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Comment/ Insight

Manipulation

While not immediately apparent, 'manipulation' by the Indian side is a significant and on-going 'cultural risk' to Western companies in India. Often difficult to detect, manipulation permeates most negotiations, documentation, formal due diligence processes and the interface with government officials.

Some indicators: Excessive friendliness and hospitality by the Indian 'partners' too soon; unusual requirements for upfront 'costs' to make things happen; situations where 'valuations' are in issue; professional advisors with undisclosed ties with the Indian side; over-zealousness in trying to make introductions to bureaucrats; reluctance and indignation on the Indian side in providing more information beyond strict legal and financial due diligence; reluctance to allow Westerners a direct interface with government officials; unexplained bottlenecks, hitches and official scrutiny that suddenly seems to afflict existing joint-businesses or proposed new projects – but apparently 'solvable' by the local 'partner'.

Culture 'Distractions'

Some Western executives worry about 'cultural conformity' when dealing with the Indians – a chink exploited happily by the Indian side. Crash 'culture courses taken by Westerners just before dashing off to India are more useful on holiday than for business. It is crucial during business dealings to pay attention to hard and soft aspects of people and the situation. An imbalanced preoccupation with "not offending culturally" distracts, invites manipulation and attendant risks. After all, 'politeness' and 'respect' are universal norms and not particularly 'Indian culture'.

NEXT TIME: 'Financial Bleed' and 'Undisclosed promises/ commitments' by Indian 'partners'.

Risk & Due Diligence

Scams in Defence Purchases

Indian media reports that India's Comptroller and Auditor General (CAG) are reviewing all procurements related to the Ordnance Factory Board (OFB) between 2003 and 2006. CAG found that of 18 contracts in 16 cases single bidders were left in the fray at the final stage during pre-qualification of bids after trials – thus defeating the rationale of competitive bidding. The contracts related to purchase of explosive detectors, thermal imaging binoculars for troops, air target imitators, combat diving equipment, remotely operated vehicles, helicopter-mounted surveillance system, and payload for UAVs and oxygen masks.

New Powers for India's Serious Fraud Investigation Office (SFIO)

In the wake of the Satyam Fraud scandal, India's premier agency to investigate white-collared crime, the SFIO, may be given new powers to search, seize, arrest and prosecute. The SFIO, a multi-disciplinary organisation, investigates big corporate frauds and is currently investigating about 31 cases across the country

PwC Damage Controls in Wake of 'Satyam' – India's Biggest Corporate Fraud

PricewaterhouseCoopers struggles to mitigate the reputational impact of the Satyam fraud in India. It is still unclear what action the government will take against the firm for the role of its Indian firm as auditor of Satyam and the alleged complicity in the scandal of two of its audit partners. With spiralling negative publicity and criticism, the firm has now set up an independent advisory board for external guidance.

[ArcelorMittal Plans to Exit \\$20Bn Indian Steel Project](#)

Delays and difficulties in procuring land for its proposed \$20Bn steel plants in India have brought ArcelorMittal close to pulling out. The sites are located in Orissa and Jharkand where farmers and political activists refuse to co-operate. Several months ago, activism also blocked a Tata plan for a Nano production facility in West Bengal, forcing its re-location. Meanwhile it is reported that steel output in India is expected to increase five-fold in five years.

[India to Set Up National Intelligence Grid](#)

By the end of September 2009 the Indian government intends to set up a NATGRID allowing designated officers in 11 Indian Central security and intelligence agencies – such as the Intelligence Bureau, National Investigating Agency and the Directorate of Revenue Intelligence- access to 20 databases held by public authorities, including Indian state banks, insurance companies, railways and airlines, immigration and income tax departments.

Business Creation

[Indian "Power" Challenges](#)

To sustain growth at 8 percent for the next 25 years, India has to ramp up energy supply by four times; By 2031-32, India must hike power generation from current 1,60,000 MW to 8,00,000 MW. Even with a 20-fold increase in nuclear power, it will contribute only 4-4.6 percent of need by 2031-32; Despite proven reserves of 95 billion tonne, annual output of coal is only 361 metric tonnes; Gas availability will treble in the next five years

[Indian Lunar Mission Finds Water](#)

A NASA instrument fitted on board India's Chandrayaan-1, India's maiden lunar mission launched on 22 October 2008, seems to have found evidence of water on the lunar surface. Though the mission was aborted pre-maturely, the finding is a boost for Indian ambitions in space exploration. The Indian Space Research Organisation (ISRO) plans to land a rover on the moon by 2013 and launch missions to probe asteroids and Mars, with a target of manned spaceflight by 2016 and a man on the moon in the 2020s. India's space ambitions open up vast opportunities for European space and satellite companies for providing collaborative technology and equipment.

[Private Ports Operators May Get to Fix Tariffs](#)

The Indian government is considering a remove the power to fix tariffs at 12 major ports of industry regulator Tariff Authority for Major Ports (TAMP). Private terminal operators such as Maersk, Dubai Ports World and PSA-Sical may soon determine tariffs for cargo, container handling and documentation based on market forces, stoking competition.

[Swiss FDI to India \\$4 Billion](#)

Switzerland is currently the 11th largest foreign investor with 150 joint ventures or subsidiaries of Swiss companies operating in India. Between April 2000 and December 2008, the total Swiss direct investment in India was estimated at \$ 4 billion

[Clinton Foundation to Help Fund Solar Project Ambition of Gujarat State](#)

US-based Clinton Foundation will support raising financing from multilateral agencies for a \$10 Billion 3000 Megawatt solar power project planned by the State of Gujarat - the world's largest solar power complex. The state has announced subsidies for the first 500MW of solar capacity to be developed and the cluster will develop a mixture of solar panels and solar thermal power plants on 12,000-15,000 acres of waste land. US and Spanish companies are to be engaged by the government. India aims to install 20,000 MW of solar capacity by 2020.

[IFC to Invest \\$1 Billion In Indian Companies](#)

IFC states that it will invest \$ 1 billion in India in its financial year beginning June 2009, having invested a billion in 2007-08. IFC will focus on projects in the infrastructure sector such as power, roads and ports and clean technology. In addition two IFC-supported funds, the Macquarie-SBI Infrastructure Fund and the IDFC Indian Infrastructure Fund, are to invest in equity stakes worth \$ 1.7 billion (Rs 8,500 crores)

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