

Updates 2008-Business and Economy

Apple iPhone 3G debuts in India

Airtel and Vodafone launched the Apple iPhone 3G in India and are already eyeing windfall gains with Apple given the buzz surrounding the product. Both operators have trained an army of customer care executives across 62 cities, to convert prospects into customers. According to industry estimates, over 4,000 phones were sold on the first day. However, there were many potential customers who said the price was too high for their pockets.

The pricing of iPhones has raised questions about its saleability in the Indian market. A price of Rs 31,000, for the 8GB model and Rs 36,100 for a model with double the memory could be a deterrent and only the gizmo-freak super-rich are likely to buy the device.

The domestic price is much steeper than the US price. The handset is available for \$199 (Rs 8,358) in the US, plus \$99 (Rs 4,158) as an annual contract with the telecom company since the handsets are linked to the service provider. These lower prices are possible because of the large subsidies that service providers are willing to provide to woo customers. In India however, neither company will offer a subsidy.

Vodafone and Airtel plan to offer the phone on six or 12 equated monthly installments (EMIs) for customers who may find the Rs 31,000 to Rs 36,000 price tag too steep. Grey market operators are cracking the codes for the 3G Apple iPhone and said it would be priced Rs 4,000 to Rs 5,000 cheaper than the Vodafone or Airtel price points.

The 3G iPhone will have faster downloads, an in-built GPS system and direct connections to YouTube, among other features.

Solar power soars

In 2007, global production of solar photovoltaic (PV) cells increased by 51 per cent to 3,733 MW. Germany is the world leader in solar PV installations, accounting for almost half the world total in 2007, according to the Washington-based Worldwatch Institute and Prometheus Institute of Cambridge, Massachusetts.

According to the report, China raced past the US for PV cell manufacturing in 2006 to be third globally, and now ranks second only to Japan in national production. In the last two years, China's PV production increased more than six-fold to 820 MW in 2007. However, much of PV cells made in China are exported to Europe.

Around the world billions of dollars are being invested in solar energy technologies. Solar PV prices declined slightly in 2007, with even greater reductions held back by the hot pace of demand and a continued shortage of polysilicon, an essential ingredient for conventional solar cells.

Analysts expect more price drops — perhaps as much as 50 per cent in the next two years — as polysilicon becomes easily available, production and installation are further scaled up, manufacturing efficiencies increase and more advanced technologies are introduced.

The Indian government through the Ministry of New and Renewable Energy has drawn up ambitious plans to tap the potential for generating solar power. For solar energy programmes, fund releases have accelerated. In 2007-08, it amounted to Rs 77 crore, up from Rs 74 crore in the previous year and Rs 58 crore in 2005-06.

Hair splitting over dolls

Toy giant Mattel sued MGA Entertainment for \$500 million in 2005 alleging that Bryant came up with the idea of developing Bratz dolls when he was working for Mattel. In July 2008, a US Court ruled that the Bratz line was created by Carter Bryant while he was working for Mattel. The jury also ruled that MGA and its Chief Executive Officer Isaac Larian were liable for converting Mattel property for their own use and intentionally interfering with the contractual duties owed by Bryant to Mattel.

The Bratz line of dolls was created by toy designer Carter Bryant when he met Isaac Larian the CEO of Micro-Games America Entertainment (MGA Entertainment) in 2000. Larian's daughter Jasmine was enthralled by Bryant's concept sketches. In June 2001, the first four Bratz dolls, Yasmin, Cloe, Jade, and Sasha were released to market, each attired in urban-styled fashions. In 2004, sales figures showed that Bratz dolls were outselling Barbie dolls in the United Kingdom.

Demand-supply gap of oil, gas to widen further

Supply constraints, a sharp rise in demand and record high prices are likely to result in a wider than-projected gap between demand and availability of oil and gas in the current Five Year Plan (2007-2012).

Consumption has grown rapidly in India as prices of petrol, diesel, kerosene and liquefied petroleum gas are heavily subsidised by the government and its oil production and marketing companies. The government had projected demand for petroleum products to be 117.55 metric tonnes in 2007-08, whereas the country actually consumed 129 metric tonnes.

Higher demand, coupled with higher prices, is also likely to drive up the country's oil import bill to over \$100 billion in this financial year, from \$68 billion in 2007-08. In 2006-07, the crude oil import bill was \$48 billion.

On the supply side, there is a worldwide shortage of supply of liquefied natural gas (LNG), which feeds around 40 per cent of India's total gas requirement currently. India is fully dependent on imports of LNG. Nearly 78 per cent of the country's crude oil requirement is imported.

India is sitting on considerable reserves of gas but production from the large discoveries made by ONGC and GSPC (Gujarat State Petroleum Corporation) on the east coast is likely to start only after 2012.

As a result, the energy situation in the country is unlikely to improve before 2012, the terminal year of the current Five Year Plan. Reliance Industries Ltd (RIL) will also reach peak production at its Krishna-Godavari basin reserves by then.

US sues Ranbaxy for forging data

The US government filed a suit against Ranbaxy Laboratories, India's largest pharmaceutical company, and its US-based consultant Parexel Consulting for concealing and forging crucial data to get a favourable judgement on an ongoing investigation into the sale of sub-standard drugs in that country.

The suit, filed with the District Court of Maryland, has sought a direction to Ranbaxy and Parexel to submit all relevant documents for verification. If proved, the allegations could have a serious impact on Ranbaxy's US operations that contributed 23 per cent to the company's total turnover of over Rs 6,000 crore.

According to the US court document, the investigation involves allegations of conspiracy, false statements and fraud relating to the health care benefit programme of the US Government and failure to maintain quality control systems and records at Ranbaxy's manufacturing facilities in India.

The investigation stems from an FDA inspection of Ranbaxy's facilities at Panota Sahib in June 2006, where it found discrepancies in manufacturing processes and maintenance of data. In this connection, the federal agents had raided Ranbaxy's US office last year. Ranbaxy and Parexel Consulting, which was appointed by Ranbaxy to rectify the defects, have been charged with withholding and forging crucial information from the regulator to get clearance for further manufacturing of drugs at its Panota Sahib facility.

Murdoch unveils Dow Jones India Titans 30 Index

Rupert Murdoch, Chairman and CEO of News Corporation and Robert Thomson, Managing Editor of the Wall Street Journal launched the Dow Jones India Titans 30 Index. The Index includes 30 largest and most liquid stocks traded in India. The selection to the index will be based on rankings by float-adjusted market capitalisation and 12 month average daily trading volume.

The index has been created by financial information company Dow Jones Indexes, a business unit of Dow Jones & Company, News Corporation Company. The blue-chip index for India will be licensed to financial institutions as the basis of investment products, such as exchange-traded funds.

The Index has 10 per cent weightage cap for individual securities. This is illustrated by Reliance Industries that figures on the Dow Jones India Titans 30 with highest weightage of 10.80 per cent, as compared to Reliance's weightage on Sensex of 15.96 per cent.

In the Dow Jones India Titans 30 Index, the financial sector has the highest weightage of 23.16 per cent, followed by basic materials 19.81 per cent, oil and gas 13.99 per cent — as on July 31, when it was made public for the first time.

Top 10 companies represented on this index are Reliance Industries, Infosys Technologies, HDFC, Bharti Airtel, Larsen & Toubro, ICICI Bank, ITC, Oil & Natural Gas Corporation Ltd, DLF and Reliance Communication.

UB unveils Kingfisher Himalayan water brand

As the slugfest between Bisleri and the Tatas continues over the infringement of the 'Himalayan' trademark, the UB Group has decided to enter the category with its Kingfisher Himalaya Natural Mineral Water. Having registered this name as its trademark the liquor major is now planning to unleash its natural mineral water sourced from the Himalayas.

Meanwhile, Bisleri International has approached the Intellectual Property Appellate Board in Chennai for rectification of the 'Himalayan' trademark. Ramesh Chauhan's company has been made to reduce its font size for the words 'From the Himalayas' in its communication for its Bisleri Mountain brand of 'Himalayan' water after Mt. Everest Mineral Water (a Tata Group Company) moved court against Bisleri for infringement of its trademark in terms of using the 'Himalayan' word in its brand name and packaging.

If Chauhan succeeds in winning this case, Himalaya will cease to be a trademark but just a word. This could lead to other players who have also entered this segment to use this word in their brands. Currently, there are natural mineral water brands such as Catch, Hello, Paras, Qua and Natural which source their water from the geographical region of the Himalayas.

Railways Green project attracts only one bidder

The Railways invited bids from CFL manufacturers to replace incandescent lamps with 26 lakh CFLs under the clean development mechanism (CDM) benefit scheme. A consortium led by Philips and Goldman Sachs has put in the lone bid for the Indian Railways' tender to replace incandescent lamps in 6.5 lakh Railway households with compact fluorescent lamps (CFLs) under a 'green' project.

The CDM benefit scheme is a Kyoto Protocol process that allows developing countries to earn carbon credits by using technologies that reduce green house gas emissions. These credits can then be sold to developed countries.

The Railways wanted CFL manufacturers to replace incandescent lamps of 60 watts with CFLs of at least 15 watts, 100 watt lamps with CFLs of at least 18 watts in its residential quarters in

2008-2012. The bidder has to supply four CFLs per household and maintain them during the period.

The catch, however, is that the Railways had proposed no payments to the manufacturers and instead asked them to recoup their investments through selling the potential carbon credits by registering the project at the United Nations Framework Convention on Climate Change. The bidding process was on the basis of carbon credits that manufacturers would, in turn, share with the Railways.

The Railways, according to internal estimates, hopes to save up to Rs 130 crore from the switchover — a Rs 100 crore saving on energy bills and another Rs 30 crore that it would have had to pay if it were to buy CFL bulbs upfront.

Domestic CFL manufacturers have stayed away from the project, citing ambiguous revenue streams and lack of clarity on the financial model.

Corporate India goes on a rebranding drive

Rebranding is the new fad in corporate India these days. Companies like Godrej, Ceat, Bajaj Electricals, Shoppers Stop and VLCC have changed their appearance to reposition themselves.

The 112-year-old Godrej logo is now a vibrant mix of red, yellow and blue. Similarly, the rhino running next to Ceat's logo for 50 years is now no longer a part of the company's logo; the 'Born Tough' tagline is gone and bold 'E' is now a symbol of its much talked about toughness.

Bajaj Electricals has sported a new logo to highlight its multi-product portfolio. Relatively younger brands have also hopped on to the rebranding bandwagon. Shoppers Stop is now without an apostrophe and a recognisable circle. VLCC has a new green logo that expresses its association with natural products.

Companies who have gone in for a makeover say intense competition, falling sales revenues and need for marketing innovation convinced them to go for rebranding. Marketing experts say that the younger generation feels jaded with old images and fonts. So, the companies feel the need to spruce up their brands to appear contemporary in design and style.

A makeover may include essential changes to the brand's logo, advertising theme or even the brand philosophy. It is often the need to connect with the changing times that a brand may want to change its look.

Take for instance, Shoppers Stop, which aims to strike a chord with the younger generation by upgrading its appearance, along with customer services. A new classy box has now replaced the old round black-and-white logo, and the apostrophe in its name is also missing. In addition, the store has replaced its older tagline 'Shopping And Beyond' with 'Start Something New'.

Bajaj Electricals felt the need to sport a new logo to create an identity different from its parent company and so Bajaj Electricals has now been registered as a new brand—BAJAJ written in vermilion orange and a new logo: a forward-looking eye, which represents the company's eye on the future and readiness to accept challenges.

Ceat decided to change as it no longer saw 'toughness' as its only strong point. Highlighting the brand attribute of toughness mattered most in an era where roads were of poor quality. These days, a tyre is associated with mileage, cushioning, speed and parameters like cost per km. So the change in company's marketing approach.

Meanwhile, beauty and health care brand VLCC spent Rs 4 crore to get a new aqua blue logo called VLCC Natural Sciences for its personal care division in May this year. The re-positioning exercise is intended to promote VLCC as a natural-products company that provides solutions for skin, hair and other cosmetic problems.

There have been some rebranding flops in the past. Coca-Cola's attempt to introduce the new Coke in 1985 was a major flop as it was sweeter than the original, much to the dislike of Coca-Cola lovers. The company had to rebrand itself and launch Coca-Cola Classic, which had the taste of the original cola.

Tata steel is India's second largest private company

The integration of European steelmaker Corus has helped Tata Steel emerge as India's second-largest private company, with consolidated revenues of over Rs 1,32,110 crore for the year ended March 31, 2008. Reliance Industries continues to top India Inc's revenue league table with 2007-08 consolidated revenues of Rs 1,37,147 crore. Buoyed by rising steel prices, Tata Steel has also emerged as India's second-most profitable company, with consolidated net profit of over Rs 12,350 crore during 2007-08. RIL continues to lead this chart, too, with a net profit of nearly Rs 20,000 crore.

The Aditya Birla group's flagship, Hindalco Industries, which is India's largest aluminium producer, comes next. Hindalco moved into the list of country's top 5 private sector companies following its acquisition of US-based Novelis last year. The US acquisition nearly tripled Hindalco's consolidated 2007-08 revenues to Rs 60,668 crore. It is closely followed by ICICI Bank, which had consolidated revenues of Rs 60,053 crore.

Another Tata group company, Tata Motors, completes the top 5 club. The company reported consolidated revenues of Rs 36,121 crore during 2007-08. The pecking order is expected to change once again next year after Tata Motors starts to consolidate the finances of Jaguar and Land Rover, which it acquired earlier this year.

Public sector undertakings continue to dominate the private sector, though the latter is closing the gap. Indian Oil continues to be India's largest company with a topline of Rs 3.3 lakh crore. Other PSUs behemoths include HPCL and BPCL with revenues of nearly Rs 1.1 lakh crore each. Closely following them is the country's largest bank State Bank of India, which reported

revenues of over Rs 90,000 crore. Other PSUs biggies include ONGC, NTPC and SAIL. The dominance of the PSU pack can be gauged from the fact that they account for 7 of the top 12 listed firms in India.

Cricketers in advertising: Youngsters replace stalwarts

The list of companies which believe that Brand Tendulkar doesn't work for them anymore has grown further. After Fiat, TVS and Airtel, beverages and snack food maker PepsiCo has decided to end its long relationship with the 35-year-old cricketer. Sachin Tendulkar's contract, which ended in May, is not being renewed.

The second highest scorer of runs in the history of the game would not be able to attract the younger generation. Pepsi clearly feels his cost of Rs 4-5 crore was excessive, and perhaps, not value for money.

As per market estimates, Tendulkar, with a fee ranging Rs 3-4 crore for endorsement per brand annually, has been the most expensive cricketer of his generation. However, it is now widely believed that MS Dhoni has surpassed him.

Interestingly, PepsiCo's snack foods arm FritoLay recently signed on ODI captain Dhoni as its brand ambassador along with Bollywood actor Saif Ali Khan. When Pepsi first got Sachin on board, he was at his peak. With new stars emerging in cricket, and Pepsi constantly looking at innovating itself, it has decided to focus only on young talent and infuse fresh faces.

Tendulkar still has an impressive list of brands – Adidas, Aviva, Britannia, Boost, Canon and Visa. But the list is getting shorter. Marketers fear that his recurring injuries which keep him off the field as well his age are working against him. Companies have begun to wonder if Sachin Tendulkar has that much of a career left in him.

Earlier this year, Pepsi had dropped former captains Rahul Dravid and Sourav Ganguly as well. The company is now clear about its positioning and is targeting only young cricketers who are in vogue and also — at least in its view — justify a far higher price-value equation. In fact, Pepsi recently launched the 'Yeh hai youngistan meri jaan' campaign and roped in Ishant Sharma and Rohit Sharma.

Like Tendulkar, Dravid and Ganguly are among the finest batsmen India has produced. However brand managers seem to believe that that their appeal to the younger generation is waning.

Max New York Life recently ended its contract with Rahul Dravid. Future Group recently picked MS Dhoni for endorsements despite having a long-term association with Tendulkar. Last year, Future Group had signed a deal with Tendulkar through a JV to introduce health-related products—S Drive and Sach.

Britannia is using Dravid only for one of its relatively smaller brands. Others like Sourav Ganguly and Anil Kumble have hardly got any deals to show. Sansui's two-year contract with

Dravid is expired in September and was not renewed. In fact, Sansui had not been using Dravid in its ads regularly. Its ad campaign was shot when Dravid was team captain and was pulled out off air after he stepped down.

Biscuit market leader Britannia uses Dravid not for its bigger brands Tiger or Good Day, but for Nutri-Choice. The company has not advertised NutriChoice through the year. Left-hander Sourav Ganguly's endorsements are limited to Puma and BMA Group which makes steel rods.

Anil Kumble's endorsement career, too, has faltered despite being the skipper of the Test squad and having steered India to a historic Test win in Australia.

Everest, Bisleri at daggers drawn over Himalaya

MT Everest Mineral Water, a Tata group company, is fighting a legal battle with Bisleri International over the use of the word Himalaya in its mineral water branding. The company has approached the Delhi High Court seeking an injunction preventing Bisleri from using the word Himalaya or Himalayan as a trademark.

The matter came up for hearing when Mt Everest asked the court for an interim order restraining the defendants (Bisleri International) from using these words in relation to bottled water. The parties have agreed to an interim arrangement till the disposal of the application seeking an interim injunction.

As a part of the interim arrangement, Bisleri has agreed to stop using the domain bislerihimalayan.com. It will continue marketing bottles that say "from the Himalayas" as a descriptive word in small font to denote the origin of the water. It has agreed not to use the word Himalayas in large font.

Bisleri has claimed that Himalayan is a generic name and cannot be used as a registered trademark by the company. Everest Mineral Water has recently relaunched the Himalayan brand in most Tata Tea retail outlets. The focus is to position the brand as a premium priced natural mineral water. The group is likely to launch other brands in the packaged water segment. The group also plans to introduce functional and enhanced water variants of Himalayan.

Mount Everest Mineral Water was incorporated in 1991 with its plant at Dhaulta Kuan in Sirmour District of Himachal Pradesh. The company was promoted by Dadi Balsara, an NRI from Singapore. The Tata group, through Tata Tea, has acquired a 31.73% holding in the company, partly by purchase of shares from the investors, who had bought the shares from Balsara in 2001.

Tata claims that Himalayan is the only natural mineral water from India, accredited internationally by the US FDA, the health ministries of Japan and France, and the European Union. Bisleri has also set up a natural mineral water plant in Uttaranchal built around natural springs, informed Chauhan.

DoT allows global companies in 3G

The Department of Telecommunications (DoT) finalised the long-awaited policy for 3G services that will permit new international telecom firms with experience in this arena to bid for a licence.

The move opens India's rapidly growing telecom market to global companies that do not have a presence here. 3G services offer consumers enhanced voice, data and video services, such as movie downloads and mobile TV, at speeds that are ten to 30 times faster than those currently available on GPRS mobile phones.

DoT is also doubling the reserve price for auction recommended by TRAI in 2006 from around Rs 1,400 crore for an all India licence. The adjusted gross revenue (AGR), the percentage of an operator's revenue that is paid after a one-year moratorium, is also being raised from 0.5 per cent to 1 per cent.

The 3G policy has gained importance because it is expected to earn the government revenues \$10 billion to \$12 billion (Rs 43,000 crore to Rs 52,000 crore), which would help balance expenditure on welfare programmes like the Rs 71,600 crore farm loan waiver scheme.

The policy has been delayed because many incumbents had lobbied against allowing new players on the grounds that there is sufficient scope for competition from the dozen-odd players. The lobby of service providers offering GSM technology had also initially objected to even auctioning 3G licences arguing that they should automatically be entitled to such licences.

Experts also questioned whether there was a market for 3G services in a country that is dominated by voice calls. However, telecom operators said with data accounting for over 12 per cent of revenues, they expect at least 10 per cent of the market to shift to 3G services.

Govt does a U-turn on BlackBerry issue

In a complete about turn from its earlier stance, the department of telecom (DoT) said that there was no threat from BlackBerry services and the government had no objection if an operator wanted to offer these services. This comes even as India's security agencies have been insisting that the government force Canada's RIM, the maker of BlackBerry smartphones, to put a system in place that will allow them to intercept data sent through these handsets as they fear that these services could be exploited by terrorists.

DoT's stand assumes significance since it implies that the operators such as Tata Teleservices and public sector telecom companies— BSNL and MTNL — too can launch Black-Berry services for their customers. India has over 1 lakh Blackberry subscribers. The DoT had earlier stated that no new operator would be permitted to launch BlackBerry services till all security issues were resolved.

Late last year, the Tatas were unable to launch this service as DoT had failed to grant the approval on security grounds. Currently, India has over 1,15,000 BlackBerry customers between

five operators — Bharti Airtel, Reliance Communications, BPL, Vodafone Essar and Idea Cellular.

Meanwhile the security agencies have sent a fresh communication to DoT, demanding that the communications ministry ensure the data sent between BlackBerry users in India is not transferred outside the country.

Their demand stemmed from the fact that email communication between BlackBerry users here bypasses networks of Indian mobile operators providing this service. “There should be a single point of delivery system for the entire BlackBerry traffic in India and the traffic originating and terminating in India should not travel outside,” security agencies had said in their latest note to the DoT.

Ranbaxy, Pfizer reach agreement on Lipitor

Ranbaxy and Pfizer have agreed to settle most of their patent litigations worldwide involving the blockbuster cholesterol-lowering drug, Atorvastatin (Lipitor). Lipitor is the world’s largest selling drug with global sales in 2007 of \$12.7 billion.

Under the agreement, Ranbaxy will be allowed to sell generic versions of the drug in the US from Nov 30, 2011. The delay will give Pfizer more revenues and time to prepare before cheaper generic forms of the best-selling drug flood US drugstores.

Ranbaxy will not get any compensation in cash. Still, it could earn big revenues from the exclusive selling rights. In the past, low-priced generic versions have captured 50 per cent of the market once a drug goes off patent.

For Ranbaxy, this will give a certainty that it will be able to get exclusive rights to sell copies of Lipitor for six months (from Dec 2011) and avoid further litigation costs. The Indian company is also expected to earn revenues of over \$1.5 billion starting 2011 as a result of this agreement with Pfizer.

Ranbaxy had burst on the global pharmaceutical market five years ago when it had challenged some of the Lipitor patents held by Pfizer, the world’s largest drug maker, on grounds that these were not substantial improvements over the original patent, which expires in 2011. These patents, it had argued, were obtained just to keep cheaper generic versions of the drug out of the market.

Govt sets up watchdog for TV channels

Information and Broadcasting Ministry has set up a media monitoring centre to keep a watch on channel content. The Ministry is expected to come out with a set of guidelines shortly even though there is no consensus on the issue between the government and private broadcasters. Located at the Prasar Bharati office, the Rs. 16-crore Electronic Media Monitoring Centre, can monitor over 100 televisions channels simultaneously.

The Centre's main focus would be to keep track of programmes that violate the Programmes and Advertising Codes under Cable Television Networks (Regulation) Act, 1995. It has been designed on a web-based system, which facilitates monitoring of channels and signals, can record content and retrieve recorded footage.

The Code prescribed under the proposed Broadcasting Bill has however come under fire with TV channels, describing it as an attempt to control the media. The National Broadcasters Association has also submitted its own proposals on content regulation to the Ministry.

Nokia to launch 'green' phone models

Nokia unveiled plans to launch as many as 40 new green phone models this year —each comprising biodegradable components that can be easily recycled.

Mobile phones are not biodegradable. They contain small amounts of potentially harmful substances such as cadmium, lithium, among others, in their batteries, which if not managed properly, can damage the environment.

The Finland based mobile phone maker will use biodegradable phone covers, recyclable battery designs that use less harmful toxic materials and energy efficient accessories for all its forthcoming phones. The company claims to have already eliminated the use of PVC (polyvinyl chloride) in all its products.

Nokia uses biomaterials, such as polylactic acid (PLA) plastics with plant or other biomass-based modifiers that help reduce the use of non-renewable materials. An additional incentive is that the energy required to produce PLA —from raw material to plastic pellet — is minimal.

Elastomers based on biomaterials can be used as rubber-like materials to seal off the battery case. Nokia's Eco Sensor concept is aimed at lowering energy consumption in phones. Alternative energy sources, such as solar power, will fuel the power usage.

Nokia had earlier launched its first eco-friendly phone, the 3110, which is claimed to be more around 65 per cent recyclable. The company is also aiming to reduce amount of energy consumed by mobile chargers.

In markets like the US, Nokia encloses a pre-addressed, postage-paid envelope in sales packs, providing customers an easy method for returning used products for recycling, at no cost to them. The company is evaluating a similar refurbishment processes for India, which is the second largest telecom market.

According to Motorola website, the company encourages consumers to drop Motorola products into an EcoMoto take back bin from where authorised contractors collect and transport these items to approved recycling facilities.

Farm waiver bill shoots up

The Union government enhanced the allocation under the farm debt waiver and relief scheme to Rs 71,680 crore from the earlier Rs 60,314 crore. The coverage was also widened to include 7 million more marginal and small farmers, taking the number of beneficiaries to 43 million from the originally proposed 40 million.

The increase in the cash outgo is on account of the fact that farm loans disbursed under Kisan Credit Card have also been made eligible for the waiver. Farmer collectives that borrow as self-help groups and joint liability groups have also been brought under its ambit.

The government has also decided to treat 237 districts as being dry and un-irrigated in their entirety, irrespective of the fact that only some blocks within them are desert or are drought-prone. Farmers in these districts are entitled to a one-time settlement amounting to 25 per cent of the outstanding debt or Rs 20,000, whichever is higher. Sixty to 65 per cent of farmers here have debts below Rs 20,000, implying that most of them will enjoy full debt waiver.

In other districts, these farmers will get 25 per cent of their overdue amount written off.

Meanwhile, the number of “other” farmers (with land holdings above 2 hectares) has reduced from the initial estimate of 10 million to around 6 million in the guidelines that were released today.

The Finance Minister made it clear that banks will not levy additional charges on the farmer. The move is aimed at providing “maximum relief” to those who have not been able to repay their debt to the Indian banking system from March 31, 1997, till end 2007.

Tariff barriers pull India down in global trade index

India was ranked 71st in global enabling trade index (ETI) because of tariff barriers and corruption-ridden border administration that oversees flow of goods, according to the World Economic Forum’s (WEF’s) Global Enabling Trade Report 2008.

Unlike China, which is ranked 48th, India continues to have restrictive market access with tariff barriers “representing a more serious impediment than non-tariff barriers,” says the report.

Consequently, India is ranked 105th in market access among the 118 countries surveyed in the report with tariff and non-tariff barriers pushing the country to the 112th place.

According to the report, the global ETI measures factors, policies and services facilitating free flow of goods across borders. It includes four main components — market access, border administration, transport and communications infrastructure, and business environment.

Hong Kong and Singapore lead the race because of their perceived “openness to international trade and investment as part of their successful economic development strategy”. Their success

also lies in the most advanced Customs administration they are able to put in place as well as an efficient transport and telecommunications infrastructure, says the report.

China, the global workshop for goods, “is a fairly closed country,” the report says, suggesting that though its growth has been made possible by the unstoppable rise of exports, the Middle Kingdom continues to place restrictions on imports through tariff and non-tariff barriers. It ranks 108th out of 118 economies as regards tariff barriers, which amount to almost 15 per cent. One of the biggest impediments in China is lack of transparency in border administration, says the report.

In sharp contrast, India meets many needs of exporters and importers with low costs for Customs-related services. “Border administration in China continues to be affected by corrupt practices, hampering efficient transport of goods across borders,” it said.

While India’s business environment ranks 58th in the survey, regulatory environment is ranked 64th and physical security 56th.

M&M unveils two-wheeler foray

After a successful entry into the sport utility vehicle market with models like Scorpio and Bolero, Mumbai based conglomerate Mahindra and Mahindra (M&M) is planning to enter the 7.2-million strong two-wheeler market. The company has appointed an independent team to look at all aspects of the two-wheeler business - from research and development (R&D) activities as well as sales and marketing. Operations of the two-wheeler business will function independently like the company’s venture with French carmaker Renault and the truck venture with the International Truck Engine Corporation (ITEC) of the US.

The company had recently tested an entry level 100cc bike along with a premium 150-175cc cruiser. M&M’s race for acquiring scooter maker Kinetic Motors is justified for the company’s foray into the two-wheeler segment. The acquisition will provide M&M with ready infrastructure. M&M will get an installed manufacturing facility with workforce, suppliers, a distribution network and sales outlets. M&M will not have to build the business from scratch.

M&M can exploit its advanced expertise in the R&D department for two-wheelers. Besides, it will create the ideal platform for the company to enlarge its reach into the rural market.

The company has been sourcing new-age automobile technology from various international firms for its utility vehicle segment. Experts say that the push in rural markets provided by the motorcycle foray will help M&M widen its network and brand image in the interiors of the country, something which is crucial for its four-wheeler business to expand at later stages. The rural population constitutes more than 70 per cent of the country’s population and many among the leading company executives at global MNCs believe that the next cycle of demand will come from such areas, thanks to the factor of constant increase in disposable incomes.

Two-wheeler maker Hero Honda reported a rise in sales despite a general slump in demand in major urban markets. This was primarily because of its increased push in marketing and sales activities in the rural and semi-rural areas.

Sugar industry decontrol: Sweet freedom

The Union government decontrolled the sugar industry from the new crushing season, beginning October 1. The Union Food Ministry had earlier recommended dismantling of the 10 per cent 'levy' currently imposed on mills along with the 'monthly release mechanism' regulating the balance 90 per cent free sale quota (FSQ).

Mills are currently obliged to deliver 10 per cent of the sugar they produce as 'levy' for the public distribution system (PDS). Even for the remaining 90 per cent FSQ that can be sold in the open market, the Union govt decides ('releases') the quantum of such sugar to be offloaded by each mill in a particular month.

Once the restrictions are lifted, mills can freely sell their entire sugar without awaiting 'release orders' from the Directorate of Sugar. As regards the PDS, the state governments will have the option to procure sugar from the open market and obtain a fixed reimbursement from the Centre for selling at below market price through ration shops.

States can make available sugar still cheaper, provided they foot the bill on their own.

Promoters ready with moneybags for IPL-Round II

While IPL Chief Lalit Modi stated that the \$5-million cap on players for the IPL teams will remain intact, there is growing debate within BCCI on whether the cap should actually be relaxed. IPL franchisees are trying to convince the IPL to remove the cap to enable them to buy players to better their respective teams for the next season.

Team owners have already started meeting foreign players and are in negotiation for the second season. Vijay Mallya is tipped to be in conversation with English batsman Kevin Pietersen to get him on board for the second season and has offered him about \$2 million for the same.

RIL-owned Mumbai franchisee is learnt to be in conversation with all-rounder Andrew Flintoff for the second season. However, none of these negotiations will result into anything if the player cap is not lifted or at least increased.

The IPL governing council has scheduled a meeting for the same next month, where a decision is likely to be taken.

The concern over lifting the salary cap is that franchisees with money power would gain as opposed to the smaller franchisees, which would lead to a loss of competitiveness. The other concern with salary caps being lifted is the fact that player salaries would sky rocket, which will not be in the interest of the game in the long term.

Govt creates separate dept. for pharmaceuticals

The Union government has set up a new department under the Ministry of Fertilisers, Chemicals and Petrochemicals. Called Department of Pharmaceuticals (DoP), it will solely look after the pharmaceutical sector. Till now pharmaceuticals was handled by the Department of Chemicals and Petrochemicals, while fertilisers was taken care of by a separate Department of Fertilisers.

According to the Ministry, the pharmaceuticals sector has extremely complex issues related to pricing, availability, patents, and international commitments that necessitate integration of work with other ministries, a separate department was necessary.

It will be the administrative authority for the National Pharmaceutical Pricing Authority (NPPA) for all matters related to price control of essential drugs and monitoring of markets. All the drugs and pharmaceuticals, except those specifically allotted to other departments would come under the purview of the new department. The Chairman of the NPPA, Ashok Kumar, has taken over as the Secretary.

The department would also be responsible for coordination between organisations and institutes under the Union and state governments and other stake holders in the sector.

Liquor firms take to innovative packaging

Vijay Mallya's United Spirits has started selling four of its most popular brands — Bagpiper, Director's Special, Gilbey's Green Label and McDowell's No 1 Celebration — tetrapacks. The idea is to use the packaging as an advertising medium.

Liquor brands resort to surrogate advertising to overcome the ban on promoting their products. These include commercials on soda, packaged water or playing cards with the same brand names. Of late, the government has tightened the screws on this form of advertising as well. As a result, companies like United Spirits, Diageo and Bacardi have designed innovative packaging to push sales. United Spirits has decided to roll out 180 ml tetrapacks and 60 ml miniature bottles.

United Spirits is promoting this format on the 'anytime, anywhere' benefit. Unlike a glass bottle, a tetrapack is unbreakable and is easy to carry and dispose.

The new packs have been designed by packaging major TetraPak of Sweden. The pack is 50 per cent lighter than the 180 ml bottle and is tamper proof. United Spirits saves 20 per cent on cost as compared to glass bottles. The new packs reduce breakage costs and use less space on shelves and godowns.

Manufacturers are also promoting their high-end brands through premium packaging or limited-edition gift packs. Besides introducing limited-edition and special gift packs for its Johnnie Walker brand, Diageo has introduced a range of products to go with each brand's segment. For example, it has introduced Red Label in an ice tray pack. Its Black Label pack is inspired by the

shape of the Formula 1 car. The design is aimed to convey the stylish and discerning world of Formula 1 as well as the Johnnie Walker Black Label.

Bacardi's high-end premium gin brand, Bombay Sapphire, has been introduced in a giant gemstone-shaped bottle. Named 'Revelation', it is available as five handmade crystal bottles individually decorated with sapphires and diamonds, priced at \$200,000 (Rs 86 lakh) each.

Vedanta plans \$20 bn investment in India

Vedanta Resources, the UK-listed mining group, is planning to invest \$20 billion in India in the next four years to expand its metals, mining and electricity generation operations in the country.

Vedanta controls Sterlite Industries, India's biggest producer of non-ferrous metals such as aluminium, copper and zinc. Like Lakshmi Mittal, who controls ArcelorMittal, the world's largest steel producer, Anil Agarwal, chairman of Vedanta, is an Indian citizen who has built his international mining and metals empire from his base in London.

With a fortune estimated by Forbes at \$6 billion, he is banking on growing demand for non-ferrous metals from India's automotive, power and consumer goods sectors to support his group's ambitious expansion plans.

Vedanta is the biggest private sector group in India to try to exploit this opportunity, with targeted production of 1m tonnes each in its zinc, copper and aluminium operations. The company is planning to invest \$8.8 billion to meet these targets by expanding its smelting plants and mining operations for these metals, mostly in India.

In addition to its mines and smelters, Vedanta is building a network of commercial power plants with generating capacity of 10,000 megawatts, requiring investment of about \$10 billion.

Vedanta plans to fund the development from a mix of cash and debt. It already has \$5.5 billion in cash on the balance sheet.

Yash Raj Films plans entertainment hub in Dubai

Yash Raj Films (YRF), promoted by filmmaker Yash Chopra, has signed a joint venture with Dubai Infinity Holdings, an investment company, to create YRF Entertainment District in Dubai.

The entertainment district will house theme park attractions, a movie palace, unique hotels and many other unique Indian genre entertainment concepts themed around the YRF banner. The first phase of the district is scheduled to be completed by 2012, said Yash Chopra, chairman, Yash Raj Films.

The reasons given by the veteran film-maker for choosing Dubai are many. The emirate has a booming tourism industry and aims to be the most visited destination in the world by 2015. Also,

the UAE has a huge fan following for Indian films and are watched and cherished not only by the Southeast Asian diaspora, but also by the local population.

Yash Raj Films started off as a production house in 1970 and is famous for blockbusters like 'Silsila', 'Kabhi Kabhie', 'Chandni', 'Lamhe', 'Darr', 'Dhoom 2', among others. Over the years, the company has grown to become a one stop shop for entertainment from running a studio to distributing films, launching its music label (Yash Raj Music) and the home entertainment label for releasing movie DVDs and VCDs.

Last year, Chopra made the headlines by becoming the first company to tie up with US-based Walt Disney Studios for a series of computer-animated feature films for Indian audiences. The first animation flick under this alliance 'Roadside Romeo' is slated for release in October.

Yash Raj Films has five releases this year-'Tashan' (released), 'Roadside Romeo', the Ranbir Kapoor and Deepika Padukone-starrer 'Bachna Ae Haseeno', Shah Rukh Khan's 'Rab Ne Bana Di Jodi' and Kunal Kohli's 'Thoda Pyaar Thoda Magic' featuring Saif Ali Khan and Rani Mukherjee.

PSUs to upgrade refineries to improve margins

India's oil refiners are looking to improve refinery margins and curb supply risks by upgrading their refineries so that they can process crude oil with higher sulphur content. These heavier grades of crude oil are around \$3 per barrel cheaper than those with less sulphur.

The refineries have been making efforts in this direction. Nearly 70 per cent of the crude oil that IOC, which owns around 33 per cent of the country's refining capacity, imports is sour crude oil, which has high sulphur content. A year ago, the sour variety made up 60 per cent of the company's imports.

In case of HPCL, which operates refineries in Mumbai and Visakhapatnam, 65 per cent of the oil imported in 2007-08 had high sulphur content, up from 56 per cent in 2006-07. The company recorded refinery margins of \$9.04 per barrel in 2007-08, compared with \$4.19 per barrel in 2006-07. As the company's nine refineries become capable of processing high-sulphur crude oil, the refinery margins will increase.

Reliance Industries, which operates a 33-million-tonne-per annum (mtpa) refinery in Gujarat, recorded refinery margins of \$15 per barrel in 2007-08, compared with \$11.7 per barrel in 2006-07. The Singapore refinery margins, the regional benchmark, were \$7.6 per barrel in 2007-08.

IOC is spending Rs 6,000 crore to upgrade its Gujarat refinery to process more crude oil with high sulphur content and produce superior petrol and diesel. It is planning similar investments in its Haldia and Mathura refineries.

Analysts say a larger share of high-sulphur crude oil will, besides boosting margins, help the refiners diversify their sources of buying crude oil. The difference in prices of low and high-sulphur varieties was nearly \$10 per barrel a couple of years ago.

Govt subsidies drive e-scooter demand

Manufacturers are hopeful that the 15 per cent subsidy announced recently on the base price of electric vehicles, along with the abolition of the 12.5 per cent value-added tax (VAT) in Delhi, Chhattisgarh and Chandigarh, will boost sales by making their products cheaper. This comes on the back of an excise duty cut to nil from 8.24 per cent announced in this year's Budget. Overall, the subsidy works out to a little over 20 per cent, which means a saving of Rs 4,000-8000.

Hero Electric's scooter model, Optima, which is priced Rs 28,000, will now cost Rs 22,000, while its Maxi model, priced at Rs 27,000, will cost Rs 20,000. Ultra Motors' Velociti model, priced Rs 34,000, will now cost about Rs 26,000, a discount of around Rs 8,000.

Last year, about 100,000 electric scooters were sold in the country, close to 10 per cent of the total scooter/moped (petrol) sales of 1 million. However, with fuel prices constantly going up, manufacturers of electric vehicles are hopeful of increasing their market share.

Ultra Motors, which sold 22,000 units in 2007, is aiming to sell 60,000 units this year. In addition to Velociti and Marathon models, the company plans to introduce two more brands this year and an electric three-wheeler next year.

Hero Motors, which began operations this year, has an ambitious sales target of 72,000 units for the current financial year. Hero Electric sold 300 units in the days following the recent announcement of hike in fuel prices. The company plans to launch Optima Plus, a high speed scooter, in July.

Experts say the electric two-wheelers score over their petrol counterparts, both in mileage and maintenance. Anticipating a hike in sales for this year, in addition to ramping up dealership infrastructure across the country, electric two-wheeler majors are increasing capacity.

Scooters India to make e-bikes

Scooters India Limited (SIL), a public sector automotive company, is planning foray into the electric two-wheeler segment and is evaluating the expressions of interest (EoIs) by some domestic companies for a possible collaboration. The Lucknow based company aims to augment its product range from passenger three-wheelers to include green two-wheelers.

The company had invited EoIs from auto companies for collaboration in the manufacture and marketing of the proposed electric two wheeler venture.

The Union government holds 98 per cent stake in the company. SIL, which was a sick unit under the purview of Board for Industrial and Financial Reconstruction (BIFR) in 1996, will sell the battery-driven electric two-wheeler through its own dealer network.

The firm already has a high capacity assembly line and trained manpower for the proposed venture. Currently the company manufactures cost-effective passenger three-wheelers under the Vikram brand.

SIL, which holds the world rights of legendary scooter brands Lambretta, discontinued two-wheeler production in 1997. Incorporated in 1972, SIL has a totally integrated automobile plant engaged in designing, developing, manufacturing and marketing a broad spectrum of conventional and non-conventional fuel driven three-wheelers.

SIL's plant owes its origin to M/s Innocenti of Italy from which it bought the plant and machinery, design and copyright. In 1975, SIL started its commercial production of scooters under the Vijai Super brand in the domestic market and Lambretta overseas.

Energy drinks from Coca Cola

Coca-Cola, the world's biggest beverage company, will sell an energy drink in India by the year end to gain from a growing demand for beverages in the country.

The product launch comes after the soft-drink major bought 30 per cent stake in Tata group's Energy Brands, which owned the Glaceau brand in May 2007.

Currently, the energy drinks market in the country has only two players, Red Bull and Power Horse, with the former dominating the market. Energy drinks are a type of functional beverage that gives a short-term energy boost when consumed.

Some of the energy drink brands from Coca-Cola's global stable include Full-throttle, Burn, Samurai, Tab energy and Glaceau vitamin energy. Its energy drinks claim to contain ingredients such as ginseng extract, guarana extract, caffeine and B vitamins.

Some of PepsiCo's brands include Mountain Dew energy drink and Sobe. Currently, PepsiCo is marketing Gatorade, the world's largest sports drink brand that offers re-hydration benefits and carbohydrate energy.

Sports and energy drinks are a comparatively smaller market and in their nascent stage of growth with a few products, which are available in metropolitan and select cities.

The cola majors are witnessing higher growth in niche segments due to rapid urbanisation and upgradation of living standards by the Indian consumer.

Dabur uses ASTRA to boost sales

Shopkeepers selling Dabur India's consumer products would now spruce up their marketing skills through role-plays staged by professional actors at their shops. As part of a recent initiative titled ASTRA, advanced sales training for retail ascendance, FMCG major has launched efforts to educate over 2,000 distribution channel partners of the firm about the complexities of sales and distribution through the audio-visual medium.

Changing retail landscape in the country has compelled FMCG companies to have a relook at their sales and distribution models. The FMCG firm has created the ASTRA training consultancy module in five vernacular languages, Bengali, Tamil, Telugu, Malayalam and Kannada.

Under ASTRA, Dabur has categorised its sales and distribution channels into finer segments, such as key grocers, mass grocers, chemist, wholesale, small outlet and modern trade.

The programme will address specific needs and expectations of each channel in the areas such as, trade activation programmes, trade promotion programmes, brand focus and merchandising.

Dabur has a distribution reach of 25 lakh retail outlets across the country. About 75 per cent of the company's sales come from rural areas. The company also expects rise in consumer spending in the rural areas and plans to spread the initiative in the rural market.

ASTRA is the second such initiative after DARE, driving achievement of retail excellence, introduced by Dabur in 2006. Dare was aimed at leveraging Dabur's brands performance in modern retail. ASTRA will encompass all the distribution channels including modern retail.

Another FMCG major, Hindustan Unilever, has also introduced innovation in its distribution strategy. Last year, the company had formed a joint venture with South African firm Smollan Holdings to refurbish its point-of-purchase presence in modern retail, where its premium brands, such as Pond's Age Miracle range, enjoy higher off-take.

Govt lifts location curbs on industrial units

The Union Cabinet has relaxed norms for setting up industrial units in the country, by doing away with a restrictive clause in the Industries (Development and Regulation) Act, 1951, which prohibits location of factories near urban settlements. The decision is unlikely to lead to setting up of factories near cities and towns, as the projects will still have to be cleared by the respective state pollution boards and the environment ministry.

The clause that was deleted had come into effect from July 25, 1991. It prohibited the setting up of factories within 25 kilometers of the urban area limits of cities and towns having a population of more than 900,000 in the 1991 census.

However, electronics, information technology and other non-polluting industries were exempt from the now-deleted clause. Moreover, factories inside industrial parks set up before 24 July, 1991, were also allowed to function.

The clause was deleted as it was creating “unnecessary hurdles” in setting up of industries. Experts say that environment ministry and state level pollution clearances are adequate to ensure that industrial units do not come up within urban limits. Also, with the urban infrastructure already under constraint, no factories would want to come up inside or next to cities.

Japan Tobacco applies for 100% FDI

Japan Tobacco International Ltd (JTIL), the world’s third largest tobacco company, has applied to the Foreign Investment Promotion Board (FIPB) to raise its stake in its Indian venture from 50 to 74 per cent. The remaining equity of the company is with Indian domestic investors.

The company, which launched its Winston brand of cigarettes in India last year, plans to invest \$100 million to expand its presence in one of the world’s fastest growing markets. The Rs 17,000-crore branded cigarette market is growing at 8 to 10 per cent. The company also owns the famous Camel brand.

The company acquired its Indian operations after it bought RJ Reynolds globally. RJ Reynolds had a 50:50 joint venture with the Delhi-based Modi family, which later sold its stake.

The move by JTI India comes against the background of strong objections by domestic tobacco companies that forced the government to reject proposals by international tobacco majors like Philip Morris, Rothmans and British American Tobacco (BAT) to set up subsidiaries to sell their tobacco brands.

The controversy began in the mid-nineties, when the Indian management of ITC, the country’s largest tobacco company, opposed all moves by its UK shareholder BAT, which owns 35% of ITC’s shares, to initially increase its stake in the Indian company. It also refused BAT a no-objection certificate to set up a 100 per cent subsidiary.

Currently the government allows 100 per cent FDI in the tobacco industry only on a case-by-case basis. Sustained domestic opposition and a growing antismoking lobby, however, ensured that no tobacco company approached the FIPB with a proposal.

Voveran pips Corex to emerge best seller

Novartis’ painkiller, Voveran, has emerged as the best-selling drug in the country, according to research-based consultancy firm ORG IMS figures. It has topped Pfizer’s cough syrup, Corex, for the 12-month period in the Rs 33,000-crore domestic retail drug market. Voveran posted sales of Rs 14.35 crore for the year-ended May compared to Pfizer drug Corex sales of Rs 14.28 crore.

Global pharma companies, despite representing less than one-tenth of the total companies who market their drugs in the country, dominate the list of the top ten selling drugs. Five out of the top ten drugs, including the top three belong to MNCs.

Global pharma companies also market much lesser number of drugs than Indian companies. While Cipla and Ranbaxy sell over 807 and 526 drugs, respectively, in the country, Pfizer and Abbott markets just over 100 drugs each.

In the company-wise ranking, domestic major Cipla (5.25%) maintains the top position followed by Ranbaxy Laboratories (5.06%) and UK major GSK (4.62%) for the 12-month period ended May 2008.

India gets poor grades in aviation

The International Civil Aviation Organisation (ICAO) — the premier global body that codifies the principles of air navigation — has rated India below the global average in a few parameters, in its safety oversight audit report that include “technical personnel qualification and training” and “state civil aviation system and safety oversight function”. There are eight parameters in all. However, the country fares well on some other parameters.

India has been given a rating of just 2 (on a scale of 10) on “technical personnel qualification and training” while the global average rating is 4.

India’s rating is 4 on “state civil aviation system and safety oversight function” while the global average is 5. India’s rating on the crucial “resolution of safety concerns” is 5 which is the global average.

However, India scores high on parameters such as “licensing, certification, authorisation and approval obligations” where its rating is a creditable 9 compared to the global average which is just 6.

Glaxo-SmithKline tops league on access to medicine

European pharmaceutical companies — led by GlaxoSmithKline (GSK) — outperform their US peers in efforts to make medicines available and affordable to the poor, according to an analysis.

The Access to Medicines Index, which ranks the companies based on an independent assessment of eight aspects of their activity, is a first attempt to quantify the rhetoric of corporate responsibility and allow comparisons between them.

GSK, which is involved in price discounts and researching drugs for use in the developing world, rates highest, while Merck, in third place, is the only US Company among the top seven.

The rating goes beyond the glossy descriptive materials on individual programmes produced by each company and their trade associations.

The rankings, compiled by Innovest, a Dutch consultancy that specialises in evaluating corporate social and environmental policies for investment houses, assess on a five-point scale issues including equitable drug pricing, research into developing world diseases, donations, philanthropy and lobbying.

Mars, IBM to sweeten cocoa

Chocolate maker Mars, computer giant IBM and the US Department of Agriculture have teamed up to map the DNA of the cocoa tree to try to sweeten the crop's \$5 billion market. Sequencing the cocoa genome will allow more directed breeding of cocoa plants. The objective is to enhance the quality of cocoa, the key ingredient in chocolate.

The collaboration will enable farmers to plant better quality cocoa and, more importantly, help create healthier, stronger cocoa crops with higher yields, pest and disease resistance, and increased water and nutrient use efficiency. While conventional plant breeding techniques can transform a crop, having the complete genome offer researchers the opportunity to take short-cuts to changing the plant's qualities.

InBev acquires Anheuser-Busch

Major Brands **Anheuser-Busch**: Budweiser, Busch, Bud Light and Michelob
Major Brands **InBev**: Beck's, Stella Artois, Bass and Brahma

Brazilian-Belgian beer giant InBev acquired the iconic American beer company Anheuser-Busch for \$52 billion. The new company to be named Anheuser-Busch InBev would be the world's largest brewer. The two companies would have yearly sales of more than \$36.4 billion, surpassing the current number one brewer, London based SABMiller.

InBev was created in 2004 when the Belgian company Interbrew and the Brazilian company AmBev merged, creating the world's largest brewer at that time. The brewer has over 200 beer brands produced and sold throughout the world. The flagship brands are Stella Artois, Brahma, Beck's and Leffe. The brewer is headquartered in the Flemish city of Leuven, where the company can trace its brewing roots back to 1366. Though the board includes former Belgian Prime Minister Jean-Luc Dehaene, the firm's management control firmly rests with Brazilian investment bankers.

Anheuser-Busch operates the largest brewing company in the United States in volume with a 48.8% share of beer sales. It is the world's largest brewing company based on revenue, but third in brewing volume.

Big brewing mergers of late have been driven by the twin objectives of cost cutting and acquiring new markets. The merger of the world's number two and number three brewers by volume will create a combined company with more than \$36 billion in annual revenues and a better negotiating position with suppliers of expensive ingredients.

Wrigley-Mars deal creates candy titan

William Wrigley Jr., the great-grandson of the founder who bears the same name, has sold Wm. Wrigley Jr. Company, the over a century old confectionary company, for \$23 billion in cash to privately held Mars, the maker of M&M's and Snickers candies.

Founded in 1891, Wrigley's first products—Juicy Fruit and Spearmint gums—were launched over 110 years ago. With \$5.4 billion in sales, Wrigley is a world leader, making and marketing chewing gum and other confectionery products in 180 countries. The major brands include Doublemint, Big Red, Winterfresh, Extra, Eclipse, Freedent, Hubba Bubba, Orbit, Excel Altoids, Life Savers, Creme Savers, Pim Pom and Solano. Competitors include Cadbury, Lotte, Perfetti van Melle and Hershey.

A combined Mars-Wrigley entity will control 14.5 percent of the confectionery market and have a distribution network in 180 countries. The next closest competitor, UK-based Cadbury Schweppes, has a 10 percent share. Another edge for Mars: In an otherwise glacial business, sales of chewing gum products are growing faster than chocolate and hard candy offerings. The combined company will have a strong portfolio of well-established brands.

Mars also benefits from the fact that gum is the fastest-growing sector as health conscious consumers find it attractive because it's mostly calorie free.

In many ways, Wrigley had little choice, given the unrelenting need for scale and global reach in this hotly contested corner of the food industry. Although the new in-house innovation centre has churned out scores of products, sales have been weak in the highly competitive U S market. The company has also struggled to revive the Life Savers and Altoids brands it bought from Kraft Foods for \$1.48 billion in 2005. Meanwhile, Cadbury Schweppes has grabbed share in gum with new products, including Trident Splash with a liquid centre.

M&S to partner Reliance in India retail foray

Marks & Spencer (M&S) entered into a joint venture with Reliance Retail, part of the Reliance Industries Group, to set up a chain of Marks & Spencer stores in India. The UK based company will take a 51 percent interest in the JV company, M&S Reliance India, with Reliance Retail taking the remaining 49 percent. The aim is to open at least 50 new stores in India over the next five years.

M&S' JV talks with its existing Indian franchisee, Planet Retail, failed as the latter was unwilling to take minority position in the India business. However, Planet Retail, which has been an M&S franchisee for the last seven years, will continue to hold franchisee rights for the 14 existing M&S stores.

Mark Ashman will be the chief executive officer of the joint venture company which will have the right to operate M&S stores in India, selling items such as clothing for women, men and

children as well as homeware. M&S would open bigger stores, selling a wider range of products at lower prices, including a growing number of products sourced from local suppliers.

M&S chief executive Sir Stuart Rose sees India as a market where M&S has the potential to become a major retail brand. Reliance Industries chairman Mukesh Ambani said that his group's understanding of the Indian marketplace, and its traditional strengths in areas such as technology, infrastructure, logistics and training will make for a winning combination with M&S' legendary retailing and product development capabilities.

M&S is one of the UK's leading retailers with 600 stores in the UK and over 275 stores in 39 territories around the world. Its total group revenues for 2006-07 were £8.5 billion. In November 2007, at its interim results, M&S identified significant opportunities to grow its international business, targeting a 15 to 20 percent contribution to its group revenues within the next five years.

Reliance Retail forged another JV in the retail business. This one is with the Florida-based Office Depot. The JV will provide office products and services to business customers in India. Office Depot was founded in 1986 and is a publicly-listed company with revenues of approximately \$15.5 billion (Rs 62,000 crore).

Globally, it is one of the largest sellers of office products like computers, computer software and office furniture. Reliance Retail and Office Depot also announced the acquisition of eOfficePlanet, a company that supplies office products and services to corporate customers in India.

India bags stake in Russia's Sakhalin III

At a time when it is getting tougher to get rights to oil blocks overseas, India has managed to secure a commitment for a 23 percent stake in Russia's Sakhalin III project located in the Russian Far East. ONGC Videsh Ltd (OVL), the overseas investment arm of Oil and Natural Gas Corporation (ONGC) will pay an initial \$300 million for drilling operations.

Russian company Rosneft, which owns 70 percent in the project, will be offloading its stake to OVL if the deal goes through. The remaining 30 percent stake is held by China National Petroleum Corporation (CNPC). Vladimir Putin had said Russia would support India's participation in Sakhalin III when he visited New Delhi as President in January 2007. The Sakhalin III project lies between Sakhalin I and Sakhalin II, which are already producing oil.

Sakhalin III has in-place reserves of 800 million tonnes. Sakhalin I, in which OVL owns 20 percent, has in-place reserves of about 1 billion tonnes and produces about 12 million tonnes of crude oil a year, equivalent to 37 percent of the total crude oil produced in India. The stake offer also has a strategic significance for the two countries that have shared a long history of economic collaboration.

YouTube: Plugging into India

YouTube, the video-sharing site that brought online video to the masses, now has its own Indian site. Google has launched www.youtube.co.in, where the focus will be on videos from India and for India.

The YouTube India site will showcase videos uploaded by Indian users or those that are of relevance to them. India is the 20th country to have a separate YouTube site. The local version of the site will show Indian content in its featured and promoted videos. The search on the site is also customised for India.

YouTube believes that India is an important market for the site as there is a strong interest in Indian content worldwide. Also, digital cameras and mobile phones with video are becoming affordable.

Currently, the site has about 50 lakh unique users from India.

YouTube India already has a few partners on board, who have created their channels on the site. The list of partners includes the Ministry of Tourism, the Indian Institutes of Technology (IITs), NDTV, Rajshri Media, Zoom, UTVi and Music Today.

Media companies hope to promote and market their content and engage with their audience using YouTube. Rajshri Media's upcoming series called "Akbar Birbal Remixed" will be launched as three-minute episodes simultaneously on Rajshri.com and YouTube India.

The Ministry of Tourism has created an Incredible India channel on YouTube.

YouTube India has also partnered with the IITs to make instructional video content available on the Net. Meant for engineering students, there are currently 1,600 hours of video content available on the IIT channel on the site.

YouTube India has revenue sharing arrangements with its partners, but the terms have not been disclosed. The model would be similar to that of AdSense, its search advertising programme. The company is also working out other revenue generating options, including in-video ads and banners. It has conducted a trial for revenue sharing with regular users, which may be tried in India.

Sensex battle with BSE

A stock analyst from Pune has decided to take the Dalal Street Bronze Bull by its horns in a legal battle over the term "sensex", the biggest brand identity of Asia's oldest bourse.

Deepak Mohoni, an alumnus of IIT Kanpur and IIM Calcutta who runs a stock trading consultancy firm, has filed a petition in a Pune district court claiming that he, and not the

Bombay Stock Exchange (BSE), owns the coinage of the term “sensex” to describe the bourse’s bellwether index.

Mohoni filed the case after the BSE challenged his application with the Registrar of Trademarks for a patent on the word. The exchange was certain to challenge Mohoni’s claim in court since it concerns its brand identity.

The sensx is a value-weighted bellwether index composed of the 30 largest and most actively traded stocks, representative of various sectors, on the Bombay bourse. These companies account for around one-fifth of the market capitalisation of the exchange.

Mohoni said he coined the word “sensex” as an abbreviation for the Bombay Sensitive Index during his work as a columnist with a business magazine. He found “Bombay Sensitive Index” too long a term and got his editor’s permission to abbreviate it. Mohoni went on to write columns and technical analysis for other business publications, and says the word “sensex” soon caught the fancy of the media. Mohoni claims that newspapers started using “sensex” regularly after 1992-93. According to him, it was not until 1995 that the BSE began referring to the index as “sensex” in its official publications.

The analyst said he had no problems with the use of the word “sensex” in the public domain, but felt the need to patent it only after learning that the BSE had applied for registering it as a trademark.

Mohoni says he is not claiming the ownership of the Bombay Sensitive Index. “I am challenging BSE’s attempt to trademark the term “sensex”. They can’t trademark it since they haven’t coined it,” says the analyst.

Govt tightens telecom M&A norms

The Department of Telecommunications (DoT) has tightened the norms on mergers among telecom operators within a circle. It has imposed a three-year lock-in period, besides making it mandatory for them to take prior permission from the ministry.

It has also made post-merger rules on retention of spectrum much more stringent. According to the existing policy, operators do not need prior permission from DoT or have a lock-in period for mergers.

The merged entity will also have to dish out extra for spectrum. A spectrum transfer charge will have to be paid in case of an M&A between existing players. That means if Bharti acquires Spice then it will have to a spectrum transfer charge to the government for acquiring the latter’s (Spice Telecom’s) spectrum.

The government has recently given licence to six new players, including Datacom Solutions (promoted by the Videocon group), BPL group subsidiary Loop Telecom, Swan Telecom, S-Tel and Unitech, among others. CDMA operators like Reliance Communications and Tata

Teleservices have been allowed to operate GSM services under the universal access service licence (UASL) policy.

The merger will be allowed only if the combined market share of the merged entity be less than 40 percent in terms of a subscriber base and revenue, against the current 67 percent. This will rule out any merger or buyout among the top three service providers in any circle. This effectively means that Bharti will never be able to buy out a Vodafone or Idea Cellular, or vice versa, nor can a Reliance Communications (RCOM) buy out a Vodafone. However, players such as Bharti, Vodafone, Idea and RCOM can buy out smaller players like Spice, BPL and Aircel.

The new policy also says that mergers and acquisitions cannot be undertaken if there are less than four players in the circle. The current policy puts the number of operators per circle at three.

Experts said the new policy will only block consolidation in the industry. Existing players will be hit as they can't buy for three years while new players won't be able to sell out.

Microsoft logs out of Yahoo deal

Microsoft chief executive officer Steve Ballmer walked away from his bid for Yahoo after a disagreement on the price, a setback to his efforts to catch up with Google in the online advertising market

Software giant Microsoft had, a year back, tried to acquire Yahoo in a bid to compete with Google, but was spurned. This time round, Microsoft increased its bid from \$44.6 billion to \$47.5 billion (almost 85 per cent of its revenue), and many observers were sure that it was a done deal. But Yahoo asked for a minimum of \$37 per share, against the final offer of \$33 per share. Microsoft was not prepared to oblige.

A combined Microsoft-Yahoo would have created a powerful competitor. But Google played a part in killing the deal. It offered to let Yahoo use its more sophisticated search advertising technology, which by some estimates would have meant \$1 billion more revenue a year for Yahoo. The partnership would also bring Google more revenue.

The prospect of such a partnership emboldened Yahoo's board to demand more money for the company and eventually caused Microsoft to rethink its strategy. Steven A Ballmer, Microsoft's chief executive, cited the proposed Google partnership as the main reason for not pursuing a hostile bid and, instead, walking away.

Despite its near-monopoly in the global computer market thanks to its Windows and Office software, Microsoft remains a dwarf on the Internet with less than 3 percent of the search market.

Google, Yahoo and Microsoft are fighting over the emerging online ad market, which is worth more than \$40 billion and is expected to double by 2010. Google has a 30 percent share, Yahoo

14 percent and Microsoft 6 percent. Google is expected to grow its lead, with the acquisition of the online advertising firm, DoubleClick.

Internet search and advertising business are not the only areas where Google is a threat to Microsoft. The search engine giant has given Microsoft heartburn with its launch of Android, a mobile platform for vendors to make low-cost mobiles with fast Internet-surfing capabilities. This poses a threat to Microsoft's Windows Mobile platform. Moreover, Google's online consumer and business applications, which are mostly free for consumers and offered reasonably priced to small and medium-scale enterprises, are a threat to Microsoft's Office Suite and other applications.

Analysts are saying the Microsoft-Yahoo saga has one clear winner: Google.

Microsoft's primary businesses are showing signs of maturing. Online advertising is surging, with total revenues expected to rise from \$20.4 billion last year to \$31.4 billion in 2011, according to the market research firm IDC.

Not yet 10 years old, Google has emerged as a powerhouse that is wielding tremendous power in the world of information technology and Internet. Its power is derived largely from a single, seemingly prosaic business: the ability to place interesting text advertisements in front of people when they do searches.

Advertisers pay for those ads—sometimes \$1 or less—only when users click on them. In a sense, Google has built a highly profitable \$16 billion empire, a dollar at a time. Indeed, it makes more money off advertising than any other company on earth.

The mission set by Google's two founders, Larry Page and Sergey Brin, to organise the entire world's information and make it universally accessible and useful is every bit as ambitious as Microsoft's goal, in the early 1980s, to put a PC on every desk and in every home.

The search advertising business has proven so profitable that it has allowed Google to make large investments in a long string of other businesses. Most of them have yet to break even, but analysts believe that many of them may some day turn into very profitable enterprises.

Google is now the dominant player in online video following its 2006 acquisition of YouTube. It has begun offering, mostly for free, a suite of e-mail, word processing, spreadsheet and other programs that compete with two of Microsoft's primary profit centres, office and exchange.

It is building software for mobile phones that later this year may compete with Apple's iPhone and others; it has begun selling advertisements on television, radio and newspapers; and with its acquisition of DoubleClick earlier this year, it is going after the market for online banners and graphical ads, which is Yahoo's bread and butter business.

Bajaj, Renault and Nissan tie up for \$2,500 car

Bajaj Auto, Renault and Nissan finalised the ultra low cost small car project expected to take on Nano of Tata Motors.

Bajaj Managing Director, Rajiv Bajaj, and Renault President and Chief Executive Officer and President and CEO of Nissan, Carlos Ghosn announced the formation of a joint venture company to develop, produce and market the car, code-named ULC, with dealership price range starting from \$2,500. The production is slated to begin in 2011 and ULC will be made at an all-new plant to be constructed in Chakan (Maharashtra).

The project will see the formation of a new company jointly owned by Bajaj Auto (50 percent), Renault (25 percent) and Nissan (25 percent). This will be Renault and Nissan's third joint venture project in India.

Ghosn has steered the French-Japanese alliance companies to new levels of success in many global markets. The Nissan-Renault boss knows that the growth markets of the future for the automobile industry are all in the emerging economies of today. India, he has often said, will play a vital role in not just fuelling the demand for new automobiles, but also in developing them.

There are many synergies that the three partners bring to the new joint venture company that they are planning to set up. Ghosn has openly admired the frugal engineering abilities of Indian companies. Renault-Nissan already manufactures its Logan in a joint venture with Mahindra & Mahindra. Bajaj will bring to the table its low-cost product development, local sourcing and production techniques that have enabled it to aggressively price many of its two-wheelers, and yet turn in a tidy profit.

Renault and Nissan will bring in their testing and engineering skills, their innovations that will be suitable for an ultra low-cost car of the sort that is being planned and, of course, their access to global emerging markets.

HP buys EDS for \$13.9 b

Hewlett-Packard (HP), world's biggest personal computer maker, has signed a definitive agreement to buy Electronic Data Systems Corp (EDS) for \$13.9 billion.

The purchase is HP's largest since the \$18.9 billion takeover of Compaq Computer Corp. Combining with EDS, founded by H. Ross Perot in 1962 with \$1,000, would help HP more than double its revenue from services, as PC sales growth slows worldwide.

HP intends to establish a new business group, to be branded EDS, and headquartered at Electronic Data Systems' existing executive offices in Plano, Texas. After the deal, EDS would continue to be led by the latter's Chairman, President & Chief Executive Officer Ronald A.

Rittenmeyer. He would join HP's executive council and report to HP Chairman & CEO Mark Hurd.

The companies' collective services businesses, as at the end of each company's 2007 fiscal year, had annual revenues of more than \$38 billion and 2,10,000 employees. The two had operations in more than 80 countries.

HP gets about 15 percent of its revenue from its services business. The company competes against IBM in storage devices, software and servers—computers used to run corporate networks and Web sites. IBM, based in Armonk, New York, got about \$54.1 billion from services last year, or more than half its sales.

The combined entity would offer services such as IT outsourcing, business process outsourcing and HR outsourcing. In addition, the deal would provide extensive experience in offering solutions to customers in the areas of government, healthcare, manufacturing, financial services and energy.

Bhave strikes a blow for IPO investors

Investors no longer have to wait for weeks for refund of their initial public offer (IPO) application money. The application money earmarked for an IPO will now remain in the applicant's bank account till the allotment is finalised, thus eliminating the refund process,

The Securities and Exchange Board of India (SEBI) is putting in place an alternative mechanism for the payment of application money for public offers and rights issues.

Instead of the present system, where retail investors are required to pay the entire application money upfront, SEBI envisages a mechanism to retain the funds in the applicant's bank account till the allotment is finalised. This method is expected to help eliminate the problems often seen during the process of refunds.

What this means is that the application money will remain in the bank account of the applicant till the allotment is finalised, thus eliminating the cumbersome process of refunds for the unallotted portion. Until the allotment of shares, the investor cannot use those funds even though no physical transfer of money has taken place at the time of application of shares.

This means that the money marked for the IPO will not be used for any other payment obligation during that period. At the same time, the applicant will enjoy the interest payable on the amount. This would also reduce the burden on registrars and merchant bankers. But bankers to the issue can no longer enjoy the floating interest.

Once the allotment is made, the registrar can instruct the bank to transfer funds, based on the number of shares that has been assigned to an investor, and remove the lock on the funds.

The main intent of the move, piloted by SEBI Chairman C B Bhave, is to reduce the timeframe between the closure of the public offer and the listing. After he took charge in February this

year, the SEBI Chairman had said that he wanted to kick off the primary market reform process exercise by cutting down the time between a company's public issue and its listing from 21 to seven days. The current move should be seen as the first step in that direction.

Initially, however, both the options either to pay the entire money upfront or to debit the bank account when the allotment is made will be available as the entire system is not geared up for an immediate change. To begin with, three or four large banks and their branches in metros will roll out the new option.

During the second stage of the IPO reforms programme, the regulator wants to make it mandatory for all institutional investors to make 100 percent payment with the application for shares. At present, institutional investors only pay 10 percent of the amount at the time of application. Since qualified institutional buyers, which include foreign institutional investors and domestic mutual funds, are paying only a part of the application money, an impression of over subscription is created, which may not lead to actual price discovery, SEBI has concluded.

In most IPOs, 85 to 90 percent of the applications come from the top 50 centres in the country and a majority of them are from western India—mostly Mumbai and towns and cities in Gujarat.

Faulty pricing policy boosts adulteration, pollution: IEA

India's pricing policies for petroleum products are increasingly causing "oil product adulteration" and "pollution" in addition to acute imbalances in demand and supply for oil products, according to Paris-based International Energy Agency (IEA). The rising subsidy bill and heavy financial losses by refineries do not augur well for the long-term health of the oil sector in the country.

Issuing its monthly report, IEA said India's overall demand for petroleum products is expected to grow at 4.8 percent this year as against last year, with overall demand at 2.9 million barrels per day (mb/d). Transportation fuels like gasoline, jet fuel, kerosene and gas oil are the chief contributors to demand growth.

Expressing grave concern over India's pricing policies for petroleum products, the agency argued that "one effect of India's end-user price caps in addition to runaway demand, mounting government expenditures and the heavy financial losses incurred by refiners and retailers is oil product adulteration."

The agency pointed that the "adulteration" has to happen due to widespread differences between administered prices for kerosene (which is sold at Rs 9 per litre) and gasoline (petrol at Rs 44 per litre; diesel at Rs 36 a litre). As much as 50 percent of kerosene is diverted for illegal blending in India. This subsidy policy is in effect financing a massive transfer of wealth to the growing black market (in petroleum products).

India spent about \$19 billion on fuel subsidies last year, with kerosene claiming about \$4.8 billion. Besides, cheap kerosene is also exempted from local taxes resulting in a net loss of revenue to the tune of \$4 billion.

Further, the cheap kerosene pricing structure is finally contributing to growing air pollution as “Indian kerosene contains as much as 2,000 ppm of sulphur, around six times higher than diesel (350) in major cities,” IEA warned.

The artificially low prices in India when international prices have skyrocketed, provide little incentive for customers in India to cut consumption or think about conservation of oil.

Mobile phone majors join hands for net services

Vodafone, the world’s largest operator by revenue, and China Mobile, the largest by number of customers, announced a research project aimed at speeding the roll-out of mobile Internet services. Japan’s third largest mobile operator, Softbank, is also part of the project, to be known as the Joint Innovation Lab.

The collaboration underlines how mobile operators are keen to stop Internet search engines such as Google and Yahoo from dominating the provision of potentially lucrative services on wireless Internet.

After years of hype, mobile Internet is finally becoming a reality thanks to attractive handsets and effective high-speed wireless networks.

Apple’s iPhone, launched last year, set a new standard in the way Internet-based services are used on mobiles.

Analysts expect the new laboratory to accelerate the commercial deployment of mobile Internet services. The research project is expected to focus on how to improve the mobile’s user interface, and in particular, software applications that have been nicknamed widgets.

Widgets are like mini web browsers and are found on the handset’s home screen. They remove the need for time-consuming and potentially difficult web browsing because the user is taken directly to the service they want, such as email, maps or social networking.

But one key problem is that web developers currently need to write multiple sets of computer code to ensure a widget will be compatible with the plethora of mobile operating systems that exist.

The research project will focus on the development of a universal software specification known as the application programme interface, which could enable a widget to connect to multiple operating systems without the need for tailored computer code.

Mobile operators might be able to charge customers more per month if they came up with attractive bundles of widgets.

India drops in competitiveness index

India suffered a drop in ranking in the latest 2008 IMD World Competitiveness Yearbook.

The country has been placed 29th in a list of 55 economies assessed for competitiveness by the IMD—a leading business school based in Lausanne, Switzerland—with Thailand and the Czech Republic forging ahead.

Within the emerging economy space, India has been rated below Singapore (2), Hong Kong (3), Taiwan (13), China (17), Malaysia (19) and even Estonia (23) and Chile (26). However, it has been adjudged more competitive vis-à-vis the likes of South Korea (31), Brazil (43), Russia (47), Mexico (50), Indonesia (51), Argentina (52) and South Africa (53).

IMD's rankings are derived from 331 competitiveness criteria revolving around four basic parameters of economic performance, government efficiency, business efficiency and infrastructure.

Predictably, India scores worst in infrastructure, particularly with respect to energy, broadband infrastructure, access to water, primary education, health and environment.

On the other hand, it fares relatively well in “business efficiency” (extent to which the national environment encourages enterprises to be innovative and profitable), “government efficiency” and “economic performance” (macroeconomic fundamentals).

Among individual competitiveness criteria, India ranks in the top five when it comes to “real GDP growth”, “resilience of the economy to economic cycles”, “growth in foreign investment (both inward and overseas)”, “consumption tax rate”, “real personal taxes”, “exchange rate stability”, “listed domestic companies”, “attitudes towards globalisation”, “image abroad”, “market size”, “mobile telephone and Internet costs”, “science teaching in schools” and “availability of qualified engineers”.

Tatas bag Ford marques

Tata Motors acquired Ford Motor Company's UK assets Jaguar and Land Rover (JLR) for \$2.3 billion after signing a definitive agreement for the brands, plants and intellectual property rights. The US company had bought Jaguar in 1989 for \$2.5 billion and Rover in 2000 for \$2.7 billion.

The acquisition gives Tata Motors access to the next level of technology, superior products and two premium legacy brands with a strong presence in the international markets. It also opens up a huge opportunity for Tata Motors to strengthen its foothold in the developed automotive markets. Tata Motors will now have the world's cheapest car and some of the world's most expensive brands in its stable.

Both sides have made certain commitments as part of the transaction. Ford will continue to supply JLR for differing periods with powertrains, stampings and other vehicle components, in addition to a variety of technologies, including environmental and platform technologies. In addition, Ford Motor Credit Company will provide financing for JLR dealers and customers during the transition period, which can vary by market, of up to 12 months.

The Tatas have agreed to leave untouched the terms of employment for the British workforce of nearly 16,000 employees. Ford will contribute up to \$600 million to JLR pension. There will be no immediate changes in the top management either.

Between the two brands, Jaguar is the more worrisome one in terms of its financials and sales numbers. On the contrary, Land Rover recorded its third successive year of high sales in 2007 with 2,26,395 cars sold around the world, capping its 60th anniversary by crossing the 2,00,000 mark for the first time in its history.

It has been many years since Jaguar returned a profit and the company has had to tone down its expectations of having a wider, more mass-market luxury brand reach that it had eight years ago. That was also the reason why Ford reworked the production plans for this brand and decided to retain its niche image by manufacturing less than 1,00,000 cars every year. Jaguar's hopes currently lie squarely on the new XF, the brand's most modern, technologically loaded and luxurious sedan. The Jaguar XF was launched earlier this year and is said to have received pre-orders of over 10,000 units.

The deal will give Tata Motors a footprint in Europe, which accounts for over three-fifth of JLR's total sales volumes. Ford will continue to provide engineering and back office support for an unspecified period. The US company's finance arm will also finance JLR's dealers and customers for one year. These could prove invaluable for Tata during the initial months of its stewardship.

Most analysts agree that the two brands have good intrinsic value. Jaguar has been restructured and its new line-up of models has been well received. Land Rover is a brand that is synonymous with luxury, ruggedness and extreme reliability. Its vehicles have crossed the most impenetrable jungles, lonely deserts and icy, barren stretches of the planet that explorers may not have attempted with any other vehicle. Land Rover has also been a vehicle of choice for the British royal family.

Tata Group's good track record in managing acquired companies gives credence to their claims of turning around the two British car brands. The group did a good job of acquiring and assimilating Daewoo's commercial vehicles business, Tetley and, most recently, Corus.

The acquisition comes at a stiff price tag, which will increase the interest burden on Tata Motors' balance sheet. There is also uncertainty about the supply of engines and components by Ford, once the one-year period ends. The company is acquiring JLR when economic fundamentals in

Europe and the US are weak. These two markets account for close to 90 percent of JLR's global sales.

The acquisition was no major corporate coup as no global auto major was in the running. And if the mighty Ford could not turnaround the languishing brands in 17 years, how will Tatas do that? One major problem of these two brands is low productivity at plants, with very high cost of production leading to uncompetitive pricing. Tatas do not have much leeway to sort this out as they have undertaken not to move any job out of UK.

The SUVs made by Land Rover could help Tata Motors to upgrade its technology in utility vehicles. But when it comes to Jaguar, there is no obvious synergy. Bringing in Jaguar to the Indian market will not really help because the market for such high-priced cars (each will cost close to Rs 1 crore) is minuscule.

Despite their iconic brand image, Jaguar and Land Rover face formidable challenges. Jaguar's sales have shown continuous decline and the brand has been plagued by quality and reliability issues. Land Rover's problems are very different from Jaguar's. Though profitable, it faces the challenge of technology upgrading to conform to tighter fuel efficiency and emission norms.

HDFC Bank, CBoP forge India's largest banking merger

The merger will create a larger entity and bring together the strengths of both banks in terms of technology, products, distribution, manpower and experience.

The board of HDFC Bank has approved the acquisition of Centurion Bank of Punjab (CBoP) for Rs 9,510 crore, in the largest merger in the financial sector in India. However, the merged entity would still be two-fifth the size of the country's second largest commercial bank, ICICI Bank. CBoP shareholders will get one share of HDFC Bank for every 29 shares held by them.

CBoP's Non-Executive Chairman Rana Talwar will be appointed the Non-Executive Director of the merged entity, while its Managing Director and CEO, Shailendra Bhandari, will join the board as an Executive Director. Aditya Puri will continue as Managing Director and CEO of HDFC Bank.

CBoP incorporates three private banks that merged in 2006 and 2007—the erstwhile Centurion Bank which turned around following the induction of new shareholders and management in 2003, the erstwhile Bank of Punjab that added a strong retail liability franchise in Punjab and the erstwhile Lord Krishna Bank that helped add branch network in Kerala. CBoP's loan portfolio consists mainly of two-wheelers, commercial vehicles, residential mortgage, unsecured personal and SME loans.

HDFC Bank is the second largest private bank in India with a nationwide presence. Strong operations in both retail and corporate banking businesses together with multiple delivery channels across India have supported HDFC Bank's loan growth and its superior earnings

profile. The NPA ratio has remained better than that of most Indian banks and reflects the bank's strong risk management system.

The merger will be a win-win situation for HDFC Bank as it would acquire around 400 branches and skilled personnel. The combined branch network would go up to 1,348 as against the existing private sector leader ICICI Bank, which has close to 955 branches. HDFC Bank had earlier acquired Times Bank from the media group Bennett Coleman & Co in 2000. The proposed merger would help HDFC Bank to become the largest private sector bank in terms of branch network.

The country's second-largest lender HDFC Bank has about 754 branches, while CBoP currently has 394 branches across 180 locations. The branch acquisitions will boost the presence of HDFC Bank in the northern and the southern regions. CBoP has close to 170 branches in the north and around 140 branches in the south. HDFC Bank has nearly 250 branches in the north and nearly 150 branches in southern India. CBoP has a concentrated presence in the southern state of Kerala.

However in terms of assets, ICICI Bank would be much bigger than the proposed entity. While ICICI Bank has Rs 3,76,700 crore worth of assets, the proposed combined entity would have over Rs 1,10,000 crore.

The merged entity will not offer home loans as this would lead to a conflict of interest with HDFC Bank's parent, Housing Development Finance Corporation (HDFC). HDFC Bank will have the option to sell the home loan portfolio of CBoP to HDFC. HDFC holds 23.28 percent stake in HDFC Bank. Its holding is expected to fall below 20 percent after the merger.

The integration will be a challenge for HDFC Bank. Though the culture of Centurion Bank employees would match with that of HDFC Bank, the culture of the employees of Lord Krishna Bank and Bank of Punjab is likely to be different.

Warren Buffet is the world's richest

It must count among the world's most genial rivalries. US investment guru Warren Buffett has ousted his friend and occasional bridge partner Bill Gates as the world's richest man. The Nebraska-based investor saw his fortune swell by \$10 bn to \$62 bn last. Buffett's earnings propelled him to the top of Forbes magazine's annual ranking of the world's billionaires, ending a 13-year reign for Gates, who slipped to third position with \$58bn, behind the Mexican telecom tycoon Carlos Slim, who has an estimated fortune of \$60bn. Britain's richest resident, Lakshmi Mittal, came in fourth. He is one of 49 billionaires living in Britain, which is renowned among the super-rich for its lenient tax treatment of non-domiciled residents.

Buffet's wealth has increased despite a series of huge charitable gifts. The 77-year-old pledged in 2006 that he would donate \$31 bn to the Gates Foundation to help address global healthcare issues. In July he handed over his second annual instalment, \$1.76 bn worth of shares.

Nicknamed the "Sage of Omaha" because of his phenomenal investment success, Buffett filed his first tax return at the age of 13, claiming a \$35 tax deduction for his bicycle. After studying economics at New York's Columbia Business School under investment guru Benjamin Graham, he began purchasing shares in textile firm Berkshire Hathaway in 1962 before buying a controlling stake in 1965. Berkshire under Buffett shifted focus to become a financial services firm that now holds equity in top blue chip companies of the world including Coca Cola, P&G, GE, etc. Berkshire's stock price surged to a record \$150,000 a share in December.

Four Indians—steel tycoon Lakshmi Mittal, Mukesh Ambani, his estranged younger brother Anil and reality baron K.P. Singh—have made it to the top 10 positions, as against just one, Mittal, a year ago. India has retained its position as the top source of billionaires in Asia with a total of 53 people, who have a cumulative net worth of \$340.9 billion on Forbes 2008 World's Billionaires list.

Three Indian women have made it to the Forbes list of global billionaires: Savitri Jindal with a net worth of \$8.2 billion, Bennett, Coleman and Co's chairperson, Indu Jain with \$4.4 billion and Anu Aga of the Thermax group with \$1.1 billion. Jindal ranks at the 110th place while Jain and Aga rank 236th and 1,014th respectively.

The world's richest woman is the French L'Oreal chief, Liliane Bettencourt, 17th on the Forbes list with a net wealth of \$22.9bn. The youngest billionaire identified is Mark Zuckerberg, who set up the social networking website Facebook in his college dormitory room four years ago. Patrice Motsepe joins the list as South Africa's first black billionaire with a net worth of \$2.4bn. Other inclusions in the ultra-rich list include US chat-show host Oprah Winfrey, (\$2.5bn), property mogul Donald Trump (\$3bn), and Harry Potter author JK Rowling (\$1bn).

HUL rejig: Paranjpe replaces Baillie

Nitin Paranjpe, executive director (home and personal care), Hindustan Unilever (HUL), will replace Doug Baillie as the managing director and chief executive officer of the company. The 44-year old Paranjpe has been with HUL since 1987, when he joined as a management trainee. He has worked across levels in both sales and marketing and went on to work with Unilever executive committee in London in 2001. He joined the HUL board as executive director last year.

The change is part of the global restructuring at Unilever, the parent company of HUL. The global roles of president of the home and personal care, and foods division at Unilever will be merged under the leadership of former HUL Chairman Vindi Banga, who is currently president (foods) at Unilever. Home and personal care and foods together contribute nearly 70 percent to Unilever's turnover. In India, home and personal care accounted for 73 percent and foods 25 percent of HUL's revenues. The main objective of combining the home and personal care and foods business into a single category is to simplify resource allocation at the management level for Unilever globally. The home and personal care, and foods businesses would still run as separate divisions.

After a two-year HUL stint, Baillie will join the Unilever executive team and take the role of president, western Europe. Similarly, Harish Manwani, currently non-executive chairman of HUL and president (Asia-Africa), will lead a new expanded region comprising Asia, Africa, central and eastern Europe. The new region has been demarcated to reflect the company's strategic focus on developing and emerging markets. This region accounts for about 44 percent of Unilever's total turnover. Baillie was the first foreign national to head HUL and the company achieved better alignment with Unilever's global policies than ever before during his tenure. It was in his tenure that HUL had let go of its old logo comprising of a green leaf and adopted the global "U" of Unilever.

Blu-ray blooms as HD DVD withers

The next-generation DVD format war is over, and the future is Blu-ray. Toshiba's announcement that it is to stop production of HD DVD players leaves the way clear for Sony's format to become the industry standard.

It has taken Sony two decades to shake off the memory of defeat in the format wars that heralded the start of the VCR era. Ever since the two rival high definition DVD systems were launched in 2006—Sony's Blu-ray and Toshiba's HD DVD—there could be only one winner. In a re-run of the VHS and Betamax video cassette battle of the early 1980s, each raced to win over both the home consumer and the big Hollywood film studios.

Sony's win is a story of computer game consoles, marketing savvy, a huge amount of boardroom and backroom lobbying as well as the Walkman inventor company's determination not to let history repeat itself. Sony had lost the VCR format race in 1980s when its Betamax lost out to VHS from the JVC group. Betamax was launched in 1975 and VHS in 1976.

Both HD DVD and Blu-ray machines offer high definition DVD playback superior to standard DVD players. Where Sony has the killer edge is that its Playstation 3 (PS3) computer games console comes pre-fitted with a Blu-ray player. So as Sony has sold 10.5 million PS3 consoles since it was launched in late 2006, there are 10.5 million Blu-ray machines already in homes around the world, even before one adds sales of stand-alone Blu-ray players.

By contrast, Toshiba has sold only one million HD DVD machines. Toshiba does have a tie-up with Microsoft's Xbox 360 games console, but Xbox users are required to buy an external HD DVD drive.

Sony also had a head start over Toshiba in persuading the big US film studios to back Blu-ray—its own Sony Pictures is one of the main players in Hollywood. Walt Disney and 20th Century Fox joined Sony Pictures in supporting Blu-ray. And although Paramount Pictures, Universal Pictures and Warner Bros initially decided to back HD DVD, Warner Bros switched sides last month. For many analysts, this was the final nail in the coffin for HD DVD.

Key US DVD retailers Wal-Mart, Target and Blockbuster also fell in line and decided to go with Blu-ray. Wal-Mart, which has long reigned as the biggest seller of DVDs, said its decision to carry only Blu-ray discs and players was in response to customer preference.

Analysts also point to Sony's better marketing campaign for Blu-ray, fuelled by its determination not to lose a format war that brought back painful memories of the defeat of its Betamax video format by the JVC-developed VHS.

Although Betamax offered better picture quality, VHS machines were cheaper and quickly gained major market share, eventually killing off Betamax. It appears that Sony spent many years analysing that defeat and this time around, it was much better prepared. Putting a Blu-ray player in each PS3 was the secret weapon to ensure the format's presence in customers' front rooms around the world, effectively making their choice of high definition DVD player for them.

While some predict that sales of Blu-ray players and discs will now take off, other analysts say the format battle is meaningless. They say this is because a growing number of consumers are already turning their backs on DVD players to download their movies via the Internet, or from their satellite or cable television provider.

Electronics companies may be wrong in assuming that viewers want ever better picture quality. They point to the failure of high fidelity music formats Super Audio CD and DVD-Audio in the face of the explosion in the popularity of music downloads. While typical digital music formats such as MP3 have reduced sound quality compared to even standard CDs, their convenience has more than won over consumers.

The future of high definition DVD players may very well be Blu-ray, but whether they can make a dent in the face of the growing march of computer downloads is a different question altogether.

TVS relaunches Flame with single-spark plug

TVS Motor Company has relaunched Flame, a 125cc motorbike, with a single-spark plug ignition system. The move comes in the wake of the Madras High Court restraining the country's third largest two-wheeler maker from making and selling Flame for using the controversial twin-spark plug system. A legal tussle is currently on between TVS Motor and Pune-based Bajaj Auto over alleged patent infringement by the former.

Bajaj Auto had accused Chennai-based TVS of illegally replicating its patented DTSi (digital twin-spark ignition) technology in TVS Flame, first launched in December 2007. TVS argued that its Flame was fitted with a three-valve engine based on CCVTi (Controlled Combustion Variable Timing Intelligent) technology that was developed and patented by Austria-based AVL, which has licensed the technology to TVS in India.

The issue subsequently went to court. On February 19, the Madras High Court passed an interim order barring manufacture and sale of TVS Flame using twin-spark plug ignition technology.

TVS Motor went on appeal against the verdict in the Supreme Court which upheld the verdict of the high court.

The court rulings came as a major setback for TVS Motor. The company was hoping that Flame would boost sales volumes and strengthen its presence in the executive segment, which constitutes over 50 percent of the motorcycle market by value. The revenue losses for the company on account of this were estimated at Rs 100 crore for the current quarter, according to TVS Motor Chairman and Managing Director Venu Srinivasan.

Apple is Fortune magazine's most admired company

Beverages major PepsiCo, led by India-born Indra Nooyi, has been placed higher than its arch rival Coca-Cola on a list of 20 most-admired global companies prepared by US business magazine Fortune. The list, published in the latest issue of Fortune, ranks PepsiCo at 13th position as against Coca-Cola which is at 19th spot.

The list is topped by Apple Computer, the maker of digital music player iPod and Mac personal computers. Apple is followed by diversified industrial conglomerate General Electric at the second position and Japanese auto major Toyota at the third place. Berkshire Hathaway, the holding company of legendary investor Warren Buffett who was crowned the world's richest man recently by another business magazine Forbes, has been ranked at the fourth position on the list.

Others ranked higher than PepsiCo include consumer goods major Procter & Gamble (5th place), courier and logistics firm FedEx (6), consumer goods maker Johnson & Johnson (7), retail giant Target (8), luxury car major BMW (9), software giant Microsoft (10), retail firm Costco Wholesale (11) and another logistics firm UPS at the 12th place. Networking solutions major Cisco Systems (15), aircraft maker Boeing (16), world's largest retailer Wal-Mart Stores (17), Japanese auto maker Honda Motor (18) and industrial and farm equipments maker Caterpillar (20) are the others in the list.

A total of 622 companies in 65 industries were surveyed for making the list. Fortune partnered with global management consulting firm Hay Group for the study.

SC clears Som Mittal's prosecution in BPO staff murder case

The Supreme Court refused to reconsider its judgment allowing the prosecution of Som Mittal, former India head of Hewlett Packard's BPO operations, in a case related to the 2005 rape and murder of a nightshift employee by a taxi driver.

Pratibha Srikant Murthy, an employee of HP GlobalSoft, was raped and murdered by driver Shiva Kumar on December 13, 2005. Mittal was then the managing director of the BPO firm. The Karnataka police had filed a first information report accusing Mittal of violating the Karnataka Shops and Establishment Act, 2002. The Act made it mandatory for BPOs to provide security in vehicles ferrying women staff at night. The prosecution contended that Patil was

violated and murdered by the cab driver, and the firm, in violation of the law, had failed to adhere to security norms.

BPOs have been under fire for not being able to provide safe transport for employees, particularly women, at night. However, security experts feel the greatest threat to employee safety is from the drivers. In most cases, their credentials are not known to the transport vendors themselves as they subcontract the work to smaller players. Thousands of women report to work at night. Track record shows that most of the crimes against women were committed when an employee had either been picked up first by the driver or been the last to be dropped.

Industry players insist they were adhering to the best norms. “Driver verification has been made compulsory. There is 100 percent compliance with the installation of GPS and speed governors in cabs,” said the infrastructure head of a BPO. Some of the BPOs have even started calling up women employees who are dropped at night to verify they have reached home safely.

Airports: Govt on expansion overdrive

The civil aviation ministry has set a target of having 500 operational airports in the next 10 to 12 years, according to a report by the Centre for Asia Pacific Aviation (CAPA). This will include the ongoing redevelopment of currently unused airports or little used airports and development of greenfield and cargo airports.

Passenger traffic rose by 25 to 30 percent in 2006-07 and is expected to grow by 25 percent year-on-year over the next five years. However, airport infrastructure has not developed simultaneously, resulting in traffic congestions and delays at most airports.

To revamp the airport infrastructure, the government has envisaged a modernisation plan with an investment of Rs 40,000 crore to Rs 50,000 crore by 2009. It has appointed advisors to assist in raising Rs 4,000 crore over the next three years. This is expected to fund the modernisation of select 25 non-metro airports. An Essential Air Service Fund is also being set up on the lines of the successful model of the Central Road fund. This fund will levy a cess on domestic and international travel to support the country’s airport infrastructure.

At present, India has only 80 fully functional airports equipped to handle scheduled commercial, charter and defence services. In addition, there are another 368 landing strips that function as makeshift airports for limited purposes. As many as 156 belong to the defence or semi-defence sectors and various state governments, while 63 are owned by the private sector.

The report states that virtually every district has some form of air service connectivity—either a full-fledged airport or basic landing and takeoff facility. This fact was one of the driving forces with which low-cost carriers were established, which went on to become immensely popular in India.

However, the peculiar situation in India is that air traffic is concentrated in only 16 key airports offering international services and another eight that connect domestic sectors. These 24 airports

together account for a whopping 94 percent of traffic and the balance is spread over 36 smaller or regional airports. It would require a very liberal aviation policy to reach the target of 500 full-fledged airports in the country, backed by an aggressive programme to upgrade existing small airports, the report stated.

Auto cos make a beeline for green vehicles

Rising fuel prices and growing demand are encouraging automobile companies to come up with “green” vehicles. Manufacturers with green prototypes include Mahindra and Mahindra (M&M), Tata Motors, Ashok Leyland, two-wheeler makers Bajaj Auto and TVS Motors and international majors like Toyota and Honda.

There are broadly two types of green vehicles. One runs on batteries and requires regular recharging. The other is a hybrid that can run on both electric power and petrol or diesel. Vehicles of the latter type are typically powered by petrol or diesel when they start and switch to electric power when they cruise.

Hybrid vehicles tend to be 20 to 50 percent more expensive than non-hybrid ones. The higher cost, however, could be partly offset by a 15 to 20 percent reduction in running costs owing to lower fuel consumption. Battery-charged cars, for instance, incur a cost of only 40 paise a km.

Companies are taking to green vehicles in a big way. M&M has decided that all its future vehicles will have a hybrid option and is engineering its models accordingly. A hybrid Bolero is expected soon.

Japanese auto major Honda, which has been developing hybrid cars for the international market, plans to launch the Honda Civic hybrid car in India this year.

The demand for electric two-wheelers is also expected to rise. AC Nielsen’s report on electric vehicles estimates a market potential of 4,00,000 electric two-wheelers in the next financial year. The Indian two-wheeler market is close to 10 million. Ultra Motors, a joint venture between Ultra of UK and the Munjals of the Hero group, expects to sell 20,000 battery-operated two-wheelers this year. Experts say tax concessions could change the size of the market. The 10 percent customs duty on the battery pack, 16 percent countervailing duty on components, 3 percent central excise and 12 percent local sales tax add up to a huge cost and end up increasing the sales price significantly.

Pioneer Polaroid exits instant photography business

Polaroid, the brand synonymous with instant images, has decided to quit instant photography business. Polaroid plans to focus on ventures such as a portable printer for images from cell phones and Polaroid-branded digital cameras, televisions and DVD players. The firm pioneered instant imaging but failed to embrace the digital technology that has transformed photography, instead sticking to its belief that many photographers who didn’t want to wait to get pictures developed would hold on to its cameras. Japan’s Fujifilm is the only major maker of instant film.

Polaroid got its start making polarised sunglasses in the 1930s, and introduced its first instant camera in 1948. Film packs contained the chemicals for developing images inside the camera, and photos emerged from the camera in less than a minute. Polaroid's overall revenue from instant cameras, film and other products peaked in 1991 at nearly \$3 billion. The company went into bankruptcy in 2001 and was bought four years later for \$426 million by a consumer products company.

Meanwhile, Polaroid is seeking a partner to acquire licensing rights for its instant film, in hopes that another firm will continue making the film to supply Polaroid enthusiasts.

New mobile players, 3G plans will be delayed

Rollout plans of nine mobile telecom companies that received letters of intent from the government recently and the launch of 3G (third-generation) wireless services by others face major problems with spectrum allocation delayed from June to the year-end.

The principal delay is because the defence forces, which are expected to vacate some spectrum for mobile service providers, are yet to identify locations for some sites for an alternative optic fibre network that is being developed for them. Of the 162 sites to be developed for the alternative network, only 50 have been completed. The auction of 3G licences is also dependent on DoT being able to resolve the spectrum imbroglio with the ministry of defence.

The department of telecommunications (DoT) had assigned the execution of the network to Bharat Sanchar Nigam Ltd (BSNL), India's largest telephony company, in April 2006. HCL Infosystems is one of the vendors for network equipment.

Spectrum refers to radio frequencies that enable wireless communication. The defence services are expected to vacate 45 MHz of wireless spectrum (of which 25 MHz is for 3G) for mobile services once they shift a part of their communication needs from a wireless to a wired network.

DoT has not yet clarified whether the spectrum to the new licence-holders will be given in a phased manner or in one go. Companies like Unitech, Shyam-Sistema, BPL, Swan Telecom, and Datacom might have no choice but to wait till next year before they are allocated their initial spectrum, which might impact the viability of their projects.

New players will take at least 6 to 12 months to roll out after spectrum is allocated. By 2012, India's mobile market is estimated to touch 600 million. This means the new licensees plus CDMA incumbents, Reliance Communications and Tata Teleservices, that have been allowed to offer GSM services will be fighting for 200 million-odd customers.

Tatas ink JVs for defence production

Tata Advanced Systems and Israel Aerospace Industries (IAI), Israel's largest defence and aerospace company, will establish a joint venture to make missiles, pilotless drones, electronic

warfare systems and other defence equipment. Ratan Tata, chairman, Tata Sons, and Itzhak Nissan, president and chief executive officer of state-owned IAI, signed a memorandum of understanding forming the joint venture, on the sidelines of the DefExpo 2008 in New Delhi.

This joint venture is the fourth major defence deal for Tata Advanced Systems, the wholly owned subsidiary of Tata Industries, which is focused on defence and aerospace solutions. Earlier the company announced a tie-up with European Defence and Aerospace Consortium to bid for the \$1 billion advanced tactical communications system project of the Indian army. Tata Advanced Systems had earlier entered into a tie up with US-based Sikorsky Aircraft Corporation to make cabins for Sikorsky's S-92 helicopters. Sikorsky has been involved in manufacturing advanced military helicopters since 1943. Its products include the battle-proven Black Hawk and Naval Hawk models of helicopters.

Tatas also announced a joint venture with Boeing for defence-related aerospace components production in India.

Anti-SEZ lobby wins in Goa; govt scraps 8 zones

As many as eight Special Economic Zones (SEZs) proposals in Goa were scrapped by the union government's inter-ministerial Board of Approvals recently. This is the first incident of a reversal of a central policy, following a strong anti-SEZ movement in Goa last year that had threatened to bring down the Digambar Kamat-led Congress government. SEZs are underwritten by a central law passed by parliament in 2005 that permits special taxation and other fiscal benefits to the developers and the units inside these zones.

The Goa government, on December 31, 2007, had recommended that the Centre scrap all the zones in the state following widespread public protests. Anti-SEZ protesters had argued that the zones will put extra pressure on the already fragile infrastructure in the state and lead to a dilution of the Goan identity. Their argument was that "outsiders" would flood Goa in search of SEZ jobs that the locals will not be able to fill.

Three SEZs in Goa—Cipla's Meditab Specialities, Raheja's IT/ITeS SEZ and Peninsula Pharma's bio-tech SEZ—which were formally notified were given a temporary reprieve, as the board decided to launch formal talks with the Goa government on the issue. The Goa government is clamouring for their denotification and scrapping.

Experts say scrapping the zones will send a wrong signal to foreign investors. The ministry argues that even in the case of denotification of the three zones, the industrial units built by the developers will continue to exist. Cipla had already invested more than Rs 200 crore in building two units at the Meditab zone.

Initially, the commerce ministry was of the view that notified zones could not be denotified. But Commerce Minister Kamal Nath had subsequently said that denotification was an option that could be exercised. The matter was then referred to the law ministry.

Issues relating to compensation to SEZ developers, as they have already invested money to set up industrial infrastructure, will have to be addressed. The commerce ministry is hopeful that the three notified SEZs would continue to function.

Time line

- ❖ Sept-Dec 2007: Widespread protests in Goa against SEZs. Goa government recommends to the Centre scrapping of all SEZs in the state and denotification of three others.
- ❖ Jan 2008: Commerce ministry officials say the SEZ Act does not provide for denotification. Goa Chief Minister Digambar Kamat meets Commerce Minister Kamal Nath, who says denotification is possible. Issue referred to the law ministry.
- ❖ 2008 Feb: Law ministry says denotification of SEZs involves compensation of the developers, who have already invested in construction inside the zones. Board of Approval decides that proposals of eight zones, which it had not considered, will stand withdrawn.

PDVSA settles with Statoil and ENI ; cold-shoulders Exxon

The Venezuelan government has paid \$1.8bn in compensation to French, Norwegian and Italian oil firms after it nationalised key oil fields. France's Total, Norway's Statoil and Italy's ENI agreed to the settlement after accepting the book price for the assets that PDVSA (the Venezuelan state oil company) took over.

The Venezuelan government's move isolates US oil firm Exxon Mobil in its dispute with the country. Exxon is seeking \$12bn in compensation from Venezuela's state energy group, PDVSA, after its interests were nationalised last year. Venezuela has accused the US oil giant of exaggerating the value of the firm's former investments in the country.

Exxon has won court orders freezing \$12bn of PDVSA assets, pending the verdict of an international tribunal at a court linked to the World Bank. The move prompted PDVSA to stop selling oil to Exxon.

Venezuela's President Hugo Chavez has also entered the fray, accusing the US government of being behind Exxon's legal move. Chavez has also threatened to cut all Venezuelan oil exports to the US, but analysts say such a move is unlikely. The dispute between Venezuela and Exxon has been one factor behind record oil prices.

Indian Premier League (IPL): Sporting success

BCCI's Indian Premier League, which seeks to cash in on the enormous popularity of Twenty20 Cricket, has got an overwhelming response from sports buffs and businessmen. The flamboyant and glamorous winners of IPL franchises have to figure out how to turn the teams they own into money-spinning propositions.

The rights to control India's eight Twenty20 Premier League teams were sold for a staggering \$ 1.749 billion (Rs 6996 crore). The bidding involved franchises in Mumbai, Bangalore,

Hyderabad, Chandigarh, Chennai, Delhi, Jaipur and Kolkata. Film stars Shah Rukh Khan, Juhi Chawla and Preity Zinta were part of the consortia that won 10-year rights deals.

The tournament was launched by the Indian cricket board (BCCI) as a direct competitor to the Indian Cricket League, launched last October, which it does not recognise. Mumbai, for whom Sachin Tendulkar will play, went for the highest amount, with billionaire Mukesh Ambani winning control. The eight teams were picked up for a sum far higher than the reserve price of \$50 million each.

Reliance Industries chairman Mukesh Ambani acquired the Mumbai team for \$111.9 million over a 10-year period while the flamboyant chairman of UB Group has won Bengaluru for \$111.6 million. SRK's Red Chillies Entertainment won Kolkata for \$75 million. The Chandigarh franchise went to Preity Zinta and Ness Wadia, together with Apeejay Surrendra's Karan Paul and Dabur scion Mohit Burman for \$75 million.

Other franchise winners include Deccan Chronicle, which won Hyderabad for \$107.01 million, GMR bagged Delhi for \$84 million and India Cements won Chennai for \$91 million. Emerging Media, a group of businessmen that owns Investors in Cricket, picked up the Jaipur franchise for the lowest bid of \$67 million.

Nearly 60-65 percent of their costs have been covered through sale of television rights to Sony-World Sports Group (WSG) for \$1.026 billion, including \$108 million by BCCI. IPL is yet another show of strength for cricket and is set to become the biggest money-spinner in cricket today. The league has been modelled on other professional sports leagues like the English Premier League (EPL) and National Basketball Association (NBA). IPL will kick start its inaugural season on April 18, 2007, with 59 matches across 44 days.

Some of the biggest names in international cricket today, such as Ricky Ponting, Kumar Sangakkara and Sachin Tendulkar, have all signed up to play in IPL, and so have Shane Warne and Glenn Mc-Grath. The top 80 players in the ICC rankings will be playing in IPL, according to BCCI.

IPL is also further proof that cricket still rules the roost for marketers, who want visibility for their brands. In all, the board has raked in nearly \$724 million from the franchise bids alone, and adding income from media, IPL has fetched it nearly \$1.75 billion (approx. Rs 7,000 crore). This amount can only go up once the bids for title and shirt sponsorships come in.

BCCI has also sweetened the deal for the franchises by giving them media income for a longer duration. The BCCI is sharing 80 percent of the media income with the franchises for the first five years, and it'll be slightly lower for non-media income. This amount works out to be nearly \$80 million per franchise per year, going a long way in boosting profit hopes for franchise owners.

In addition, franchises will get to keep 100 percent of ticket revenues, which previously went to state associations. Licensing and merchandising are also set to be a huge opportunity for

franchises to cash in on. Commercial deals, a huge chunk of which comprise licensing and merchandising, account for nearly a third of the revenues for the top 10 European football clubs, according to the Deloitte Football Money League 2007.

Heineken gets Scottish & Newcastle

The UB group's beer business is likely to see a change in ownership. Its partner, Scottish & Newcastle (S&N), the largest brewer in UK and owner of famous brands like Foster's, Kronenbourg 1664 and Baltika, has accepted a takeover bid by rivals Heineken and Carlsberg. Between both of them, they will pay \$15.3 billion to acquire S&N.

Under the terms of the deal, Carlsberg and Heineken will split up the S&N empire. Carlsberg will acquire S&N's stake in its joint ventures in Russia, France, Greece, China and Vietnam. Heineken will take over S&N's UK, US and Indian businesses and its operations in other European markets.

S&N is an equal partner in UB group's beer companies. It holds a 37.49 percent stake in United Breweries, makers of the well-known Kingfisher beer. The UB group, controlled by Vijay Mallya, too owns 37.49 percent in the company and the rest is held by the public. S&N also holds a 50 percent stake in Millennium Alcobev, which brews Sandpiper and Zingaro beer, with the balance held by Mallya. United Breweries controls half of the fast-growing Indian beer market.

Not a long time ago, S&N had outbid Heineken, Carlsberg and Inbev to buy into Mallya's beer business. According to the Substantial Acquisition of Shares and Takeovers Regulations, 1997, if a foreign entity either directly or indirectly acquires 15 percent or more in a listed entity, it will have to make an open offer to acquire an additional 20 percent from public shareholders. If that happens, Heineken could end up owning a larger stake in United Breweries than Mallya.

Most of the top global brewers, Anheuser-Busch, Carlsberg, InBev and SABMiller, have already forayed into India. While Heineken is not present here directly, its Singapore arm Asia Pacific Breweries, makers of Tiger beer, has started selling in India.

Traditionally, UB has been wary of working with global brewers with aggressive flagship brands like Heineken or Carlsberg. In 2001, Mallya admitted this to be one of the major reasons in opting for S&N as strategic investor even though it had received offers from most of the top five global brewers.

As per the arrangement with S&N, UB could, under certain circumstances, exercise its "buy" option of purchasing back S&N's stake. According to analysts, the UB group is already over-leveraged, in large part due to its recent acquisitions like Whyte & Mackay, French wine maker Bouvet Ladubay and Deccan Aviation. Raising funds, therefore, to fund a buyback, say analysts, may be an expensive proposition for the group.

Liberalising foreign investment: Govt. raises FDI limit in 7 sectors

The government announced further liberalisation of foreign direct investment (FDI) in seven key economic sectors, allowing 74 percent FDI in non-scheduled airlines, 49 percent foreign investment in commodity exchanges and up to 49 percent FDI in credit information companies (CICs).

The government has also increased the FDI equity cap from 26 percent to 49 percent (with prior FIPB approval) in petroleum refining by PSUs and allowed 100 percent FDI in titanium mining.

The policy review proposes to give a boost to real estate by keeping investment by registered FIIs outside the purview of the three-year lock-in period applicable for FDI investments.

In case of aviation, the FDI policy review has decided to continue with the existing FDI cap at 49 percent on the automatic route and 100 percent for NRIs, subject to no direct or indirect participation by foreign airlines in domestic scheduled passenger airlines. The policy review has, however, proposed a liberal FDI regime of up to 100 percent on the automatic route for maintenance and repair organisations, flying training institutes, technical training institutions and helicopter services/sea plane services.

The policy has allowed FDI of up to 26 percent and FII of up to 23 percent in commodity exchanges with a 5 percent cap on single entity. This would effectively deny foreign investors a say in the company. Also, they would not be allowed on commodity exchange boards. In case of CICs, the 49 percent FDI cap would be subject to government approval and RBI clearance. It has been proposed that a sub cap of 24 percent (within 49 percent FDI cap) be made available for FII investment in CICs listed on stock exchanges.

The decision to hike the FDI limit in refineries being built by the public sector to 49 percent will lead to public sector oil refiners planning to set up more refining facilities, say experts. This will open opportunities for setting up more capacity and facilitate faster implementation of refineries at Paradip in Orissa (of Indian Oil Corporation), and at Bina in Madhya Pradesh (of Bharat Petroleum).

There is a lot of global interest in India's refining sector in which companies like Reliance Industries Ltd manage impressive margins and the earlier 26 percent FDI cap was proving a hurdle. Last year, in a one-off waiver, the LN Mittal group was allowed to acquire 49 percent stake in the refinery at Bathinda, which has a capacity of 9 million metric tonnes per annum (mmtpa). This was the largest FDI in India's petroleum downstream sector and the largest rupee-debt syndication. The equity portion of the project is Rs 7,230 crore while the debt amounts to Rs 11,670 crore.

The government has also done away with the condition of "compulsory divestment of up to 26 percent equity in favour of Indian partner/public" for companies engaged in trading and marketing of petroleum products. India, which is the world's fifth largest consumer of energy, accounts for 3.9 percent of the global energy consumption. Its dependence on imports of crude

oil and petroleum products is almost 80 percent. In 2006-07, the consumption of petroleum products in India was about 120 million metric tonnes (MMT), about 5.9 percent higher than the previous year's figure of 113 MMT.

The policy has given a boost to mining and mineral separation of titanium-bearing minerals and ores by allowing FDI of up to 100 percent. India has the world's largest reserves of ilmenite ore that is used to produce titanium dioxide and metal used extensively by aviation and defence. The FDI permission would be allowed only if mineral separation by a foreign company is accompanied by investment in local value addition units and transfer of technology.

Tata Chem snaps up US firm for \$1 billion

Tata Chemicals Ltd (TCL) has acquired US-based soda ash-maker General Chemical Industries Products Inc (GCIP) for \$1.05 billion (about Rs 4,000 crore), to become the world's second-largest producer of soda ash.

TCL is now the third largest manufacturer of soda ash and sodium bicarbonate in the world, with a production capacity of close to 3 million tonnes per annum (MTPA). The acquisition will add another 2.5 MTPA to take total capacity to 5.5 MTPA, next only to the US-based FMC Chemicals.

The company had bought a 63.5 percent stake in the UK-based Brunner Mond Group for about Rs 508 crore in December 2005. It also holds a 33 percent stake in Indo Maroc Phosphore SA (IMACID), Morocco, which makes phosphoric acid.

The latest acquisition will help Tata Chemicals make half of its soda ash from natural soda ash, which costs only half the production cost for manufacturing synthetic soda ash. TCL is one of the largest synthetic soda ash producers in the world, along with a few players in China.

Soda ash is mainly used in glass and detergent production and it contributed 40 percent of TCL's revenues of Rs 4,563 crore for the first nine months of 2007-08. The rest of the revenues are from its fertiliser and other inorganic chemicals business.

The acquisition will help TCL access markets in North America, Latin America and the Far-East.

GCIP's subsidiary General Chemical (Soda Ash) Partners (GCSAP) has mining and manufacturing facilities located at the Green River basin in Wyoming, USA. The Green River basin is the largest and most economical natural soda ash mine (trona) in the world.

Mittal, Tata get Padma Vibhushan

The world's richest Indian and ArcelorMittal president and CEO, Lakshmi Narayan Mittal, Tata Sons chairman Ratan Tata, who recently launched the world's cheapest car, and Infosys founder N Narayana Murthy lead a pack of industrialists who have been conferred this year's Padma awards.

The three corporate giants join external affairs minister Pranab Mukherjee, cricketer Sachin Tendulkar, chess icon Vishwanathan Anand, hotelier PRS Oberoi, singer Asha Bhosle, environmentalist RK Pachauri, the late Edmund Hillary, Delhi Metro Rail Corporation chairman E Sreedharan, former chief justice of India AS Anand and veteran civil servant PN Dhar, in being awarded the Padma Vibhushan, the country's second highest civilian award after the Bharat Ratna.

With there being a clamour for the Bharat Ratna from different political parties, the government decided to play it safe by refusing to name anyone for it. While 13 personalities were selected for the Padma Vibhushan, the Padma Bhushan has been awarded to 35 eminent persons and the Padma Shri to 71.

With the Indian industry and corporate sector earning accolades and the respect of the rest of the world for its rapid strides during the past few years, the government decided to acknowledge this by selecting several key figures for the awards. Among those who were granted Padma Bhushan were Vikram Pandit, the Indian-born banker and the new CEO of Citigroup; Suresh Neotia, chairman of Gujarat Ambuja Cements; Baba Neelkanth Kalyani, chairman and MD of Bharat Forge; HCL chief Shiv Nadar; and ICICI Bank chairman KV Kamath.

Yet another acknowledgement of the important role being played by the corporate sector in catapulting India to the forefront in the world arena was the decision to confer the Padma Shri on Amit Mitra, the secretary general of FICCI, and on Colette Mathur, who is associated with the World Economic Forum.

Other Padma Bhushan awardees included India-born astronaut Sunita Williams; the late Amarnath Sehgal, a leading sculptor; sports commentator Jasdev Singh, Indophile Dominique Lapierre; economist Lord Meghnad Desai; sociologist TK Oommen; and educationist Shyama Chona. India's best-known footballer Bhaichung Bhutia, veteran film actors Madhuri Dixit and Tom Alter, journalists Rajdeep Sardesai and Barkha Dutt have been awarded the Padma Shri.

DTC India to promote diamonds, not brands

The Indian arm of \$6.5-billion Diamond Trading Corporation (DTC) has undergone an internal restructuring and has been rechristened DeBeers Marketing Group. The company has also decided not to deal with diamond brands but to only handle generic promotion.

DTC in India will now deal only with the promotion of diamonds as a category and will focus on establishing the "Forever" mark. It wants the "Forever" mark to stand for quality and trust; the same job that "Woolmark" does for woollen garments. DTC owns the "Forever" mark, which is a unique number engraved on the table (upper surface) of the diamond. It is invisible to a naked eye and can be seen only with a "Forever" mark viewer. The mark is applicable to diamonds of 0.20 carats and above (the higher the carat, the more valuable the diamond).

The company recently sold its stake in the Sangini brand to Sanghvi Exports, while Gitanjali Gems bought DTC's stake in Asmi and Nakshatra, the leading diamond brands in the country. It no longer has any retail diamond brands under its fold in the country. The business that deals with rough diamonds will now be handled from South Africa. DeBeers, the parent company of DTC, used to be a listed entity on the London Stock Exchange but was delisted four to five years ago. The Indian diamond market is worth Rs 9,500 crore. DTC also plans to launch the "Forever" mark jewellery in the future.

CCI introduces draft M&A regulations

The Competition Commission of India (CCI) has put up draft regulations of the Competition Act, 2007, on its website. The Act, which was passed by Parliament in September 2007, is yet to be notified. Companies have objected to some sections, which they see as hindering their freedom to transact merger and acquisition deals.

Section 5: Under Section 5 of the Act, any company with assets of Rs 1,000 crore or more and a turnover of Rs 3,000 crore or more has to mandatorily seek the CCI's approval for any "combination" (merger, acquisition or amalgamation) within 30 days of inking the deal.

Any company of a smaller size, if it belongs to a group with assets of Rs 4,000 crore or a turnover of Rs 12,000 crore will also have to go through the same process, if it decides to do a merger or an acquisition.

Section 6: Under Section 6, the Commission on receipt of a notice or suo motu can inquire whether the combination has caused or is likely to cause an appreciable adverse effect on competition in India. The CCI will give its verdict within 210 days, which can be extended by another 60 days, failing which the application will be deemed approved.

Industry associations such as the CII had earlier said that enforcement of sections 5 and 6 should be deferred till 2012 to enable the CCI to focus on the abuse of dominance, and also to enable it to overcome lack of scale economies through local and global mergers and acquisitions activities. Corporates fear that these two sections would also result in unnecessary delays and, consequently, increase the transaction cost for the parties.

Meanwhile, the CCI has invited comments and suggestions on the regulations from all stakeholders and the industry. CII has further said it shall make appropriate representation to the Ministry of Corporate Affairs and the CCI on the matter.

Indra Nooyi elected chairperson of USIBC

Indra K Nooyi, chairperson and chief executive of food and beverages giant Pepsi Co, has been elected chairperson of the US-India Business Council (USIBC). Nooyi will be the first woman ever to serve at the helm of the premier business advocacy organisation in the United States.

USIBC comprises 250 of the largest US companies investing in India, joined by more than two dozen global Indian companies. USIBC was set up with a mandate to deepen two-way trade and strengthen US-India commercial ties. The USIBC, in recent times, has launched bold initiatives supporting civilian nuclear cooperation, clean energy, improved public health, environmental technology transfer and more robust trade. This has captured the attention of policy-makers in both capitals. This has also set a new benchmark for organisations striving to promote deeper US-India ties.

Former PSU bigwigs lead the private sector

Reliance Industries' crude oil refinery in Gujarat, Essar's refinery at Vadinar, the Hinduja group's oil and gas ambitions, BHP Billiton's India business and LN Mittal's ever-increasing global steel footprint have one thing in common—these are all driven by former public sector CEOs.

They can be found at strategic positions across a spectrum of sectors, overseeing investments running into billions of dollars. Former ONGC chairman and managing director Subir Raha (2001-06) is the executive vice-chairman of the Hinduja group. He is at the forefront of the group's proposed \$10 billion foray into the Iranian oil and gas sector.

Atul Chandra, the former managing director of ONGC Videsh Ltd (1996-2003), is president (international operations) of Reliance Industries. M S Ramachandran, the previous IOC CMD (2002-05) is the chairman of mining major BHP Billiton in India. The company is seeking a foothold in the country's rich mining sector. His predecessor, M A Pathan (1997-2002), is the chairman of Tata Petrodyne, the oil and gas exploration arm of the Tatas.

It is not just CEOs of oil sector PSUs who are in demand. VS Jain, who last year retired as the chairman of Steel Authority of India Ltd (SAIL), was till recently the CEO of Jindal Stainless. Another SAIL chairman, MRR Nair (1992-96), went on to head LN Mittal's venture in Mexico.

Vikrant Gujral, who was the managing director of SAIL's Bhilai steel plant and the chairman of Indian Iron & Steel Company, is the vice-chairman and CEO of Jindal Steel and Power Ltd. He is widely regarded as the man behind the company's recent stunning acquisition of mines in Bolivia for \$2 billion. Sanak Mishra, the CEO of Arcelor Mittal in India, is the former managing director of SAIL's Rourkela steel plant.

The supply of CEOs is way short of the demand, thanks to the breakneck pace at which Indian companies are growing. Experts say there is a demand for over 300 CEOs in the market today. The shortage is showing in CEO compensation as well—there are close to 75 CEOs with annual packages in excess of a million dollars in the country today. In addition, it is only in the last few years that the Indian private sector has started investing in large projects, with the exception of Reliance Industries.

As a result, the talent pool available within the private sector to execute such projects is really small. Public sector companies, on the other hand, have for long made large investments in areas

like energy, steel and telecommunications. As a result, their CEOs have the managerial expertise to run large projects. Most public sector CEOs are good at handling government relations, which is important for private companies given the plethora of clearances still required for core sector projects. “Their ability to negotiate through bureaucracy is vital,” says the managing partner of a leading head-hunting firm.

Lord Paul’s Caparo T1 ready for an Indian innings

While India has stunned the world with the Nano revolution, Caparo Vehicle Technologies, one of Lord Swaraj Paul-owned Caparo Group’s companies, is ready to start an Indian innings with Caparo T1, the ultra-fast supercar that has caught the fancy of the western world.

Caparo will assemble the car at its upcoming facility at Oragadam near Chennai, where Rs 300 crore will be invested in manufacturing tubular parts for the automotive and aerospace industries, automotive braking systems, fasteners and composite materials.

The move represents a very big coup in India’s automotive history, as never before has a high-performance car with complex composite materials and construction techniques been assembled in India. The car is currently on sale in Europe and 11 vehicles have been ordered so far. While 10 have been sold in Europe and Australia, one of these £2,00,000 (before duties) cars has found its way into the United States, and into the hands of a collector.

The car is designed by Ben Scott Geddes and engineered by Graham Halstead. The two are former engineers with McLaren, the company that is a constructor in Formula One and developed the McLaren F1 in the 1990s, a fast supercar that even today influences the design and construction of modern supercars. The young engineers had designed the car and were looking for an engineering group to fund their design, before Caparo stepped in.

The Formula One-inspired T1 is powered by a 3,500cc V8, producing 575 bhp and is capable of accelerating from 0-100 kph in 2.5 seconds and achieve a top speed of 322 kph. This makes it a car that accelerates faster than the Bugatti Veyron, the world’s fastest car in production. Caparo’s expertise in aerospace technology has endowed the car with a light, yet strong shell. Carbon fibre composites and an aluminium honeycomb monocoque have been used in its construction, giving it a power-to-weight ratio in excess of 1,000 bhp/tonne, a figure unheard of for cars on the road.

Caparo Vehicle Products will begin making carbon fibre, which is a complex process, at Chennai. Carbon fibre is a light yet expensive material and its production in India will mark a paradigm shift in vehicle construction technologies.

Caparo’s next line of cars will be a small car that it plans to produce in several world markets, including India. Lord Swaraj Paul had said in a statement in October that the company plans to bring out the car in two year’s time and it is currently being designed at Chennai. The Caparo Group will not be manufacturing the car, but will franchise it to other companies.

Matsushita's just Panasonic from now

Japanese electronics maker Matsushita Electric Industrial is dropping the name of its founder and becoming Panasonic to strengthen its global image. A company press note acknowledged it was a tough decision to give up the Matsushita and other brand names the company has built with consumers and employees for 90 years.

The Japanese electronics giant believes that the value of the Panasonic brand had suffered because the company had stuck with the old name. The move signals the importance of brand recognition amid intensifying global competition. It makes sense given that Matsushita Electric Industrial is far better known outside Japan as Panasonic, one of its brand names, than as Matsushita. The company, founded in 1918, will also drop its local brand, National, for products such as rice cookers, washing machines and refrigerators, by March 31, 2010.

Matsushita said the decision was to “unify its global brand”, but said it will continue to run its business based on the philosophy of its founder, Konosuke Matsushita. Matsushita, which makes a wide range of gadgets including flat-panel TVs, digital cameras and car navigation equipment, has been mulling changing its name to Panasonic for some time to avoid consumer confusion.

Brand power is getting increasingly critical. A rapid decline in prices for gadgets has hurt profits, and consumers tend to be willing to pay more for products from companies with strong reputations like Sony Corp and Panasonic.

The company would strengthen its flat-panel TV business through plasma display panel TVs, Panasonic's forte, as well as liquid crystal display TVs in an alliance with Hitachi and Canon. Matsushita will also expand into developing a new kind of technology called organic light-emitting diode display (OLED).

Sony already has a small OLED TV on the market, and other makers, including Samsung Electronics of South Korea, are working on the technology.

Konosuke Matsushita's rags-to-riches story and humanitarian views have been the pillars of the company. Like Akio Morita, the founder of arch-rival Sony Corp, Matsushita is one of the charismatic entrepreneurs credited with leading Japan's modernisation and economic success after its defeat in World War II. Members of the Matsushita family still holding positions in the group's companies have welcomed the name change decision.

Kingfisher–Deccan: Flying together

Vijay Mallya-owned Kingfisher Airlines and G R Gopinath's Deccan merged to form a single entity, with Mallya as the company's chairman and CEO. Gopinath, who founded Deccan (then Air Deccan), was appointed vice chairman. Kingfisher Airlines will be merged into the listed Deccan Aviation. The name Deccan Aviation was changed to Kingfisher Airlines.

The merger decision follows a recommendation by consulting firm Accenture, which had been mandated to look into the whole question of how best to operate the two brands, following Mallya's acquisition of a 26 percent stake in Deccan Aviation and an additional 20 percent stake via an open offer last year.

Both airlines are incurring heavy losses. A corporate merger is being seen as a necessity for efficient operations and to pull the airlines out of the red. With this merger, India's domestic aviation sector will have three major players: Indian, Jet and Kingfisher.

The merger will allow Kingfisher to fly overseas from May next year when Deccan completes five years of existence. Merger with Deccan would give Kingfisher access to lucrative markets like the Gulf and the US. That is important because markets like the Gulf region can be profitable, especially when there's excess capacity in India. Besides, there is also a huge opportunity on the India-US route, which Kingfisher has been eyeing. At home, the Deccan-Kingfisher combine commands a market share of just over 28 percent.

The Indian aviation industry is ended 2007-08 with losses exceeding Rs 2,500 crore, following a loss of about Rs 2,200 crore in 2006-07. These losses were largely because of intense competition for market share, which did not allow the high and rising operating costs to be passed on to the consumer. Consolidation has eliminated the biggest price-players, Air Deccan and Sahara, which are now part of Kingfisher and Jet Airways respectively. The three big players—Air India, Jet and Kingfisher—which now command nearly 90 percent market share are now more keen on profits than loss-making revenue growth or market shares. Indeed, fares have already gone up in recent times and bargain deals have almost disappeared.

The merger is bringing a low-cost airline and a premium full-service carrier under one roof and one management—a first of its kind in global aviation. Established wisdom says that the two airlines ought to be run as separate brands but with a common back-end, to exploit the synergies and avoid confusion and cannibalisation. This is not an easy task.

SEBI allows short selling

Market regulator Securities and Exchange Board of India (SEBI) has decided to permit all classes of investors—institutional and retail—to sell shares without owning them at the time of trade. The stock exchanges will put in place systems to operationalise the mechanism of short-selling soon. Retail investors are already allowed to sell short. The decision to include institutional investors is likely to encourage these players in the stock market.

The stock market regulator also decided to implement a full-fledged lending and borrowing scheme to enable the settlement of all securities sold short.

The date of implementation will be announced after the stock exchanges and depositories put the required systems in place. Short selling is not a new concept for the Indian investors. It was prevalent till March 8, 2001. SEBI had then imposed a ban on short selling following a huge fall in stock prices triggered by Ketan Parekh.

Short selling is the selling of a stock that the seller doesn't own. More specifically, a short sale is the sale of a security (whose price is presumed to go down) that isn't owned by the seller. Once the stock price goes down, the seller buys it again from the market and settles the transaction.

When you short sell a stock, your broker will lend it to you. The stock will come from the brokerage's own inventory, from another one of the firm's customers or from another brokerage firm. The shares are sold and the proceeds are credited to your account. Sooner or later you must "close" the short by buying back the same number of shares (called covering) and returning them to your broker. If the price drops, you can buy back the stock at the lower price and make a profit on the difference. If the price of the stock rises, you have to buy it back at the higher price, and you lose money.

Why one should go for a short?

There are two reasons—to speculate and to hedge. Investopedia.com says "the most obvious reason to short is to profit from an overpriced stock or market." Probably the most famous example of this was when George Soros "broke the Bank of England" in 1992. He risked \$10 billion that the British pound would fall and he was right. The following night, Soros made \$1 billion from the trade. His profit eventually reached almost \$2 billion."

Hedging is protecting other long positions with offsetting short positions.

According to the market regulator, the traders would be required to mandatorily honour the obligation of delivering the shares at the time of settlement.

Honda prefers subsidiary to venture with Munjals

Japanese two-wheeler giant Honda Motors and the Munjals—their Indian JV partner—are heading for a fresh confrontation. The latest spat has its origins in Honda Motorcycle & Scooter India's (HMSI) intention to restrict Hero Honda's footprint to rural markets, while HMSI, a 100 percent subsidiary of the Japanese auto major, wants to cater to the demand in big cities.

The move could see HMSI receive new technology from its Japanese parent to manufacture powerful bikes targeted at urban youth, while Hero Honda will stick to the high-volume, but low-margin, bikes in the 100-125cc segment. Honda's plan is to divide the product portfolio—Hero Honda for mass rural Indian demand, and HMSI for new, innovative and premium (products).

Analysts tracking the sector also saw it as a signal from Honda to restrict latest technology to Hero Honda and instead pass it on to its wholly-owned Indian arm. Honda's decision is surprising since the Japanese company renewed its technology tie-up with Hero Honda for another 10 years in 2004. Experts say that currently, HMSI and Hero Honda virtually sit across the table and decide the product portfolio to ensure that they do not eat into each other's portfolio.

Hero Honda, in which the Munjals and the Japanese giant are equal partners with 26 percent equity, has confined its business to motorcycles. HMSI started with the scooter business and has gradually entered the bike market and sells Shine, a 125cc bike, and the 150cc Unicorn. Honda's eyes are on the mass-market 100cc bike segment that is the mainstay for Hero Honda. The Japanese company's decision is not surprising as the entry-level segment still command a dominating share of new bike sales and was lucrative.

M&M pulls out of 3-way JV with Renault and Nissan

Mahindra & Mahindra walked out of the tripartite joint venture with Renault and Nissan, barely a year after the three companies announced plans to set up a Rs 4,000-crore car manufacturing plant in India.

There is speculation in the media that M&M decided to part ways from the joint venture, in which it held 50 percent, with the remaining shared equally between the other two, as it was unhappy with the firming up of multiple partnerships in India by its French and Japanese partners for different ventures.

M&M was peeved at the fact that Renault decided to go with Bajaj Auto for a small car project, despite the fact that the partners have a joint venture to produce the mid-sized sedan, Logan, in India. Also, the fact that Nissan had firming up an agreement with Ashok Leyland for three separate joint ventures for light commercial vehicle manufacturing in India added to M&M's decision not to be part of the tripartite joint venture any longer.

The three-way joint venture involving Renault and Nissan for car production on the outskirts of Chennai has become just a Franco-Japanese venture involving Renault and Nissan.

Mahindra and Renault will go on with their existing joint venture Mahindra Renault Pvt. Ltd. (MRPL) that has launched the Logan in India. The new products that will be manufactured by Renault at its Chennai plant will be marketed by the JV under the Mahindra Renault brand.

Google debuts knowledge project

Google has kicked off a project to create an authoritative store of information about any and every topic. The search engine giant has already started inviting people to write about the subject in which they are known to be experts.

Google said it would not act as editor for the project but will provide the tools and infrastructure for the pages. Many experts see the initiative as an attack on the widely used Wikipedia communal encyclopaedia. By indexing the web, Google strives to make information more easily accessible. The company feels that not all the information on the web was "well organised to make it easily discoverable". By getting respected authors to write about their speciality, Google hopes to start putting some of that information in better order.

The system will centre on authored articles created with a tool Google has dubbed “knol”. The word denotes a unit of knowledge. It will make webpages with a distinctive livery to identify them as authoritative. The knol pages will get search rankings to reflect their usefulness. Knols will also come with tools that readers can use to rate the information, add comments, and suggest edits or additional content. Revenue from any adverts on a knol page will be shared with its author.

An Internet expert said the knol project was a “head-on competitor” with Wikipedia. He said it was an attempt by Google to knock ad-free Wikipedia entries on similar subjects down the rankings.

Delhi High Court rejects CFA appeal

The hopes of thousands of Indian students who wanted to pursue a Chartered Financial Analyst (CFA) course in India have gone sour. The Delhi High Court has dismissed the US-based CFA Institutes’ petition against the All India Council for Technical Education (AICTE)—the technical education regulation body—that it should be allowed to operate in India. The CFA Institute has already ceased operations in India by not registering fresh candidates for its Level One course in September, and also by holding its December 2007 examinations abroad. However, it still has around 10,500 Indian students at three levels.

Consequently, thousands of first- and second-level students (comparable to first year and second year) will now have to go abroad to pursue the CFA course if they still wish to continue. This would mean an additional expense of thousands of dollars. The CFA Institute has been running the course in India since 1995. The cost of the CFA programme, on an average, works out to be \$3000 including registration, course material and examination costs. The CFA programme is in huge demand across the world. The institute has over 76,000 CFAs as members.

In May this year, the CFA Institute was challenged by the ICFAI, which also runs a course named CFA through its University in Tripura. The latter moved the Guwahati High Court, alleging that the US-based institute was marketing the CFA programme in India without obtaining AICTE permission.

The Guwahati High Court directed AICTE to determine whether the CFA Institute must seek approval for the CFA programme from AICTE. The CFA Institute, however, argued that it did not need an AICTE clearance to operate in India, as it neither offered a degree or diploma in CFA nor was it running an institute or university in the country. It reasoned that it was a professional association that offered a designation or a certification.

Under AICTE rules, approval is mandatory for any institution offering technical education programmes in India in engineering and technology, management, computer applications, architecture and town planning, pharmacy, hotel management and catering technology, and applied arts and craft. These may or not have foreign university collaboration. The CFA programme in the field of financial analysis and investments, however, is not “technical education”.

Apparel for the Complete Man

Textile and apparel company Raymond has decided to extend its fabric brand to garments with the launch of Raymond Finely Crafted Garments. Bringing in a slew of shirts, suits and trousers under the new label, Raymond is now aggressively segmenting its menswear and enhancing its retail presence to beat back increasing competition in the readymade segment.

For consumers, there is a difference in perception between garment and fabric brands. All these years, Raymond had kept the two segments under separate brands and had created brands such as Park Avenue to represent the readymade segment while keeping its fabric brand under Raymond.

Differentiating between its menswear brands will be difficult though price, target audience and quality are being touted as the key differentiators. Gautam Hari Singhania, Chairman and Managing Director, Raymond, admits, “Yes, it will be a challenge to keep Park Avenue and Raymond as distinctly different brands and there is going to be some amount of cannibalisation. However, Park Avenue is meant for a younger audience and comprises daily wear while Raymond would have a different quality and address a higher age group.”

Using its strong distribution network (170 Raymond stores and 16,000 points of retail), Raymond will ensure its new readymade brand reaches consumers. Besides, 30 new dedicated Finely Crafted stores will give the brand the added distribution muscle in the market.

As Park Avenue and Raymond create their own segments in the menswear market, the textile company has made sure it has other brands to cater to the remaining segments. Manzoni has been catering to the super premium end while Notting Hill will continue to address the popular price segment.

A foray into the growing readymade segment with the Raymond brand makes long-term business sense. “There will come a time when fabrics will no longer be relevant to consumers as the shift to readymade gathers momentum. Raymond has had the foresight to extend its mother brand into this segment keeping in mind that there will come a time when people will stop buying fabric,” said a senior official from Bombay Dyeing.

In fact, Raymond has been hedging its risks by creating brands and entering new segments by expanding its non-fabric portfolio through Raymond Apparel in recent times. Last year it entered the kids' segment with Zapp and now it is extending ColorPlus to the same segment.

Change of guard at Maruti

Shinzo Nakanishi took over as the managing director of Maruti Suzuki India Ltd (MSIL), becoming the first Japanese to be at the helm of Maruti. He succeeded Jagdish Khattar, who retired after serving the company as managing director and CEO for nearly eight years. Khattar is credited with steering Maruti Suzuki India during its privatisation, when the government exited the joint venture. Under his leadership, the company captured a market share of over 50 percent in India-Asia's third-largest market in the last five years. A nearly zero-debt company, it

has cash reserves of about \$1 billion and is undertaking investments of nearly \$2 billion, funding it largely from internal accruals.

Nakanishi, who is 60, has served Suzuki Motor Company for 36 years. Suzuki owns 54.2 percent of Maruti. He has been the chairman of Maruti for five years and has played a significant role during its formative period.

Maruti was started as a joint venture between the Indian government and Suzuki in the early 1980s and rolled out its first car in December 1983. During his long stint with Suzuki, Nakanishi has served as the group's key person in markets such as China, Indonesia, Hungary, Pakistan and East Asia. Nakanishi has the additional responsibility of overseeing Suzuki's operations in India, China and West Asia as the executive general manager of the overseas automobile marketing division of Suzuki.

This is also the first time, after majority control in Maruti was bought by Suzuki Motor Corporation that someone from the parent company will be in control of it. This comes at a time when Maruti is also becoming a bigger part of Suzuki's global empire. Experts say Nakanishi's biggest challenge will be in how he manages to retain Maruti's identity and profitability while achieving this integration.

Maruti's importance to Suzuki is amply demonstrated by numbers. The Indian subsidiary provides 28 percent of Suzuki's global sales. Indeed, in Apr-Sept 2007, Maruti sold more cars in India than Suzuki did in Japan. In terms of value, Maruti accounts for 13 percent of Suzuki's global sales; in terms of profits, the figure's has risen from 6 percent in 2001-02 to 32 percent in 2006-07.

Maruti also began playing a bigger role in Suzuki's R&D, both for India as well as the globe. While Maruti redesigned the Zen completely on its own in 2003, its engineers were a part of the Swift and SX4 global design team. Maruti's engineers were a core part of the team that designed the Swift engine for India and China. Suzuki is investing Rs 9,000 crore in manufacturing facilities at Gurgaon and Manesar and the two engine plants. Another Rs 7,000 crore is to be invested in the new R&D centre that, in Suzuki's words, would be at par with Suzuki, Japan. This includes a testing track and the Haryana government has already been asked to give land for this.

Pharma cos, medical representatives on collision course

Indian pharmaceutical companies are headed for a showdown with the very people they depend on to sell their produces—medical representatives. The pharmaceutical industry no longer wants them to be recognised as “workmen,” a classification that gives them the right to form trade unions. The Indian Drugs Manufacturers Association (IDMA), a representative body of over 650 medium and small pharmaceutical companies, has approached Labour Minister Oscar Fernandes to de-classify medical representatives as workmen under the Sales Promotion Employees (Conditions of Service) Act, 1976.

The IDMA is of the view that medical representatives' classification as workmen negatively affects the flexibility of business operations. The IDMA argues that considering medical representatives as workmen is an anachronism. The world over, a medical representative, by virtue of his job function, is considered part of the management team of the company. The Organisation of Pharmaceutical Producers of India (OPPI), which comprises about 100 research-based multinational and Indian pharmaceutical companies, is supporting the IDMA move.

This comes after the left-leaning Federation of Medical and Sales Representatives Associations of India (FMRAI) called for a centralised working rule to prevent drug firms from "exploiting" them. FMRAI has a membership of over 50,000—a fourth of the industry's total sales force. It is also known for its stand favouring the promotion of public sector drug units for ensuring quality medicines at affordable prices.

The federation had approached the central government seeking the introduction of an eight-hour working schedule and uniformity in working conditions across the industry through legislation on central working rules for medical salesmen. It wanted the government to fix the number of daily visits a medical representative should make to the clinicians. It also wanted the companies to end the practice of making them solely responsible for achieving sales targets.

Toyota unveils road map to retain top slot

Toyota Motor will charge further into emerging car markets to achieve another year of record sales in 2008, likely cementing its title as the world's biggest automaker ahead of General Motors. Toyota, already the world's most profitable and valuable carmaker, has said it expects to sell 9.85 million vehicles in 2008, up from an estimated 9.36 million this year—a result that is likely to nudge it past GM's sales forecast of 9.2 million for 2007.

With a product line-up including the Camry and Prius hybrid cars, Toyota has attracted more customers in emerging and mature markets alike, all the while increasing profits through cost cuts and economies of scale. Stripping out GM's minority-held Chinese joint venture, the Toyota group, which includes units Daihatsu Motor and Hino Motors, overtook the US giant in global vehicle sales last year. Toyota, valued at around \$190 billion, is likely to widen its sales gap with GM next year as the restructuring US automaker scales back production in North America and prepares to sell off its medium-duty truck business to Navistar International.

As with most other carmakers, Toyota's growth has been especially brisk in the emerging car markets of China and Russia, where it expects combined sales of roughly 900,000 vehicles next year, a rise of nearly 40 percent.

Toyota has a target of selling 1 million cars a year in China soon after 2010. It has been expanding its factories and building new ones at breakneck speed around the world, including its first plant in Russia that opened recently.

Toyota, which now ranks second in the US market ahead of Ford Motor and Chrysler, expects its US sales to grow 1 percent to 2.64 million vehicles in 2008. Elsewhere, Toyota has yet to make

headway in the promising markets of India and Brazil without a product in the dominant segment of cheap, no-frills cars.

Toyota has plans to introduce an ultra-low cost family car to crack such lower-income markets, as France's Renault has done with the Logan, but it has yet to give a timeline for its introduction. At the other end of the spectrum, Toyota is aiming to spread the success of its luxury Lexus brand in North America to Europe and Japan to offset the pressure on margins from cheaper, smaller, more environment-friendly cars.

Property transactions in Delhi to become stamp-paper free

Delhi became the first state in the country to do away with printed "stamp paper", which is currently mandatory for property-related documentation, from April 2008.

Instead, people will have to pay the required fees to the state treasury, which in turn will generate a number that will be attached to the document. The number will validate the document, which will be printed on normal paper. This system will replace printed stamp paper for immovable property transactions. Although Gujarat and Maharashtra have started pilot projects on doing away with printed stamp paper, Delhi will be the first state where the system will be implemented in one go. Stock Holding Corporation of India Ltd will help implement the system in the state.

Stamp paper is compulsory for property-related documents like sale or title deeds or when property is leased or gifted. It is also used for deeds for will adoption, trust, partnerships, General and Special Powers of Attorney or cancellations. Delhi is expected to derive roughly 11 percent (around Rs 1,350 crore) of its tax revenues in 2007-08 from stamp duty on transfer of immovable property.

The move comes nearly a dozen years after police filed the first case against Abdul Karim Telgi for printing and selling fake stamp papers in several states including Maharashtra and Karnataka. Telgi master-minded an operation that saw state governments being cheated of thousands of crores of revenues that they would have otherwise earned from selling stamp paper and stamps. The scam was possible as Telgi managed to procure special printing presses from a government-owned press at Nasik. The scandal raised questions about the need for a more foolproof system that does not rely on stamp paper.

Nordic empowerment: Smashing the glass ceiling

From January 1, 2008 it became compulsory for Norwegian companies to appoint a substantial number of women to their management boards. Norway now leads the globe in gender equality at board level, with a higher percentage of women at the uppermost echelons of its firms than any other country. The change was achieved by introducing tough legislation threatening to close publicly listed firms that failed to comply with the 40 percent female quota for board members.

The legislation, which was initially introduced in 2003, gave companies five years to comply. Norway now has close to 38 percent of women on the board of publicly listed companies. The next country is Sweden with close to 20 percent of female board membership within companies listed on the Stockholm stock exchange. Tough government-enforced measures work far better than softer initiatives from within companies, says a report by the Gender Institute of London School of Economics. Quotas backed by legislation seem to be one of the most significant ways of effecting change. This shows that gender balance strategies of companies alone have limited success. On the other hand the Chartered Institute for Personnel Development argues that playing the numbers game with gender in business will not succeed in altering entrenched corporate culture.

Hyundai's i10 beats Logan to emerge as Car of the Year

The Hyundai i10 pipped strong competition from the Mahindra Renault Logan to win the Business Standard Motoring Car of the Year 2008 award. This is third time in the history of the oldest automotive awards in the country that Hyundai has zoomed to the numero uno position, after Santro in 1998 and Getz in 2005. Seven all-new cars vied for the crown this year, which also included the Chevrolet Spark, Maruti Suzuki's SX4, the BMW 3 and 5 Series and the Volkswagen Passat.

The i10 managed to impress the Business Standard Motoring jury across various counts, including build quality, ride, handling, driveability, comfort and safety features. A compelling price tag and above-average fuel efficiency further clinched the deal for Hyundai's made-in-India car for the world.

Despite using a wheelbase similar to the Santro, Hyundai's engineers have done a good job of improving the overall dynamics and liberating space on the inside. Clever features such as the centre-console, mounted gear lever and the overall fit and finish also managed to create a positive impression. Eventually, despite the Logan scoring some high points, the i10 managed to stay ahead of the Indo-French car to win the Business Standard Motoring Car of the Year 2008 award.

The Bajaj XCD 125 won the 2008 Business Standard Motoring Bike of the Year award. A brand new bike with features like the DTS Si technology that enhances power while delivering near 100cc fuel efficiency swayed the votes in its favour. The XCD's trump card was its price tag, which edged it to become this year's winner. The TVS Apache RTR 160 stole the Business Standard Motoring performance bike of the year 2008 award while the Kinetic-Sym Flyte is the Business Standard Motoring Scooter of the Year.

Apart from the Car and Bike of the Year, Business Standard Motoring also announced winners in other categories. Chevrolet Spark won the Business Standard Motoring Best Value 2008 award and Mahindra Renault Logan picked up the Business Standard Motoring Jury Award 2008 — given to the most significant car other than the COTY winner.

The Business Standard Motoring Performance Car of the Year 2008 is the BMW 325i while Volkswagen Passat is the Business Standard Motoring Premium Car of the Year 2008.

Govt derails ethanol-making plans of oil cos

The government has put a spanner in the plans of oil companies like Reliance Industries Ltd (RIL) and Hindustan Petroleum Corporation Ltd (HPCL) to make ethanol directly from sugarcane, without producing sugar. Pollution control rules require these companies to blend diesel and petrol with 5 percent ethanol.

The government has issued a notification recently that in effect allows only sugar mills to produce ethanol from sugarcane. Both RIL and HPCL have bid for closed sugar mills in Bihar and plan to produce ethanol there for their own consumption.

The government decision will benefit leading sugar companies like Bajaj Hindusthan, Renuka Sugars, Balrampur Chini and Triveni Engineering that have made huge investments in sprucing up their ethanol production capacity.

Ethanol, unlike sugar, is a source of fixed revenue for sugar mills. While sugar prices have gone down by 30 percent in the last one year and are expected to decline further in 2008 because of a glut in sugarcane, the price of ethanol has been fixed by the government at Rs 21.50 a litre.

Compulsory ethanol blending with petrol at 5 percent was introduced in October 2007 and the government plans to increase it to 10 percent from October 2008. Blending at 5 percent requires 600 million litres of ethanol a year and the requirement will double at 10 per cent.

According to the Indian Sugar Mills Association (ISMA), the country's total distillery capacity is 3,700 million litres. Of this, ethanol capacity is 1,587 million litres and the rest is alcohol and rectified spirit. With the growing demand from oil companies, sugar mills have been able to divert excess sugarcane to ethanol production and thereby adjust sugar production to the demand. Every one-tonne reduction in sugar production results in 600 litres of additional ethanol, if mills use sugarcane juice directly.

The sugar industry has got access to technology that allows ethanol to be directly produced from sugarcane without producing sugar. According to ISMA, the new technology would meet both expanded ethanol production and a cutback in sugar production.

Japanese firms make a beeline to appliances market

Japanese companies dealing in consumer durables are all set to strengthen their presence in India, a 25,000-crore consumer durables market that is currently dominated by two Korean companies—LG and Samsung.

They have made a good beginning. Sony has captured more than 15 percent of the market share in the consumer electronics industry and tripled its turnover to reach \$500 million last year. The target is to achieve sales of \$1 billion by 2009.

Victor Company of Japan (JVC), the latest to enter the India market, has entered into a deal with air-conditioning major Fedders Lloyd Corporation Ltd to sell JVC products in the country. An initial investment of \$30 million has been made for the same and the company expects to achieve sales worth \$200 million in the next two years.

Another company which is betting big on the Indian market is Hitachi which is targeting a 35 percent increase in its retail outlets and a 65 percent increase in the number of Hitachi exclusive galleries — Hitachi Experience Zone. The company, which is already an established player in the Indian LCD projector market, has tied up with HCL for distribution of its projectors. Hitachi hopes to increase its market share from 4 percent to 10 percent in the LCD TV category and from 18 percent to 20 percent in the plasma category this year. It hopes to achieve this by reducing panel thickness.

Pioneer Corporation, on the other hand, is targeting the Indian in-car entertainment market and plans to sell about 200,000 units of a range of products, including audio units, amplifiers and speakers, in 2008.

Unlike the mass-oriented brands, which currently dominate the consumer durables space in India, the Japanese firms are focusing on better technology and targeting the high- income group.

Sony, for example, is introducing the latest technologies in the Indian market—from high definition to Blu-ray. And to make these technologies more accessible, the company is planning an expansion of its retail network and exclusive designated brand stores, under the name Sony World.

JVC, on the other hand, plans to establish itself as a specialist brand in entertainment products. Hitachi is contemplating several marketing communications and distribution channel initiatives to reinforce its niche positioning.

SBI plans one-man branches to access the affluent

State Bank of India (SBI), the country's largest bank plans to set up "one-man branches" and financial service centres (FSCs) in urban areas. The objective is to tap a larger chunk of the mass affluent and high net worth individuals (HNIs).

The bank wants to open 1,000 one-man branches in residential areas to meet the banking needs of these categories virtually at their doorstep and also establish sales outlets, or FSCs, at places like shopping malls and market centres. Of SBI's 90 million retail customer base, only about 3 percent are from the mass affluent and HNI segments.

The bank plans to open FSCs in commercial complexes, shopping malls and on city roads. These would operate as sales outfits offering personal banking products, credit cards, remittance facilities, investment advisory services, including mutual funds and insurance, to walk-in customers. The FSCs would also house an automated teller machine (ATM), a cheque drop-box and an Internet kiosk. The FSCs would be manned by two SBI personnel.

The bank management felt it was missing out on huge HNI and upper-middle class population, which require quality banking services and hence the concept of one-man branches. The bank is in talks with the Reserve Bank of India (RBI) to secure approval for opening the outlets. The bank also plans to convert its existing loss-making branches in metro and urban areas into lean branches providing only routine banking transactions. These branches would be staffed with a branch manager and would have a single window for all transactions.

SBI has a network of 9,559 branches and 7,546 ATMs. The bank expects the number of branches and ATMs to cross 10,000 and 8,500, respectively by March 2008-end.

NDC clears 11th Plan

The plan does not offer new insights on improving productivity of government expenditure in development projects

The National Development Council (NDC) consisting of chief ministers of all the states has approved the draft 11th Plan (2007-12) document. It envisages an average 9 percent GDP (gross domestic product) growth in the first four years and a growth of 10 percent during the terminal year 2011-12. With an overall investment of Rs.36,00,000 crore, the Gross Budgetary Support (GBS) has been fixed nearly 115 percent higher at Rs.10 lakh crore.

The focus of the 11th Plan is on social sectors like health and education, which have seen substantial increase in fund allocation. Other focus areas of the Plan include agriculture and infrastructure. While emphasis in agriculture is on ensuring food security and district-specific agricultural plan, in case of infrastructure, the emphasis is on public private partnership. The Planning Commission has estimated that the country would need \$500 billion investment during the Plan period to meet its infrastructure deficit.

Prime Minister Manmohan Singh and Planning Commission deputy chairman Montek Singh Ahluwalia have shown flexibility towards the demands of various states. Earlier, BJP-ruled states had expressed concern over the centre's "high-handedness" in diverting more funds towards centrally sponsored schemes (CSS) and allocating lesser funds for normal central assistance.

The Chief Ministers of BJP-ruled states were also against the Prime Minister's 15-point programme for the welfare of the minorities. The programme stipulates that wherever possible, 15 percent of outlays under various schemes will be earmarked for the minorities. In his speech at the NDC meeting, Gujarat Chief Minister Narendra Modi said that "discrimination among the beneficiaries based on their minority status will not help the cause of taking the people of India

together on the path of development". However BJP-ruled states desisted from formally opposing the Plan document, as there was no such precedence.

The BJP-ruled states submitted a memorandum on the issue of devolution of more power to state governments. The Union government agreed that the guidelines of CSS should be more flexible and customised for each state.

On the issue of allocating more resources to accelerate the current pace of irrigation projects, the Prime Minister proposed to constitute a task force in the Planning Commission to examine the issue.

Experts have lauded the importance given to the role of the private sector in infrastructure sector as well as in education. However, they have questioned the Plan document's recommendation of increasing government expenditure on services for which the public delivery system is largely inefficient. They argue that increased allocation will lead to little improvement in social indicators due to weaknesses in the delivery mechanism.

IRDA announces de-tariffing

Insurance Regulatory Development Authority of India (IRDA) announced full pricing freedom to general insurance companies from January 2008. Except for motor third party rates, insurers are free to quote the premium rates filed with IRDA for all other lines of business (whether a new policy or a renewal policy).

IRDA has said that insurers will have to get the rate schedules and rating guides approved by the board of directors of the insurance company before filing them.

The regulator has also said that it expects the rates condition to be viable so as to produce an operating ratio (incurred claims plus commission and expenses of management) not exceeding 100 percent, on a gross underwriting basis.

For policies which qualify as large risks (where the sum insured is Rs 2,500 crore and above), insurers have to offer the corporate clients the same rates, terms and conditions as those quoted by reinsurers with no variation.

IRDA has also said that insurers shall not be permitted to cancel the existing insurances and replace them with new insurances at revised rates. However, the insured policyholder has the right to cancel his insurance, in which case, a short period premium shall be chargeable.

Earlier the CEOs of insurance companies had assured the regulator that high standards of underwriting and market conduct would be maintained even after the price controls are removed.

Tatas to Orient: Apologise for rude letter

An international war of words has broken out between the Taj Group and Orient-Express Hotels with Taj vice-chairman R.K. Krishna Kumar writing to Paul White, president and CEO, Orient-Express Hotels, asking OEH “to publish a formal apology to Taj Hotels”.

The Tata Group has an 11% shareholding in Orient and is the largest single shareholder in Orient. White had on December 10 written to Krishna Kumar saying: "We believe any association of our luxury brands and properties with your brands and properties would result in a reduction in the value of our brands and of our business and would likely lead to erosion in the premiums currently achieved by our properties." He wrote, “We do not believe that there is a strategic fit between your predominantly domestic Indian hotel chain and our global portfolio of luxury hotels and unique travel experiences, and we do not wish to be involved in an attempt to improve the performance of your non-Indian properties.”

Krishna Kumar, in a scathing reply, said the purpose of this letter “is not to pursue a dialogue directly with you but instead to set the record straight on our intentions in approaching your company.”

The Taj vice-chairman said Taj Hotels does not need OEH's inputs to improve the performance of its international properties. Taj Hotels, both in India and globally, has a strong and growing mix of properties that cater to the high-end luxury and corporate traveller around the world, whereas “OEH is significantly unrepresented in key segments of the emerging global hospitality industry”.

The two largest public shareholders in OEH, Taj Hotels and Dubai Holdings, have been unable to enter into any meaningful dialogue with the OEH board.

A section of analysts in the hospitality business are convinced Indian Hotel Company (IHCL), which owns the Taj group, will sell its stake in OEH and exit completely. This belief follows a recent filing made by IHCL with the United States Securities and Exchange Commission. The filing states that IHCL intends to review its investment in OEH.

Netscape: Web icon set to be discontinued

Netscape lost ground to Microsoft’s Internet Explorer

The browser that helped kick-start the commercial web is to cease development because of lack of users. Netscape Navigator, now owned by AOL, will no longer be supported after February 1, 2008. In the mid-1990s the browser was used by more than 90 percent of the web population, but numbers have slipped to just 0.6 percent. In particular, the browser has faced competition from Microsoft’s Internet Explorer (IE), which is now used by nearly 80 percent of all web users.

Netscape was developed by Marc Andreessen, co-author of Mosaic, the first popular web browser. Mosaic was written while Andreessen was a student at the National Center for

Supercomputing Applications at the University of Illinois in 1992. After graduation he set up Netscape Communications Corporation and began development of the Navigator browser. The first version was released in 1994. It was quickly a success and dominated the browser market in the mid-1990s.

But other companies followed its success, notably Microsoft, which bundled its Explorer software with its operating systems. This culminated in a highly-publicised legal battle, which saw Microsoft accused of anti-competitive behaviour.

Although the settlement saw Netscape gain many concessions from Microsoft including the ability to exploit IE code, it has been unable to gain back its market share. The demise of Navigator was compounded in 2003 when AOL, which bought Netscape in 1998, made redundant most of the staff working on new versions of the browser. Many of the staff moved to the Mozilla Foundation which develops the popular Firefox browser. This browser has a 16 percent share of the browser market. Microsoft is expected to launch a new version of IE in 2008, whilst the third version of Firefox is currently available as a beta, or test version.