

Indo-Arab business tie shape new international order: KPMG paper

India could explore USD 10 billion food product import market; Construction, Education, Healthcare and Tourism to add further impetus to bilateral trade between the two regions

New Delhi, Delhi, IND, 2008-04-22 17:15:55 (IndiaPRwire.com)

The remarkable growth in both the Arab and Indian economies has driven a huge interest in cross-border investments. Foreign Institutional investors (FIIs) and PE players from Arab countries are actively looking at investing in India under various industry segments and equity markets. Similarly, Indian companies are also gearing up to explore opportunities in the Arab world be it infrastructure, education or food retailing. A knowledge paper released by **KPMG** concluded the same during an investment projects conclave organized by **FICCI** and **Indo-Arab Economic Forum**.

Speaking at the release of the knowledge paper, **Mr. Richard Rekhy, Chief Operating Officer, KPMG India** said, *'Both India and Arab countries have been diligent in their quest for a co-operative approach towards a new international economic order. In the year 2006-07 India saw exports worth USD 110,920.49million and imports worth USD 161,648.35million to and from Arab countries. The vast complementarities in areas of food and food processing, education, tourism, healthcare, construction, real estate show enormous potential to harness this relation.'*

The report identifies some promising and potential business areas that have been analyzed, from the perspective of the existing scenario as well as future opportunity and growth potential. The major sectors that have attracted Arab interest include Infrastructure (US\$ 112bn), SEZs (\$12bn), Agro & Food processing (\$ 900mn), Real Estate (\$ 700mn) and Oil & Gas (\$ 500mn).

According to the Arab Organization for agriculture Development, Arab countries import USD 10 billion worth of food products per year. The substantial demand for processed food in the Arab countries and India's liberal food laws and government policies, in addition to its abundant agri-produce makes it an attractive market for further investments. Nascent but the rapidly transforming retail food industry has created business opportunity not only for domestic producers but also for overseas exporters.

In the construction sector the Indian government has pegged the construction component in infrastructure spending at USD 193bn, generating 28 percent revenue CAGR for FY07-10. Similarly, in the Arab world too, immense opportunities for infrastructure companies are present. Companies from both the countries have great potential to exploit the vast opportunities offered by the Arab world and India. Outsourcing of engineering activities by many multinationals to India has been increasing due to confidence over Indian engineering products. Arab countries are eyeing this segment in India. Increased investment in infrastructure which is expected to rise will further add impetus to this bilateral arrangement.

Various Indian and Arab companies are looking at striking strategic tie-ups in the baking and financial sector considering the enormous potential across both markets. Indians are saving USD 350bn every year and in the three years savings will touch USD 1trillion. With NRIs sending home some USD 6bn annually in remittances from the Arab world, the region is attractive to Indian banks too.

Education & tourism is increasingly becoming a major focus area for investments in both regions. A number of Indian B-schools have decided to establish offshore campuses in the Arab world, as the procedure to establish a foreign campus is straightforward. The Arab countries have a large pool of professionals that would benefit from customized executive education programmes. From the UAE, India has tourists even for the purpose of health and education. Medical tourism for example is now getting popular among the Arabs.

UAE, Bahrain, Qatar and Kuwait are some of the biggest investors in infrastructure projects in India. Residential, Commercial, hospitality and SEZs have been areas for companies to invest in India from the Arab world. In the recent past, Indian companies have signed a number of joint ventures with their Arab counterparts to develop various properties across the country.

Indian companies are collaborating with pharma companies in the Arab region to derive synergies based on their product knowledge and the marketing set-ups of the Arab companies. Bilateral agreements are also signed in areas of hospital management, consultancy and recruitment of Indian doctors and paramedical staff for government hospitals.

'The various occasions for high-level dialogue on business matters and regular exchange of delegations have established a sound basis for a constructive, mutual beneficial relationship', **added Mr. Rekhy.**

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For more information, Please contact:

Ruhee Dhar

Sr. Consultant - Integral PR Services