MPPs are likely to provide steady supplies to power grids, while others will fire up only when demand peaks, to meet the required load. Pointing out that it was heartening to see that "industry has come back into the power sector," Shahi hopes the MPP concept also gets a good response as Ultra Mega Power Projects.

The Indian government has envisaged capacity addition of 100,000 MW by 2012 to meet its 'Mission of Power to All'. It is estimated that a capacity addition of 70,000 MW is required during 11th Plan period (2007-2012) to meet the targeted economic growth rate of 9 per cent.

RBI hikes short-term lending rate to curb inflation

WITH inflation having touched a two-year high of 6.12 per cent in January, well above its band of 5.0 to 5.5 per cent, the Reserve Bank of India (RBI), the country's central bank, hiked its key short-term lending rate to its highest level in about four years.

RBI Governor Y.V. Reddy notes that all policy measures of the government and the bank are aimed at bringing inflation down "as soon as possible, close to the range we had thought of for this year."

He, however, points out that tightening of the monetary policy to reduce inflation would not hamper the high levels of economic growth. On the contrary, it would help maintain growth in the face of demand pressures and rising prices of both agricultural and industrial policies, says the governor.

"In medium term we want it (inflation) to be less than 5 per cent if we want to maintain stability and growth in a globally integrated world," he adds. "The central bank is trying to make funds costlier for the system to moderate the demand."

The RBI raised the main lending rate, the repo rate – through which it manages liquidity – by 0.25 per cent to 7.5 per cent, its highest level since March 2003. This would make short-term funds costlier for banks. The RBI raised the repo rate four times in 2006. But the benchmark rate remained unchanged at 6 per cent, and the cash reserve ratio also remained untouched at 5.5 per cent.

UBS acquires Indian mutual fund arm of Standard Chartered

SWISS finance major UBS has acquired the Indian mutual fund management company of British bank Standard Chartered. It paid \$118 million for the 100 per cent acquisition of Standard Chartered Asset Management Company, and Standard Chartered Trustee.

The acquisition of India's ninth-largest mutual fund will add about \$3.2 billion to UBS' assets under management. The Zurich-based bank will also enter into a strategic alliance with Standard Chartered to distribute funds in Asia, the Middle East and Africa.

The British bank's mutual fund business in India includes 16 schemes, 10 of which are fixed income, four in equities, and two relating to asset allocation. According to a Standard Chartered spokesman, India would remain a key market for the bank, which would, however, focus on its core strengths as a distributor for third-party funds.

The deal will give Standard Chartered's retail and wealth management business access to UBS Global Asset management's flagship capabilities and also to a number of other UBS investment bank products.

UBS is expanding rapidly in emerging markets by acquiring other businesses. Its acquisitions last year included Brazil's Banco Pactual, an investment bank and wealth management company (for which it paid \$2.6 billion), and a controlling stake in South Korea's Daehan Investment management (for \$190 million). It also plans to enter the broking business in China with a local partner.

Briefs

Accenture to raise India headcount to 35,000

Global management consulting and outsourcing giant Accenture is expanding its Chennai operations by adding another facility with a seating capacity for 3,000 employees. The international firm plans to raise its India headcount to 35,000 from 27,000. It nearly tripled its strength in Chennai over the last one year. Accenture's global delivery network comprises 44 centres, including 10 in India.

Samsung to invest \$100 million in Chennai facility

Samsung India Electronics Pvt Ltd is setting up a new manufacturing facility for colour television sets and colour monitors at Sriperumbudur near Chennai. The new manufacturing complex, spread over 80 acres of land, is the Korean firm's second such facility in India, the first being in Noida near Delhi. Samsung will be investing about \$100 million in the Chennai facility over the next four years.

IIML to have second campus in Noida

The Indian Institute of Management Lucknow (IIML) is investing about \$14 million in a new campus in Noida on the outskirts of Delhi. The second campus, spread over 30 acres, will be ready by September. The Noida campus will offer a working management programme and will enter into global tie-ups with other institutions.

eInfochips to set up fourth design centre in Ahmedabad

eInfochips, a California-based provider of ASIC design services, and embedded systems solutions, is setting up its fourth design centre in Ahmedabad. The new centre will focus on complex chip design and verification and product design services for consumer multimedia applications. The company already has three design centres in Ahmedabad and two in Pune. It recently set up a subsidiary in Japan and operations in Chicago.

India to be in trillion-dollar club next year

INDIA is likely to join the exclusive, trillion-dollar club in 2008, if the economy continues to grow at the current pace. According to the World Bank, there were just nine countries with an economy of one-trillion-dollar plus in 2005.

The members of the club (in terms of official exchange rates, and not purchasing power parity) include the US (GDP: \$12.45 trillion), Japan (\$4.5 trillion), Germany (\$2.78 trillion), China (\$2.22 trillion), the UK and France (\$2.19 trillion each), Italy (\$1.72 trillion), Spain (\$1.12 trillion) and Canada (\$1.11 trillion).

The next three nations in the ranking, who are in the race to touch the landmark figure, include Brazil (\$794 billion), South Korea (\$787 billion), and India (\$785 billion, and ranked 12th among the global economies).

Of course Russia (\$763.72 billion), which was ranked 14th (after Mexico) in 2005, is steaming ahead in the current fiscal, thanks to soaring oil and gas prices, which will see its GDP race ahead of even India's to almost \$975 billion.

According to the International Monetary Fund (IMF), India will overtake South Korea in the current fiscal, when its GDP is expected to cross \$840 billion, whereas the South East Asian republic will see its economy expand to \$826.9 billion.

The Indian government has projected a much faster growth (of 9.2 per cent) rate than the IMF, which would see the economy cross the \$850 billion-mark. India will thus emerge as Asia's third largest economy, after China and Japan.



Brazil has been growing at a much slower clip – of 3.2 per cent in the most recent quarter – so it will take some time to touch the \$1 trillion mark. India and Russia are likely to breach the trillion-dollar mark some time in 2008.

The international business report 2007, by leading consultant Grant Thornton, says that the four BRIC nations (Brazil, Russia, India, China) will account for 44 per cent of global GDP by 2050.

India's GDP growth of 9.2 per cent in fiscal 2006-07 (ending March 31) is likely to be the fastest in 20 years. The manufacturing sector is expected to grow by 11.3 per cent (9.1 per cent last fiscal), services at 11.2 per cent (9.8 per cent), and agriculture by just 2.7 per cent.

S&P finally upgrades India to full investment-grade status

WHILE other international rating agencies had restored India to full investment-grade status much earlier, Standard & Poor's finally acknowledged the fact and upgraded its ranking.

Many analysts noted that S&P was rather late in upgrading one of the fastest growing major economies in the world, as other agencies had given the 'investment grade' to India over two years ago.

Moody's had upgraded India's status for foreign currency borrowings to investment grade in early 2004, while Fitch had removed the speculative tag from its sovereign credit rating in 2006.

India's combined deficit has fallen to 7.5 per cent of GDP in financial year 2005-06, from 10.1 per cent in 2001-02. S&P raised India's sovereign and local currency credit rating to investment grade (BBB-/A-3) with a stable outlook, citing



strong economic prospects and external balance sheet, deep capital market and an improving fiscal situation.

"India's economic prospects remain strong and are rising gradually, with GDP trend growth likely to average more than 7.5 per cent in the medium term," said S&P in its upgrade. The agency said gradual reforms as well as consistent monetary and fiscal policy stances had pushed up growth. The move is expected to improve India's global profile as an investment destination. It will open up the Indian asset market to the benchmarked investor community, who invest only in investment-grade paper.

According to Minister of Commerce and Industry, Kamal Nath, the raising of India's rating to investment grade – both at the institutional and foreign direct investment (FDI) levels – should lead to even greater inflows.