

India's top vehicle maker to bid for \$3.5b defense projects

NEW DELHI (Xinhua) — The defense systems unit of India's top vehicle maker Mahindra and Mahindra will bid for domestic defense projects worth 3.5 billion U.S. dollars over the next seven years, its chief executive said on Tuesday.

"Most of them (projects) will come from artillery systems and armored vehicles," Khutub A Hai, head of Mahindra Defense Systems, India's largest manufacturer of armoured vehicles, said in an interview.

His firm hopes to ramp up revenues to 430 million U.S. dollars by 2016 through joint ventures from the current 21.7 million U.S. dollars, Hai said in New Delhi.

"By 2016, we are targeting a turnover of 20 billion rupees and I think even the world realizes that the next big market, as far as defense is concerned, is India," Hai said.

Mahindra has spun off its defense business into mainly two fully-held units focusing on land and naval systems.

The land systems business has federal government's approval for a joint venture with BAE Systems that will take effect from Dec. 1 with an initial investment of 21.7 million U.S. dollars, Hai said.

The company plans to design and co-develop mine protection vehicles along with BAE Systems.

"We will be showing it to paramilitary forces and showcasing it at defense-expos," Hai said.

The firm is also looking at acquisitions to grow its defense market share and participate in offset projects with foreign companies.

Indian defense companies will gain access to a potential 100 billion U.S. dollars market over the next 10 years, following a new policy that was announced last month allowing domestic firms to bid for large defense contracts.

India, one of the world's biggest arms importers, wants to increase the role of its private sector which accounts for around one-fifth of the industry market share.

China's biggest car maker expects about 30% surge in 2009 sales

GUANGZHOU (Xinhua) — China's leading automotive corporation, the SAIC Group, expects to sell 2.65 million vehicles this year, a roughly 30 percent rise from a year ago, a company official said Monday.

The SAIC Group, or Shanghai Automotive Industry Corporation, sold a total of 2.17 million vehicles in the first ten months this year. "Sales for the whole year will likely hit 2.65 million units, surpassing Suzuki and Fiat to become the world's eighth largest car company," said Group vice chairman Chen Hong.

Chen made the remarks while attending an auto show held in southern Guangzhou city, Guangdong Province. The Group sold about 1.83 million units last year.

Chen said due to the impact of the global financial crisis, multinational car companies had not fared well this year, while the SAIC group benefited from the booming car market in China.

In January this year, the Chinese government approved a series of industrial support packages including tax cuts and subsidies for car purchases in a bid to spur consumption. This had driven car sales to record highs.

Asian stocks fall on share-sale concerns; dollar, yen advance

Asian stocks fell, led by Chinese and Japanese banks, on concern they will be forced to raise more capital. The dollar and the yen rose as investors pared bets on higher-yielding assets.

The MSCI Asia Pacific Index lost 0.9 percent to 116.67 at 4:29 p.m. in Tokyo as the Nikkei 225 Stock Average sank 1 percent in its longest losing streak since July. Sumitomo Mitsui Financial Group Inc. and Mitsubishi UFJ Financial Group Inc. slumped at least 3 percent after Standard & Poor's said they were among banks with the weakest capital.

Europe's Dow Jones Stoxx 600 Index slipped 0.6 percent to 246.96, led by banks. Futures on the Standard & Poor's 500 Index lost 0.3 percent.

Investors retreated from riskier assets Tuesday as Japan's Finance Minister Hirohisa Fujii said monetary policy is key to fighting deflation, signaling the central bank should do more to stem price declines. Stocks in MSCI's Asian gauge are priced at 1.5 times the net worth of assets, near the highest levels since September 2008. A global rally Monday drove the MSCI World Index up by the most in two weeks.

"Markets have had a huge run on expectations of a recovery," said Matt Riordan, who helps manage about \$5.1 billion at Paradise Investment Management in Sydney. "We're in a period now where signals that the recovery has been priced in are coming through. The market is discriminating a lot more."

Financial companies were the biggest drag on the MSCI Asia Pacific Index.

Sumitomo Mitsui, Japan's second-largest bank by market value, lost 4.4 percent to 2,690 yen after the Nikkei newspaper said the country's banks are preparing a new round of share sales. Mitsubishi UFJ sank 3 percent to 458



yen.

Seeking haven

Lloyds Banking Group Plc is expected to price its 13.5 billion-pound (\$22.4 billion) rights offering at 36 pence a share Tuesday, keeping the discount at the narrowest level of the price range outlined in the prospectus this month, Financial Times reported. UBS AG dropped 2.4 percent to 16.1 Swiss francs. Deutsche Bank AG, Germany's largest bank, fell 1.6 percent to 50.13 euros.

The Hang Seng Index dropped 1.5 percent to 22,423.14, having surged 100 percent from this year's low on March 9. Bank of China Ltd., the nation's No. 3 lender, dropped 4 percent to HK\$4.62. The bank said it is studying "various options" to replenish capital in order to ensure sustainable growth. China Construction Bank Corp., the nation's second-biggest bank, slid 3.4 percent to HK\$7.15.

China stocks

The Shanghai Composite Index dropped 3.5 percent, the biggest loss

in almost three months, on concern the recent rally outpaced prospects for earnings growth. SAIC Motor Corp. dropped 4.6 percent, paring a monthly advance to 15 percent and Suning Appliance Co., the nation's biggest home appliance retailer, fell 5.5 percent from an 18-month high.

"Share prices have gained too quickly and earnings have yet to catch up with the rally," said Xu Lirong, a Shanghai-based fund manager at Franklin Templeton Sealord Fund Management Co., which oversees about \$2.6 billion.

The U.S. government's revised figures for third-quarter gross domestic product, due Tuesday, may show the world's largest economy expanded at a 2.8 percent annual rate, compared with the 3.5 percent estimated last month, according to the survey. The revision will reflect a bigger trade gap and weaker retail sales in September, economists said.

Home prices

The S&P/Case-Shiller home-price

index declined 9.1 percent from September 2008 after an 11.32 percent year-over-year decrease a month earlier, according to the median forecast in a Bloomberg News survey. A separate report Tuesday may show consumer confidence slipped this month.

The dollar and yen rose against all the rest of the 17 most-traded currencies tracked by Bloomberg. The dollar climbed 0.4 percent to \$1.4904 to the euro, while the yen rose 0.3 percent to 132.15 against the European currency.

The Dollar Index, which IntercontinentalExchange Inc. uses to track the greenback against the currencies of six major U.S. trading partners, added 0.4 percent to 75.347. The gauge sank as much as 0.9 percent Monday.

Japanese bonds signaled growing expectations for deflation. The eight-year breakeven rate, or the yield differential between conventional and inflation-protected Japanese government securities, fell two basis points to minus 1.14 percentage points Tuesday.

That suggests traders expect consumer prices to decline an average 1.14 percent over the next eight years.

Consumer prices

"There's no doubt that this deflation has been caused by weak demand," Finance Minister Fujii said at a news conference in Tokyo Tuesday.

Asian currencies fell, led by the Philippine peso and Indonesia's rupiah, on speculation central banks in the region will favor slower rates of appreciation to support exporters. The peso dropped 0.3 percent against the dollar to 47.04, while the rupiah fell 0.6 percent to 9,513. Malaysia's ringgit lost 0.4 percent to 3.388.

The cost of protecting Asia-Pacific corporate and sovereign bonds from default declined as investors bet on improved creditworthiness in the region. The Markit iTraxx Asia index of 50 investment-grade borrowers outside Japan fell 2 basis points to 105.5 basis points in Singapore. Deutsche Bank AG prices show. iTraxx risk benchmarks in Japan and Australia also fell.

Default swaps

Credit-default swaps pay the buyer face value if a borrower defaults in exchange for the underlying securities or cash equivalent. A basis point, or 0.01 percentage point, is equivalent to \$1,000 a year on a contract protecting \$10 million of debt.

Gold for immediate delivery fell 0.1 percent to \$1,164 an ounce, trading below its \$1,174 record reached Monday. Gold is up 32 percent this year as the Dollar Index fell 7.5 percent.

"With the kind of price rise we've seen in the past two weeks, there's bound to be small corrections along the way, especially when the dollar shows signs of resilience," said Steven Zhu, head trader at Shanghai Tonglian Futures Co.

Crude oil traded at \$77.49 a barrel after failing to break through resistance at \$80 a barrel and before a government report expected to show U.S. supplies rose last week as fuel demand weakened, according to a Bloomberg News survey.

(Source: Bloomberg)

Baosteel takes over stake in Australian coalminer

SHANGHAI (Xinhua) — Baosteel Group, China's leading steelmaker, announced on Monday its acquisition of 15 percent stake in Aquila Resources, an Australian iron ore and coal company.

The 286 million Australian dollar purchase (265 million U.S. dollars) has made Baosteel the second largest shareholder of Aquila, said the Chinese company based in Shanghai.

The transaction is an important strategy for Baosteel's overseas expansion by securing long-term supply of critical raw materials for its steel making business, said the company.

The deal will help the Australian company source low-cost financing from Chinese institutions to support its projects.

Tony Poli, executive chairman of Aquila said on the com-

pany website, "The company now looks forward to developing its relations with Baosteel to the mutual benefit of both companies."

The deal was approved on November 13 by China's top economic regulator, the National Development and Reform Commission (NDRC), and it was Baosteel's first large strategic investment in a foreign public company.

The two companies signed an agreement on the acquisition in August this year and got nod in October by Australia's Foreign Investment Review Board (FIRB), which limited Baosteel's stake in the Australian company to the utmost 19.9 percent.

Under the terms of the deal, Dai Zhihao, a vice president of Baosteel, will step in as a board member of the Australian coalminer.

China State Construction wins U.S. subway deal

BEIJING (Xinhua) — China State Construction Engineering Corp., the largest contractor in China, has bagged a subway ventilation project worth about 100 million U.S. dollars in New York's Manhattan area, China Daily reported Tuesday.

The deal marked the construction giant's third order in the United States' infrastructure space this year, the newspaper said.

In the first three quarters of this year, the Chinese construction giant signed more than 2 billion U.S. dollar worth of contracts in the U.S. market. It was also the contractor for a high school, a railway station and the Chinese embassy in the U.S.,

according to the newspaper.

Despite the progress made in the U.S. market, the Middle East, Asia and Africa remain the state builder's key markets. The value of its contracts in Algeria this year increased 32 percent year-on-year, exceeding 800 million U.S. dollars, and the value of its contracts in the Middle East surged 62 percent year on year, also exceeding 800 million U.S. dollars.

Nevertheless, the domestic market is still the largest contributor to China State Construction's revenue, mainly due to strong property sales and infrastructure sector projects, said the newspaper.

Toyota gets 14,000 pre-sale orders for SAI hybrid

TOKYO (Reuters) — Toyota Motor Corp said on Tuesday it had received about 14,000 orders for the new SAI hybrid sedan to go on sale in Japan on Dec. 7, or roughly five times its monthly sales target of 3,000 units.

The world's biggest automaker said in a statement the high-end car's fuel economy, comparable to a compact car, and tax incentives worth up to 280,000 yen were behind the strong



interest.

Toyota unveiled the SAI, the brand's second dedicated hybrid car, on Oct. 20. The car, which is a repackaged version of the Lexus HS250h, has a starting price of 3.38 million yen.

Gasoline-electric hybrid cars have enjoyed strong sales in Japan thanks to generous subsidies and exemption from certain taxes.

Tata Communications to build new cable in Persian Gulf

MUMBAI (Reuters) — Indian telecoms services firm Tata Communications said on Tuesday it had signed agreements with operators in the Middle East to build a new cable system for the region.

The telecoms cable will connect the region to the world's major business hubs through the company's existing Tata Global Network, it said in a statement to the Mumbai stock

exchange.

Financial details were not disclosed. The agreements were signed with Bahrain Internet Exchange, Nawras of Oman, Qatar Telecom, Mobily of Saudi Arabia and Etisalat in the United Arab Emirates.

The companies will also be landing partners for the cable in their respective regions, Tata Communications said.



BHP said to seek \$500m for Ravensthorpe nickel mine

BHP Billiton Ltd., the world's largest mining company, aims to raise as much as \$500 million selling its shuttered Ravensthorpe nickel mine in Western Australia, a person familiar with the process said.

The Melbourne-based company expects at least four bids before Wednesday's deadline, said the person, who declined to be identified because details of the sale haven't been made public. Perth-based Poseidon Nickel Ltd., chaired by billionaire Andrew Forrest, is likely to be among the bidders, two people connected with the sale said. Minara Resources Ltd. said this month it may bid for the mine and was "exploring" funding options.

BHP closed the \$2.2 billion Ravensthorpe mine this year after the price of nickel plunged. In July, it sold the Yabulu refinery, which processed material from the mine, to Australian billionaire Clive Palmer for an undisclosed sum.

"We have been saying all along we are looking at divestment, potential restart or a permanent closure and we expect to be able to update people by the end of the calendar year," Samantha Evans, a spokeswoman for BHP, said by phone.

Nickel resource

The open cut mine had reserves of 235 million metric tons of nickel ore, with capacity to produce 50,000 tons a year of contained nickel and 1,400 tons of cobalt, according to an October 2008 presentation on BHP's Web site. Bank of America-Merrill Lynch is helping the company study options for the mine, BHP has said.

Poseidon Chief Executive Officer David Singleton and Minara CEO Peter Johnston declined to comment when contacted Tuesday. State-owned China Metallurgical Group Corp. and Canada's First Quantum Minerals Ltd. are also expected to bid, the person said.

No one was available to comment at First Quantum's Perth office. Qi Dongping, a spokesman for China Metallurgical in Beijing, couldn't immediately be reached for comment.

BHP included a one-time charge of \$3.6 billion for closing the mine in its financial accounts in the year ended June 30. It announced the closure on Jan. 21 when nickel for delivery in three months was trading at about \$10,905 a ton. It has since gained 54 percent to trade at \$16,750 a ton at 8:28 a.m. local time on the London Metal Exchange.

(Source: Bloomberg)