Private equity funds pour into India Inc

REUTERS, *Mumbai/Hong Kong*

Private equity investment in India is accelerating, as rising borrowing costs and dormant public markets in Asia's third-largest economy push companies to cut deals with buyout firms in return for much-needed cash injections.

Unlike developed markets, India offers few buyout opportunities and the bulk of the money is deployed as growth capital, with average deals in the range of $25-$100 million.

But more deals are emerging now as India's entrepreneurs slowly lower their valuation expectations and dip into a large pool of capital held by private equity. India has the highest deal count for private equity backed M&A in Asia, with 89 deals worth $4.2 billion launched so far this year, according to Thomson Reuters data.

REUTERS

A man reacts as he looks at a large screen displaying India's benchmark share index on the facade of the Bombay Stock Exchange building in Mumbai.

Analysts say limited fundraising options should keep valuations inching down, despite the amount of money chasing limited opportunities -- industry specialists Bain & Co estimate as much as $20 billion of "dry powder" is looking for a home in India.

"Companies that are trying to access equity capital were earlier comparing private equity to the public markets," said Sanjay Nayar, Kohlberg Kravis Roberts & Co's head of India business.

"But equity capital markets are less accessible currently and companies that want to get the money raised are happy to access private equity," he added.

A 10 percent slide in India's main share index and 11 interest rate hikes since March last year means companies have to look beyond public markets and bank financing for capital needs. As a result, total equity raisings in the first half fell 42 percent from a year ago to $7.1 billion, according to Thomson Reuters data.

Earlier this month, mobile handset maker Micromax decided to pull its planned stock market listing, which was expected to raise about $150 million, citing poor sentiment.

Instead, the company raised about $45 million from private equity firms, which allowed it to avoid sharply lowering its share value to entice retail investors.

CAPITAL POOL

India is flooded with private equity firms looking for investments -- from global buyout shops like Blackstone, 3i Group and KKR, to homegrown firms like IDFC, IFCI and ICICI -- and a flurry of deals has emerged in recent weeks, as companies agree terms with buyout firms to meet capital needs.

The deals include India's second-biggest private equity investment of the year, with Apollo Global Management injecting around $500 million in Indian steel pipe maker Welspun group last month.

"There is a lot of money chasing deals in India because many private equity firms have raised huge amount of money to deploy in this country in the last couple of years," Vikram Utamsingh, head of private equity advisory at KPMG in India.

India's share of money raised for investment is still rising, according to data from London-based private equity research firm Preqin. Thirteen funds have raised $7.8 billion for direct investment in India this year, 8 percent of the global total. In 2010, India took 5 percent of the global total.

MUTED MARKETS

"If the capital markets remain muted in the next few months, you will see a sharp rise in private equity deal volumes. All the PEs have very strong pipelines and there are opportunities across all sectors," Utamsingh said.

Pipeline deals include TPG Capital's sale of its 20 percent stake in Shriram Transport, a deal valued at over 30 billion rupees ($674 million), and Reliance Communications potential sale of its mobile towers business.

"Entry level valuations remain a challenge, though we are seeing a degree of softness in sellers' expectations because they do realise that they need the money and there aren't too many options," said Anoop Seth, co-head of Asian infrastructure at AMP Capital, a unit of Australia's AMP.

But tough equity markets also mean that private equity firms will find it difficult to exit from investments in the near term, Seth said, delaying decent returns to limited partners and raising of new funds.

Deal sizes are also expected to remain small.

"I don't see buyout opportunities emerging in India any time soon. It's a cultural issue, no Indian entrepreneur wants to give up control over their company and there are no distressed assets available here for buying," Utamsingh of KPMG said.

Debt battle hits US business confidence

AFP, *Washington*

The grinding political fight over US government spending and debt is preventing businesses from pushing ahead with investments and taking a toll on the economy, economists say.

While data is limited, they say business and consumer confidence surveys show clear sharp drops in recent weeks related to the unclear direction of government policy and worries that failure to raise the country's debt ceiling before August 2 would further damage the economy.

"I think the debate in Washington is hurting the economy. It is showing up in the data. It's having a tangible negative impact," said Aaron Smith, a senior economist at Moody's Analytics.

He cited declines in recent business confidence surveys where "the deterioration has been more pronounced than what you would expect."

There is also anecdotal evidence of businesses saying they are holding off investment and hiring, though there are no aggregate measures of this.

"It seems like businesses may have held back capital spending," Andrew Gledhill, another Moody's economist, told AFP.

"They're clearly discouraged."

The political deadlock over the debt ceiling "is a real hangup right now" but, he added, "not the only hangup."

Given the near-stalled rate of economic growth -- an annual pace of about one percent for the first half, according to data released Friday -- US businesses have a lot to worry about.

But Smith and others said that surveys point to frustration with the political situation in Washington, with no clear direction on economic policy for months on end.

It is hitting consumers' willingness to spend as well, he added.

The University of Michigan's consumer sentiment index for July, released Friday, saw a sharp decline to its lowest level since October 2009, four months after the economy exited the worst recession in decades.

Apple, Samsung overtake Nokia in smartphone market

REUTERS

Noboru Kuwadaira, chief executive of plastic food model maker Suetake Sample, poses with iPhone cases decorated with sushi and eel rice bowl models at his company in Yokohama, near Tokyo on Friday.

AFP, *Hong Kong*

Apple and Samsung have overtaken long-time leader Nokia for the top two spots in the global smartphone market, a report said Friday, underscoring the Finnish handset maker's ongoing struggles.

US-based research firm Strategy Analytics said the US and Korean smartphone makers outpaced Nokia in the second quarter, with the sector posting record quarterly shipments of 110 million units, or a 76.3 percent year-on-year rise.

"Just four years after the release of the original iPhone, Apple has become the world's largest smartphone vendor by volume," the report said.

The US company's global market share grew to 18.5 percent, up from 13.5 percent last year, and propelling it to top spot in the smartphone market, Research Analytics said.

"Apple's growth remained strong as it expanded distribution worldwide, particularly in China and Asia," it added.

Samsung's smartphone market share in the second quarter jumped to 17.5 percent from five percent a year earlier, making its the world's second-biggest smartphone producer, the report added.

Nokia's market share meanwhile slumped to 15.2 percent from 38.1 percent during the second quarter last year, it said.

"This is a tough year for the company," Nokia spokesman Doug Dawson told AFP on Friday.

In terms of volume, Samsung sold 19.2 million smartphones in the second quarter, a whopping 519 percent increase from the second quarter in 2010.

Apple took the top slot with 20.3 million smartphones sold, with Nokia surrendering the lead for the first time with just 16.7 million smartphone sales.

Last week, Nokia reported only its second quarterly loss since 1998 with a shortfall of 368 million euros ($525 million), compared with a net profit of 227 million euros one year earlier.

On Wednesday, ratings agency Moody's downgraded Nokia's debt by two notches, citing the firm's lost market share. Moody's also said it was giving the new rating a negative outlook, meaning that it might lower it further.

"We're in a transition, but it's a necessary one to put down the foundation for a stronger Nokia," Dawson said.

Nokia's fortunes have been in a tailspin since February, when chief executive Stephen Elop, who had run the company for less than half a year, launched a radical strategic shift which included abandoning Nokia's smartphone platform Symbian in favour of a tie-in with Microsoft.

While admitting that the transition would be a rocky one, Nokia is gambling its future on the hope that in 2012, they can begin clawing back lost market share when the first Microsoft phones begin shipping in volume.

Google launches 'Hotel Finder'

AFP, *Washington*

Google, which purchased a leading flight software company earlier this year, has launched a new tool for finding hotels.

Hotel Finder is an "experimental search tool" designed to help users locate and book hotels, Google software engineer Andrew McCarthy said in a blog post.

Hotel Finder, which is restricted to the United States for now, lets a user refine their choice by geographic area using Google Maps and select hotels using various criteria including price, the number of stars and user ratings.

Users can create a "shortlist" of options before deciding to book a hotel directly or through online companies such as Priceline, Travelocity, Expedia or Hotels.com.

Hotel Finder is the latest foray by the Mountain View, California-based Google into the travel sector.

In April, the US Justice Department gave the green light to Google's $700 million purchase of flight data company ITA Software.

The Justice Department's anti-trust division, however, extracted a number of concessions from Google and imposed conditions on the Internet search giant to allow the acquisition to go ahead.

Several online travel sites, including Expedia, Kayak and Travelocity, had sought to block the Google-ITA deal, claiming it would give Google too much control over the lucrative online travel market and lead to higher prices.

Under the settlement with the Justice Department, Google notably agreed to let ITA customers extend their contracts into 2016.

India offers farmers more cash for land sales

AFP, *New Delhi*

Indian farmers could get six times more cash for their land under a new land acquisition bill aimed at accelerating industrial development in Asia's third-largest economy.

The bill is seen as key to defusing longstanding tensions over land purchases, a politically charged issue that has delayed mega-projects such as South Korea's planned $12-billion steel plant to be built in eastern India.

Industrialisation has been touted by economists as a way to create faster growth and pull hundreds of millions out of poverty.

But acquiring land for factories, roads, housing and other projects has created battlegrounds across traditionally agrarian India.

The legislation aims to "balance the need for facilitating land acquisition" for infrastructure, industrialisation and other development while "addressing the concerns" of farmers, a government statement late Friday said.

The bill, intended to replace a more than century-old law framed by India's former British colonial users, proposes giving owners as much as six times the currently quoted price for their land when it is taken over for development purposes.

Also the consent of 80 percent of project-affected families would be required if the government acquires land for industrial or other public use under the draft legislation.

The legislation is seen as vital to the ruling Congress party's bid to win support from farmers in local elections next year in India's most populous state Uttar Pradesh and national polls in 2014.

The Congress party is trying to assuage resentment of farmers who say their lands have been taken away cheaply and that they been left with no other means of livelihood.

AFP

US President Barack Obama greets Auto industry executives including GM Chairman & CEO Dan Akerson (R) and Ford President and CEO Alan Mulally (2nd R) as he arrives on stage to speak on fuel efficiency standards for model years 2017-2025 cars and light trucks Friday at the Walter E. Washington Convention Center in Washington, DC. Obama announced a historic agreement with thirteen major automakers to pursue the next phase in the Administration's national vehicle program, increasing fuel economy to 54.5 miles per gallon for cars and light-duty trucks by Model Year 2025.