Europe India Chamber of Commerce

Newsletter

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## EICC Board and AGM to meet in London on 23rd April 2010

The Board of Directors of the EICC will meet in London on Friday, the 23rd April 2010. The meeting will be held in the RAC Club and the address is: Pall Mall Clubhouse, 89 Pall Mall, London SW1Y 5HS, Tel: 0044-20 7930 2345, Fax: 020 7976 1086. The Royal Automobile Club (RAC) is the glamour of London's Pall Mall and provides excellent meeting room and dining facilities. The Board meeting will discuss important and emerging issues connected with programme and policies of the organization including the restructuring of the Board of Directors. The meeting will also be combined with the General Body meeting of the Chamber. The meeting assumes importance as the EU-India Summit will take place in Brussels under the Belgian Presidency of the European Union in which EICC is likely to have a business role to play within the framework of the EU-India Business Summit. The EICC Secretary General is already in consultation with the Belgian Foreign Ministry for possible collaboration. The Resident Director of the EICC in Spain and Poland will also participate including some special invitees. For the convenience of those who would like to arrive in London in the morning, it has been decided to that the meeting will start at 11AM followed by lunch. Mr. Ravi Mehrotra, Co-Chairman will host the meeting and the lunch.

## EICC proposes IMC to organise a sectoral event as follow up of the India Calling 2009

As a follow up of the India Calling 2009 held in Brussels last year, the EICC has proposed to the Indian Merchants' Chamber that it is important that both organisations look into the possibilities of organising a high level sectoral activity. In a communication to the IMC, the Secretary General has proposed that one sectoral activity which looks important from the chamber's point of view is to organize a business conference on the tourism industry. The objective of the conference, according to EICC would be to bring together major tour and flight operators, travel agents, people associated with hospitality industry like hotels, resorts; representatives of the State governments such as Maharashtra, Goa, Gujarat, Tamilnadu, Delhi, Kerala, UP, etc and of the EU countries to discuss and promote tourism between Europe and India. Stressing the need to address the potentials of tourism industry in India, the Secretary General has informed the IMC that India has registered a negative growth in foreign tourist arrivals (FTA) in 2009 which should be a matter of concern and it is therefore important that India should shows its potentials in tourism in order to become the next hub of tourism for Europeans. The EICC Resident Director in Spain Mr. Gour Saraff has suggested that the most ideal place to discuss these issues is Spain (either Madrid or Barcelona) and the most convenient month suggested is early September 2010. India's tourism industry can experience a strong period of growth by the burgeoning Indian Diaspora and coordinated government campaigns to promote 'Incredible India'. The EICC therefore has proposed to the IMC that the Ministry of Tourism and Ministry of Overseas India Affairs should also be involved as the partnering and sponsoring organizations. Along with general tourism, the EICC has suggested that as India is making rapid strides in medical tourism and as this sector is emerging as a most promising segment in the country, this issue could also be addressed.

## Surya P Sethi to assist EICC on energy and climate change

The EICC is all set to offer technical expertise to its members and stakeholders on issues of energy and climate change. Mr. Surya P Sethi who few months ago retired as the Principal Advisor on Energy and Climate Change to the Planning Commission of the Government of India, has agreed to help and guide the EICC on developing strategic policies connected with energy and climate change. Mr. Sethi has a business management degree from the IIM Ahmedabad. After joining Tata Administrative Service, Mr. Sethi worked with the International International Finance Corporation which is the private sector window of the World Bank Group. Mr. Sethi is associated with high profile Think Tanks in Europe and US and advises them on the energy and climate change. He is no stranger to Brussels as he was the principal negotiator on behalf of the government of India with the European Commission on the EU-India Energy co-operation and climate change. His expertise on this sector is well known and it is this fact that had prompted the Indian government to invite him to join the government. Mr. Sethi brings with him a unique combination of functional knowledge and expertise along with the skills needed for providing technical input to the organization's attempt to create value based services to its members and assert its role as a technically rich chamber of commerce.

## Spain assumes revamped EU Presidency

Spain is in the EU hot seat for 6 months as it took over the new post-Lisbon Council Presidency from January 2010. It has identified economic issues, supervision of financial markets and energy policy as its key priorities. Under revamped EU rules Prime Minister will no longer chair European Summits and the foreign Minister won't chair foreign affairs meetings, although Spanish ministers will head other meetings in the Council of Ministers. Among of the priorities of the Spanish Presidency will be ensuring the EU works well under the new Lisbon rules, progressing on the "Stockholm" programme for justice and citizenship and combating violence against women. Spain has pledged to drive forward the realization of the European Research Area (ERA) during its Presidency. Innovation and equality are also likely to be at the heart of the Spanish Presidency programme. Promoting the construction of the ERA is key to the success of this programme, and Spain has identified three 'axes' to drive the ERA forward: integration, involvement and inclusion. Broadly, Spain's priorities for the next six months include: consolidating Europe's social agenda, paying special attention to gender equality and the fight against domestic violence; getting out of the economic crisis; energy security and climate change; creating a safer EU, particularly with regard to the challenge of immigration; and enabling Europe to speak with its own voice on the international scene.

Spain will head up the EU Council for the first half of 2010, before handing over the reins to Belgium on 1 July. Together with Hungary, which will hold the presidency in the first half of 2011, Spain and Belgium have put together an 18-month work programme. In it, they have promised to 'take full account of the importance of research and development and innovation in the renewal of the post-2010 Lisbon Strategy'. In addition to the creation and governance of the ERA, priorities identified by the trio include the analysis of the mid-term review of the Seventh Framework Programme (FP7) and the implementation of joint programming. In particular, the presidencies are keen to emphasize the importance of the regional dimension of innovation and research policies. The three nations have pledged to closely follow the creation of the first knowledge and innovation communities (KICs) under the European Institute of Innovation and Technology (EIT). Spain has an EU-high unemployment rate of 17.9 percent, about double the bloc's average, and while countries including France and Germany have managed to climb out of technical recession, Spain acknowledges it is lagging behind and will not see net creation of jobs until late this year. Spain had posted nearly a decade of solid and sometimes robust growth, largely on the strength of its construction sector, until the real estate bubble collapsed over the past two years.

## Indian IT majors vie for $500-million Danish pension fund contract

Denmark's largest pension fund company, ATP, has expressed a desire to outsource its internal information technology (IT) management and back-office works to Indian service providers. The ATP is understood to have issued request for proposals (RFPs) for technology upgrade and support works worth over $500 million. Most Indian IT outsourcing companies, including Tata Consultancy Services, Infosys Technologies, Wipro, HCL and L&T Infotech, have responded with hope of grabbing this contract. The IT services market in the Nordics is estimated to be $10-12 billion and is growing at a compunded annual rate of 5 per cent. The Nordic region, according to a recent study by PricewaterhouseCoopers, is witnessing high ICT adoption and R&D investments, and is gradually opening up to offshoring as a means of sustaining organisational competitiveness. Due to high cost structures, enterprises in most of the Nordic countries, including Denmark, Finland and Sweden, are looking at low cost destinations like India. According to some the industry sources, this gives them a cost advantage in the range of 30-40 per cent. They also add that Indian IT outsourcing services' providers are finding the financial services space in Europe and Nordic region a lucrative proposition.

The contract, according to the sources, include two different components one for mainframe and IT infrastructure support and management, which includes setting up and managing of data centres, and the second one is for hosting SAP services, with complete maintenance and environmental support. It is understood that ATP was already working with a leading global tier-I supplier (not from India) for its IT infrastructure management and support. However, they decided to cancel the contract and go for a fresh bid, not being satisfied with the services from the existing vendor. Even though ATP has initially decided to float the contract through the government (Denmark) channel, they had to open it due to European Union (EU) guidelines. Since the contract mandated setting up of huge data centres in Denmark and Copenhagen, a lot of Danish players have also participated in it. Indian IT services companies, including TCS, Wipro and HCL, run huge data centres for their clients in most European countries, including the Nordic region. It is also understood that Nordea, a financial services group headquartered out of Copenhagen, is also looking at outsourcing to Indian software vendors. The company is in the process of finalising multi year IT outsourcing contracts, which will fetch a revenue of US$70 million per annum. NASSCOM has identified Nordic region as important for the IT companies. NASSCOM and PricewaterhouseCoopers in a joint study report titled 'Opportunities for Indian IT Industry: Nordic Countries have outlined key strategies and opportunities that exist in the Nordic region. Key Highlights of the report estimated the size of the ICT market approx US$ 55 billion - hardware and telecommunication constitutes 30%, software products 18% and IT services close to 52%. It also said that the IT services market is estimated to be US$ 10-12 billion and is growing at the rate of 5% CAGR. In spite of the large economic activity (nominal GDP close to $ 1.6 trillion) the reason for a relatively small IT market is often attributed to the presence of a large number of small- and medium-sized enterprises.

## India set to become a hub for small cars

India will become the world's largest producer of A-segment small cars by 2013, a recent study by US-based market global intelligence firm Global Insight reveals. By 2013, India will produce about 31 per cent of the world's A-segment cars. A combination of key reasons such as technical expertise, low costs, stable economy, government policies favouring small cars, large and integrated supplier base, and competence in diesel powertrain manufacturing will propel India as a major small car manufacturer.

The New Delhi Auto Expo, which was held last month turned out to be one of the most important movers of the Indian car market. The expo, saw global majors Toyota, Honda and General Motors announcing their entry into the small car market in India. These new entrants have only stepped-up the already brewing small car battle in India. The prospects for the small car industry in India are so bright that there is a big change for India to be the global hub for small cars. Indeed the recent government stimulus has played a big role in this small car boom. Global carmakers are lining up to make India, home of Tata Motors' magic "Nano", the world's cheapest car, a base for their export operations as they try to cut costs and move to compact, fuel-efficient vehicles. South Korea's Hyundai Motor, which already exports close to half of its Indian output, wants to make India its global hub for making and exporting small cars. Toyota, the world's largest auto maker, is designing a compact car for the Indian market and plans to make the country its small car hub by 2012. And Ford Motor is investing about $500 million to double capacity at its India plant, which will not only produce a compact car but become a strategic global production hub. Japan's Suzuki Motor Corp has a strong foothold as majority owner of leading Indian carmaker Maruti Suzuki, which is spending more than $300 million on building a small-car research and development centre in the country. General Motors, plans to export 20 percent of the output from its plant in Maharashtra by 2011, once it reaches its full capacity of 140,000 units. Hyundai is stepping up production of its popular i20 hatchback to export to more countries to meet the growing demand. India's domestic auto market is relatively small, especially considering a population of more than 1.1 billion, with about 1.5 million passenger vehicles being sold last year. As global automakers boost their presence in the thriving Indian market, they will turn the country into a stage for novel experiments in lowering production costs to levels not seen before. Indian customers' unmatched sensitivity to pricing has meant the market has been dominated for nearly 30 years by Maruti Suzuki India Ltd. The unit of Japan's Suzuki Motor Corp has been able to build $5,000 cars such as the Maruti800 hatchback by using old, fully depreciated equipment provided by its parent in the 1980s.

## 1.7 trillion opportunities to invest in India's infrastructure, says Goldman Sachs

India's infrastructure story is going to be big and the country will require US$1.7 trillion investment in the next 10-years for this sector. This was disclosed by the Goldman Sachs Managing Director and CEO while addressing a conference in India. According to the CEO, there are many opportunities in the infrastructure sector in India and the investment would come more from the domestic market such as banks, savings and development of a sophisticated bond market. The Government of India has recognised the importance of infrastructure development and private sector capital to sustain long-term economic growth. It estimates an investment need in the region of US$ 500 billion over the coming five years, predominantly in the power and transport infrastructure sectors. To support this target, the Government of India has introduced a number of measures supportive of private sector investment. Such measures include the removal of restrictions on foreign direct investment, changes to legislation, introduction of model concession agreements and provision of financial assistance to increase the attractiveness of investment in the sector.

With the Indian government's plan to spend an estimated US$567.2 billion over the next 5 years on infrastructure developments, there is no better time than now to explore what the investment opportunities are at Infrastructure Investment India. India has emerged as one of the fastest growing economies. The best barometer of country's economic standing is measured by its GDP. The robust current growth in GDP has exposed the grave inadequacies in the country's infrastructure sectors. The strong population growth in India and its booming economy are generating enormous pressures to modernize and expand India's infrastructure. The creation of world class infrastructure would require large investments in addressing the deficit in quality and quantity. With the above investments India's infrastructure would be equal to the best in the world by 2017. Indian infrastructure investment equaled little over 6% of gross domestic product (GDP) last year, compared with more than 9% in China.

**India Inc looks within for M&As**

Mergers and acquisitions (M&A) have become a popular avenue for Indian companies to achieve rapid reach and scale. There is great confidence behind their growth-focused M&A strategies, but a recent research document uncovered that insufficient attention is often paid to the operational implications of M&A. The global economic slowdown forced corporate India to look largely within the country for merger and acquisitions in 2009, accounting for about 60 per cent of the 10-billion dollar worth of deals. Besides, some foreign MNCs -- possibly enticed by the world's second fastest growing economy -- sought to enter India by acquiring into local companies, mostly in telecom, steel and pharma sectors. However, during the year 2009 the M&A activity declined considerably. According to a study by India based PE and M&A research service Venture Intelligence, during 2009, Indian companies were involved in 356 M&A deals, down 34 per cent from 2008.These figures were lower than those for 2008, during which 543 M&A deals, including 265 deals with an announced value of $26.4 billion. However, M&A activity in the second half of 2009 which witnessed 204 deals, was higher compared to H1 '09 that saw a total of 152 M&A deals. The cross-border deals, worth about US$ four billion, could have been lot larger had the estimated US$ 12-billion takeover of global petrochemicals major LyondellBasell by Mukesh Ambani-led RIL happened in 2009, and Sunil Mittal-led Bharti Airtel's US$ 23-billion worth deal with South Africa's MTN not failed - for the second time. According to some experts, the theme of M&A space changed in 2009 from 'aggression and optimism' to 'distress sale and desperation' - thus leading to less intense deal activity.

Price WaterhouseCooper has observed that deals in 2009 were extremely difficult to consummate due to lack of availability of credit, driven by global turmoil as well increased concentration of companies to consolidate their current operations and adopting a wait and watch attitude. Consultancy major Grant Thornton viewed that total 267 M&A deals were announced during 2009, for a total value of 10.03 billion dollars, as against 454 deals worth US$ 30.95 billion in 2008 and 676 deals totalling 51.11 billion dollars in 2007. The deal sphere was dominated by domestic deals as there were 142 domestic deals (wherein both acquirer and target company were Indian) with an announced value of US$ 5.80 billion, while there were 125 cross-border deals with an announced value of US$ 4.23 billion.

**Union Bank to set up an asset management company with a Belgian firm**

The Union Bank of India, one of India's scheduled bank plans to launch an asset management company in a joint venture with a Belgian company and the discussion on setting up a asset management company is at an advanced stage. It is also learnt that they are currently working out a business plan that they want to implement through the joint venture with a Belgian firm. The bank had signed an agreement to set up a joint venture asset management company with KBC Asset Management, the asset manager of the Belgian KBC group, in 2008, in which the bank has a 51 per cent stake.

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