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EXCLUSIVE

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System Welcomes Indian
Practitioners'**
- *Solicitor General, Australia*



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**Reaching out to the
Australian market
Five hard lessons for
Indian business**



Dear Readers,

The current issue of **The Indo-Australian Business** has something new to offer to you: One is the legal system of Australia and the other an update of the Australian economy. Dr. David Bennett, Solicitor General, who led a team of legal luminaries to India recently, discusses, among other things in an interview, the scope of Indian lawyers practising in Australia. Dr. Bennett visualises three scenarios: The first is that of a classic transactional commercial lawyer; the second that of a “fly-in, fly-out” lawyer; and the third is that of an Indian lawyer practising on an ongoing basis. He strongly advocates frequent visits by the practitioners of law in both countries to acquaint themselves with the laws of each country, which will add to the “pool of knowledge about each other's systems and laws.” The legal profession in India should not miss this opportunity offered by Australia, which shares a common law heritage with India.

From the point of view of Indian industry, a welcome feature about the Australian economy is that its financial system is in good shape. The Reserve Bank of Australia, the central bank, says in its report that the banks are profitable, carry few bad debts and hold capital considerably in excess of their minimum regulatory requirements. Significantly, the RBA says that “this outcome is largely the legacy of the long-running expansion of the domestic economy, now in its 13th consecutive year of growth, but it also reflects improvements in banks' systems for managing credit risks following problems in the early 1990s.” We have covered the Australian central bank's report in the current issue as also the Reserve Bank of India's Annual Policy Statement 2004-05, which has projected a GDP growth of 7 per cent for India.

Which state of Australia should be in the priority list of an Indian visitor? Tourism Minister of Western Australia, Hon. Robert Charles Kucera, would emphatically say that the Indian visitor, whether on business or on a holiday, should take a beeline first to his state, which has just signed an MoU with the Sports Authority of India. He made some interesting comments during an exclusive interview with our magazine on the possibilities of collaboration in sport, movie-making, tourism and education.

An event of importance was the visit by the director of the Indo-Australian Chamber of Commerce, **Mr. C. Sarat Chandran**, to Australia in May. He says that there is tremendous goodwill for India in Australia, but when it comes to good business, India does not seem to be in the forefront. He mentions a comment he heard in Sydney that “Indians have done far better than India in the global scene.” Obviously the reference is entirely to Indian business.

The current issue is not without other fairs of your liking, such as sports, IT-related topics (See Viewpoint), tourism (Shark Bay) and product launch by the cricket icon **Steve Waugh**, the brand ambassador of the insurance company, AMP Sanmar. I am sure you will relish each of these articles that are aimed at promoting industrial and trade relations between the two countries, which is our avowed objective.

Happy reading,

Satya Swarup,
Managing Editor,
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‘Australian Legal Service System Welcomes Indian Practitioners’

- - Solicitor General, Australia

Dr David Bennett, AO QC, Solicitor General of Australia, was the leader of the recent “Australian Legal Services Mission” to India. During his visit to Mumbai, he discussed with ‘Indo-Australian Business’ the Australian judicial system with a detailed analysis on his role as Solicitor General. He also discussed the differences between the Australian and Indian legal systems and their similarities. Another area he touched upon was the scope of Indian lawyers pursuing a law career in Australia.

Here are excerpts:

What was the purpose of your visit to India and how was the response and the outcome of your visit?

The aims of the Mission, broadly, were to gain high-level access in India to:

- Identify initiatives to promote Australia-India cooperation in law and legal services including developing mutually beneficial professional, commercial and institutional links
- Raise the profile and highlight the capabilities of the Australian legal services sector, including legal education and training, in India

- Commence a dialogue at both the official and profession levels on transnational legal practice and how this process is managed in India, Australia and elsewhere
- Permit a first hand assessment of the business outlook and identify legal commercial opportunities of mutual interest to both Australia and India, and
- Seek recognition of Australian undergraduate law degrees as meeting part of the knowledge requirements for admission to practise law in India.

The response we had throughout our visit to New Delhi, Mumbai and Bangalore was very warm and positive. We are in the process of identifying several specific outcomes that we would like to take forward. We have most certainly commenced a dialogue with our Indian colleagues in the official, professional association and legal education and training areas. We are also excited by the possibility of a reciprocal visit by an Indian legal services delegation to Australia.

What is the role of a Solicitor General in Australia? Does it have any similarity with India?

I am the second law officer of the Commonwealth. The first law officer is the Attorney General who is an elected member of Parliament and a member of the Cabinet. I, on the other hand, am appointed for a term. My first term of five years expired in August 2003 and it was then renewed for a further five years.

My functions are, in general terms:

(a) I appear for Commonwealth interests in major litigation, particularly constitutional litigation in the High Court. My role is thus more like that of a barrister than that of a solicitor. I often tell people that, in the same way as the Holy Roman Empire was neither holy nor Roman nor an empire; I am neither a solicitor nor a general.

(b) I provide advice to the Commonwealth on constitutional issues.

(c) I represent Australia in certain overseas legal fora such as the Hague Conference on Private International Law and international courts and tribunals.

As I understand it, these roles have much in common with those of the Indian Attorney-General although I do not have the right to address Parliament.

What are the similarities between the Australian and Indian Law and the Judicial system?

Australia and India share a common law heritage. We are federations that have a democratic system of government based on the rule of law.

Each State and mainland Territory in Australia has its own court system with the Supreme Court being the highest court in those jurisdictions. Similarly, each State in India has its own court system, with the High Court of each State at the apex. In Australia, all courts are subordinate to the High Court in Canberra while in India the court of final appeal and the ultimate arbiter in constitutional

matters is the Supreme Court in New Delhi. Hence, the main differences between the court systems in the two countries appear to be differences of nomenclature (just substitute "High" and "Supreme").

There are similarities in some provisions in our Constitutions. The provision dealing with free trade between States of the Federation is a case in point - the wording of the relevant provision (section 301) in the Indian Constitution is taken from the corresponding provision (section 92) of the Australian Constitution. Such provisions and our shared common law heritage have resulted in courts in both countries referring to reasoning and decisions of each other's highest courts in particular.

Could you discuss a the scope for Indian lawyers who want to pursue a law career in Australia?

This is an important and very relevant question as far as the Australian delegation is concerned. The internationalisation of legal services and the legal services sector by providing a framework for the regulation of the practice of foreign law in Australia by

foreign lawyers as a recognised aspect of Australian legal practice has been an important objective for Australia.

The question can give rise to at least three possible scenarios. First, there is the Indian lawyer who wants to provide legal advisory services in Indian law, international law or the law of a third country in Australia to his or her clients. This would not involve appearance before Australian courts on behalf of clients or the practice of Australian law. This is the classic transnational commercial lawyer who provides legal advice to clients on the implications of home country laws in a host country. Next, there is the Indian advocate wishing to represent a client before Australian courts on an *ad hoc* basis. Thirdly, there is the Indian lawyer who would like to have full practice rights in Australia to practise Australian law, including appearance before courts.

In relation to the first scenario, Indian lawyers can currently practice foreign law (Indian law, third country law and international law) across Australia either on a fly-in, fly-out basis or by establishing commercial presences. They may do so on their

My role is more like that of a barrister than of a solicitor. I often tell people that, in the same way as the Holy Roman Empire was neither holy nor Roman nor an empire; I am neither a solicitor nor a general.

own account or in partnership with Australian lawyers. Australia is firmly of the view that this approach is essential in the modern economic climate in which lawyers from more than one country need to get together and provide their clients with fully integrated (both local and foreign) legal services covering multiple jurisdictions.

The second scenario is a little more complicated. In the State of New South Wales, an Indian lawyer may appear before courts representing clients where knowledge of Indian law is essential for the particular case. However, in a more general situation, is possible that the courts will provide an Indian lawyer with *ad hoc* admission in relation to a particular case if special circumstances exist. While there is no settled view as what these "special" circumstances might be, it is likely that it would relate to the relationship that existed between the lawyer and the client. That relationship would need to be so close in such a complex set of circumstances as to justify an *ad hoc* arrangement rather than local representation.

The third and final scenario deals with an Indian lawyer having a right to practise Australia law,

including appearance before courts, on an ongoing basis. It must be noted that in Australia we do not have a citizenship or nationality requirement to gain admission to practise law. Rather, admission to practise the laws of Australian States and Territories is based on the capacity to satisfy three elements. They are:

- **Knowledge (academic)** requirements generally, a tertiary academic course covering specified areas of legal knowledge. Generally a four year degree, or a three year degree for those with a prior degree
- **Practical legal training** requirements completion of an approved practical legal training course and/or articles of clerkship that typically would cover a period from six months to one year, and
- **Good fame and character** requirements

Accordingly, an Indian lawyer can gain admission to practise Australian law by completing aspects of the academic and practical legal training requirements that may not have been covered in India. For example, an Indian lawyer should be able to gain admission in New South Wales by completing courses in Real Property, Equity, Australian Constitutional Law and Administrative Law. Such admission can give the person a right to practise across Australia.

However, I would like to note again that Indian lawyers could currently come to Australia to provide advisory services in Indian law, third country law and International law without having to gain admission to practise Australian law.

What are the procedures to apply for the universities providing law education for the Indian students? What are the facilities provided to them?

Australia has twenty-eight accredited University Law Schools spread across the six States and two mainland Territories. Interested students should directly contact the law schools to discuss entry and other requirements. The education counsellor in the Australian High Commission in New Delhi or High Commission representatives in other major Indian cities will be able to provide further details. Australian universities are much focussed on the needs of overseas students and provide good facilities to make their stay in Australia an enjoyable and fruitful experience. Export of education services is Australia's sixth largest export.

Undergraduate law degrees (LL.B.) in Australia are generally of four years duration. However, all law schools now encourage students to undertake five to six

year combined degrees that cover the full complement of legal studies required for a LL.B. added to another degree such as Arts, Commerce, Engineering, Information Technology or Science. Students with a prior degree can undertake a postgraduate three-year law degree.

This being your first visit to India, how do you feel about it?

Although the week was very hectic, with my having to make up to 4 speeches a day, I felt very much at home. The hospitality was of a high order and the delegation was welcomed by local officials, business people and lawyers in all three cities. I did not get much sightseeing done (although I observed that New Delhi's traffic has much in common with Sydney's). I am determined to return as a tourist with my wife at the earliest convenient time, largely for the purpose of seeing my new friends and introducing them to her.

Do you feel visits like this by both the countries' delegations of law can help in strengthening the bilateral relationship?

Most certainly, they can. These visits are an essential part of maintaining a strong and fruitful bilateral relationship. In the case of our two countries, we have so much in common in the area of law that both our countries and our legal professions have much to gain by a regular exchange of visits, views and experiences. Direct person-to-person contact generated by an exchange of visits can only help in strengthening any bilateral relationship.

What message would you like to give to the lawyers and students of the law who want to work in Australia?

Ongoing technological advances will continue to make the world a smaller place and this continuing globalisation effect requires today's lawyers to equip themselves to operate with a wider perspective than in the past. They must familiarise themselves with knowledge of international law and developments in other jurisdictions.

I would encourage Indian law students and lawyers who wish to study and work in Australia to do so without hesitation. I would also encourage Australians to do the same and explore opportunities in India. In addition to being a vastly enriching experience, such exchanges will also benefit both countries by adding to the pool of knowledge about each other's legal systems and laws. There is certainly much to learn from each other.



Michael Anghie

MERGERS AND ACQUISITIONS ON TOP IN AUSTRALIA

After two years of strong divestment activity, Australian companies are cashed up, confident and in a position to grow their core activities, according to Ernst & Young's annual Mergers and Acquisitions (M&A) Index, launched on 16 of March 2004. A report on possibilities of private equity funds repeating their success in 2004 as trade buyers return to the market.

The *Mergers & Acquisitions Index* is a barometer of takeover activity among listed Australian industrial companies and has been measured by Ernst & Young Mergers & Acquisitions for the past 11 years. The study revealed that the total number of acquisitions increased by nine per cent in 2003 with the turnaround being prominent in the second half of the year.

According to the study, the market should be heartened by the clear improvement in "underlying" (excluding transactions greater than \$1 billion that have the potential to distort the activity of the core market) activity. Underlying activity was up on all fronts with the number of transactions increasing by 14 per cent and the total value increasing by 47 per cent. The average value per transaction also showed a strong increase of 29 per cent.

Interestingly, of the total value of acquisitions in 2003, cash-financed an increased proportion. Competitive debt markets and continued low interest rates have assisted in this regard. Whilst an increasing proportion

substantially attributed to the outperforming Materials sector," said Michael Anghie, Perth Partner, Ernst & Young Transaction Advisory Services. Even after excluding the Amcor acquisition of Schmalbach Lubeca, there were companies in this sector making acquisitions totaling approximately \$4.5 billion, which included Rinker, CSR and Orica. There was also significant improvement in the financial sector, buoyed by IAG's acquisition of CGU Insurance, as well as the merger between CPH Investment Corp and Challenger International.

The Year Ahead

According to Michael, the strong growth in activity in the last half of 2003 has set a solid foundation for continued growth into 2004. "As the global economy strengthens, we would expect to see greater offshore participation in the local M&A market. The major benefactors of this strong growth will be those in the **IT & telecommunications, financial services, agriculture, food & beverage, health, packaging and retail sectors**. On the acquisition side, this will come from companies looking to consolidate globally on the back of stronger financial performance," said Michael. "We would also expect some international players to exploit the opportunity presented by the strong Australian dollar to divest any non-core Australian based assets."

The M&A Index also revealed that the second half of 2003 marked the re-emergence of strength in the local IPO market. "We expect to see this trend continue in 2004, providing a highly sought after alternative exit for companies previously limited to a trade sale process," said Michael. "We expect to see more companies running a dual process in order to maximise their exit potential."



Mergers & Acquisitions activity set to soar following turnaround in takeover activity in 2003 in Australia - Ernst & Young Study

(by value) of transactions were financed by cash, Ernst & Young, Mergers & Acquisitions found that an increasing number of companies (predominantly smaller and mid cap companies) are using scrip as consideration. "Following an examination of the 'underlying' AM&A activity for the year, it is clear that the improvement in activity from the prior year can be

Private Equity - Can it repeat its success in 2004?

Private equity has been a notable contributor to M&A activity in Australia over the past few years. The industry has matured and is now recognised by corporates as a legitimate buyer of their assets. Transactions such as the purchase of the Mayne Group Hospital Business (Affinity Health), Advanced Building Technologies, Austar and John West Foods highlight the acceptance of Private Equity in the corporate arena.

The private equity market has been particularly active over the past year, undertaking some significant acquisitions as well as capitalising on the strong M&A and IPO markets for long awaited exits. Private equity buyers have again lifted their profile in the M&A marketplace, demonstrating the ability to match market values and execute transactions in a timely and flexible manner.

"Overall, 2003 was a successful year for private equity with the number of quality new investments increasing far in excess of that seen in 2002," said Michael. "Furthermore, and importantly for the private equity market, the perception of private equity funds as credible buyers of businesses has again been enhanced. The success of the investments made, in addition to the varied opportunities still in the pipeline, promotes our view that these buyers will provide strong competition in future trade sale processes."

With trade buyers returning in a more active M&A environment and the continued bullish nature of the IPO market the question arises as to whether private equity firms will be able to compete and succeed as they have done in 2003. "Our view is that as the M&A market continues to gain momentum, we will see the private equity funds again stepping up to compete with flexible solutions to match or out bid trade buyers," said Michael. "Private equity funds, having exited a number of ageing investments, have raised new capital and are now positioned as a force to be reckoned with in the M&A market."

"Fund raising by the buy-out funds contributes to further M&A growth," said Mr. Anghie. "Fundraising activity is currently on the increase and we believe that it will translate to further M&A activity over the next 12 months. Many of those private equity managers that took advantage of the increase in activity in 2003 are now in the process of raising the next fund. We estimate that over \$1.4 billion in funds were raised in 2003 or will close in the first half of 2004. We expect to see continuing fund raising throughout 2004 - this could potentially double the current activity, which will continue to underpin the domestic M&A activity."

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INDIA AS WORLD'S IT LAB

India has become the preferred destination for call centers and now she is becoming the IT lab of the world. With a number of MNCs opening their R&D centers here, time won't be far when we will see all the big players will converge on this one common playground. An analysis by Indo-Australian Business.

The first MNC to start operations in India was Texas Instruments (India) and it has the largest number (225) of US patents among all companies operating in the country. And it was the first one to deliver the world's first single-chip solution for high-speed modems. In many ways, the IT revolution that is happening today in India was started by TI India 17 years ago. And after 17 years, there are companies like Google, IBM, Nokia, and Intel, who are looking for opening R&D centers in India.

What could be the reason for these favourable conditions in India? Why are the big players taking so much of interest in India? A few observations and reasons could be:

India is emerging as the most preferred destination driving the growth wave and big players like China, Israel, Ireland, Singapore, Malaysia and Russia have become old stories now.

The main cause is the lower cost of a technical workforce in India. With one-fourth cost to company price, India offers the potential, good, technical people. There is a world-class technical manpower. As stated by a renowned person, India's emergence as a global R&D hub has a social, economic, political and strategic significance. World's largest search engine Google is about to open an R&D centre in Bangalore following the leading web portal Yahoo also carrying out R&D work in Bangalore. Joining the bandwagon are companies like US-based chipmaker **Intersil** setting up a design centre in Bangalore. **IBM's** research lab in Delhi to tap Indian scientific talent, one of the eight such labs in the world. It has 70 researchers in India. **Sun Microsystems** has an R&D center in Bangalore. **Intel** conducts 15-25 per cent of its R&D outside the US. Its worldwide R&D head count is more than 5,000, with about 900 in Bangalore, where it expects to add 1,100 employees by the end of next year. There are more to follow. **Hewlett-Packard, Oracle, Network Appliances, Advanced Micro Devices (AMD) and many more** coming to India for research and development work. And India is fast emerging as the world's IT lab.

However, India has to achieve skills in certain areas, which are still not up to the mark. These include the technological revolutions that will result in higher output -- like the Green Revolution in late sixties and early seventies and absence of proper institutional reforms in research laboratories. India also has to take care of restricting excessive brain drain. And the last one could be a revolution in connectivity to bridge the digital divide. All this will make India definitely an IT lab before 2025, experts predict.

Banks Buoyant: *RBA*



The Reserve Bank of Australia (RBA) publishes annually the Financial Stability Review comprising largely its estimation and analysis of the country's financial system. It dwells in detail on the mechanics of the economy and the parameters of its performance. As part of its longstanding responsibility, the RBA has periodically outlined its assessment of the state of the financial system, including its Annual Report. A report.

In publishing the **Financial Stability Review**, the Reserve Bank of Australia has joined a growing number of central banks that are addressing their stability mandates through publishing a formal report. In some cases, including that of Australia, the introduction of such reports partly reflects changes in the structure of financial regulation that have thrown the role of central banks in safeguarding financial stability into sharper relief. In Australia's case, the supervision of individual financial institutions was transferred to the Australian Prudential Regulation Authority (APRA) in 1998, with the Reserve Bank maintaining its responsibility for the overall stability of the financial system.

The Financial Stability Review is tabled at the March and September meetings of the Council of Financial Regulators, and published shortly thereafter. The Council was established in 1998 to promote co-operation between the main financial regulators in Australia the Reserve Bank, APRA and the

co-ordination arrangements between regulators for handling any episodes of financial instability. At the same time, the Commonwealth Treasury became a member of the Council.

This inaugural issue of the Financial Stability Review has three main parts. The first provides an assessment of the macroeconomic environment in which the financial system is currently operating, concentrating on the balance sheets and net income flows of the household and business sectors. The second provides a reading on the strength of the financial system itself. The third summarises some of the initiatives underway in Australia and overseas to improve the regulatory infrastructure of the financial system. The Review also contains two articles.

Over this period, there has been a significant shift in banks' assets away from business lending towards lending to households traditionally a much lower risk activity for financial intermediaries. Both demand and supply factors have been at work here. On the demand side, the shift to a low-inflation, low-interest-rate economy has increased the capacity of households to borrow, with many households willingly taking up this extra capacity. On the supply side, financial intermediaries have been keen to increase their portfolios of relatively low-risk residential mortgages and are providing cheaper, more innovative mortgage products, including those specifically tailored for investor housing.

These developments have resulted in striking growth in both residential property prices and household indebtedness since the mid '90s. House prices have risen at an average annual rate of 12 per cent since the beginning of 1996 and growth in household debt has been similarly rapid. Over recent years, prices and indebtedness have increased at even faster rates. Although the pace of growth is now slowing, it is too soon to know whether it will return to a sustainable rate within a reasonable time.

One consequence of these changes is that the overall risk of the mortgage portfolios of financial institutions is likely to have increased. Residential



Australian Securities and Investments Commission. Its charter was revised in June last year to provide for a stronger focus on stability issues, including the promotion of

property prices are high relative to historical benchmarks, household debt levels are much higher relative to income than they have been in the past, borrowing by investors has grown rapidly, competition for loan origination has been very strong, and some borrowers who previously would not have been able to obtain mortgages can now do so. These developments raise the possibility that future default rates may not be as benign as those in the past. Notwithstanding this, there are currently few signs that households are having difficulty meeting their financial obligations, with default rates on

OVERVIEW

The Reserve Bank's overall assessment is that the Australian financial system is currently in good shape. Banks, the most important financial intermediaries from a systemic risk perspective, are in a particularly strong financial position: They are profitable, carry few bad debts and hold capital considerably in excess of their minimum regulatory requirements. This outcome is largely the legacy of the long-running expansion of the domestic economy, now in its 13th consecutive year of growth, but it also reflects improvements in banks' systems for managing credit risks following problems in the early 1990s.

residential mortgages at very low levels despite the aggregate debt-servicing burden standing at a record high.

While there are indications of an increase in risk in mortgage portfolios, it remains difficult to envisage scenarios in which developments in the housing market alone could cause major difficulties for the Australian financial system. Recent work by APRA indicates that even if house prices fell by 30 per cent and mortgage default rates increased dramatically,

more than 90 per cent of authorised deposit-taking institutions would continue to meet minimum regulatory capital requirements. For the small number of institutions that fell below the minimum, the breach is estimated to be small.

Taking a somewhat broader perspective, a more medium-term risk is that, after borrowing heavily for a number of years, the household sector will decide to consolidate its balance sheet. If that were prompted by deterioration in economic conditions, it could amplify what might otherwise have been a relatively mild downturn – an outcome that, in turn, would increase the credit risk in the balance sheets of financial institutions. Assessing the likelihood of such an outcome is complicated by the fact that there have been few instances, either in Australia or elsewhere, in which balance-sheet adjustment by the household sector has been a major factor shaping an economic downturn. In previous episodes, it has been adjustments by the corporate sector and by financial institutions that typically have been the source of difficulties – and the risks of problems emanating from that front currently look quite small on this occasion.

Looking beyond Australia, global financial markets are currently subject to some unusual forces. Nominal interest rates in all the key financial centers are at very low levels and have been so over an extended period. Official capital flows from Asia to the United States, motivated not so much by underlying rates of return but by exchange rate considerations, have been unusually strong. The search for yield by private investors has pushed down risk spreads for corporate and emerging market borrowers alike, to levels last seen before the 1998 crisis.

While this combination has doubtless acted to spur growth in the world economy, which is welcome, several questions hang over the outlook. Not least among them is whether global investors have accurately priced the risk to which they are exposed, and how this constellation of yields, capital flows and exchange rates will respond when international short-term interest rates begin, at some stage, to rise to levels more in line with historical experience.

These issues, together with those closer to home arising from the changed financial behaviour of households described above, will bear close watching over the period ahead.

*Source: reserve bank of australia's website
www.rba.gov.au/media releases*

RBI's Annual Policy Statement 2004-05

**GDP GROWTH
PROJECTED AT 6.5-7%**

The RBI Governor, Dr. Y. Venugopal Reddy, presented the Annual Policy Statement for 2004-05 at a meeting with the chief executives of major commercial banks in Mumbai on May 18. The statement covered a review of macroeconomic and monetary developments with several analytical and structural issues concerning the financial sector and the monetary policy. Mr. Reddy announced a number of measures to strengthen the financial system and improve the credit delivery mechanism. He also indicated measures addressing institutional improvements to support growth consistent with stability in a medium-term perspective. Following are the highlights:

Domestic developments:

- GDP growth for 2004-05 projected at 6.5-7.0 per cent.
- Assuming no significant supply shocks and appropriate management of liquidity, the inflation rate is projected at around 5.0 per cent during 2004-05.
- Growth in reserve money and money supply (M_3) was higher during 2003-04 reflecting capital inflows; the expansionary impact of foreign currency assets, however, was neutralized to a large extent by substantial open market operation (OMO), including sustained repo operations.
- Sustained pick-up in non-food credit since September; total flow of resources to the commercial sector was higher than last year.
- Government's market borrowing program in 2003-04 completed at a much lower cost; while noting reduction in fiscal deficit, need to step up capital expenditure stressed.
- RBI to continue with its policy of active liquidity management; Market Stabilization Scheme (MSS), is an additional tool.

External developments:

- Global economic recovery has broadened and strengthened faster than expected despite some uncertainties.
- The exchange rate of the rupee appreciated *vis-à-vis* the US dollar, but depreciated against the Euro, Pound sterling and Japanese yen in 2003-04.
- Foreign exchange reserves increased by \$37.6 billion during fiscal 2003-04 and are at \$118.6 billion by May 7, 2004.
- Exports in US dollar terms increased by 17.1 per cent and imports by 25.3 per cent; the current account is

expected to register a surplus during 2003-04 for the third year in succession.

- The most distinguishing feature of the external sector during 2003-04 relates to the large capital flows with its inevitable implications for the conduct of domestic monetary policy and exchange rate management.

Overall assessment:

- Despite uncertainties, India's position among the top performers globally in terms of GDP growth is expected to continue during 2004-05.
- As regards prices, despite overhang of problems on account of oil prices and large domestic liquidity, the price situation is unlikely to cause concern to macro stability during 2004-05.
- The RBI emphasized the need to overcome the bottlenecks in the flow of bank credit to agriculture and small and medium enterprises.
- Restructuring of rural banking sector stressed for enhancing the quality, purposiveness and reach of banking in India.

- The outlook for the external sector accords comfort to the conduct of public policies.

Stance of monetary policy:

- Monetary management during 2003-04 broadly in conformity with the stance of the policy set out for the year.
- Projected expansion of money supply (M_3) at 14.0 per cent with credit growth by 16.0-16.5 per cent during 2004-05.
- Noticeable uncertainties, including geopolitical risks impacting on international oil economy reckoned, while designing the stance of monetary policy. As such, the inflationary situation needs to be watched closely and there could be no room for complacency on this count.

Measures:

- Bank Rate kept stable at 6.0 per cent.
- Repo Rate unchanged at 4.5 per cent.
- Revised LAF scheme operationalized.
- The entire export credit refinance was made available at reverse repo rate.
- Almost all banks have adopted the new system of BPLR and the rates are lower from their earlier PLRs.
- Banks are encouraged to align the pricing of credit to assessment of credit risk to improve credit delivery and credit culture.
- A Gold Card Scheme for creditworthy exporters drawn up.
- Limit on the lending of non-bank participants in the call/notice money market reduced to 45 percent effective June 26, 2004.

Saraswati Education Loan: A passage to your study destinations

The "Saraswati Education Loan" could be a complimentary package for your son or daughter who aspires to study in Australia. This loan provided by the Saraswat Bank has sharpened its competitive edge by constantly upgrading technology to match international standards. Under the "Saraswati" scheme, any applicant can apply for a loan of upto Rs.15. lakhs or US\$30,000 for education in India or abroad. Students can apply jointly with their parents.



The bank has successfully interconnected all its 75 branches and all the ATMs are connected to these branches. The non-ATM branches can use the facility of ATMs through this connectivity.

Anywhere Branch Banking: With this, the customer can now view his account, withdraw/deposit, transfer his funds and get statements at any branch of the bank. Telebanking can help the customers get information about their accounts on the phone.

PROCEDURES AND FACILITIES :

An advance of up to 100 per cent of the total course fees, including expenses, could be taken care of under this loan plan. Loan is granted against 70 per cent of the market value of the property or 50 times the net monthly salary of parents or three times the net cash accruals of business, whichever is the lowest. Considering the financial status of the students, the bank has kept a repayment period of seven years, including a moratorium period of two years or duration of the

course, whichever is earlier.

The interest is on daily reducing balance and with 1 per cent processing fees. No previous banking relation is required.

The slogans of the Bank like, 'With You in Mind' and 'Growing Together' have proved it right. The bank has extended Saraswati Education Loans amounting to Rs.432.33 lakhs to as many as 87 students for pursuing higher studies in different countries.

G LAMOUR WORLD

Australian Beauty Bedazzles The World!



Quito, the Ecuadorian capital is radiating with the beauty of Australia. And for a good reason: A 20-year-old Australian lady, Jennifer Hawkins, has just been crowned Miss Universe 2004! In the two-hour held beauty pageant, this 5-foot-11-inch-tall blonde was chosen from among beauty queens from 80 countries.

Her career that has just begun spans the phases of a school level choreographer to a cheerleader and finally the winner.

The crown that has come her way has, however, put her in a dilemma. While opportunities abound in the form of an undisclosed salary for the year, a wardrobe and a \$45,000 scholarship to a New York film school, what is disturbing this

dance choreographer is that she will have to move away from her family and her heartthrob.

Reflecting on that great moment of reckoning she said that the moment the title was bestowed on her and her instant rise to the dizzy heights of fame set well, all that came to her mind was her family. She acknowledges this feeling as being the weirdest, yet the best compliment that flowed in was at this point when she was compared to model Elle Macpherson by the host Mr Donald Trump.

Though Miss Hawkins still finds it difficult to come to terms with the media attention that she has been hogging, she is waiting for that greatest of all moments-her return to Australia and meeting as many people as possible.

FOCUS: WESTERN AUSTRALIA – A TRUE PARTNER IN PROGRESS

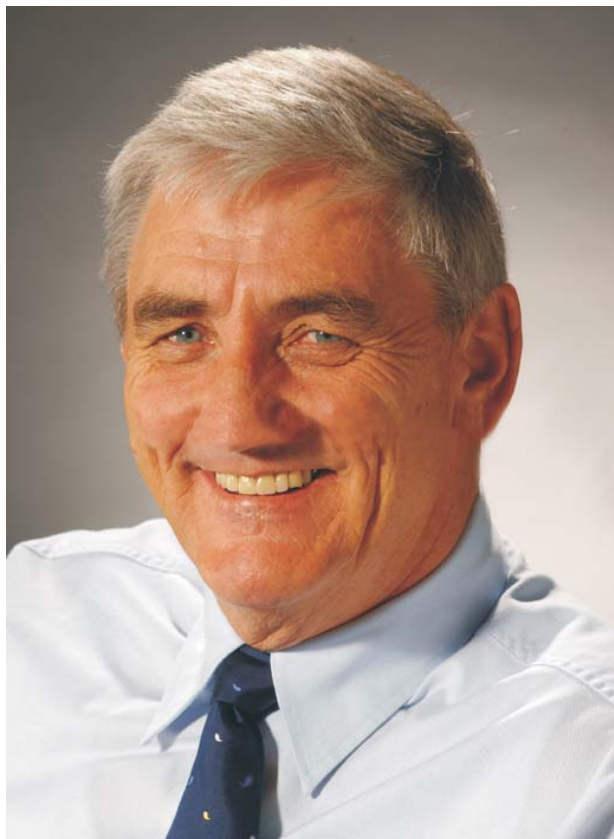
By facilitating visits to India of a number of delegations consisting of eminent personalities recently, the Western Australian Trade Office in Mumbai has created a strong awareness of that part of Australia among the people of India. An idea of the economic importance of Western Australia -- "a huge state as big as India" -- can be had from the fact that it contributes 28 per cent of Australia's total GDP and is home to 20 per cent of the total industries doing business with India. It is a state with magnificent natural sites, rich mines and world-class educational facilities, and could easily be a partner with India in forming the Indian Ocean Rim -- a strong focal point for economic power in the near future. The tourism minister of Western Australia, *Hon. Robert Charles Kucera*, said this at an interaction with *Rojita Padhy* in Mumbai recently. The following are excerpts from the interview:

How would you rate Western Australia as a tourist destination and as a film location in the international market?

It is quite new and exciting. People fly to Western Australia and then go to the other parts of the country, but they do not realize that the best part is down below. As a tourist destination, Western Australia is very safe. The cost of living is cheaper than in any other part of Australia. Because it is a part of the Indian Ocean rim, we would say most of the Indians should come here. Perth, the capital, is a very friendly city and it provides you a lot of experience as well. In terms of filming, the light available here is magnificent and it is better than California. Colours, clarity, are also wonderful as it is a clean city. The facilities for filming here are world class. Therefore, I will rate tourism, as number one and filming here will get number one and a half.

Could you elaborate on the MoU to be signed between the Western Australian Government and the Sports Authority of India? What purpose will it serve? Which are the areas of sports where India and Western Australia can collaborate?

The first area of sports, where India and Western Australia can collaborate, is cricket. Dennis Lily, one of the most famous cricketers, is running a cricket academy to train fast bowlers. We see that we can start something like this to train young cricketers in both



Australia and India. We have signed an MoU with the Indian government and the Sports Authority of India. We will be sending a delegation to India in July, which will be the first of a programme to start preparing the sportspersons, athletes and administration of sports for the 2010 Commonwealth Games here. The purpose is to make India win many medals in the Commonwealth Games. It is all about making your athletes best in the world. And we want to learn a lot from India. We are all linked with the traditional Indian Ocean Rim. People think of Australia as only Sydney, Melbourne and Queensland but Western Australia is almost one-third of the total landmass of Australia and could be an important trading partner for India as well.

'Holidays and Locations of a Different Nature'--Western Australia, please explain.

Western Australia is a huge state. It is almost as big as India. It ranges from a tropical climate in the north to a very cold European climate in the south. The experience you get in Western Australia is a natural one. It's something that nature has created many years ago and we have preserved it. Some wonderful forests in the southwest are almost full with green canopies and thousands of kilometres of untouched beaches and not a single human being is seen there. You will find a very rugged, exciting and adventurous experience. If you want to experience the raw, true and real nature, then you should visit Western Australia. In addition to that, Perth itself is a very sophisticated and modern city. It has all the latest technologies and, moreover, it is

closer to India and Mumbai. People think when they fly to Australia it takes 15 hours, but Perth is actually eight to nine hours from Mumbai. So it could be a very different experience altogether.

Do you also have plans to sign any MoU on tourism and films as well?

That is something which has emerged during our discussions with the Indian officials. There are a number of areas where we can look for partnerships and a relationship with India, which was different earlier. In the last few years, India has emerged as a major trading partner. Tourism is trade; it exports dollars for you and us, and film in India has enormous potential.

I have watched a number of Hindi movies on TV last night and I think I can do a job of singing and dancing in Indian movies. Jokes apart, while seriously looking at, I find scope in film making and location shoots. I want to examine and explore that area. This could be a good development. There are beautiful natural locations and Pinnacles in Western Australia are wonderful. They are fossilized forests that were covered by sands. In recent years, they are blown away by wind. In addition, this has created fantastic landscapes.

What prospects do you see in the increasing interest of the Bollywood (Indian film industry) to shoot in locations of Western Australia?

I think this is something unlimited. We should now really wake up for such partnership in this area. If you really look back to the early 1900, when Hollywood started to emerge as a location for movie shoots ... the same are the locations in Western Australia. The hours of the sun sign, the climate of Western Australia and the vibrant colours available here are just like what California was before a hundred years when the film industry was started there. Hence, there is no strong reason as to why we cannot start something new in partnership between the Indian film industry and Western Australia as a location. This could help build an industry, which will help both of us.

What measures would you suggest to strengthen the relations between India and Western Australia in education, tourism, sports and film shooting?

I intend to make sure that some delegations should visit India. In fact, the first delegation will be coming in July to work on the sports issues. And I also intend to speak to my other ministers in government, once I am back there, regarding other sectors to forge much more closer links with India. Unlike other states in Australia, we have established a trade link through Sonia Grincer and her office here in Mumbai. I would encourage Indian businesses and, specially the film and tourism department of India, to work as closely as possible with Sonia and see how we can develop these partnerships. What I would like to see is to put in place a framework where by business of any nature can come to our offices

here in Mumbai and see how things could be worked out.

How can both the governments work in this regard?

I think simply by recognizing that co-operation is always much better than any other kind of govt. relationships. We had a very positive set of meetings with the Government of India. The Indian Sports Minister in particular had shown great vision as to where to take the Indian sports scenario. One of our great strengths in Western Australia is that we are a center of excellence in terms of sports training as recognized by the whole world. Training hockey and cricket teams is something where we have expertise, and I do not find any reason why India cannot benefit out of this in creating a center of excellence for itself as well. It is recognized that we need each other in partnership. And that we are part of the new driving economy, which we can call as the Indian Ocean Rim and India, could lead it. India is anyways leading and we want to be a part of that emerging economic drive that comes from the Indian Ocean rim.

How can the sports link between India and Western Australia be exploited to achieve the business objectives?

As nations we both have a passion for sports, it is almost a religion, specially cricket. And the friendship and trust developed through sports can be translated into a trust and partnership in trade and industry and economy in general. We all should look towards a vision like Europe coming together as a single trading block. There is absolutely no reason why, with India showing the way and leadership in the Indian Ocean Rim, we could not start to develop the same kind of thinking between India, Indonesia, Australia, Malaysia and all other nations around the Indian Ocean Rim. If we are able to come together with some kind of partnership -- whether it is in sports or trade or culture or tourism -- we can make this rim a new tiger economy of the world. This is a long-term vision. However, every journey starts from a first step only. The meetings with the government for sports are a small step in this regard. The MoU is the first keyhole. We have two nations that are very similar in terms of how they have grown up through colonial background and have a very ancient culture like ours.

Any message?

I think as nations we are like brothers and sisters. We have similar background. We want very best for both our nations and we both love cricket. Therefore, if we join hands to move together in future we can emerge as great trading nations. My message for the business community would be, "Start to develop that vision of the Indian Ocean Rim as a new economic force in the world with India leading the way and all of us equal partners in that development."

GADGETS TO TRAP INTRUDERS FROM

Security Engineers (Pvt.) Ltd.



Security at all levels has become the most important aspect of modern organisations. This is all the more so at a time when there are real threats from terrorists and other elements who are out to wreck the political and economic fabric of the country. It is in this context the companies manufacturing security gadgets gain strategic importance. The following article profiles one such company based in Kolkata.

As we wait in the reception area, a strange-looking gizmo eyes us from the corner of the main office door. Not surprising for we are present at the hub of a maker of security gadgets. "It is a PIR," says a staffer, trying to satisfy our curiosity. As we stand there bewildered, he is more forthcoming. "The equipment releases infrared rays, which help detect an intruder," he explains. We are at the office of the security gadget-making company, **Security Engineers Pvt. Ltd.** in Kolkata.

The company has come up as an important enterprise providing solutions provider to establishments looking for a secure environment to carry out their operations unhindered. A changed setting over the last few years in conditions determining security in the business environment has necessitated the need for varying priorities for securing critical as well as normal day-to-day activities of any organization.

Says Mr. S.S Rajput, under whose stewardship the company has scooped up a respectable chunk in the market for security gadgets, "The immediate past has seen changes in the security environment because of realignment in the conditions which traditionally affected security-related environment." No wonder, whether they are security alarms or fire alarms or close-circuit television cameras staring at you from a corner, Security Engineers has their presence in most of these gadget segments. Total building management system is the new area where the company has ventured into to meet the requirement of corporate houses and multinational companies. "Most of the nationalized banks in the country are our clients," says Mr. Rajput, with the simplicity of a man who spends most of his time racking his brains to churn out new ideas that would bypass the chinks in the security armour of organizations. Little do you know by meeting the diminutive-looking man that he heads a company, the products of which secure the vaults and safes of banks playing host to large-size funds.

The company, formed in 1984, has giants like ITC, Hindustan Petroleum and Tata in its client dossier. "We also import equipment from the US, Taiwan and Switzerland, not to forget Israel which for historical reasons is a highly capable country in the sphere of making security equipment. We then produce many of the equipment in which we deal through integration," says Rajput whose proprietorship concern became a small-scale unit in 1985 when it started its own production.

The West Bengal government gave the award for the Third Best Small-scale Unit in 1989. In 2001 it received the ISO 9001-2000 certification.

The company tied up with STD Microtechniques of Switzerland in 1995 to leverage the enhanced competencies of its offshore partner. The two-decade-old venture has been recently approached by an intelligence agency to provide bugging equipment used to record conversations. These gizmos, he says, are sold only to government agencies.

Security Engineers, which also undertakes security and safety audits to advise organization about the effectiveness of their security environments, is pitted against giants like Godrej, Honeywell, Philips, Johnson and Eureka Forbes, who also have similar products in their bouquet. The company has offices in important cities across the country and this gives it the benefit of better market penetration.

"Where the mind is without fear..." says an official in dark glasses quoting from Rabindranath Tagore's *Gitanjali*, in an attempt to explain the philosophy behind the company's growth.

IT sector: Glitter continues

Exports of Indian software and services recorded a growth of 30.5 per cent in the fiscal year ended March 31, 2004, over those last year, yielding a revenue of Rs.\$12.5 billion, according the National Association of Software and Service Companies (Nasscom).

This is against Nasscom's own revised lower export target of 26-28 per cent because of the rupee depreciation and slowdown in global IT spending. Nasscom expects the software and services exports to achieve a growth of 30-32 per cent at \$16.5 billion by the end of the current fiscal year.

Says Nasscom Chairman **Jerry Rao**, "Despite challenges such as slow growth of IT spending and appreciation of the rupee, the Indian software and services industry has been able to achieve high growth. There was a healthy growth in the IT services sector, which has gone up to \$8.9 billion in the fiscal ending 2004 from \$7.1 billion in the previous fiscal, a growth of 25 per cent."

Nasscom estimates that the industry, including business process outsourcing or BPO, employed over one lakh people during the last fiscal year, taking the number of total employees in this sector to 8.1 lakh. It added about 40,000 staff to BPO/ITES and 65,000 to the software and services industry.

Nasscom president **Kiran Karnik** has struck an optimistic note on rupee appreciation. He says, "The impact of rupee appreciation is fading away and this fiscal we will see an almost negligible impact of it on exports. Also, the backlash on outsourcing is dying out."

Of the total software and services exports in the fiscal ending March 2004, IT services, products and technology services recorded a growth of 25 per cent earning \$48.9 billion, while the BPO-IT enabled services (ITES) segment clocked a revenue of \$3.6 billion, a growth of 46 per cent.

Says Mr. Karnik, "SMEs will continue to do well in this fiscal in both IT and BPO, especially those SME companies working on innovative products, embedded systems and mobile applications."

Mr. Jerry Rao said that the billing rates across the industry have stabilised since the second quarter last fiscal. But "there will be some pressure on billing rates this fiscal."



Nasscom has pegged the attrition rates for the BPO industry at 25-35 per cent and for the software and services industry at 15-20 per cent.

The main markets for India's software and services industry continue to be the US and the UK. The former accounted for 70 per cent and the latter 15 per cent of the industry's exports. The companies are aggressively looking at new markets like German, Japan and France.

Nasscom feels that there is no need for new laws on data protection. "The concerns raised by foreign clients over the security of data which they send to India can be addressed by minor changes in IT law and individual contracts," says Mr. Rao.

Trade barriers

Meanwhile, in its first draft of the strategy paper on World Trade Organisation, Nasscom has urged the government to persuade WTO members to abolish trade barriers in software and services, including immigration barriers. It has just submitted the report to the Ministries of Commerce and Communications and Information Technology.

Says Mr. Karnik, "We have the competitive advantage in services. Further, with the help of technology, services can be done cross border. The new government must support the Indian IT industry by urging other countries to remove the barriers on services even before the WTO regime falls in place."

Nasscom has said that a few countries (especially the developed countries) will face labour shortage in a few years and India, with a vast pool of labour, could fill this vacuum.

A TOP INDIAN IT CORPORATE CITIZEN TELLS HOUSE OF COMMONS ...

Don't say 'NO' to OUTSOURCING



Prabhuu Sinha

For the first time, a top Indian IT corporate citizen has had the rare privilege of addressing the Parliamentary Information Technology Committee (PITCOM) of the House of Commons and receive accolades from that august body. The speech, delivered recently, was on "Business Offshore Policies", and the speaker was Prabhuu Sinha, Sr. Vice President and Global Head (Quality Consulting), Satyam Computer Services.

Prabhuu Sinha dispelled the fears of the MPs that outsourcing - the buzzword these days on both sides of the Atlantic and in South and South East Asia-- will take away jobs from the UK market, and thus fuel unemployment. He said, "Since the benefits of outsourcing are so powerful, it has probably been one of the few business strategies that have successfully stood the test of time. In a sense, outsourcing is as inevitable as water finding its own level."

He said a significant fact that highlights the economic benefits of offshoring, in addition to helping overcome the labour shortfall in the UK, is that for every GBP 100 of work offshored, up to GBP 141 is reinvested directly in the UK economy. "Therefore, this results in some very positive indicators," he added.

Prabhuu Sinha shared with the British MPs an interesting piece of information that except the UK, the other European countries had not been as open to the concept of outsourcing - owing to varied reasons. Labour inflexibility, the lack of English as a common language, cultural barriers, and immigration laws and finally the fragmentation of economies have all built walls - literally - as well as in the mind. And he disclosed that "a comparative analysis shows that development in economies closed to outsourcing has obviously been slower."

He saw three distinct "waves" of outsourcing: (1) Outsourced manufacturing, (2) IT outsourcing and (3) Business Process Outsourcing. Outsourced manufacturing has been in existence for several

centuries. The second wave was the invasion of IT that spawned the birth of the giants the IBMs, Intels, HPs and Microsofts.

He said, "Since IT called for specialized skills, and the business need to leverage IT was galloping, many organisations found it convenient to outsource to specialist software development organizations giving birth to the IT outsourcing industry."

The third wave of outsourcing, he said, is Business Process Outsourcing. This a direct result of rapid advances in the use of IT in businesses and the phenomenal increase in the global telecommunication bandwidth. While some BPO services are mature (payroll and call centres), most BPO services are still emerging and are estimated to have tremendous potential.

Prabhuu Sinha's cogent argument in favour of outsourcing to the Indian subcontinent and his lucid elucidation of some of the naughty problems underlying it are reported to have impressed the British Parliamentarians, who evinced a keen interest in India's rapid transformation into a BPO hub.

Members of Parliament, Peers from the House of Lords, industry professionals and media attended the meeting. This opportunity was arranged by **Mrs Margaret Ross**, a senior official of British Computer Society, UK

PITCOM is an "Associate Parliamentary Group" of the British Parliament, formed in 1981. It exists to foster a clearer understanding by Parliamentarians of the significant public policy issues, which arise from continued advance in the development and application of computing and telecommunications technologies. Parliamentary membership currently is 140.

Corporate membership exceeds 120, including major suppliers and advanced users in the computing and telecommunications sectors. There are also over 100 Individual and Associate members by invitation of the Council.

The following is the text of Prabhu Sinha's speech:

Good evening, distinguished members of the parliament, ladies and gentlemen. It is indeed an honour to be here amongst you today- and to have the opportunity to share my views on Business Outsourcing, a strategy, that is now having an increasing impact on the economies of developed as well as developing nations. At the outset, let me introduce myself. I am the Global head of the Quality Consulting Business unit of Satyam Computer Services, one of India's largest global IT Service providers. I have had the opportunities of having significant association with several top corporations of UK, US and other developed nations and therefore, have been exposed to varied scenarios and strategic implications of Outsourcing and its influence on the Business. The views expressed here do not necessarily reflect the views of Satyam Computer Services.

Let me begin with a little story from the prehistoric times. There lived two cavemen (Let's call them Alpha and Beta) - one by the river and one in the forest. Alpha - of the river- was an expert fisherman- seasoned by years of experience. He could tell what fish would bite by just looking at the river and how many he would catch by looking at the sky. On the other hand Beta- of the forest was an expert hunter and fruit picker. He could distinguish between the poisonous fruits from the nutritious ones - and knew how to trap an animal with lightning speed. One day, Beta fell sick. The witch doctor remedied that he would need to eat fish in order to recover from his illness. Beta tried unsuccessfully for a while - but realized that he really could not catch as many fish as he needed to recover. Coincidentally - Alpha fell sick too as a result of too much mercury in his blood from eating too much fish. He tried hunting for animals - and plucking fruit- but he too was not very successful.

That's the abrupt ending of the anecdote. As citizens in today's Technology world - I am sure we could identify the ideal solution to Alpha and Beta's problem. In fact, it is from time immemorial that this concept has stemmed as a result of need. Outsourcing, in a nutshell, is not new. It is just another manifestation of trading, especially for an increasingly "Service" dominated economy. So what are these needs that are satisfied by Outsourcing? What is it that it really enables us to do? The primary advantage is obvious-- the ability to focus on what one does best i.e. one's competitive advantage. This would enable one to derive cost and quality advantages from the activities that are outsourced to those who do those activities best. After all, Beta couldn't fish like Alpha- and Alpha couldn't hunt like Beta. Since the benefits of outsourcing are so powerful, it has probably been one of the few business strategies that have successfully stood the test of time.

In a sense, outsourcing is as inevitable as water finding its own level.

If outsourcing has this kind of fundamental value proposition, then why it is being brought into focus recently in several forums, by lawmakers, industry associations and by citizens, particularly in developed economies? Let us analyse outsourcing from an historical perspective. We can see three distinct waves. These are outsourced manufacturing, IT outsourcing and Business Process Outsourcing. Outsourced manufacturing has been in existence for several centuries now -through times of colonization, the Industrial revolution followed by the IT boom.

The second wave needs no introduction. The invasion of IT, which, in a way, has actually taken complete control of our lives - marked the beginning of several new industries. Software development and hardware manufacturing saw the birth of the giants of today's market - thus were born the IBMs, Intels, HPs and Microsofts. Since IT called for specialized skills, and the business need to leverage IT was galloping, many organizations found it convenient to outsource to specialist software development organizations giving birth to the IT outsourcing industry. The third wave of outsourcing is Business Process Outsourcing. This is a direct result of rapid advances in the use of IT in businesses and the phenomenal increase in the global telecommunication bandwidth in the past decade or so. While some BPO services are mature, e.g. payroll and call centres, most BPO services are still emerging and are estimated to have tremendous potential.

The concerns being raised at different levels with respect to the concept of outsourcing; call for some study into the root causes of the concerns - and the realities of the global economy. Trends in several influencing factors need to be understood in order to develop a balanced perspective on this subject of immense importance to all economies.

A look at the geopolitical trends shows the emergence of free markets, democratic governance and global integration. Today we look at a situation where over three billion new consumers have entered the economy - where only the best organisations will survive. Following the trends set by the advanced countries of the world, the rest of the world is actively investing in their own innovation, infrastructure and people. This should be self- explanatory -- in 1970 the United States had a share of 70% of worldwide investment in R&D, but by 2000 the share had gone down to 44% . By the year 2000, the number of engineering graduates touched 250,000 as compared to 650,000 in Asia Pacific.

A look at the Technological trends shows that between 1990 and 2001 volumes in IT were up by 222% and

costs down by 83%!

The 2003 Gartner BPO Market Forecast estimates the global IT enabled markets to grow from the current US\$ 250,000 million (approx) in 2003 to US\$350,000 million by 2007. In the US alone, more than 21 million new jobs would be created by 2012 - and an estimated 3.3 million service sector jobs would be outsourced by 2015. The reasons that cause the creation of these job opportunities in countries that are the "Outsourcers" include higher productivity, access to talent, customer proximity, market access, superior infrastructure, a trend towards innovation as well as high levels of entrepreneurship. At the same time, lower costs, financial incentives, 24 x 7 operations as well as commoditised products tempt these economies to offshore work to developing economies.

Let us examine outsourcing as a concept at two different levels - at the enterprise level as well as at the economy level.

At the enterprise level, the advantages of outsourcing are multifold. The organization is free to focus on its core business with lower overheads allowing redeployment of capital- The basic cost advantage

Excellent services received at prices that are much lower. Operations are available 24 x 7 - i.e., round the clock.

The reach increases to new customers and forges new relationships and business opportunities.

By leveraging global talent pool, organisations are stronger--and more competitive with reduced liabilities and increased support.

These advantages are exemplified by some of UK's best corporations:

British Airways, one of the leading airlines in Europe and one of the biggest in the world, was amongst the first companies to implement offshoring to enhance its competitiveness by cutting on operational costs. Standard Chartered saved 50% in salary costs by locating facilities to India.

HSBC's customer support services, bill processing, accounting, mortgage processing (over 20% of the processing work) are being channeled from operations in India. The total cost saving to HSBC by offshoring is estimated at around 75%.

However, there are several concerns voiced at the enterprise level, which have actually raised questions in developed countries that outsource their work.

Concern has been raised over the privacy and security of information that would flow between two geographical locations.

The perception of loss of control over one's own service

has stemmed apprehensions regarding the ultimate quality of customer service rendered.

Managing people across shores and communicating requirements is a challenge.

Cultural difference between two geographies and its impact on customer service.

One major apprehension being the "safety" of one's job -- Could rapid outsourcing guarantee availability of employment to local people?

At the economic level again, there have been indicators -- some positive and some loaded with apprehension. A significant fact that highlights the economic benefits of offshoring, in addition to helping overcome the labour shortfall in the UK is that for every GBP 100 of work offshored, up to GBP 141 is reinvested directly in the UK economy. Therefore, this results in some very positive indicators, which include:

The buying power of the economy increases significantly as a result of outsourcing. The standard of living shows improvements as a result of more buying power.

The economy now gets access to the best talent across the globe. There is evidence of slower inflation as a result of outsourcing - and better growth in GDP.

Provides opportunities for development of new markets for UK firms. It is fascinating to note how the simple benefits related with lowering costs by offshoring can snowball into much significant benefits for the two nations involved in such transactions. It is a fact that the jobs created at the offshoring location leads to an increase in the disposable income of the workers there. Consequently, these locations are likely to become attractive markets for UK firms. India and the Philippines are living testimony of this macro-economic phenomenon. Marks and Spencer entered the Indian Market in December 2001, with the aim of targeting the burgeoning Indian middle class - and it has made a distinct mark in the Indian retail Industry.

Let me share with you an interesting observation, which shows that apart from the UK, the remaining Europe has not been as open to the concept of put sourcing - as a result of varied reasons. Labour inflexibility, the lack of English as a common language, cultural barriers, and immigration laws and finally the fragmentation of economies have all built walls - literally -- as well as in the mind. A comparative analysis shows that development in economies closed to outsourcing has obviously been slower. A fact to ponder upon is the consequence of shortfall in supply of labour as a result of labour inflexibility. To put things in perspective, let us imagine a situation where the UK does not take steps to fulfil labour requirements during the period 2003 to 2010. A shortfall in domestic labour

supply can lead to a decrease in the GDP rate from the projected 2.49% to 2.08% - in GBP terms, this translates into a cumulative loss in output of GBP 113 billion during 2003-2010.

But the situation with Britain has been different from the outset. The relationship between Britain and countries such as India, dates back to times, when IT had not even taken birth. The cultural, economic as well as human influences of countries such as Britain and India exhibit huge impact on each other - and a continued relationship into this day and age is nothing surprising. A walk down Southhall would more than justify what I say - I really would not notice that I am actually not in New Delhi- save for the counterfoil of the ticket in my bag to prove that I have travelled this far. My personal involvement in projects outsourced across our nations stand to more than prove that outsourcing is the order of the day and the mandate of the future. The most successful economies in the world stand to prove it.

India has become synonymous with words such as offshoring and outsourcing. The vast pool of skilled manpower proficient in English, the superior levels of infrastructure combined with advanced technological set-ups, phenomenal progress in telephony and communication - have all added impetus to the outsourcing industry in India.

There have been questions raised with regard to the justification of India as a preferred market for outsourcing, questions raised on parameters that include disaster recovery, physical and cyber security, communication links, employee skill profiles topped with questions on loss of control on the actual quality of output.

Having come from India, a small set of facts that I would like to share with you could put the matter in right perspective on the "Quality" of India as a preferred country to outsource to.

Seventy-five per cent world's CMM Level-5 Software centers are in India. Out of 80 software centres on the planet that are certified at CMM Level 5, 60 are in India. Starting with the world's first People CMM Level-5 organization, and now graduating to all five of the world's PCMM Level 5 organizations, India has large IT corporations that have complete focus on the quality of their manpower. India has also achieved similar performance in the category of world's CMMI assessed organizations. India has the largest number of COPC - certified contact centres outside the US and Canada - in under three years of its launch. These are apart from the 200 plus software and BPO organizations that are ISO certified. The competence and qualification levels of the average senior management has given rise to more and more efforts towards quality consciousness - and

now waves of six Sigma initiatives are sweeping across the country.

We can safely conclude that apprehensions regarding quality of manpower and output may be set at rest with regard to India as a country to outsource to. The essence of a successful outsourcing strategy is RIGHT sourcing - an optimum mix of onsite, offsite as well as offshore sourcing. The ideal mix would take into consideration all risks, optimize profitability as well as ensure a comfortable level of control on one's business activities. This model has been tested and proved over a period of time and forms the foundation of many successful business today.

I am reminded of an excellent book titled "Seven Habits of Highly Successful People". The author, Stephen Covey, has anchored a very powerful concept of how a human being matures oneself from being dependent to becoming independent and finally drawing synergies from other independent persons by understanding the powerful value of being interdependent. In my mind this concept as much applies to organizations and economies. I should say that it is a sign of a matured organization (and matured economy) who decides in favour of outsourcing as one of its key business strategy.

Ladies and gentlemen - Honourable Members of Parliament, we stand on the threshold of a global economy - where success has been demonstrated in the largest corporations and the largest economies based on the concept of outsourcing. We would never come to know if Alpha the fisherman and Beta the Jungle boy did get better - but some others did trade and, therefore, survived and thrived. They have made the world, what it is today.

I would like to sincerely thank you for this excellent opportunity to share my thoughts with you - and for being such wonderful listeners. I wish you a very good evening and look forward to exchanging ideas during the Q & A session at the end. Thank you.

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The Western Australian Tourism Minister, Hon. Robert Charles Kucera, at a function to mark the presentation of Holidays and Locations of a Different Nature at the Taj Hotel in Mumbai last month. Pictures below capture some moments of the occasion.

Ms. Sonia Grincer, Regional Director, WATO, addressing the presentation. Others in the picture are the Tourism Minister Hon. Robert Charles Kucera and Mr. Tom Grace, Executive Director, Perth Education City.



L to R Mr. Don Cairns, Consul General, Austrade, with Mr. Tom Grace.

Hon Robert Charles Kucera addressing the presentation.



L to R Mr. Tom Grace, Mr. Hallam Pereira, International Project Director, Sport International WA, Ms. Sonia Grincer, Mr. Ron Alexander, Director General Dept. of Sport and Recreation, Hon. Robert C. Kucera, an invitee and Mr. Paresh Shah, Senior Trade Advisor, WATO.



Hon. Robert C Kucera interacting with Ms. Shenazz Nadirshah, the Vice-President Marketing, Mukta Arts.

The Solicitor General of Australia, Dr. David Bennett, at a function organized by the Australian Trade Commission at the Taj Hotel, Mumbai.

L to R Mr. Don Cairns with Dr. David Bennett while Ms. Rojita Padhy is interviewing the Solicitor General of Australia.



Dr. David Bennett interacting with Mrs. Cairns during the function.

Mr. Don Cairns and Dr. David Bennett interacting with the invitees.





Brian R Peck

Careful monitoring of each and every application in an enterprise has become a critical function in most of the enterprises that have numerous desktops and multiple locations. In an interview with Indo-Australian Business, Brian R Peck, Managing Director of End-End Software, an Australian company, explains how his venture helps various enterprises to identify their overall IT performance issues and assist them in Service Level Management.

How do your products help business people find out what's really going on in their business?

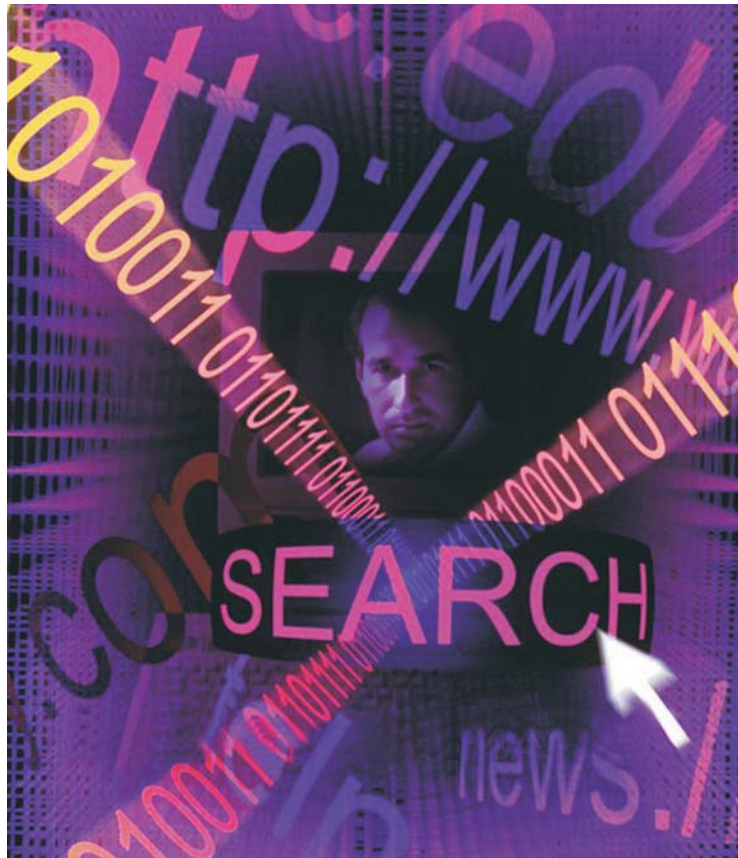
End-End Software provides a practical, proactive approach to managing business-critical applications. It uniquely monitors application performance. End-End Software tracks every application and its transactions from the desktop through the enterprise, monitoring application performance and availability as end-users actually experience it in real time. End-End Software™ also captures exception information for 'early warning' of performance problems together with the client, network, server and transaction data required to intelligently resolve them. To do this one must get a clear understanding of what Service Level Management and Service Level Agreements are:

Service Level Management (SLM) is a set of disciplined, proactive methods and procedures used to ensure that adequate levels of service are delivered to users in accordance with business priorities and at acceptable costs. For example, the IT department in today's competitive marketplace is required to define, measure, assess, set objectives, monitor and refine/improve information that is required in business today.

Service Level Agreement (SLA) can be a formal or informal agreement within departments for achieving certain performance goals of the company and the

An Effective Tool for End-user Monitoring

measuring progress in achieving those goals SLAs are a strategic tool. Success will depend on how wisely you design, implement and manage them. Know your current state and vision for your future by selecting management tool (s) to get you there and map the path that will make it work now and in the future.



What are the advantages and disadvantages to corporations of establishing end-user monitoring software?

The main **advantages** are that with innovative End-End Software transaction measurement you can now build upon all this to actively measure transaction performance in **real time**. Now you can know exactly what level of IT service is being delivered to your desktops and whether it falls within your business requirements.

The product is used for:

Employee profiling,

Establishment of business focused service level agreements,

Understanding of business transaction performance and service level impact from the end-user perspective,

Rapid identification of poorly performing transactions and applications,

Identifying each locations performance,

Real time measurement of transaction performance,

A transaction performance reporting framework aligned with business needs, and verification of service provider performance.

The **disadvantages** are organisations will not be able to Identify the location of your IT performance problems, and Understand which business transactions your end users are least satisfied with.

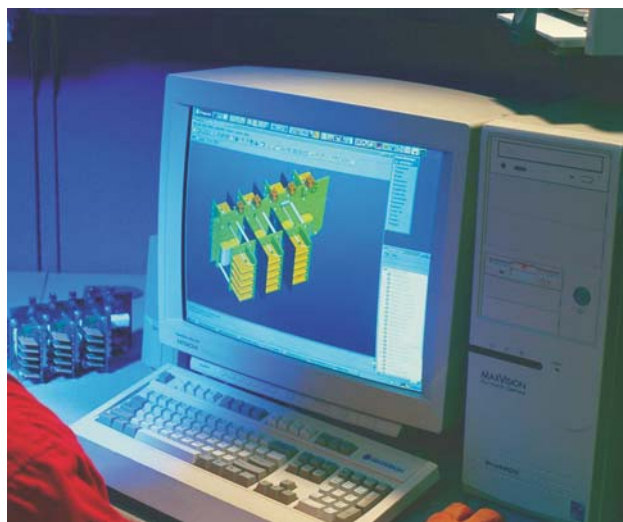
End-End Software complements your existing infrastructure monitoring tools and gives you a total picture. It is important to be able to collect and analyse data for different types of reporting. This enables enhanced performance and higher productivity from maintaining and supporting applications.

Which particular sectors/markets do your products most benefit and how can individual businesses make the most of the solutions offered?

The End-End Software works well for any large organization that has numerous numbers of desktops and multiple locations.

Making the most of the End-End Software solution would be to install our software on all the corporations desktop to identify overall IT performance issues and assist in Service Level Management.

A great example is a telecommunication customer in



the Philippines (which is the SMS capital of the world). The help desk at the call centre have numerous calls in an hour and the company has set up an SLA for the total time their customer should have their call responded to. The SLA has a component for IT time and if the response times for specific transactions slow down the process, our End-End Software sends out an alert to the IT department on the specific transaction. Therefore, if the SLA is violated at either the desktop, network or server, the software then instantly triggers an alert to the other enterprise management tools which then take the appropriate resolution needed to maintain its SLA.

With this in mind, how do you establish what should be included in an SLA to determine the benefits of various IT applications?

The items that should be included in an SLA can vary from organization to organization. But they need to identify the business processes that are important to the bottom line. Then put all those transactions in a business rule or SLA, then break that SLA into volumes and time for IT components of desktop, network and server time.

End-End Software offers a simple, fast means to implement a service level management initiative. Unlike, some other SLM applications, which require significant development and instrumentation before they can be used, the product automatically collects data about applications, servers and transactions, and can begin returning meaningful SLM data almost immediately. This makes it a strong alternative for enterprises that want to get started quickly with baselining and/or enforcement of service level agreements.

It is recommended that the optimum benchmarking information gathered from End-End Software should be taken over a period of time, obviously the longer period the better.

From an end-user/customer perspective, what differences can they expect to experience from a company that isn't monitoring application performance and one that is?

Many organizations are already using good infrastructure tools that specialize in giving them and resolving issues on the servers and the networks. The products drill down to the lowest level and then rectify. Currently some of the tools provide desktop application information but more information on desktop management rather than specific transactions in the application. Also there are some solutions that provide playback facilities something like closing the gate after the horse has bolted.

With a product such as End End Software real time performance is being measured so if the end user is downloading from the internet then it is almost certain

that response time for critical applications will be effected and in case's like BPO's where the BPO is in one country and the server is in another, it is not easy for the BPO to meet the SLA if he cannot get the right information on time..

Recent research and development of enterprise-level systems suggests that performance management tools that also integrate application response time will indicate how the entire IT infrastructure supports core business objectives.

You say you have developed “the first desktop-based monitoring tool to monitor Java-based applications in a Windows environment.” What does this product bring to the market that doesn't already exist?

In Windows-based applications the response time is associated with the active window of the application in which the user is working. The E2Eagents track application activity via window name changes that occur at the beginning and end of every application transaction.

But with some Java developed applications, like Oracle 11i there was no window title, they are called Canvases.

End-End Software™ monitors Java-based applications via a specifically-developed additional agent. The E2E

J-agent™ is a plug-in adapter that provides support for monitoring lightweight Java applets specific to java based applications such as Oracle financials. These components are normally invisible to other Win32 applications as they are pure Java objects. The E2E J-agent™ reflects titles from Oracle financial windows into their Win32 container window, allowing transaction data to be logged and measured for each screen.

Also another first for End-End Software has been the development of a Thin Client Agent specifically designed to monitor two of the leading Thin Client environments, Citrix Metaframe XP & Microsoft Windows Terminal Server. It has an option to set-up either one during the installation.

Can you provide a particular example of the benefits attained by the successful implementation of your products?

Listed below are some of the benefits that were attained by Citizens Advisory Bureau in the UK.

CASE is an application that is a hosted service based upon a server cluster located centrally within a managed HP environment and delivered over a VPN comprising ADSL, Leased Line and Dial-Up connections. The challenges for Citizens Advice in implementing this part of the Citizens Connect Programme were twofold.

Firstly, there was a requirement to conduct intensive performance testing of the infrastructure in order to confirm all necessary fit for purpose criteria prior to implementing the service.

Secondly, Citizens Advice needed the ability to measure, on an on-going real time basis, end-to-end performance of the CASE application as a whole, and also have the capability to monitor the behaviour of its constituent parts (Workstation, Network and Server) - a critical function in providing effective business support for an evolving product as well as supporting capacity planning for future growth.

For instance, prior to the deployment of End-End Software™, the performance of CASE, as seen by end users, was potentially subjective and anecdotal. However, Citizens Advice now has the data to confirm or dispel instances where the application is seen to run slowly.

When End-End Software™ was initially installed at Citizens Advice in London and within some trial bureaux sites; some benefits were visible within hours. End-End Software™ confirmed that whilst the infrastructure was performing as expected against design specifications, it was actually the CASE application that was raising user queries.





Roger Oakden

New concepts in products supply

In this interesting article *Roger Oakden* of REN Services, Melbourne, Australia, discusses the logistical aspects of replenishing goods by the suppliers at the retailers' stores through what is called the *SRM (Store Supply Merchandise)* technique. He also introduces in the process some new concepts that are revolutionizing the retail trade the world over.

Better, faster, cheaper is the continuing demand from major retail chains in developed countries. Driving these requirements is the global availability of products and the competition between large retailers which, in turn, accentuates the need from these buyers to obtain the lowest Total Cost of Ownership (TCO) for products.

The TCO consists not only of the cost of the product but all the costs incurred to have the product placed on display at the retailer's outlet, ready for promotion and sale. These costs are often grouped together and called Supply Chain Logistics costs which, under poorly managed situations, can total more than 20 per cent of retail sales value and make a product uncompetitive.

Supply Chain Logistics costs are incurred at every step along the 'chain' from the mine and farm where all materials commence their journey, through stages of manufacture and finally to the retailer. The physical dimensions of these costs include the transport (national and international) and warehousing of

materials, the size and frequency of the loads being handled and transported, the physical assets used to store and handle the materials and the cost of inventory being held at each stage. Management also has a role in strategies and decisions that affect costs including: the capabilities of each organization in the chain, time factors of flexibility and responsiveness to customer requirements,



the efficiency and effectiveness of operational processes and the design and implementation of processes and IT systems.

As the manufacture of consumer products is progressively moving out of developing countries, the planning for supply becomes more sophisticated due to the time it can take from order to delivery into the retail store. Are products imported in 40-ft containers to reduce the shipping costs or airfreighted to reduce the inventory holding costs? Add to this retailer's requirement for Quick Response or Fast Flow, so that as a product is sold, the retail store is replenished and the supplier's decisions become even more complex.

For major retailers in developed countries, one of the cost elements gaining more attention is the 'final 50 metres' from the time the goods arrive at the back of the retail store until they are displayed for sale. These in-store logistics activities can cost between one per cent and six per cent of sales and most importantly, take retail sales staff away from their primary mission, which is serving the customer.

To reduce these costs, retailers are increasingly demanding that suppliers provide their products in a condition that enables the item to be ready for sale the moment it arrives at the retail outlet. The concept is Store Ready Merchandise (SRM). However, a three-letter acronym (TLA) is used to describe many activities, but not what the activity actually does. Questions for SRM are: What condition is required of items, who should make the items Store Ready, where should the activities take place and who should manage the process?

REN Services has recently been asked by an Australian based company to investigate the construction of a Store Ready Merchandise facility in Shanghai, China, to service apparel retailers in Australia. The analysis of

this client's requirements provides an illustration concerning the needs of Store Ready Merchandise facilities either established in India to assist Indian manufacturers or located in western countries to service Indian exporters.

So, what type of merchandise are we discussing? The most obvious is apparel and footwear. However, other products are capable of SRM techniques such as toys, textiles, stationery, cosmetics, giftware, sports equipment, leather-goods, luggage and cookware. Electronics, electrical and white-goods also lend themselves to SRM, however as they are generally bulky and/or heavy and at a higher price point than the first group of products, there are special handling and storage requirements. For this discussion, we will address the needs of the first group.

What do retailers require of their suppliers? Although retailers are changing their activities at different speeds, the intention is that retailer's distribution centres in their home country will not label, price mark, pick and pack for individual stores; instead these activities become the responsibility of individual supplies. This means suppliers will be required to supply merchandise:

- Labelled and bar-coded with the correct EAN/UPC numbers and

to the standards required,

- Price marked,
- Packed for each store location using, and
- Electronic Data Interchange (EDI) communications for ordering and payment.

The investment required by manufacturers and suppliers (agents and exporters) to achieve these requirements can be expensive and a time consuming task incorporating: EDI links, bar coding hardware and software, space to process merchandise for store ready condition and staff trained to perform the labeling, picking and packing functions that are specific to each customer.

Instead of manufacturers/suppliers doing these tasks themselves, they can outsource the activity to a logistics service provider (LSP) that provides specialist pre-retail processing facilities to achieve SRM outcomes. These services will include:

- Receiving and checking inbound orders

- Capability to handle peak or over-flow demands

- Dry cleaning, pressing and hanging (for apparel)

- Quality Assurance (QA) processing to retailer's requirements

- Labeling (bar coding) to EAN/UPC standards

- Price marking

- Pick and scan pack for direct delivery to individual stores

- Despatch to individual stores or to the retailer's distribution centre

- Paperless warehouse management systems and EDI communications (which may be internet based) between manufacturers/suppliers and retailers to provide order/pick confirmation and the Advanced Shipping Notice (ASN), Shipping Container Marking (SCM) and other documentation required.

The question of where the SRM activity should take place close to the retailer or the supplier and if in the supplier's country, then should the facility be inside or outside a free trade zone? The potential location must be analysed together with the business models of the retailer and supplier to ensure that the buy/sell disciplines and regulation of activities between the manufacturer, exporter, importer, agent and retailer are working well and are optimised.

The management of the SRM process can be either part of the supply agreement between retailer and supplier or, through the IT linkages established by the logistics service provider, it becomes a three way flow of data and information between the retailer, the LSP and the supplier. This demands a high level of capability on behalf of the LSP, where availability of low cost labour is one of the least considerations in the business location decision.

(REN Services provides advice and education in supply chain logistics. Roger Oakden may be contacted at roger@myoffice.net.au)



ELECTION 2004: Predictions and Possibilities for FIIs

The Election 2004 will go down in the history of democratic India as a clear verdict of the people for a smooth changeover of government. This time there have been surprisingly few cases of political violence during the elections, which took the oldest party of India -- the Congress -- once again to the corridors of power, though it had to take help from the other parties to meet the magic number of 272.

Unfortunately, the support from the Left and some of the statements made by their leaders gave a body blow to the Indian stock market. The BSE sensitive index (Sensex) tumbled by a whopping 842 in one session. Investors started predicting doom and the NRIs and foreign investors looked perturbed. Fortunately, this pessimistic mood has now changed more or less with the swearing-in of the new government. However, doubts prevail about the ability of the government to pursue reforms vigorously. For obvious reasons, the investors' eyes are riveted on disinvestment of public sector undertaking, as this is one area where the government's intentions of reforms are clearly reflected. Now the Prime Minister has himself made it clear that the government will not sell the profit-making PSUs.

Rojita Padhy attempts to analyse the facets of this new government's economic policies and the benefits it could bring to the foreign investors while keeping a track of their past record on reforms.

WHEN DID IT ALL START!

In the aftermath of the historic Bombay bomb blast and the financial crisis in 1991, India instituted major economic reforms. After the Gulf War of 1990-1991 resulting to a sharp rise in oil prices, the country faced a serious balance of payments problem. To obtain emergency loans from international economic organizations, India agreed to adopt reforms aimed at liberalizing its economy. These reforms removed many government regulations on investment, including those on foreign investments, and eliminated the quota and tariff system that had kept trade at a low level. Also, the reforms deregulated a number of industries and privatized many public enterprises. These reforms continued through the mid '90s, though at a slower rate because of political changes. In 1993, the government allowed foreign minority stakes in Indian banks.

With Dr Manmohan Singh at the helm of the Finance Ministry and reforms in progress, the country began to make a dramatic shift from a closed economy to one that is relatively open. By 1996-1997, foreign investment had increased to nearly \$6 billion, up from \$165 million in 1990-1991. Exports and imports also grew dramatically during the period. Economic growth



Dr. Manmohan Singh

since the 1980s brought with it an expansion of the middle class, which was estimated to form 20 to 25 per cent of India's population in the mid '90s. As a result, the demand for consumer goods from soap to luxury cars expanded rapidly.

India's annual gross domestic product (GDP) in 1997 was \$382 billion. Agriculture, forestry and fishing made up 25 per cent of GDP in 1997 against 30 per cent for industry (including manufacturing, mining and construction) and 45 per cent for services.

GREAT TRIO CHEMISTRY

Dr. Manmohan Singh, P. Chidambaram and Montek Singh Ahluwalia were the hit trio of the '90s. And the scene now looks more attractive with Dr. Manmohan Singh, P. Chidambaram, Pranab Mukherjee and Jairam Ramesh (who are the alumni of distinguished schools like the IIT, Harvard, Carnegie-Melon, MIT and Oxford) forming the core of the new government's think tank.

As stated by the media, it seems the economic liberalisation would continue but it would be "reforms with a human face". It's also equally important that we get a very good HRD Minister (primary school

WINDOW TO MANMOHANOMICS

1991-92

The MRTP Act scrapped; rupee devalued by 18%; import licenses made tradable; canalized import list slashed; FIPB set up to clear foreign investment proposals; export sops to be phased out; 15% cut in fiscal deficit proposed.

1992-93

Many import curbs lifted; new exchange rate mechanism LERM-- introduced; import licensing diluted; FERA relaxed; peak tariff cut to 110%; income-tax slashed, fewer slabs; ad valorem excise duties for most things; deposit rates freed; FIIIs can buy 24% of local companies; National Renewal Fund to finance layoffs.

1993-94

Special and basic excise rates merged; capital gains tax rate slashed for FIIIs; dual exchange rates unified and made flexible; interest rate slabs cut from 4 to 3; banks get funds to capitalize new provisioning norms; Indian companies can access European markets; CCI abolished, issue prices market determined.

1994-95

Almost all bulk drugs delicensed, automatic FDI up to 51%; actual disinvestments crosses target; banks free to determine PLR; no minimum lending rate for big loans; greater thrust to poverty removal; projects to create jobs stressed.

1995-96

Income-tax exemption limit raised; rural infrastructure development fund set up; five-year tax breaks for road, port, airport and mass transport projects; higher defence spending; more food and fertilizer sops; Modvat rules relaxed; capital goods import duties relaxed.

OTHER REFORMS

Industry

From 1991-92 to 1995-96, industrial licensing goes out of fashion; PSUs like ONGC are corporatised; govt cuts stake in Maruti; minerals reserved for private exploration opened up to private sector; disinvestments kicks off with mixed success.

Infrastructure

Private players allowed in oil exploration and refining; private equity in road projects; private players in telecom, cellular services begin; private players allowed in aviation in a small way in the early 1990s; by 1994 private airlines allowed to operate; private and overseas players allowed in power projects, Enron signs up for Dabhol in 1994.

Capital Markets

FIIIs allowed to buy into Indian companies; issue pricing market driven from 1993-94; OTCEI, first screen based trading system, set up; fully online NSE also starts up; takeover code comes in force; state-owned mutual fund UTI comes under SEBI jurisdiction.

Banking and Finance

The Narasimham Committee suggests sweeping reforms in banking system, to be implemented over the years; statutory reserve requirements systematically cut to increase loanable funds with banks; government securities rates gradually market-determined; prudential norms laid down to limit risks taken by banks; Malhotra Committee recommends private investment in insurance sector; SBI becomes first *desi* bank to list overseas; IDBI raises Rs.1,200 crore through IPO; private dealers in G-secs allowed.

education should be the key focus), Agriculture Minister (rural India needs to shine) and a pro-active External Affairs Minister. As finance minister in 1991, Dr. Manmohan Singh cut import tariffs, opened industry to overseas investors, including Ford Motor Co. and AT&T Corp. and removed state controls on companies. He was also governor of India's central bank from 1982 to 1985. The decade starting from 1994 was truly a remarkable one in India's economic history. The freeing of foreign exchange restrictions, it can be stated without fear of contradiction, made possible the inflow of many new enterprises, especially in the IT sector. The year also saw tentative steps towards the abolition of the Foreign Exchange Regulation Act. It was truly the beginning of a new era.

The historic announcement by Dr Singh that the

country had just recovered from the economic crisis of 1991 helped the forex flows to establish roots here. Dr Singh, presenting his budget for 1994-95, stated that India was having a reserve of nearly \$13 billion in foreign currency assets against \$1 billion at the time of the crisis.

The year 1994 started with a forecast that the GDP will grow by 5.5 per cent from 4.3 per cent in the two previous years. More robust estimates of rates of growth are now holding the ground, rising to 7 to 8 per cent. The higher level of confidence is also borne out by the large investments being made or proposed in infrastructure, where Jaswant Singh's mini-budget promises to outstrip the main budget itself, in respect of infrastructure investments.

The foundation for all this is laid on the solid platform provided by the reforms initiated by Dr Manmohan Singh in the crucial years, 1991-1994.

The Common Minimum Programme announced by the United Progressive Alliance states there is no fear for the foreign investors. Below mentioned are the reasons:

NO FEAR FOR THE FOREIGN INVESTORS:

a) In context of the new economic policy, the Finance Minister, P. Chidambaram declares, "Foreign direct investment will be actively sought in sectors like roads, highways, ports, power, railways, high-technology areas and exports. The country could easily absorb FDI inflow of \$10 to \$15 billion per annum."

b) The year 2003 has seen foreign funds pouring at the rate \$7.7 billion which brought it into debt and equities in 2003, since the date they were allowed to invest in India in 1993. The leftiest parties also claim that "growth will remain the main draw for foreign investors and investments will continue into software, pharma, commodity cyclical and auto, all of which are doing spectacularly well,"

c) India's economy expanded by 8.1 percent in the fiscal year to March and is expected to grow another 7 per cent in 2004/05.

It has the following foreign policy and mandates for the foreign investors:

FOREIGN POLICY, INTERNATIONAL ORGANISATIONS

The UPA government will pursue an independent foreign policy keeping in mind its past traditions. This policy will seek to promote multi-polarity in world relations and oppose all attempts at unilateralism.

The UPA government will give the highest priority to building closer political, economic and other ties with its neighbours in South Asia and strengthening SAARC. Particular attention will be paid to regional projects in the area of water resources, power and ecological conservation. The UPA government will use the flexibility afforded in existing WTO agreements to fully protect Indian agriculture and industry. The UPA government will play a proactive role in strengthening the emerging solidarity of developing countries in the shape of G-20 in the WTO.

CAPITAL MARKET

The UPA government is deeply committed, through tax and other policies, to the orderly development and functioning of capital markets that reflect the true fundamentals of the economy. Financial markets will be deepened. FIIs will continue to be encouraged while the vulnerability of the financial system to the flow of speculative capital will be reduced. Misuse of double



taxation agreements will be stopped. Interest of small investors will be protected and they will be given new avenues for safe investment of their savings. SEBI would be further strengthened. Strictest action would be taken against market manipulators and those who try to deliberately engineer market panic.

ECONOMIC REFORMS

The UPA reiterates its abiding commitment to economic reforms with a human face, that stimulates growth, investment and employment. Further reforms are needed and will be carried out in agriculture, industry and services. The UPA's economic reforms will be oriented primarily to spreading and deepening rural prosperity, to significantly improving the quality of public systems and delivery of public services to bringing about a visible and tangible difference in the quality of life of ordinary citizens of our country. Hence, definitely the FIIs should not have doubt on this government and they should find India still a friendly and safe place to invest their money.

Though the credit goes to the initiator of the reforms, one must also acknowledge the solid contribution by the successors of Dr. Manmohan Singh, P. Chidambaram, Yashwant Sinha and Jaswant Singh. This tripartisan approach to economic change is a significant feature of the 1990s.

The present scenario relying on the "feel good factor" has given birth to a new breed of young entrepreneurs. The benefits of an open economy are quite palpable everywhere now, and it is these young people who have been quick to take advantage of them. They are ready to take risks and are not afraid of international competition. Under the circumstances, it is reasonable to believe that India will be an economic superpower in the near future and foreign investors are in safe hands definitely.

ZOOMING IN TO AUSTRALIAN SCENIC BEAUTY

The legacies of early-settlers, ethnic cities with long memories give a nostalgic feeling.

The modern city today has high-rise tower blocks, new commercial buildings, the majestic Opera House, Olympic Pools and famous landmarks like MCG Stadium. This large continent offers and captivates an inspired and relaxed warm way of life. With a Mediterranean climate, the inheritance, contours have tamed natural wild-ness to radiant relaxed fragrance of sentimentality. The Southern Cross proudly displays on the Flag the Symbol of diverse harmony, a tourist paradise and multinational rhythm that is AUSTRALIA.

To visitors, travellers, students and businessmen it is overwhelming to visit a country, which provides opportunity to all. A democracy steeped in achievement, a competitive economy and a multicultural society, which looks to the future with confidence.

What do you want and what do you seek? Whether you want people exuding warmth, geniality, and unity of character or aspirations from brisk efficiency, cook formality, stately elegance, reputed Universities to the bushlands! Stretches of pristine beaches, the unique Sydney Opera House or Melbourne Art Gallery? A

scenic air of magic hovers over visible signs of dramatic landscapes.

Australia is all and of contrasts, a vibrant nation and above all unity amongst cosmopolitan hospitable cultures of the world, to light up your face and make you part of one nation. Everybody eats, and eats well in Australia. Are you experiencing that waft? That aroma of Barbeque? A happy combination of fruits, cheese, seafood and do not forget that splash of olive oil. A collage of culinary delights to whet any taste. Dive



Joyce Pereira

into Surfer's Blue Ocean and play with the bottlenose Dolphins. Show your kids exotic species of flora and fauna. Watch Kangaroo Joe hop across with Joey in his pouch, cuddly Koala and treat you to that stunning Opal.

In search of travel, education, trade or holiday, what is it that makes people choose Australia frequently!!!

It is a youthful vibrant nation, harmony in environment, gourmet restaurants to suit every pocket with BYO wines for the most selective tastes and endless parade of shopping-markets and designers.

No country can boast of so much from azure waters of Coast, fresh springs, to the delightful fairy penguins. Awesome! Parks, cities and vast tracks of vista Vision, there you are! "Australia Vision". Enjoy the stunning Blue Mountains, beaches, and Kangaroo Island. The entire continent is child friendly. Stay and Play! You can be pampered, or live with a backpack Swagman and just explore.

Cutting swathes through urban landscapes awesome freeways, inter-city and cross-country travel with quaint trams of Melbourne would make Captain Cook proud of his discovery. Dominated by agricultural and pastoral pursuits, strong influence of commercial life, all reflects the charm and wonder of Australia.

The sunsets and lights stretch over casinos, hotels and homes. Territories sparkle for tourists and visitors. The aspiration, the expanse and character, Australia welcomes you. As you wing your way home, you are already planning your next colourful visit to the continent and grandeur of yet another "Australian Vision".

(The author Joyce Pereira, is an Executive Assistant and Consular Officer at Australian Trade Commission)

Look! There are SHARKS ahead!



Shark Bay, the world's biggest lagoon for sharks, is now seething with crowds at Australia's Sea World. Opened in early April, this new A\$13-million attraction on the Gold Coast houses some of the most dangerous shark species, including the magnificent Tiger sharks. The two-level exhibit provides a spectacular viewing both above-water and underwater through three 10 x 3 metre windows, allowing you to come face to face with these feared predators. If you are more adventurous, you can scuba dive or snorkel in the Reef Lagoon among smaller sharks including Leopard sharks, Black tip Reef sharks and Nervous sharks.

Other inhabitants include Shovelnose rays, Cow tail rays and colourful reef fish such as the Maori Wrasse and Red Emperor. And as you make your way around this lagoon, you will be just centimeters away from the large sharks, which are gliding in the adjacent Shark Lagoon separated merely by two massive acrylic see-through windows. Larger sharks have always been difficult to house because of tight space and this huge lagoon provides them with the space for a 60-metre-long swim glide pattern about two-thirds the length of a football field that is essential for them to rest. Besides ooh-ing and aah-ing at these splendid creatures, children can also enjoy a Rock Pool Adventure, which lets them interact with clown fish, anemones, rays and sea stars in specially designed touch pools.

It is no wonder that this exhibit is primed to enhance further Gold Coast's position as Australia's family entertainment capital. Set up by the theme park's owners, Village Road show and Warner Bros., and sponsored by telecommunications giant Optus, Shark Bay is expected to benefit the whole coast, "from accommodation to restaurants and transport", noted Warner Village Theme Parks CEO John Menzies. Besides being a visual feast, Shark Bay aims at playing

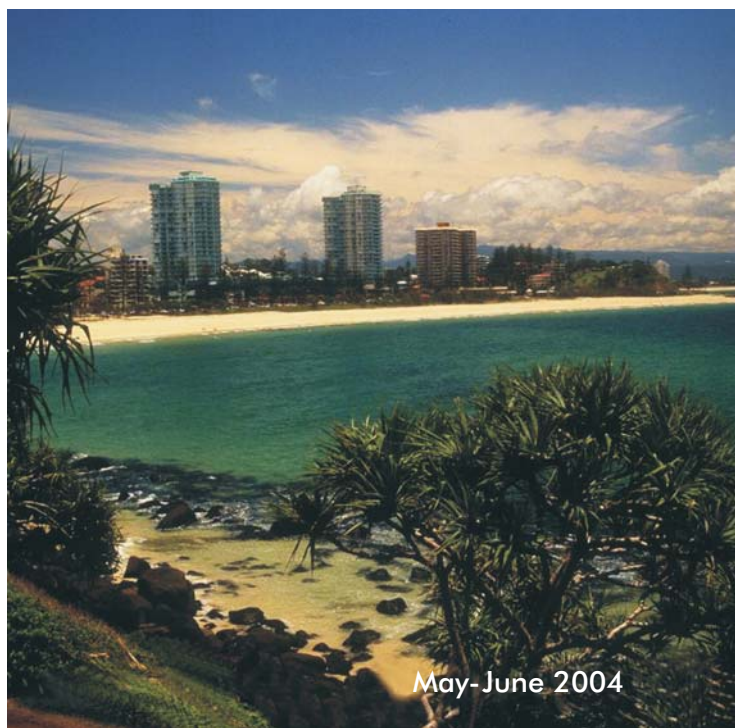
an important role in educating the public about sharks, which have long been feared and misunderstood. It will also undertake non-invasive, observational research, which will assist with the preservation of sharks in the world's oceans.

General admission to Sea World:

Adult: A\$58 Children (aged 4 to 13): A\$37

Price list for Shark Bay activities: Rock Pool Adventure (for children up to 10 years old): A\$25 Shark Snorkel: A\$50 Shark Scuba: A\$85

Location: Sea World is located on Sea World Drive at Main Beach just three kilometres north of Surfers Paradise. For details on how to get there, go to <http://www.seaworld.com.au>





C. Saraf Chandran

Reaching out to the Australian Market

Five hard lessons for Indian business

On a recent visit to Australia, what struck me forcefully was the extent of media attention that India receives today and most of them were in positive terms.

Recent political developments have, of course, been a factor and these were widely seen as an assertion of India's vibrant democracy. However, politics is not the only reason for India's increasing visibility in Australia. There has been a significant growth in the people to people contacts between the two countries in recent years. Professionals, journalists, writers, artistes and of course public figures have been traveling in either direction in greater numbers.

Along with this is the role of Indian expatriate community, which has been adding tremendous value to Australian economy and society, and that of Indian students who are performing uniformly well in all the Australian Universities. All these have brought enormous goodwill to India.

However, goodwill is not necessarily good business. The fundamentals of good business are more tightly drawn. In an increasingly competitive environment good business demands exacting standards of performance and it is here one gets the impression that Indian business needs to travel an extra mile. The Indian image, one gets the feeling in Sydney or Melbourne or perhaps in any other city in the developed world, comes from the impeccable performance of the country's professionals doctors academicians and more recently Software Engineers and not the representatives of business.

A comment I heard in Sydney was that "Indians have done far better than India in the global scene" and the reference was entirely to Indian business. The obvious reference was that

"Indians have done far better than India in the global scene" and the reference was entirely to Indian business. The obvious reference was that Indian business needs to learn some hard lessons to stay in the international market place.

Indian business needs to learn some hard lessons to stay in the international market place and let me spell out five of them which, I think could make a difference.

- Poor packaging is widely seen as the weakest link in India's exports. A University of New South Wales study conducted on Indian products imported to Australia revealed that 32% of the goods are rejected because of inadequate packaging and labeling and insufficient attention to quarantine regulations. Today's discriminating buyer attaches as much importance to the quality of packaging as to the quality of goods packed. Even in India, the current retail boom and the flood of foreign consumer goods to our supermarkets are essentially triggered by consumers focus in good packaging and presentation.

Packaging also relates to display of Indian products in Exhibitions and Trade Shows. These have to be more aesthetically appealing, designer-rich and visitor-friendly.

Significantly this is an area where Australia can help Indian industry. Australian brands are internationally respected and Australian technology and expertise can help Indian industry upgrade its packaging standards, particularly in processed food.

- Seeing Indian products in Australian market. I am convinced that Indian companies should invest a little more on market research to understand buyers sensitivities and preferences. Even as we talk of

borderless world, cultural characteristics persist and successful exporters tend to make their products not only country compatible but also increasingly customize them to specific situations.

Here is a lesson we need to learn from China. While in Australia, I visited David Jones and Target - well known Chain Stores which sell among others Chinese and Indian garments and there I learnt from the purchasing professionals that Chinese salesmen regularly visit the stores and study Australian buyers' attitudes and their feel for colour, style and pattern. Market research is also a continuous process and seems an area where our Export Promotion Councils could play a significant role in creating awareness on market sensitivities.

- There is a widespread impression that Indian companies place an excessive emphasis on the price component as compared to other aspects of the product. This leads to a situation of crowding at the "lower end of the pyramid" to borrow Prof C K Prahalad's well known phrase. If Indian companies have to make an enduring impact on International markets they need to go up the value chain with lot more attention paid to brand creation. As an example I would like to cite the case of Indian food. Indian food is the rage of the world today and there are reportedly 1,25,000 Indian restaurants across the world. However, we still have not been able to create a Macdonald or Pizza Hut. Most Indian restaurants are run as individual enterprises and rarely rise above mediocre levels in performance. There are exceptions. I found one on the Sydney waterfront. It has a touch of class and that was visible not only in the choice of location, but also in everything else that a restaurant should focus on - quality of food, service and décor. Not surprisingly the place attracted the connoisseurs of Indian food in Sydney and seems to be an excellent business. What is true of Indian food applies to everything else India exports textiles, leather, engineering, electronics and variety of other products. The harsh truth is that there is not a single Indian brand in the international market. Either our products are camouflaged under other internationally known brands, or we export commodities or generic goods. That situation needs to change and the time to start is now.

- A couple of years ago at the launch of an Indo-Australian project, Ms Wensley the Australian High Commissioner observed that "choosing the right partner is the most important element in setting up business in a foreign country" Ever since, her statement has been ringing in my ears and mind. When you do business in a foreign country it is your partner (or your overseas representative) who becomes your front office while you stay in the back office. It is therefore important that your foreign associates know the country and its business

practices well, and can assimilate himself into the local business environment with ease and comfort. Several Indian companies follow the practice of transferring their domestic staff to foreign postings without realizing that these officials need to go through a learning process before they can function effectively.

The Asian Wall Street Journal recently carried a story on how American companies planning to set up operations in India are engaging consultants to train their team to be posted to India in the country's culture and business practices. I think the easier course for Indian companies would be to recruit local staff for their overseas operations at least for a certain period and thus save valuable time and avoid considerable wastage in resource.

- In my over twenty five years of international marketing experience, one striking fact I have observed is that the image of a country is as important as its companies and products. The brand equity of nations is a concept that is finding wide acceptance today. Singapore for example has strong brand equity and is recognized as a high performance State. India has achieved brand equity for its services particularly in the Software and Outsourcing industries. However, that acceptance doesn't seem to extend to its manufactured products. Part of the reason could be India's stifling regulatory framework and the track record of its governance. Indian industry and governmental institutions need to work together to bring India's manufacturing industry to the world's center stage and there are already some successes particularly in auto components where India is emerging as a major hub for international production. We need to enlarge such successes into a greater number of products.

India's exports to Australia amounts to less than A\$ 1billion. That less than flattering performance may be due to one or more of the above factors. If Australia has to look at our products and services with greater interest, we need to get our act together. That will be a painstaking process and if we do that exercise with commitment and conviction, the present reservoir of goodwill may well turn into good business.

(The author is Director of the Indo-Australian Chamber of Commerce. He led an 18-member delegation to Australia in May 2004)

For further information contact: Arjay Apex Centre, 24 college road, Nungambakkam, Chennai - 600006. Tel: (044) 2821 3231. Website: www.ind aust.vsnl.net

“Holidays and Locations of a **DIFFERENT NATURE**”



- WESTERN AUSTRALIA

This summer you have all the hot things happening around and the hottest word buzzing in is 'Western Australia'. An extraordinary, tourism and holidaying location with varied cultures, landscapes, sports and recreation technologies it provides you a lifetime experience. And this was rightly addressed when the Western Australian Minister for Tourism, Sport and Recreation, Hon. R.C. Kucera, and his delegation visited India recently. The visit not only came out to be fruitful with signing of a MoU between the Government of Western Australia and the Sports Authority of India but also helped in generating a lot of awareness about this magnificent place.

Speaking at a luncheon hosted by Sonia Grincer, Regional Director, WATO, at the Taj Mahal Hotel, Mumbai, Hon. R.C. Kucera painted a beautiful picture of this potential state of Australia. Locations like the Kimberly region, long stretches of beaches, hot-air ballooning and sand-dune typed landscapes hardly go unnoticed he said. Cricket being the common sports link between India and Western Australia has a lot to offer each other. Western Australia has the state of the art technology for this game and India could benefit a

lot out of this collaboration.

Also present were Ron Alexander, the Director General, Department of Sport and Recreation, Hallam Pereira, International Project Director Sport International and Tom Grace, the Executive Director, Perth Education City in the function. With representatives from travel industry and people either interested in visiting Western Australia or wanting their children to study in the renowned colleges and universities there were clearing of doubts and getting to know more about the facilities available in Western Australia. Some queries related to the visa facilities, work permit for students and tourism guides were answered by Sonia Grincer and her office here in Mumbai as well.

The well-attended function was informative enough and served the true purpose of creating awareness about Western Australia as a paradise of tourism, education and sports.

The call of the minister was for India and Western Australia to be equal partners in building up a strong economic power in the Indian Ocean Rim.



AUSTRALIA-INDIA FOCUS

AUSTRALIAN LEGAL SERVICES MISSION TO INDIA

A senior Australian legal mission led by Solicitor-General Dr David Bennett AO QC, and Sir Laurence Street, AC KCMG QC, Chairman of the Australian Government's International Legal Services Advisory Council (ILSAC), travelled to India in March for talks with eminent members of the Indian legal community. The mission had a busy schedule, covering a wide range of legal issues as they travelled to New Delhi on March 15 and 16, through to Mumbai over March 17 and 18, and finally on to Bangalore on 18 and 19 March. While in Delhi, the mission had the opportunity to meet with Mr Arun Jaitley, Minister for Law and Justice, Commerce and Industry; Mr Soli Sorabjee, Indian Attorney-General, Mr Anil Baijal, Union Home Secretary; Mr Ramji Lal Meena, Secretary, Department of Legal Affairs.

The primary focus for the delegation was participation in the Australia-India Legal Dialogues 2004. There were two separate Dialogues - the first in New Delhi and the second in Mumbai - in order to give the Australian mission as much exposure as possible to the Indian legal community. The Australian and Indian participants met and discussed matters of mutual interest in areas such as legal cooperation, commercial law, professional regulation, legal education and training, arbitration, as well as developments in international law and legal services.

Dr Bennett QC said, "the discussions in Delhi, Mumbai and Bangalore will strengthen the good relations and friendship between these two legal professions which share so many common interests". Overall, Dr Bennett believed the talks were further evidence of the growing legal, judicial and institutional links between Australia and India, and provided a timely opportunity to highlight the capabilities of the Australian legal services sector.

The Australian Legal mission to India received

extensive coverage in the Indian press, both in Hindi- and English-language newspapers. The response to the mission from the Indian legal community was very positive. This was seen in both the calibre of the Indians who met with the mission (from both the government and private sectors) and in a proposal from the Indian side for a return visit to Australia by an Indian legal services delegation. In addition, the Bar Association of India has proposed a permanent working group be established in India to ensure ongoing collaboration with Australia in the areas of law and legal services.

The Australian mission drew its members from across Australia's legal sector, including the Attorney-General's Department, leading commercial law firms, university law schools and the Australian Government's International Legal Services Advisory Council (ILSAC). The Delhi Legal Dialogue was organised by the Australian Government, the Federation of Indian Chambers of Commerce and Industry (FICCI), the Supreme Court Advocates on Record Association, and the Indian Council of Arbitration. The Legal Dialogue in Mumbai was organised by the Australian Government in collaboration with the Bombay Bar Association. Both the Delhi and Mumbai Dialogues were supported by the Australia-India Council.

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AUSTRALIAN CORPORATES POSITIVE ABOUT DOING BUSINESS IN INDIA

Mr S Subramani, Associate Editor of the Hindu Business Line told an audience of corporate decision makers in Sydney to note that as Indians go to the polls in 2004, political parties on both sides are promising liberalisation. "Even the Chief Minister of West Bengal - a Communist state - is touring the world seeking foreign investment" he quipped. Participants at the lunch organised by the Australia India Business Council, with the support of Clayton Utz, included representatives from the legal,

investment banking, hospitality, education, resources, IT, insurance and agricultural sectors. Whilst the Indian market remains challenging, corporate leaders readily agreed that marked improvement in the business sentiment of foreign investors has occurred over the past couple of years. Consul General of India Mr M Ganapathi reminded guests that the majority of disputes involving foreign investors are decided in favour of the foreign investor.

A similar argument was presented by Adit Jain, Managing Director of IMA India, at the quarterly Asia Strategic Forecast briefings in Sydney and Melbourne. Adit briefed over 100 managers of multinational corporations on developments in the Indian manufacturing sector.

"Fifteen of the world's leading automobile manufacturers are now sourcing components from India. Hero Honda is the largest manufacturer of motorbikes in the world. Walmart is sourcing over 1 billion dollars worth of goods from India each year and Unilever, Clariant, Renault, BASF, Ciba, and Bayer are among the other manufacturing companies expected to increase their sourcing from India." Adit presented case studies showing the success of both Indian and foreign multinationals. "Hyundai Motor India (HMI), established in 1998, is now India's second largest car maker with revenues exceeding US 1 billion. The company's Chennai plant is the largest outside Korea. With research indicating India to be the lowest cost producer of small cars, the parent company plans to stop small car production in Korea, and transfer machinery, technology and R&D capabilities to HMI". Adit, who advises CEOs and CFOs of over 200 multinationals in India, noted that the strong growth in manufacturing is being driven by both demand and supply considerations cost and skill. "One hundred of the world's Fortune 500 companies have set up R&D facilities in India".

Improvements in infrastructure are promising, with turnaround time at ports dropping, the second phase of power sector reforms in the pipeline, privatisation of Delhi and Mumbai airports and development of the National Highway Development Project.

Chairman of the Australia India Business Council, Mr Neville Roach AO, urged Australian companies to pursue the the massive and diverse opportunities offered by the booming Indian economy seriously and with a real sense of urgency. "Given that the whole world is now beating a path to India's door, we

must be prepared to compete vigorously and demonstrate our long-term commitment, if we are to win a fair share of the phenomenal growth in trade and investment both into and out of India", he said.

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AUSTRALIA INDIA BUSINESS EXCHANGE PROGRAM

The Australia India Business Council's Business Exchange Program, supported by the Australia India Council, aims to give Australian businesspeople a much better idea of the realities of doing business in India. The Program is directed at employees of companies with established business links with Indian enterprises. Applicants must have the support and encouragement of their employer. A grant of up to \$10, 000 will assist the recipient to travel and live in India for a period of up to four months. To register your interest in the 2004-2005 Business Exchange Program, we invite you to contact the AIBC secretariat at info@aibc.org.au.

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WESTERN SYDNEY BUSINESSES CONSIDER GROWING BUSINESS OPPORTUNITIES IN INDIA

Asia Business Connection, with the support of the Australia India Business Council, held a seminar in Parramatta on 30 March to promote business between Australia and India. Asia Business Connection exists to provide the resources and the two-way communication necessary to encourage and enhance business relationships between Western Sydney organisations and potential markets, investment opportunities and investors in the Asian region. A panel of speakers provided insights into doing business in India. In his introduction the Consul-General of India, Mr Ganapathi, highlighted recent positive developments in the burgeoning trade relationship between Australia and India.

Mr Pranab Dasgupta, Vice President of Elecon Engineering Australia spoke of the business environment in India, and the importance of planning well and showing persistence in order to succeed in the Indian market. Elecon is one of India's

global companies. Over the last 4 decades, Elecon has grown to supply highly sophisticated bulk material handling equipment to companies in core sectors such as fertilizer, cement, coal/power generation,

chemical and steel plants.

Over 30 participants attended the seminar, including companies currently doing business in India and companies considering expanding their operations in India.

Executive Director of the Australia India Business Council, Mr Glen Robinson said "It is clear that India is opening up as a sound commercial target for medium-sized Australian companies from a wide range of sectors. Very successful and profitable export and joint-venture opportunities exist and many more are expected to develop over time."

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AUSTRALIA INDIA BUSINESS COUNCIL WORKS WITH STATE GOVERNMENTS TO PROMOTE BUSINESS LINKS WITH INDIA

Over 40 participants registered for *Opening the Door to Trade Opportunities in India*, a business breakfast seminar held in Brisbane on 6 April. A joint initiative of the Australia India Business Council (AIBC) and Queensland State Government, the Breakfast provided an opportunity for participants to hear about Queensland's export success in India, and identify potential export opportunities.

Master of Ceremonies, Hon. Mike Ahern, Queensland Representative for Africa, Middle East and India, shared his experience in leading a Queensland Trade Mission on tourism infrastructure to India in March 2004. Consul-General of India Mr M Ganapathi provided an update on the state of the Indian economy and budget, and briefed participants on India's upcoming elections. Mr Tom Spoll, a former Director at Ansell, spoke on the importance of developing sound business partnerships in India.

Ms Gayle O'Brien, Business Manager with Trade Division of the Queensland Government and Vice-Chairman of the AIBC, gave a detailed presentation on Queensland's Trade Missions to India in March 2004. The Missions included the Queensland government's first mining trade mission to India. "The mining trade mission was one of four trade missions to India in March 2004, in which Queensland companies participated. Other missions included the AIBC supported delegation to FRAMES 2004 in Bombay, a Tourism Infrastructure trade mission and a Higher Education mission, led by former state Minister Hon. Paul Braddy. In total,

around 40 Queensland based companies participated in these missions" she said. "Not only are we finding increased interest in doing business in India among a growing number of Queensland companies, we have also noticed an increase in the exposure of both Queensland and Australia within the Indian business community. There has been increased levels of interest shown by Indian firms wanting to do business with Queensland." The first Queensland mining trade mission in March coincided with a decision by Indian-based mining and mineral services giant VISA International that it would establish its Australian operations in Queensland. Queensland Premier Mr Peter Beattie welcomed the decision last month, revealing that "talks with VISA International

followed a meeting I had with Indian Minister for State for Mines Shri Ramesh Bais last year while leading a Queensland Government mission." The importance of a Government profile in advancing business negotiations in India was acknowledged by Victorian Premier Mr Steve Bracks, who announced in April his government will appoint a Victorian Trade Commissioner to India as part of a \$30 billion plan to boost Victorian exports. The *Opening Doors to Exports* plan will concentrate on several key markets and industry sectors, which have been identified by both government and industry as primary targets for export growth.

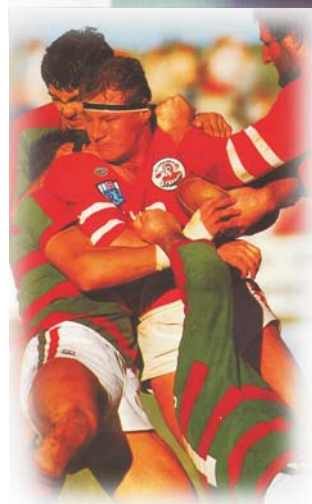
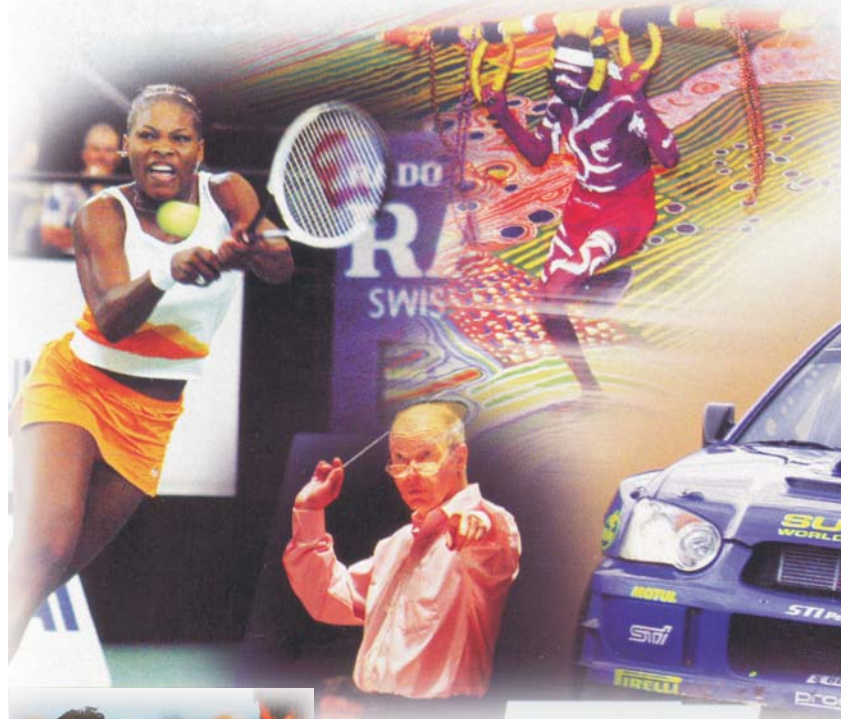
The overseas success of the biotechnology, tourism, food and agriculture, education and information and communication technology sectors will be leveraged with promotional programs centred on emerging markets in North Asia, India and the Middle East.

Victorian Vice-Chairman of the Australia India Business Council, Mr Shabbir Wahid welcomed the Victorian strategy which includes an expanded program of trade missions. "In particular, the appointment of a Victorian Trade Commissioner for India was very encouraging", he said, adding that the AIBC in Victoria would work closely with the state government to achieve the objectives of this export strategy.

The Australia India Business Council worked closely with the NSW government to organise a Trade Mission to Mumbai and Chennai in December 2002. This successful mission was followed with a second NSW mission to India in December 2003.

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India and AUSTRALIA BUILDING on their Fervor for SPORTS



Western Australia and the Sports Authority of India joined hands by signing a Memorandum of Understanding (MoU) in April 2004, thereby giving a boost to the sporting links between the two countries. Mr Robert Charles Kucera, Western Australia Minister for Sport and Recreation, visited India to build on the close partnership already established between Western Australia and the Sports Authority of India.

Both countries share the fervor for sports. Sports contribute greatly to our sense of identity and national pride. The purpose of the MoU is to strengthen sports exchanges between two countries, particularly in the lead up to the 2006 Commonwealth Games in Australia and 2010 Commonwealth Games in New Delhi. This further co-operation between the two countries can help them in raising the participation levels and competition standards.

The MoU signed by the Western Australian Sports Minister and Mr J P Singh, Director General, SAI, will embrace a broad array of possible sports collaboration and co-operation. This will include certain exchange programmes, training and attachment of coaches, visits by sports leaders and sports personnel, and mutual aid in the development of sports sciences. As a first step, a team of six sports experts from Western Australia will visit India in July this year to look into the areas of improvement.

Also in India as well Australia, sports being not just a recreation activity has become a saleable commodity. With sports links, trade and tourism will also get a boost. This is evident in Australia's effort to extend their technical expertise to the Government of India.



STEVE WAUGH Places His Trust in AMP Sanmar

- Launches three NEW products

Steve Waugh, the former Australian Test Captain and brand ambassador of AMP Sanmar Life Insurance

Co. Ltd., continues to bat for the insurance company in India by launching three new products in his recent visit to Mumbai. He was in the city as part of an annual promotion tour for the insurance company. His tour this year covered cities like Chennai, Madurai, Coimbatore, Mumbai, Pune, Ahmedabad and Kolkata.

"The new products, named Vani Shree, Vani Shree Plus and Raksha Shree Plus, are customized term products for catering to the need of the employed and the entrepreneurs," says Graham Meyer, Managing Director of AMP Sanmar. He also stated, "Steve Waugh has been a tremendous strength for the brand and has given it instant recall and also has helped the company break through the clutter across all our markets."

Addressing a press conference, he spoke about the joint venture between Sanmar and its Australian partner AMP and said, "To support the growth process,

an additional capital of Rs 35 crore has been pumped in to this JV." AMP has predicted continued growth in the Indian insurance, pension and group markets.

Vice-Chairman S V Mony outlined the company's future activities. He explained that to achieve - the target, three key factors need to be strengthened - the reach, the product and the client service -- with the expectation of brighter prospects in group insurance



and unit-linked segments.

India a good investment destination

AMP, the Australian Mutual Provident, and its funds manager, AMP Capital Investors, are looking for better prospects in India. Recently, they launched their second fund in this country to promote infrastructure development.

According to Graham Meyer, "AMP Sanmar rightly has the brand ambassador Steve Waugh, who signifies certain commendable values such as leadership, team spirit, strong ethics and a will to win. And AMP Sanmar stands for giving a perfect fit and strong brand value. This has also resulted to a strong brand recall value and his name; face is recognized in smaller towns in India."



CAIRNS SOMETHING FOR EVERYONE

Geography could not have got a better expression than what it has got at Cairns. The Great Barrier Reef. But the story does not stop there. The facilities for adventure sports and other recreational activities make it a perfect spot you and your family can look up to for the vacations. Cairns brings you in a close encounter with nature in a rare and fascinating way. Explore with *Leong Pik Yin*, Marketing Communications Manager, Tourism Queensland, Singapore.

Mention Cairns and the first thing that will pop to mind is probably the Great Barrier Reef.

While thousands of visitors make the pilgrimage to the northern part of Queensland each year to see the reef the world's largest natural wonder many are also discovering the other hidden gems in Cairns.

From hot air ballooning, skydiving and white water rafting, to World Heritage rainforests, wildlife parks and aboriginal culture, there is something for everyone at Cairns.

Its city life too is vibrant and colourful. Laid-back yet cosmopolitan, it boasts many alfresco cafes and restaurants, interesting shops and markets, as well as relaxing spas and tranquil resorts.

Great Barrier Reef

There are so many ways to explore the Great Barrier Reef. Besides snorkeling and scuba diving, you can marvel at the marine life in glass-bottom boats and semi-submersible boats.

There are also two exciting ways of exploring this underwater wonderland: the "Scuba Doo", an underwater bike fitted with a helmet pumped full of air, and the "Seawalker", a similar concept where you walk on an underwater platform with the helmet on.

There are also many gorgeous reef islands nearby, such as Fitzroy Island and Green

Island, which are located only 45 minutes from Cairns.

Cairns Family Fun

Catch the famous Kuranda Scenic rail from Cairns to Kuranda. The 100-year-old railway travels for 34 kilometres through lush rainforest, delves through 15 tunnels, bends around 98 curves and tip toes precariously over 40 bridges. The view, especially of the Barron River Falls, is awesome.

Besides the rail, you can also catch a ride on the world's longest rainforest cableway the 'Skyrail'. Marvel at the unspoilt rainforest as you silently glide above the tree canopy.

There are a host of things to do once the Skyrail or train arrives in the village of Kuranda. The markets are a delight to explore and the attractions such as the Butterfly sanctuary; Koala Gardens and Birdworld offer endless entertainment for everyone.

And at Rainforestation, located not far from the village of Kuranda, you can try your hand at boomerang throwing, among other fun-filled activities like watching army ducks, boomerang throwing, and Wildlife Park & Pamagirri aboriginal dance show.

In the evening, visit the Cairns Night Zoo. After some billy tea and damper by the campfire in the kangaroo pen, and a spot of interactive bush dancing, you can be sure you'll sleep well later.

Tjapukai by Night, an Aboriginal dinner theatre experience, is also not to be missed. As you tuck into a hearty buffet of Australian and Asian cuisine, you will be enthralled by their interactive song and dance. Before you know it, you'll find yourself joining in a corroboree around the campfire.

Adventure galore

Adventure activities abound in Cairns, which explains why it is widely known as the adventure capital of Australia.

Start your day with a hot-air ballooning ride at sunrise. The view is amazing, plus you round off the experience with a celebratory champagne breakfast.

Go on a full day or half-day White water rafting trip down the Tully River, voted Australia's number one rafting trip. You can be sure this will get your adrenaline pumping! And while you're on a roll, awaken the speed demon in you, as you charge up and down steep hills on an ATV (all terrain vehicle) bike.

For those will younger kids or not so confident in the



water, an option is a visit to one of the many reef islands. Both Fitzroy Island & Green Island are located only 45 minutes from Cairns and offer accommodation options for a 'reef sleep'.

There's also horse riding, fishing, sea kayaking and more. To end your adventures on a truly high note, take a leap of faith and try Tandem skydiving! It will be an experience you're not likely to forget.

Shopping & Dining

A great way to reward yourself after a day of exhilarating activities is to indulge in some great seafood and fresh local produce.

There are countless wining and dining options in Cairns, some of which overlook the harbour and the distant mountains. You will find everything from coffee shops and ice-creameries to bistros, wine bars, and seafood restaurants.

Shopaholics will also not be disappointed. Those who like trawling large malls can check out Cairns Central Shopping Centre and The Pier Marketplace, which offer a broad range of international and local wares.

The markets are another must-see. Rusty's Bazaar sells organic fruit and veggies, aromatherapy, clothes and books, among other things, while the Esplanade's Night Markets offer charming finds such as didgeridoos, cheap surf wear and Australian arts and crafts.

Then if you are feeling lucky, head over to The Reef Hotel Casino, a small but friendly outfit where you can try your hand at roulette, blackjack & baccarat.

Self Drive

A great way to explore the region is by hiring a car. If you have a large family, then hire a Tarago so that there is plenty of space for luggage and people.

An hour's drive over the range west of Cairns is the Atherton Tablelands. With its waterfalls, lakes and vast areas of farmland, the area makes a great day trip or stay in one of many quaint Bed

& Breakfast or rainforest chalets.

Don't forget to sample the local products such as locally grown coffee at the Coffee Works (Be sure to try the Chocolate Macadamia coffee!) and the unique, refreshing Mango Wine at the Golden Pride winery.

If you prefer to stay close to the coastline, head north and take in the spectacular coastline views while driving to Palm Cove and Port Douglas. If you are lucky, the local hang gliding club might even be cruising the sky in front of you.

Palm Cove

Just a 20-minute drive north of Cairns, Palm Cove looks a picture of charm and is an idyllic holiday destination in its own right.

From international standard resorts to self-catering holiday apartments, it offers terrific accommodation for all. Many boast spectacular views, such as Angsana Resort, which has spa and massage rooms with ocean views.

In addition to great facilities, Palm Cove has groves of huge paperbark trees, a palm fringed beach and a host of bird and wildlife. This self-contained little village boasts award-winning restaurants, art galleries, horse riding, golf and much more.

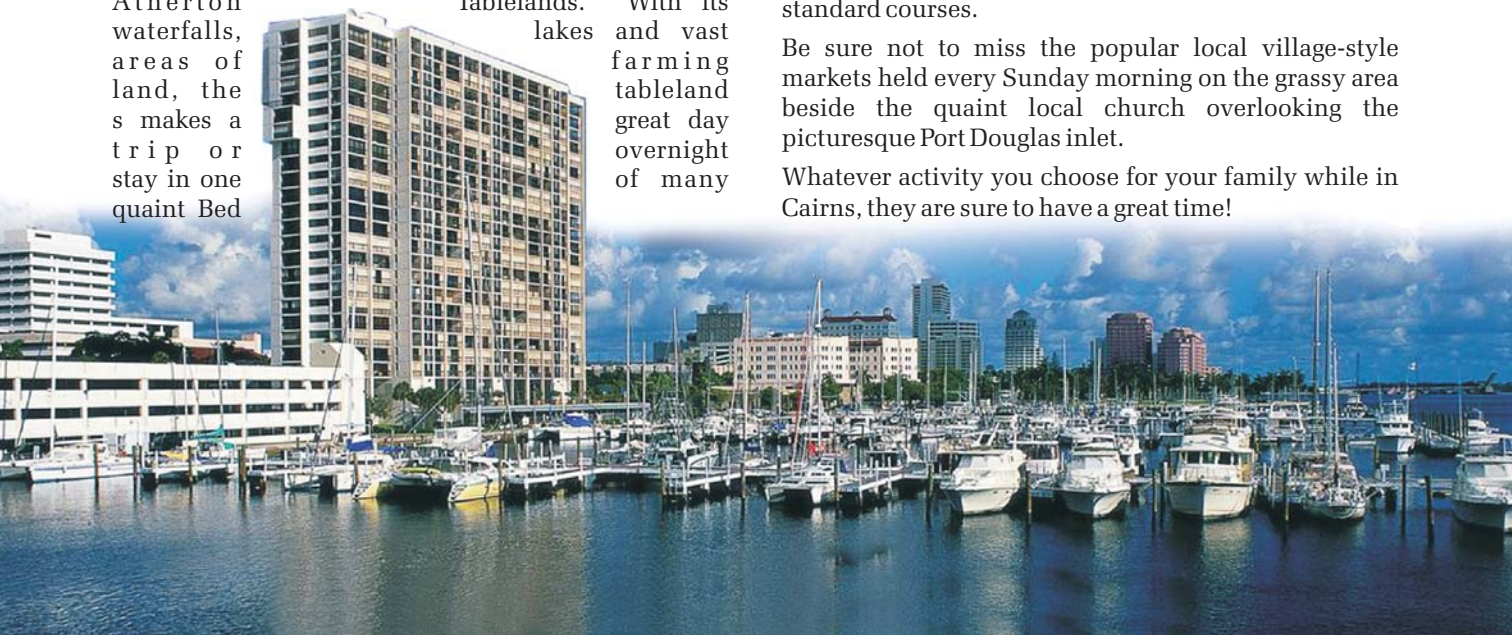
Port Douglas

The picturesque resort town of Port Douglas, just an hour's drive north of Cairns along a spectacular coastal road, is a unique combination of cosmopolitan cafés, sophisticated resorts and a close-knit village community.

Start the day by having 'breakfast with the birds' at Port Douglas's Wildlife Park Rainforest Habitat. Then soak up the sun by hiring a bike to ride along the Four Mile beach or hit a round of golf on a choice of international standard courses.

Be sure not to miss the popular local village-style markets held every Sunday morning on the grassy area beside the quaint local church overlooking the picturesque Port Douglas inlet.

Whatever activity you choose for your family while in Cairns, they are sure to have a great time!




MOIZ LOKHANDWALA

LOKHANDWALAS: Building Quality Products


ALI LOKHANDWALA

The Lokhandwalas are one of the leading builders of Mumbai. In an exclusive interview, *Mr. Moiz Lokhandwala* and *Mr. Ali Lokhandwala* told *G. Biju Krishnan* and *Tripti Chakravorty* of Indo-US Business that there are distinct signs of an upswing in the realty business with the availability of cheap housing loans. According to Mr. Moiz Lokhandwala, the products their company offer are of the best quality. "Quality is one thing on which we don't compromise," he added. 'Zahra' and 'Queen's Court' are some of the high premium products he is offering to NRIs and even foreigners. Mr. Ali Lokhandwala strongly felt that this is the time for the prospective buyers to choose apartments as a safe investment option. The following is the text of the interview:

As a premier construction company in the country, what is the scenario of the real estate industry? The industry has gone through some difficult times. Do you think that the 'feel good factor' has contributed to the turnaround of the industry?

The real estate industry has gone through bad times from, say, around 1996 to almost up to 2000. But now there are a number of products available. Gone are the days when there were investors (in flats). Now, there are actual buyers, because the prices have become realistic mainly because of housing loans which have come up left, right and centre. That is one major boost.

Secondly, as far as investments in gold is concerned, I do not know how lucrative people feel about it compared to a real estate. Say, for example, if a person were to buy a Rs.4,000 per sq. ft. property, they know the price is not going to dip to Rs.2,000 now, because the construction cost itself has gone up very high. The Rs.1,500-1,800 per sq. ft. is the land component. Besides, there are so many other costs involved. After that, if you are getting a product at the rate Rs.4,000, people are quite sure that this will not go down to Rs.2,500 or Rs.2,000. It could only fall to as low as Rs.3,800, or else you are going to get appreciation. Properties are springing up all over the country now. You really feel that the right price to buy has come about. And in the appreciation aspect some areas of Mumbai are having appreciation also. At least in our belt of Worli-Parel there has been considerable appreciation. There has been a considerable appreciation of the price in flats that has happened

recently.

When I started my career in the same area in 1996-97, we had sold some flats at the rate of Rs.3,000 and Rs.3,500 and today those very flats are selling between Rs.5,000 and Rs. 6,500. Why? Because it is Central Mumbai. It has become like the heart of the city. You will see many malls coming up in this part of the city. A number of commercial establishments have already moved in from Nariman Point. Many from the suburbs also have also shifted their offices to central Mumbai.

Another very immediate boost that I am foreseeing is that commercial and residential properties now may have two things: One, the builder-developer holds a few premises in the freehold property to lease them out which, in turn, would become an incentive for the builder also for long-term income. An investor may buy a Rs.5,000-10,000 per sq. ft. commercial site and keep it and later lease it out. These are some of the major reasons why development is taking place so fast. This was not the case in the past.

The second aspect is the housing loan. Housing loan was there then and now. In the past, the mere talk of taking out a housing loan suggested that you did not have money. Now, even if a person has money, he is taking out a housing loan for tax benefits. Suppose a flat costs Rs.50 lakh. In case the entire amount was to be paid at a time, it would put the buyer of the flat in a tight position. He would prefer to borrow a bit for a year or two, for he might have a crunch in his business. In case he is availing of a loan, it would put him in an easy position to repay within two years.

Yours is a premier company in quality constructions. What are the projects you have for the NRIs, foreign investors, corporates and multinational companies? Have you planned for any international projects?

All my projects are of international standard and we have many NRIs buying mainly from the Gulf countries. We also have clients from the West, such as the US. The products are as per international standards. The projects that we are offering, such as Zahra, are really a high premium product. We have another building called Queen's Court is also a highly placed product. Since the majority form Gulf clients, an office has been opened to take care of the business coming from that area. We are going to do our surveys, and if things move in a positive direction, we might get into international projects.

What about the past? Any international projects?

We have had foreign tie-ups with Swiss people. Canada is progressing very fast. We have still not decided to take funds from foreign banks and foreign institutions. We are planning to work out something on that. Slowly yet steadily we are taking some exposures with some financial institutions in our country. If we are doing some mega projects, we might approach some foreign banks too. Lending rate would make a lot of difference.

Today construction companies promise dream houses, but when the actual purchase takes place, most of the times the customer is in for a big surprise. Why is this so and what can be done to even out this problem?

We had always delivered 99 per cent of whatever we have showed in the model. In a building of 100 buyers it is virtually impossible to satisfy all of them. There will always be 10 per cent who will not be satisfied. Every person has a different vision altogether. When you see a realty building, you find it different from the brochures and pamphlets of the same building. Till date, we have tried our level best to satisfy all our customers. Once in a while there are one or two people who are never happy with whatever is offered to them. Whatever we have committed, we have fulfilled.

What has been the major thrust of your projects?

Our unique selling proposition has been quality, excellent elevation, and maximum amenities. We feel we have been quoting a reasonable price. We have tried to be fair as far as the pricing is concerned. Anything that is committed from our side is committed. Timely delivery --- if we commit to a particular month, we see to it that we make it by that month.

Are you bringing in new technology to the construction industry and how does India compete in the world of quality constructions?

Some of the technology that we use is imported. The contractors we hired use foreign technology, but not to a large extent -- mainly the equipment. We were planning to use shuttering and mass housing from Malaysia. It is in the pipeline and we have not yet finalised it. Materials, such as sanitaryware, can be imported from Singapore. Our designs are unique. It is more cost effective to import these shuttering materials if they



have standard designs. If it is a block, then it is easy and cost effective to import, but if the architect wants a curve here and a curve there, then that is difficult. We do not have a standard form which we follow throughout. Our equipment is Indian. The government policy at the moment is favourable and conducive to importing such items.

Foreign investment in real estate below 100 acres is not

to about two acres. Then this market will change drastically. It is not easy for a foreign company to come in and start off, since it takes a certain amount of tuning to work in the Indian system. It's almost like going ten steps backward. It is not just investment that is important, it's a lot of work with the concerned department.

We have foreigners buying our flats mainly NRIs. We have regular inquiries from people. Not so many in India but there have been foreigners who have moved into India. We even have foreign citizens who have chosen India as their permanent abode. They also come in to buy flats.

I do not know about India as a whole, but I do know about the quality practices some companies follow. It is our motto to deliver A-1 quality products. We have quality training programmes out here and we do not compromise on quality. We conduct regular quality control programmes and we also have ISO accreditation, which has helped strengthen our quality so we can deliver a good product. It also depends on what standards you set for yourself and make sure that everyone on the team complies with it. We follow all auditing procedures as best we can in this Indian scenario to be as quality conscious as we can.

Would you like to add anything more?

I feel India and especially Mumbai city is poised for a good position compared to what it was in the past. A lot of people ask this question. We have a good growth rate and the market is stable. So this is a good time to buy.

Mr. Ali Lokhandwala had this to add to what Mr. Moiz Lokhandwala said: "Real estate as an investment is, I would say, an excellent investment unlike the various options that are available for investment. People who have bought from me have over a period of time (two to three years) definitely made a 20-25 per cent return. What was happening in the

past was that in a short period between the boom and bust, many lost money in property. We start low and then we increase our rates by Rs.100 or Rs.200 per month. We are doing a lot in the surrounding areas, such as road beautification and removing the slums, which will continue to add value to the projects."

VALUE FOR MONEY

Asked how their company is different from other premier construction companies, **Mr. Ali Lokhandwala** said one of their unique selling propositions (USP) is value for money. "Secondly, we are more of a proactive kind of company. We try to give things first. We try to be leaders of what we give. We gave a swimming pool on the 14th floor of Lokhandwala Residency. Nobody so far has constructed a swimming pool in the middle of the building. We decided to give a squash court to our customers as a further value-addition to its constructions. Many builders charge separately for club membership fees; we do not charge anything extra for this amenity. Everything is inclusive in the cost of the flat.

"We are very reasonable in the pricing of the flats and, therefore, give value for money. When a building is ready, you will rarely find a flat that is unsold. Most of the flats are sold even before we give possession of the flats. We are ourselves constantly innovating, thinking, looking for new ideas, new things to bring to our customers. That way I feel we are more proactive than reactive to just follow the market trend. We want to be trendsetters. With respect to our marketing and advertising campaigns, we do not advertise a lot because we do not need to. But whatever we do and give is copied a lot by other people. The way we present things is copied a lot. Our competitors are always trying to find out how and what we are doing, which we get to know from our customers. We are innovative in what we do. We have a very good rapport with the people and our customers."

"Construction companies are always sending their information. We are not using any technology but we are approached by a number of foreign consultants. India has some of the best minds and just for the sake of having an international name is not necessary, but what we are after is the fast implementation of the projects. A timely delivery period is a little difficult, because what we have known is that the Indian mindset has not changed. A number of hotels that are coming up with international architects are going very slow. Because, something or the other is not available, causing much delay. The project is only extended. Right now, we do not need international consultants; a little bit of technology from the point of construction is concerned is fine. But that has to be validated with its cost factors, which is an important aspect. Another important thing is that the products that you again intend to use are being internationally used. There are chances that the construction costs might really flare up. They are tried, tested and used continuously. Suppose a new product comes, it will always be priced high because of import duties and other factors."

yet open. It is open for construction projects on 100 acres and above, which is not feasible in a city like Mumbai. I know the builders are lobbying for reform. Maybe at Dombivili and beyond you might get 100 acres at a stretch, but this will not be found within city limits. So they are lobbying to reduce the limit from 100 acres

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