

❖ Private Equity Action Gains ground in Last Five Years.

CONTRARY to popular perception, the past five months – for all the turbulence in the stock market and subsequent valuation crisis – have been the best times for private equity in India. The private equity sphere between January and May witnessed as many as 151 deals aggregating to \$5.5 billion (or Rs 23,100 crore) as compared to 140 deals totaling \$4 billion (or Rs 16,400) during the same period last year, according to PE research firm Venture Intelligence.

Among sectors, infrastructure topped the 'in-demand' chart with 26 deals aggregating to \$2,504 million (or Rs 10,517 crore) being reported during the period under consideration. The rise in number of deals is attributed to availability of assets at lesser prices, lowering valuation expectations of promoters and rising costs of borrowing. "Until last year, the focus of private equity investors was on infrastructure service providers. The focus is now slowly shifting to infrastructure builders," said Arun Natarajan of Venture Intelligence, a private equity research firm. According to Mr. Natarajan, the presence of several offshore dedicated infrastructure funds is another reason for rising private equity interest in infrastructure. Investments in real estate, IT/ITeS, mobile VAS (value added services) and healthcare have slackened during the considered period.

If one looks into the segment picks of private equity investors within the infrastructure space, the first five months of this year witnessed 11 deals in energy segments worth \$990 million (\$45 million last year), 8 deals in telecom space worth \$1,270 million (\$18 million last year) and one deal in aviation space worth \$10 million (\$71 million last year).

"Promoters have become a bit more considerate with respect to lower valuations. One should also understand that credit is becoming dearer for promoters. Not many promoters can halt their expansion plans for the want of money," said Axis Private Equity managing director Alok Gupta. According to experts, the impact of inflation touching a 13-year high at 11.05% will have minimal impact on investments in infrastructure as deferring such projects would be even costlier. India is scheduled to spend \$500 billion to develop various infrastructure projects, experts said.

Globally, infrastructure fund-raising by international real estate private equity funds has been brisk, with as much as \$130 billion raised over the last two year, according to estimates. A large percentage of these funds raised are focused outside of the US for investing in emerging markets such as India and China. Renewed interest in infrastructure space has seen fresh fund raising of up to \$8 billion in the pipeline this year with financial entities such as State Bank of India (SBI), Australia-based Macquarie Capital Group, the UK-based 3i Group, the US-based Blackstone Group among others, chipping in.

"Private equity investors were waiting for a correction to happen. Now that asset prices have cooled-off a bit, we'd see more deals happening in the coming months. They have got multiple options to invest these days," said Clearstone Advisors' director Rahul Khanna.

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❖ Mark & Spencer among 28 Projects Cleared by FIPB.

The government has approved 28 foreign direct investment (FDI) proposal worth .28 billion, including one from Marks & Spencer (M&S) groups. The government cleared the proposal of M&S to form a joint venture with Reliance Retail in which the foreign company will hold 51%. Other retail proposal which got approval includes Pearl Europe for induction of 50% FDI for single brand retail trading and Giordano Fashions to establish a chain of single brand retail stores.

- *The government has approved 28 foreign direct investment*
- *The government cleared the proposal of M&S to form a joint venture with Reliance Retail*

The retail proposal have been cleared subject to the condition of Press Note 3,2006 under which no single foreign institutional investor can directly or indirectly hold more than 10% equity in the venture. The FIPB ministry also cleared Midmark Corp's proposal to invest up to 49% in an Indian company. Parry ware Roca's Rs 741.48 crore FDI proposals also get approval for increasing foreign equity from 50% to 100% in the sanitary ware venture apart from Multiscreen Media's FDI proposal for Rs 158.3 crore.

Real estate major Eldeco's Rs 195.7 crore proposals for induction of foreign equity and change in status from operating company to operating-cum-holding company were also approved. In the atomic power sector, Hungary's Global Energy Mining and Minerals has been permitted to induct FDI up to 74% amounting about Rs 24 crore in a titanium-mining venture. However, 11 FDI proposals have been deferred by the FIPB.

❖ Credit Policy Highlights

The Reserve Bank of India (RBI) is pulling inflation, which at 11.89% is at a 13-year high, lowered to 7% towards the end of this fiscal. The policy's strategies may well strain household budgets and force company managements to re-work their numbers.

Hike in the benchmark short-term rate by 50 basis points, about 25 bps more than what the market had expected. Borrowing money will now be far more costlier: the RBI has not only raised the benchmark repo rate- the rate at which banks borrow from the RBI- from 8.5 % to 9% with immediate effect but has also hiked the cash reserve ratio (CRR) for banks by 25 bps.

The RBI still expects 8% growth. The optimistic view is that if RBI is able to bring down inflation to seven percent by the end of the fiscal, the rates can start coming down. However, some forecasts peg inflation as high as 15% by October, which would surely mean higher rates. Tough monetary measures will hit sales of unit-linked insurance policies (ULIP). Until early 2008, they were the main channels for retail investments. Deposit rates are also bound to go up, but the returns will be negative considering that inflation is running at double digits.

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While some banks have already raised lending rates, some others are planning to raise lending rates by at least 50 basis points over the next few days, keeping in mind the central bank message to moderate loan growth. The prime-lending rate (PLR) of most state owned banks ranges between 12.75 and 13.25 %.

❖ GLOBAL Artworks Gain Popularity in India

Overseas artist and their works are being shown in Indian galleries. Artist from the US, UK, Italy, France, Bangladesh and Pakistan are foraying into India. This phenomenon has been triggered by the globalizations of Indian art and the growing interest of collectors here to acquire a range of works from various countries.

Foreign artists are keen on showing their works in India. Sometime back, New Delhi's Vadehra Art gallery (VAG) had fielded a unique show of a section of Pablo Picasso's prints and ceramic paintings in India. VAG followed this up with an exhibit which features works by UK artist such as Francis Bacon and Lucian Freud," an art market source told. Recently, Kolkata's Akar Prakar Gallery came up with show of Bangladeshi women artists .The gallery at city's famed Victoria Memorial also recently unfurled an Italian exhibit. Gallery K2 in Kolkata has also mounted a show, which has now included the work of an Italian artist, Giovanna Caruso.

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- *Art has broken the barriers now and entered the global space.*
- *More than 800 applications, including those from Indian labels, had come in for the exhibit.*

Even auctioneers are having their affairs with overseas artist. While international auction houses like Sotheby's and Christie's have been lately staging sales which stretched beyond just the Western artist to include names from China, India, Pakistan and West Asia, top India auctioneer Saffron art has of late sold a work by Pakistan's are Rashid Rana for a record price. Earlier, auctioneer would only put together country specific sales. Art has

broken the barriers now and entered the global space. Overseas artwork is gaining popularity in India; just like India art is picked up abroad. Indian collectors are showing keenness to purchase art pieces by foreign artists. Collectors are looking for a range works," the source said.

Kolkata gallery Aakriti has, this year, received several entries from foreign artists during the selection process for its annual Gen next show. The exhibit showcases works by young and complementary artists below the age of 40. In the upcoming Gen Next III series exhibit, artists from the US, UK, FRANCE, AUSTRIA, POLAND, UKRAINE, ITALY, BRAZIL, PAKISTANI, BANGLADESH and, of course, India have expressed their interest in joining the show.

Of overseas applicant's around 10 have been selected for the show that will churn out paintings, sculptures prints and video art. More than 800 applications, including those from Indian labels, had come in for the exhibit.

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