

Indo-U.K Summit: UK Plc's Opportunity to Grow in India

Submitted by: IndusView Advisors

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London and New Delhi, Oct. 11, 2006 - The growing trade between the U.K. and India became clear this year when India emerged as the third largest overseas investor in the U.K. The U.K. is also the third largest investor in the world's second fastest growing economy that attracted \$14.3 billion in direct investments in the first six months of 2006.

More than 500 Indian companies have a presence in London, of which 30 companies have listed shares on the London Stock Exchange. That's greater than the total number of Indian companies listed on the NYSE and NASDAQ combined.

IndusView, an advisory firm that facilitates business in India for U.K. companies, believes more can be done by government and trade bodies to encourage bilateral business that capitalize on the shared language, legal and financial framework between the two countries.

"If Indian companies could do simultaneous listings on both the Bombay and London Stock Exchanges, for example, access to capital and investment opportunities would be better for both sides," said Bundeep Singh Rangar, Chairman of IndusView UK Ltd. "It'll also make London to India what Hong Kong is to China."

UK India Business

The growing influence of the Indian businesses in U.K. can be gauged by the fact that there has been almost three-fold increase in the number of projects announced by Indian companies in the U.K. in first six months of 2006. The number of UK projects financed by Indian companies doubled to 76 creating 1,449 new jobs. The number of Indian companies that started U.K. operations grew by 23% last year.

Indian companies invested about \$2 billion (£1.1 billion) in the U.K. last financial year, more than twice the previous year. As a clear sign of trend-reversal, it surpassed the investment made by British companies in India.

The growing reciprocal trading relationship between the two countries prompted the third annual summit between the Indian Prime Minister Manmohan Singh and the Prime Minister of U.K. Tony Blair in London on October 10, 2006. This summit also coincides with the U.K.-India investment conference hosted by the U.K.'s Department of Trade and Industry.

"When two heads of government meet annually, it's an indication of the exponential growth in trade, economic and cultural ties between the countries that needs to be reviewed frequently," said Rangar. "The growth in the Indian economy at 8.9% in the second quarter of 2006 has been better than expected. UK Plc is the best positioned foreign investor to capitalize on India's high growth."

Indian industries that saw significant investments included Information Technology as well as pharmaceuticals and engineering. Other sectors such as retail, healthcare, energy, legal and financial services are expected to be among those where bilateral trade will likely increase.

Investment Opportunities in India

The infrastructure sector offers the biggest opportunity in India with an investment of \$150 billion required in the next few years. Infrastructure assumes importance as the development of the corresponding real-estate sector depends on it.

India's real estate market is expected to be worth \$50 billion by 2010 from \$14 billion this year. This growth in the real estate sector will come from housing requirement of 80 million units over the next 15 years and 200 million square feet in office space required over the next five years by the country's Information Technology and Business Process Outsourcing industries

The demand for clean energy has caused a flurry of private equity investment in the sector. With investment requirements totaling \$73 billion over the next five years to meet the target set by the Indian Ministry of Power to provide reliable, affordable and quality power to all by 2012, India offers a lucrative market for those in the energy business. India's demand for energy will nearly double by 2012 to 200 Giga Watts from a current installed capacity of 125 Giga Watts.

"Such targets can be achieved only if there is an active public and private sector participation along with sharing and transfer of technology among developed and developing economies. India could become a lucrative market for nuclear energy equipment makers if and when the U.S. Congress clears the nuclear deal between the two countries," said Rangar.

India has traditionally been a strong player in the generic drug space of the pharmaceutical industry. The generic drug market is set to expand as drugs worth \$33 billion are going off patent in the current fiscal ending March 2007. By the next fiscal, drugs worth \$65 billion will go off patent. Indian companies are strongly positioned to grab the new opportunities in the generic drug market as they have the benefit of low-cost manufacturing, world-class production skills and availability of quality manpower.

The retail sector in India is witnessing a huge revamp as traditional markets make way for new formats such as departmental stores, hypermarkets, supermarkets and specialty stores.

India's total retail market at \$202.6 billion is expected to grow at a compounded rate of 30% in the next five years. With the organised retail segment growing at the rate of 25-30% per annum, revenues from the sector are expected to triple from the current \$7.7 billion to \$24 billion by 2010.

"It's only a matter of time before Tesco and Boots set up shop in India. The question is whether they will beat the WalMart's and Carrefours of the world to the punch," said Rangar. "There are still restrictions on foreign investment in India's retail industry. That's something both the UK and Indian governments need to work on clearing."

India Investment Scenario

The first half of 2006 companies in India attracted investments worth \$14.3 billion, of which \$10.8

billion involved mergers and acquisitions while \$3.5 billion were private equity participation. The telecom sector received the highest proportion of about 21% of the investments followed by Oil & Gas at 17.5%.

The telecom M&A deals were valued at \$2.2 billion and oil & gas at \$1.9 billion. IT & IT services were the third largest deal makers in terms of value at \$1.4 billion.

Further, in the first half of 2006 the cross border deals amounted to \$7.4 billion that is 69% of the total deal value of \$10.8 billion. Inbound deals, whereby foreign companies acquire or invest in Indian companies, were worth \$3.4 billion. Outbound deals, in which Indian companies made overseas acquisitions, were worth \$ 4 billion. The numbers of cross-border deals were 119 with 34 inbound and 85 outbound deals.

The bilateral summit follows the agreement signed in 2004 which envisaged annual meetings between the two countries to take stock of relations.

About IndusView:

IndusView advises multinational companies on business opportunities emanating from India's fast growing economy. It de-risks the growth ambitions of multinational companies operating as a trusted partner that understands the complexities of the Indian market and the commercial drivers of western enterprises. IndusView provides strategic insight, competitive intelligence, research and execution capabilities to manage large vendor and corporate finance transactions.

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