

# MAHESHWARI & CO.

## ADVOCATES AND LEGAL CONSULTANTS

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### ❖ ACHIEVING THE DIFFERENCE

One of the selling points that India games employs to attract talent is to brag about its connections with the multinationals such as Cisco and Adobe. There is a rise in corporate-backed ventures funds in India, where the surge in entrepreneurship has resulted in higher demands not just for money, but business mentoring, strategy advice and institution of systems in start-ups. Experts suggest that that entrepreneurship must look to align ups. Experts suggest that entrepreneurs must look to align with this class of investor when they seek a partnership that goes beyond what a mere financial investor can provide.

As strategic investors, corporates are using multiple strategies to get a share of the entrepreneurial pie. While some like Goggle and Reliance have chosen the 'funds of fund' approach by investing in other independent venture capital funds like Seed fund and Erasmic Ventures, others like Intel and Nokia prefer to be direct investors in the country. Yet others, such as software giant Microsoft and IBM are yet to make any similar investment in start-ups. Instead they prefer to focus on partnering with early - stage companies that are building new products and services which could be leveraged by their own corporate customers.

Buoyed by the ever-rising entrepreneurial quotient in the country, venture capital investment rose to \$144 million across 21 deals just in the first three months of 2008 of which \$10 million were from corporate VCs LIKE Intel Capital and Capital 18. According to statistics by Venture

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Intelligence, a research firm focused on PE and VCs investment, this number was largely consistent with the \$173 million invested in corresponding quarter in 2006 and the \$158 million in 2005. Another report by PwC and the US National Venture Capital Association says that in the first half of 2007, corporate VCs invested \$1.3 billion in 390 companies, a 30% rise from the previous year and the largest increase in the past six-year. Cisco

Ventures India has invested in Bharti Telesoft and Nimbus in India as its parent company is showing heavy interest of entering media and broadband related sectors in India." Corporate ventures funds such as ours bring proven business models to the start-up companies, which are more important, that just bringing corporate governance best practices or networking among peers. We also bring in market that our company has already established thanks to its year of presence in the region, thus bringing in a practical growth story for the start-up investment" says Cisco Ventures India MD Joy-deep Bose. What his company and many more like it do now is to pick up stakes in intellectual property possessing start-ups.

### ❖ TRIKONA TO INJECT \$ 10 BN INTO REALTY

Trikona Capital, a UK-based fund that invests in Indian property, may spend as much as \$10 billion in the country's real estate market over a decade, co-founder and managing director Aashish Kalra said. Trikona has invested \$450 million in a dozen transaction in India over the past one-and-half years, Kalra added. It's investing in two special economic zones with 10 million square feet of space around New Delhi and wants to spend more as growth boosts demand for homes, offices and industrial parks.

"It's the middle income, middle India growth story-that's what we are all about," Kalra said on Friday in a Bloomberg Television interview." Our view point is put a billion dollars every year in the country over the next decades and continues making money and returning wealth to our shareholders"

Investors and developers are seeking a share of rising demand in the world's fastest-growing major economy after China. The fund is betting that India's rising salaries will accelerate demand for offices, factories shops and houses.

India's \$906 billion economy grew an average 8.6% over the past four years, and may expand by about 8.7% in the year to March31.Kalra had predicted a year ago the fund will invest \$5 billion in India over seven years.

Trikona raised \$445 million an initial public offering in April 2006,and has invested in Indian real estate companies including Phoenix Mills Ltd and Fortis Healthcare Ltd. Demand in India could come from Industrial parks and so-called Grade 'B' offices in Mumbai, Delhi, Chennai and Banglore, Kalra said refers to spaces that don't command top rents.

## ❖ NOW, ISRAELI COS SEEK ROOM IN CHENNAI REALTY SPACE

It is real. And it is happening. After the domestic, the US and the European firms homing on Chennai to cash in on the city's real estate boom, it is now the turn of a host of Israeli firms to make a beeline into Chennai, otherwise known for its idlis and vadas and not to mention the cuppa full of kappi. A slew of Israeli firms have lined up mega investment plans in the Chennai real estate market. This is despite the property prices in the city has gone through the roof and ruling at all-time high levels with no signs of fatigue.

According to the Chennai based real estate advisor, Hemdev International Realty Services, at least a couple of Israeli real estate majors have lined up mega investment projects in the city which includes both commercial and residential projects.

According to them, Israeli firm Elbit Medical Imaging Ltd has invested close to \$135 million in a Chennai property, which will have both commercial and residential projects. The company had already acquired land for the hybrid project.

Similarly, PBEL, a consortium consisting of two Israeli firms Property and Building Corporation and Electra Real Estate and Belgium's Millennium Diamond Holdings and Hyderabad-based Incor Infrastructure is planning to invest \$ 1 billion in the Indian real estate market with focus on Chennai and Hyderabad. The company already has a project running in Hyderabad. It is scouting for close to 125 acres of land in these cities.

Other than Israeli firms leading real estate companies, both domestic and foreign opportunities in the Chennai market. For Instance, Singapore real estate giant Far East Organization is keen to get a toehold in the Chennai property market. Similarly, leading property developers from Kolkata are also looking for opportunities in the Chennai market.

According to real estate trackers, the stability in the Chennai property market is one of the major reasons for the real estate firms to make a beeline to the city. The boom in the local economy fuelled spurred by IT and related sectors are a major reason fuelling growth of Chennai property market, they say.

## ❖ LLP BILL GETS CABINET NOD, TO BE TABLED IN PARLIAMENT SOON

The Union Cabinet on Thursday approved the introduction of Limited Liability Partnership (LLP) Bill 2008 to be tabled in Parliament, replacing a previous bill introduced in 2006. The proposed bill will facilitate creation of a new corporate structure that will boost growth in the economy, particularly in professional advisory services in accounting, legal and insurance industries. LLPs make it easier for investors and professionals to jointly do business that involves greater risk.

The draft of the new Bill would now be finalized based on the changes and suggestions given by the Standing Committee and introduced in Parliament at the earliest, finance minister P. Chidambaram said while briefing media person about the Cabinet and CCEA decisions.

The new Bill, proposed by the ministry of corporate affairs, seeks to introduce in India the most preferred business model by professionals the world over. LLPs allow its partners to do business without fear of losing their personal assets because of slips or wrongdoing of another partner.

The Bill also provides for existing partnership to get converted to the LLP framework. One key aspect of this business model whether the LLP itself or its partners individually should be taxed has been left to the discretion of the finance ministry. The finance ministry would amend the Income Tax Act separately to introduce a taxation regime LLPs, it is understood.

The Cabinet also approved a proposal of Ministry of Labour and Employment to amend the Employees' State Insurance Act. This would enable ESI Corporation to expand its coverage to workforce in different sector in addition to beneficiaries covered under the present ESI scheme. "The amendment would also enable ESI hospitals to act as service providers even for government's programme Rashtriya Swasthya Bima Yojna." The CCEA also met on Thursday and approved Agam SPV Six, Cayman Island to set up a wholly -owned subsidiary with a foreign direct investment of up to \$300 million undertake the activity of setting up new imports and upgrade existing airports in the country either directly or through its subsidiary. The proposal was earlier cleared by FIPB but as the investment amount was higher it was referred to CCEA.

The cabinet also cleared a policy for encouraging production and availability of forfeited and coated fertilizers in the country. Under it, manufacturers would be allowed to charge up to a maximum of 5 % over MRP for all

forfeited/coated subsidies fertilizers and above 10% MRP zincated urea and boronated SSP. This would be allowed if a maximum of 20% of production is utilized for production of these value added fertilizers.

In other decision, the Cabinet cleared establishment of a National Police University, official amendments in the code of criminal procedure (amendment) bill, 2006 declaration of year 2008/2009 as Food Safety and Quality Year, establishment of Indian Institute of Corporate Affairs and India's full membership of International Organization for Migration (IOM)

### ❖ INDIA HAS THE SECOND-LARGEST NUMBER OF HOMEGROWN CORPORATE CHAMPIONS

India has the second-largest number of homegrown corporate champions holding their fort against the might of multinational giants, according to a recent Boston Consulting Group (BCG) report. The country was ranked second behind China among the ten rapidly growing economies in terms of number of such homegrown leaders.

Consultancy firm BCG short listed 50 homegrown Companies from developing economies such as Brazil, China, India, Indonesia, Malaysia, Mexico, Poland, Russia, Slovakia and Thailand that are leading their domestic markets and fending off fierce competition with innovative business models. While 15 companies were short listed from China, 11 Indian companies made it to the list. The Indian firms include Apollo Hospitals, Bharti Airtel, CavinKare, Gujarat Co-operative Milk Marketing Federation (GCMMF), ICICI Bank, The Indian Hotels Company, ITC, NIIT, SKS Microfinance, Subhiksha and Titan Industries. Of the 50 global homegrown champions, 21 had revenues exceeding \$1-billion in 2006 and the entire group's sales had risen by about 50% between 2005 and 2006, the report revealed. For instance, in India, Bharti Airtel has maintained its leadership in the booming telecom market by taking on Hutchison Telecom, which later sold its Indian operations to Vodafone in 2007.

Among other examples, GCMMF, which markets dairy products under the Amul brand, has given tough competition to foreign majors such as Cadbury, Nestle and Unilever. ITC leads in the ready-to-cook segment in India. In the banking sector, ICICI Bank, India's largest

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private sector bank, has maintained its leadership position, competing with the likes of Citibank, HSBC and Standard Chartered. There is a catch though: Indian laws don't allow foreign banks to expand their operations in the country beyond a certain limit. IT education and training major NIIT has left US-based Lion bridge behind. Watch Major Titan is way ahead of its competitors, Japan-based Citizen and Swiss watch maker Swatch, in the Indian watch industry. The report also throws light on successful strategies that the homegrown companies have in common. Unlike global companies, local leaders are not constrained by existing product offerings. Instead, they customize products and services to meet different requirements of the consumers. These leaders, the report said, turn globalization to their advantage by deploying the latest technologies. Besides, many homegrown champions find innovative ways to benefit from low-cost Labour pools and go national to prevent regional rivals from challenging them.

#### ❖ THE REAL ESTATE INVESTMENT TRUST

There are planning going around introducing Real Estate Investment Trust (REIT) in India. Interestingly, several real estate firms have lined up to get listed on REIT - like vehicles on the Singapore Stock Exchange (SGX). The famous Embassy Group, Ascendas, and the Delhi based DLF and Unitech are all considering listing their fund structures. Embassy Group will soon

come up with its \$150 million IPO. This Bangalore based real Estate company has already submitted the required papers for the same. The trust will be managed through a joint venture with Singapore's Maple tree Investments, a leading real estate

- ❖ Bangalore based Embassy Group will soon come up with \$150 million IPO
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company in Singapore. DLF Assets is may also take a route to REIT on the SGX. The firm was recently in headlines for floating India's largest IPO. It has already acquired a number of assets of DLF in the special economic zones. Unitech raised £ 362 through AIM, London Stock Exchange by floating a SPV for six IT/ITeS projects. The company is also planning to list REITs overseas including Singapore as well.

A REIT is a tax-efficient vehicle for a corporation investing in real estate. REITs are required to distribute 90 per cent of their income, which may be taxable in the hands of the investors. The REIT structure was designed to provide a similar structure for investment in real estate as mutual funds provide for investment in stocks.

REIT is an acronym that stands for Real Estate Investment Trust, which receives special tax considerations and offer investors high returns and an excellent method to make investments in real estate.

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*The editors of this report can be reached at **MAHESHWARI & CO., Advocates and Legal Consultants, B - 7/1, Safdarjung Enclave Extension., New Delhi -110 029, Tel: 91-11-26101906,09910066777 Fax: 91-11-26171201. - E.mail:[info@maheshwariandco.com](mailto:info@maheshwariandco.com)***