

Why India is increasing its UK investments



India's Prime Minister Narendra Modi arrives at Heathrow Airport for a three-day official visit to the UK yesterday.

BBC NEWS

When it comes to Indian investment in the UK, among the most high profile is Tata Motors' ownership of carmaker Jaguar Land Rover.

Yet this is just the tip of an iceberg when it comes to UK firms owned by Indian businesses.

The visit to the UK by Indian Prime Minister Narendra Modi, which started yesterday, comes at a time when India is emerging as perhaps the strongest player among the so-called Bric nations - Brazil, Russia, India and China.

While the Brazilian, Chinese and Russian economies are all showing signs of slowing, India is booming. Shielded from China's slowdown thanks to its huge domestic market, India's economy is growing at a rate of 7 percent per year, putting it neck and neck with the Chinese.

And some of that Indian growth is finding new markets in the UK.

According to a report earlier this year from government department UK Trade & Investment (UKTI), India is now the third-largest source of foreign direct investment into the UK.

In 2014 alone, investment from India into the UK increased by 64 percent, and is now almost level with France, the UK's second-largest investor after the US.

Throughout last year, India invested in 122 projects in the UK, compared with 124 for France and 564 for the US. This meant that Indian investment created 7,730 new UK jobs in 2014, and safeguarded a further 1,620, said UKTI.

Meanwhile, the UK India Business Council, the non-profit body that aims to boost trade and business links between the two countries, estimates that the total value of Indian investment in the UK in the 2013 to 2014 financial year totalled £1.89 billion.

Overall there are now more than 800 Indian-owned businesses in the UK, employing more than 110,000 people.

In addition to Tata Motors, Indian IT firms Infosys and Wipro have UK operations. Meanwhile, sister Tata business, Tata Global Beverages, owns best-selling Tetley Tea; and Tata Steel has significant UK operations, despite recently announced job cuts due to falling demand and cheaper steel from China.

Aplesh Patel, of London-based private equity business Praefinium Partners, says that while the success of companies such as Tata and Infosys is well known, the quality of Indian small to medium-sized enterprises has improved significantly over the past 10 years, and many are looking to enter EU markets using the UK as their gateway.

He adds that the ease of doing business in the UK, as well as the English language and familiarity with UK institutions, also makes the UK an attractive proposition for Indian investors.

"Ease of business here is often overlooked and taken for granted," says Patel.

"We're used to comparing things in absolute terms - we might say it took ages to fill in a tax return for example - but we don't compare it with the same thing in India where it really is a pain."

He adds that one area that particularly appeals to Indian investors is the ease with which they can raise finance in the UK.

"They're often not looking for money from the UK to go into their company in India, but looking for UK money going into their UK operations. We really overlook the size and strength of our angel investor and venture capital community."

"Relative to companies in India, we're seen as an absolute haven in terms of access to capital if you've got a good business."

PricewaterhouseCoopers, says that besides the EU, the UK's historical connections with the rest of the world, including Africa, are key in attracting Indian investment. He adds that Indian firms are also keen to tap into British hi-tech expertise.

"Advanced engineering is a big strength for the UK," says Rajani. "High-end engineering, high-end advanced services, high-end pharmaceuticals are very interesting areas for Indian companies."

"Clearly at the high-end what is on offer in Britain is in a different league, and these things would take time for India to develop as it acquires its own talent."

Richard Heald, chief executive at the UK India Business Council, says that most of the investment in the UK is in the IT sectors and driven by Modi's policy of making India the world's hub for IT industries. He says: "A lot of the growth in indigenous Indian industries has to be sustained through technological development."

"If Modi's policies are to succeed then it needs to have exposure and involvement with a lot of the technological development, incubation, catapult centres, upstream technology companies that we have here. The Indians naturally look to us for that in the form of joint ventures, or acquisitions, or just investment."

Heald highlights pharmaceutical firms Piramal and Cipla as two other Indian businesses that have made significant moves into the UK.



Rubel Aziz, chairman of City Bank, receives the Best Consumer Digital Bank in Bangladesh award, for the second time in a row, by Global Finance, a North America-based financial publication, at an event in London.

CITY BANK

Signs of firm return to inflation 'have weakened': Draghi

AFP, Frankfurt

Signs of a return to healthy inflation levels are fading, ECB chief Mario Draghi warned Thursday, announcing the bank would re-examine the scale of its anti-deflation defences in December.

In a new sign that the European Central Bank could ramp up its controversial asset purchase programme to boost inflation, Draghi pledged to use "all the instruments available within our mandate" to put the eurozone back onto the path of positive price stability.

In March, the ECB launched a quantitative easing (QE) scheme to buy more than 1.1 trillion euros (\$1.2 trillion) in sovereign bonds at a rate of 60 billion euros per month at least until September 2016, in order to kickstart inflation, which eased to minus 0.1 percent in September before bouncing to 0 percent in October.

But Draghi told the European Parliament on Thursday that "signs of a sustained turnaround in core inflation have somewhat weakened", given persistently low oil prices, a stronger euro earlier this year and anaemic global growth.

From today's perspective, this suggests that a sustained normalisation of inflation could take longer than we anticipated in March when we first appraised the overall impact of our measures," he said.

While falling prices might appear to be good for consumers, they can be poisonous for the economy. Deflation can become entrenched if consumers delay purchases in the hope of lower prices later, which in turn prompts companies to hold off investment, creating a vicious circle of falling demand and fewer jobs.

Draghi said the QE programme could well run beyond next September if inflation does not return to the path leading to a target rate of 2.0 percent.

"Other instruments could also be activated to strengthen the impact of the purchase programme if necessary," he added.

At their last meeting in mid-October, the ECB had also hinted that it could use more ammunition to battle deflation.

Significantly, those stimulus measures could also include a possible further reduction in the bank's key interest rate, already at an all-time low of 0.05 percent, the ECB president suggested then.



MM Shammi Huda, director of Naafco Group, and Fouzia Nasreen, general manager of the Making Markets Work for the Jamuna, Padma and Teesta Chars (M4C) project, recently signed an agreement at Swisscontact office at Baridhara, Dhaka. Under the agreement, M4C will support Naafco Group in promotion and distribution of quality agro-inputs to help them expand to northern char markets.

World's biggest online shopping day nets over \$14b

AFP, Shanghai

E-commerce giant Alibaba said Thursday that Chinese and international consumers spent more than \$14 billion in the world's biggest online shopping day, as it sought to soothe worries over China's slowing economy.

The November 11 "Singles Day", which fell on Wednesday, has evolved into the globe's biggest online shopping festival since Alibaba began using the date in 2009 to promote sales through its platforms.

The \$14.3 billion worth of merchandise volume this year smashed through last year's tally of \$9.3 billion,

according to figures from Alibaba.

"This day demonstrates the power of domestic China consumption and the Chinese consumer's strong demand for international products," Alibaba chief executive officer Daniel Zhang said in a statement.

The total was more than double the \$6.6 billion recorded last year in online buying during the peak US retail period, the five days from the Thanksgiving holiday to the following Monday, according to Internet analytics firm comScore.

Alibaba's New York-listed stock has been hammered by worries over the Chinese economy, serving as a proxy for slowing growth. It closed down

1.94 percent at \$79.85 on Wednesday despite the shopping festival.

Chinese growth hit a 24-year low in 2014 and has slowed further this year, as it tries to shift from investment and exports to domestic consumption.

Under what leaders call the "new normal", the country logged its worst economic performance since the global financial crisis in the third quarter, with the economy growing just 6.9 percent.

In a bright spot, October retail sales -- a key indicator of consumer spending -- jumped 11.0 percent from a year earlier, the fastest increase since December last year, official figures showed Wednesday.

Amazon flies high in the internet cloud

AFP, San Francisco

Amazon is widely known for its prowess as an online retail colossus, but is also thriving when it comes to sending business aloft in the Internet cloud.

Cloud computing is among the fashionable and fast-growing technology trends, with familiar services ranging from free email to streaming Netflix via the Internet.

Internet industry giants have long been plowing cash into massive data centres and green energy sources to power cloud computing that essentially lets them use massive computing power to provide data and services to Internet-linked devices.

While titans including Apple, Google, and Facebook have resources and reasons to build their own data centres, it is more common for companies to spare themselves the cost and trouble by "renting" server space from cloud computing operations such as Amazon Web Services.

Ranks of cloud computing rivals range from specialty firms such as Rackspace to century-old technology veteran IBM, which is working to differentiate its offering by mixing in the smarts of its Jeopardy game winning Watson artificial intelligence.

"There is a huge race now to dominate what is called the public cloud," said Forrester analyst Dave Bartoletti.

"It is these giant data centres where any company can run applications and just rent infrastructure."

Amazon "pretty much invented this



Products are moved on conveyor belts inside Amazon's fulfilment centre in Spain.

REUTERS

market," getting into the cloud computing business about a decade ago, according to the analyst.

Amazon has poured money into building data centres, and surprised the market this year with word that its AWS subsidiary had a profit margin that soared during the first nine months of this year while revenue leapt 70 percent to \$5.5 billion. Analysts believe that AWS handles about half the world's public cloud business.

"AWS made the market its own" by the time rivals stepped in to challenge the company, according to Synergy Research Group analyst John Dinsdale.

"Importantly, AWS has remained extremely aggressive in investing in its

network, new service development, and pricing so that it has stayed ahead of its competition," Dinsdale told AFP.

While building up cloud computing infrastructure, AWS also ramped offerings with capabilities such as database management or help designing applications for the hot mobile market.

"Amazon has moved from just being a threat to people who run their own data centers to threatening any company that makes any type of technology, whether that's Oracle or IBM or HP or Dell," said Bartoletti. The heads of tech industry powerhouses Microsoft, Oracle, and Hewlett Packard in recent weeks have openly nodded to Amazon's prowess in the cloud.



Shamim Ahmed Chaudhury, managing director of AB Bank, and AZM Sakhawat, managing director of Social Development Foundation (SDF), attend the signing of a deal. Employees of SDF will enjoy special privileges with their salary accounts.

Lenovo reports Q2 loss

AFP, Hong Kong

Chinese technology giant Lenovo said Thursday it saw a loss for the second quarter following a restructuring plan, despite stronger sales in its mobile business. However, the loss reported by the world's biggest personal computer maker was narrower than analysts' forecasts.

"With strong execution, Lenovo acted swiftly and decisively to address challenges, while still delivering better-than-previous-quarter results," Lenovo chairman Yang Yuanqing said in statement on Thursday.

Lenovo had said that it would seek to slash costs by \$1.35 billion annually and cut 3,200 staff from its non-manufacturing workforce -- around five percent of its worldwide headcount, when it announced its first quarter results in August. "Going forward these actions are intended to drive meaningful run-rate cost savings of about \$650 million in the second half of this year and about \$1.35 billion on an annual basis," the firm said.

Global gold demand hits two-year high

REUTERS, London

Global gold demand hit its highest in more than two years in the third quarter as July's price drop boosted buying of jewelry, coins and bars, the World Gold Council said on Thursday.

Overall demand reached 1,121 tonnes in the last quarter, up 8 percent year on year to its highest since the second quarter of 2013. The rise was tempered by increased outflows from bullion-backed exchange-traded funds, however.

Bar and coin buying more than tripled in the United States to a five-year high of 32.7 tonnes, and also rose 70 percent in China and 35 percent in Europe. That followed a more than 6 percent slide in spot gold prices in July, their biggest

monthly drop in two years.

"The price dip represented a buying opportunity for people to dive into the market and increase their gold exposure," Alistair Hewitt, the World Gold Council's (WGC) market intelligence manager, said.

"The additional degree of uncertainty that has been imbued within people as a result of the financial crisis underpins people's desire for gold bars and coins. When you have that as an underlying factor, and you see a price dip, that represents an opportunity for you to increase your gold holdings." European demand was also lifted by concerns over Greece's financial position and geopolitical tensions in eastern Europe, the WGC said. Chinese demand, meanwhile, was boosted by the devaluation of the yuan.