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India belongs on the Security Council

National Post

May 7, 2005

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It is a wonder India exists at all. With more than 1.1 billion people, more than a dozen major languages, thousands of castes and sub-castes, some of the world's worst poverty and scores of security threats, both external and internal, it seems a country ripe for dictatorship or, worse, fragmentation into dozens of bickering fiefdoms. Yet not only is India unified, it is prosperous, stable and democratic. Although China has received more world attention in recent years, it is just as likely India will emerge as the world's next economic superpower, and Canada is uniquely positioned to assist and to benefit.

India's emergence as a near-developed nation is the direct result of economic liberalizations made by Manmohan Singh, the current Prime Minister, when he was finance minister in the government of Narasimha Rao from 1991 to 1996. Over vigorous -- and occasionally violent -- opposition, the Oxford-trained economist lowered tariffs, reduced regulation, sold off state-run companies, ended scores of redundant social programs and eliminated most foreign-investment barriers. Under Mr. Singh's reforms, it was no longer necessary for all manufacturers to be at least 51% Indian-owned. Nor did the central government retain monopoly control over most resources companies. As a result, international capital has flooded into India's textile, automobile and high-tech sectors, as well as its oil and gas industries. With the help of education programs that encouraged young Indians to take advanced degrees -- at home and abroad -- particularly in engineering and computing science, India's has become one of the fastest-growing economies in the world. Annual growth has been 6% or more in most years since the mid-1990s.

The success and popular acceptance of these reforms is demonstrated by two changes of government since 1996, without any major climb-down. When the BJP (Bharatiya Janata Party) replaced Messrs. Rao's and Singh's Congress (I) government nine years ago, it was on a platform largely opposed to the changes. But Indian voters signalled that they had elected the BJP more to clean out the long-standing Congress government, which had become rife with corruption, rather than dismantle its largely successful reform package. So the BJP preserved the reforms. Then last year, when Congress regained control of Parliament, it was only able to claim power with support from India's Communist parties. This might have been a recipe for disaster. Yet, when Mr. Singh, a Sikh -- who became the country's first non-Hindu prime minister (another sign of the maturity of Indian democracy) -- announced plans to open up the still heavily regulated retail sector the way he had opened up the industrial sector a decade ago, not even his Communist partners flinched.

India also seems to be managing its security threats ably. Despite Pakistani violations of a 14-month-old ceasefire along the Line of Control -- the disputed Indian-Pakistani border in the Kashmir -- in January, India forged ahead with plans for a summit between the two country's leaders. It reinstated bus service between the two halves of the Kashmir last month despite terrorist attacks, revived a bilateral trade commission, released Pakistanis detained on the Kashmir frontier without travel documents and is negotiating with Pakistan for a pipeline right-of-way to bring natural gas from Iran.

India has also been an integral part of the war on terror. Its justly renowned foreign intelligence service, the Research and Analysis Wing -- which must watch threats from jihadis, Maoists and militant Hindus in Nepal. Bhutan, Bangladesh, China and other nations -- is said to have provided key intelligence to fight against the Taliban in Afghanistan and al-Qaeda in Southeast Asia.

India, too, has largely abandoned its anti-Western, pro-Communist foreign policy of the 1970s and 1980s, when it was one of the misnamed Non-Aligned Countries organization.

The West would do well to recognize these actions by India, and in more ways than increased trade. The U.S. should continue to arm India as a counterbalance to both China and the jihadis in neighbouring regions. Canada and the rest of the developed world should press, too, for India to be made a permanent member of the UN's Security Council.

While the 21st is widely thought to be China's century, India may yet have something to say about that.

NATIONAL POST
BUSINESS

May 6, 2005

FEATURES

THE NEW INDIA

canada.com News

Underdog becomes a superpower

pecial

Brian Hutchinson, with files from Jason Kirby
National Post

May 6, 2005

DELHI - The contrasts that define and challenge this massive country come into view the moment the airplane touches down at Indira Gandhi International Airport. Outside the main terminal sit rows of private jets, gleaming indicators of India's new affluence.

CREDIT: Robert Nickelsberg, Time Life Pictures, Getty Images

Highrises loom near slums in India, which has one of the world's fastest-growing economies and 300 million extremely poor.

Skyscrapers and luxury hotels loom in the distance, in Delhi's posh southern suburbs.

The picture inside the terminal is less impressive. The arrival hall is a mess. Walls and ceilings are stained, the lighting is dim, the air circulation feeble. Passengers must take care to avoid the mosquitoes that swarm the terminal's gloomy luggage area -- you can contract malaria here. Washrooms are filthy.

Outside, aggressive taxi drivers attempt to extract extravagant fares from unsuspecting visitors. Those who refuse to pay more than the official rate risk being stranded curbside. "Half of what you need to know about India, you'll learn at its airports," says Terry Rule, a Canadian construction expert who recently moved here from Vancouver. "They're busier than ever, but they're falling apart."

Airports aren't the only things here that badly need upgrading. Much of India remains underdeveloped -- per capita income is $600 a year. The country needs to invest an estimated $185-billion to improve its roads, ports, communications systems, and water and power facilities.

The good news? After decades of post-colonial brooding and isolationist policies, India is now open for business. Trade barriers are being dismantled. Foreign companies -- many of them Canadian -- are lining up to make deals inside Bangalore's glittering high-tech parks, in Mumbai's mushrooming financial district and here, in India's capital.

Blessed with abundant resources, a highly skilled workforce and a growing manufacturing base that produces, among other things, more than a million automobiles every year, India boasts one of the world's hottest economies. It's also making friendly overtures with Pakistan after years of hostilities that often threatened to explode into a nuclear war. The road to peace started with a series of cricket matches. Now the neighbours are talking about collaborating on a 2,615-km pipeline for natural gas from Iran.

National Post and National Post Business magazine sent two reporters to witness firsthand India's astonishing transformation, from perennial Third World underachiever to emerging superpower.

They each spent three weeks crisscrossing the subcontinent, interviewing dozens of business leaders and visiting a diverse assortment of Canadian-led projects. Their series, "The New India," begins today. It reveals a society that is confronting challenges once considered insurmountable, and a culture grappling with rapid change.

"We see it all around us, in the stores and on the roads," a middle-aged engineer named Rishi Nair told reporter Jason Kirby. "Those who had to walk five years ago, now own a scooter. If you had a scooter, you now have a car. And if you had a car, you now own two." That may reveal more about contemporary life in India than the stream of numbers served up by economists.

But statistics do help measure India's progress over the past 14 years, when the government introduced reforms, opening the door to direct foreign investment, and lowering tariffs and taxes. India's advanced technologies sector has grown exponentially. Since 1993, software and technology-services exports have risen 40 times. The country's gross domestic product has jumped an average of 6% a year.

India continues to enjoy one of the fastest-moving economies in the world. GDP is expected to rise about 7% this year, well ahead of inflation. And according to a new Deutsche Bank study, the country will be among the world's top five "growth centres" over the next 15 years and will boast the fourth- largest economy in the world by 2020. Currently, it sits at No. 12.

All this invites comparisons to India's huge neighbour to the east. "The 21st century will belong to India and China," India's Prime Minister, Manmohan Singh, declared this year. Both countries began to retool their economies in the early 1990s, and each has an enormous pool of human capital, with a growing class of consumers.

But the similarities end there. Not constrained by social concerns or political opposition, China moved more quickly with reforms. It set to work upgrading its infrastructure, building new roads, dams, railways and airports. And China did it all with help from foreign multinationals.

India has proven less agile. Development has proceeded more slowly inside the world's largest democracy. Foreign investment has been encouraged, but bureaucratic red tape and wide-scale corruption rebuff potential Western partners.

Despite reforms, says Rodrigo Rato, head of the International Monetary Fund, India's economy remains relatively closed, at least compared with other Asian countries. "India lags well behind much of Asia in attracting foreign direct investment," Mr. Rato recently told a group of Indian business people.

China leads India in virtually every economic category--it's at least 10 years ahead in infrastructure development, deemed essential to foster economic and social progress.

Big-city airports are hardly a worry for most Indians. Two-thirds of the country's 1.1 billion residents live in rural areas, without basic amenities like clean water. This year, on a march honouring the 75th anniversary of Mohandas Gandhi's protest against a British colonial tax on Indian salt, the Mahatma's great-grandson complained not enough has been done to alleviate hardship. At least 300 million Indians live in extreme poverty. "I'm shocked by the state of many of the villages," said Tushar Gandhi. "There's been almost no progress since [the Mahatma] was here. What's the point of India becoming a global economic superpower if it's still so backward?"

But efforts are being made to address the gulf between India's poor and its rich and middle class. In February, the country's Finance Minister pledged US$5-billion for infrastructure improvements -- to provide drinking water for more than 74,000 rural settlements, to electrify 125,000 villages and deliver phone service to 67,000 areas.

Perhaps best of all, India is funding the improvements itself. The country no longer needs cash injections from such lending institutions as the IMF; indeed, it's now an IMF creditor. The result, says Mr. Rato, is that India "appears to be in the first stages of the sort of take-off that several other Asian countries have experienced over recent decades."

And new airports are on the way. Last week, workers laid the cornerstone of a new terminal at Indira Gandhi International. Ten years behind schedule, it's better late than never. It's also a sign of more to come.

canada.com News

Getting a knee up

Where can you get a luxurious beach holiday and a surgical procedure all for under $20,000? India

Jason Kirby
National Post

Saturday, May 07, 2005

Five

Last month, 72-year-old Robert Smith, of Vancouver, lay on an operating table.

Four

The table was in a hospital in Trivandrum, a leafy city in the southern Indian state of Kerala.

Three

With a kink in his left leg and the cartilage in his knee worn away, an Indian doctor would soon slice open Mr. Smith's knee to replace the damaged bone with plastic and metal implants.

Two

His last thought before the anesthetic swept over him was: "I'm in the hands of a good doctor and the guy above. Whatever will happen will happen."

One hour later, Mr. Smith was unconscious on an operating table 12,000 kilometres from home, well on his way to having a new, prosthetic knee.

By coming to Kerala, Mr. Smith had circumvented a long and painful wait in Canada. Better yet, he would be free from the painkillers he'd had to ingest for years just to walk around.

A growing number of Canadians are choosing to sidestep the country's infamous waiting lists and jet to India for speedy medical treatment. They're joining thousands of foreigners -- mostly from the United States, Europe and the Middle East -- who have travelled here to get well. It's called medical tourism, because many foreign patients choose to recover at posh resorts.

Drawn by fast service and surgery for a third of what it would cost in the United States, more than 150,000 foreigners flew to India last year for joint replacements, heart bypasses, laser eye surgery and facelifts.

'You've got to understand: It's not the Vancouver General or the Toronto General. It's a different country, and that's the bottom line. But I've got a new knee and I don't have to wait until June of next year.'

It's not for everyone. The long flights, crushing crowds and frequent blackouts deter many. And then there's the safety issue: Many Western doctors don't like the prospect of Canadians going under the knife in India.

But with Canadian operating rooms backed up, some feel they have no choice.

Just last month, while Mr. Smith was packing for his trip, the Wait Time Alliance of Canada laid out guidelines for the maximum amount of time it should take to get treatments such as MRIs, cataract surgery, and knee and hip surgery.

The report said knee surgery should take no longer than six months. In reality, patients can wait as long as two years. The provinces and the federal government have agreed to throw at least $5.5-billion at the problem, but for patients stuck in queues now, it's of little comfort.

Patients like Mr. Smith. With each month, he found it harder to get around. Despite his age, he still prides himself on selling real estate, and the pain was getting in the way. Worse still, it had ruined his golf game.

"I'm 72, but in everything else, I'm 20 years younger," he says in his thick Scottish accent. "The problem is my body is breaking down, and I don't like it."

A few months earlier, his doctor had told him he'd need surgery to relieve the pain in his left knee -- but that it could take as long as two years.

So Mr. Smith and his wife, Genevieve, 59, started looking into a Kelowna company called MediTours. It's the brainchild of Milind Pendharkar, a native of India who has lived most of his life in Canada, and his brother Shaz. Last fall, Shaz met representatives of the Kerala Institute of Medical Sciences (KIMS) in Kerala's capital, Trivandrum. The talk soon turned to medical tourism.

It's not a new concept. People from the Middle East have been seeking medical treatment in India for more than a decade. Lately, though, the number of Westerners coming here has started to pick up.

Proponents of medical tourism often cite a report from U.S. consulting firm McKinsey & Co. that says medical tourism will boost health care revenues in the country by US$2.3-billion by 2012. That's big money for private Indian hospitals.

The Pendharkars saw an opportunity. Prospective patients could book their medical trips themselves, but Milind, a former insurance broker, reasoned it would be far easier, and more comforting, to have someone on this side do it for them.

The brothers signed a marketing agreement with KIMS covering Canada and California. They've taken out ads in seniors' publications here and are launching an ad campaign in the United States.

"We believe that with the wait lists here, and the propensity for cosmetic and plastic surgery in the States, we have a good business," says Milind from his home in Kelowna. "My clients are people in their forties, fifties, sixties, who are active, who have the money and don't want their activities to be curbed by their health."

These are early days for MediTours. A few months ago, the company thought it had its first customer, a B.C. man waiting for knee surgery. But when the man told his doctor he planned to go to India, the MD promptly pushed him to the top of the list.

Mr. Smith contacted Mr. Pendharkar in February -- and every day for the next two months. He was understandably nervous. He knew he would be MediTours' first customer and he wanted assurances that the man who would be cutting him open, Dr. Thampy Jacob, had experience. In fact, the doctor is on leave from KIMS and works in London as an orthopedic surgeon. He travels back and forth between the two countries regularly.

Mr. Smith called Dr. Jacob in March and peppered him with questions. Then, for good measure, he contacted a woman who had recently been a patient of the surgeon. He was happy with what he heard and told Mr. Pendharkar to book his trip.

The cost for Mr. and Mrs. Smith: roughly US$17,500 for a five-week stay in Trivandrum, including flights, the surgery, the hospital stay, all meals and accommodations in a five-star hotel overlooking the Indian Ocean.

On April 7, Mr. Smith and his wife boarded a plane in Vancouver for the two-day journey to the subcontinent.

DOCTORS ARE KERALA'S LARGEST EXPORT

As Indian cities go, Trivandrum is quiet, clean and peaceful. You can thank the Communists for that. As you wind through the city's narrow, palm tree-lined roads, red flags bearing the hammer and sickle of the state's powerful Communist party flap in the wind. Industrialists have steered clear of the region, sparing Trivandrum from the smog and congestion that plague much of the country.

Just outside of Trivandrum stands the red-brick KIMS facility. Five new floors are being added to accommodate demand, and green cloth is wrapped around the scaffolding like a giant bandage.

Dr. Mohammad Sahadulla is the founder, chairman and managing director of KIMS. Over a lunch of chapati bread and vegetable gravies, he explains how he started the hospital.

Trained at a medical school in Trivandrum, he spent 25 years in Saudi Arabia managing a 600-bed private hospital. Three years ago, he returned to India to build his own. He cobbled together a group of investors and began construction on the site of a marsh. Today, KIMS has 250 beds; by this fall, it will offer 450 beds and a number of hotel-style suites.

KIMS isn't the only hospital in the city. There are government and private clinics and medical schools everywhere. By some accounts, doctors are Kerala's largest export.

Still, Kerala, like the rest of India, lacks the universal health care Canadians enjoy. It's largely a pay-for-service system, and Indians who don't have the rupees generally go untreated. KIMS, which is doing a brisk business from well-heeled locals, offers regular free clinics for the poor.

The hospital also sets itself apart with its code of ethics, says Dr. Sahadulla. In many public hospitals, Indians who want speedy treatment can pay a "commission" to the doctor to jump the queue. That type of corruption is rampant across India. Dr. Sahadulla forbids his doctors from accepting fees from patients.

"I was very much exposed to the Western medical system, so we've put the best quality systems in place," Dr. Sahadulla says. "We've got the best infection control, accountability and medical auditing. These are rare things in India. We have the best CT scanner in the state."

By most appearances, KIMS is like any hospital in the West. Signs point to diagnostic labs, intensive-care units and the neurology wing. It does take time to get used to the crowds. The hallways are crammed with visitors, and since there's no such thing as visiting hours, they never seem to go home. Other than that, this could be a hospital in a small B.C. town.

Then the lights go out.

India suffers from an acute shortage of power; blackouts can occur several times a day. It takes a couple of seconds for the generator to kick in. The outages barely register with staff, patients and visitors. They simply freeze in the darkness for a moment, then return to their tasks. But what happens if the power goes off during a delicate surgery?

Dr. Sahadulla says outages last no longer than a couple of seconds. And crucial areas like operating rooms, elevators and emergency services draw their energy from a dedicated generator, so there's no risk of them being affected by blackouts. Still, it's unnerving.

But the outages have done little to stem the flow of patients travelling to India. Private hospital chains such as the Apollo Group, the largest health care group in Asia, have attracted tens of thousands of patients and have made their entrepreneurial founders millionaires many times over.

With so many hospitals vying for foreigners, Dr. Sahadulla believes KIMS has a real advantage: its location in Kerala. "This is God's own country," he says. With its famous backwater houseboat tours and white sandy beaches, National Geographic has dubbed Kerala one of the 50 must-see places on Earth.

Mr. Smith liked the idea of taking his wife on vacation to Kerala. But sipping cocktails on the beach would have to wait; first he needed a new knee.

SUDDENLY, IN PARADISE

"I'm glad I have three sets of spare shorts." That was Mr. Smith's first thought as the car that had been sent to pick up him and his wife at the Trivandrum airport sped on to the road. It was a hairy ride to the hotel, with the driver weaving around buses, trucks, scooters and bicycles. "The driver used his horn more times than I have in my entire life," he says.

The five-star Taj Green Cove Hotel, which will be the couple's home until mid-May, made up for the terror of the drive. "We went through these gates and suddenly we were in paradise," Mrs. Smith says.

KIMS staff got right down to business. In the days leading up to his April 15 operation, they checked his heart, his lungs, even his teeth. In the process, they discovered he has only one kidney, something he'd never known.

While Mr. Smith was being poked and prodded, KIMS staff took his wife on day trips around Kerala, shopping for saris and dodging the afternoon rains.

The day before his surgery, Mr. Smith checked into KIMS. "I felt pretty confident I was in the right place," he says. "I was apprehensive, but I would have been anywhere. We'd done a lot of research for this."

Still, few of their friends back in Vancouver know the Smiths are in India. "Robert's cellphone message just says we're away on holiday," Mrs. Smith says. "We had made a very intelligent decision and we didn't need a lot of negative feedback. When he goes back with a new knee, they'll know."

There are plenty of people back home who disapprove of the Smiths' decision. Like Dr. Albert Schumacher, president of the Canadian Medical Association. He's a critic of Canada's long wait times, but he's equally concerned about patients turning to foreign hospitals.

"The problem is that there are some 200-odd medical schools in India," Dr. Schumacher says. "Some are probably very good. Some may not be very good. We have no ability to measure that."

Meanwhile, back at KIMS, Mr. Smith was sure he was in good hands. He awoke at 6 a.m., and the doctors hooked him up to an IV unit. He was already feeling groggy when he was wheeled into the operating room.

The two-hour operation went off without a hitch. When Mr. Smith awoke, his wife was beside him in the recovery room.

A week and a half of physiotherapy later, nurses removed his stitches. "They could give my wife sewing lessons," he jokes from his room at KIMS.

There were some setbacks. A bout of diarrhea put his recovery on hold for a couple of days. And the blackouts continued. But Mr. Smith says MediTours had been completely upfront about the challenges in India.

In the end, Mr. Smith says, he was well cared for. "I have my own nurse 24 hours a day," he says, and then repeats it slowly to drive home the point. The hospital also provided the Smiths with a personal dietitian.

He knows some people will always disapprove of medical tourism. And he says those who do come here must have the right frame of mind. "You've got to understand: It's not the Vancouver General or the Toronto General. It's a different country, and that's the bottom line," says Mr. Smith, who will spend the next two weeks touring Kerala with his wife. "But I've got a new knee and I don't have to wait until June of next year."

canada.com News

Now, the Up-Sell

Tata Consultancy Services, India's biggest IT firm and the inventor of outsourcing, has set its sights on a new market high-end technology projects. Finding them means getting bigger here, not there.

Jason Chow
National Post
Monday, May 02, 2005

In his midtown Manhattan office, Arup Gupta explains that Tata Consultancy Services, India's largest software company, is embarking on the gargantuan task of hiring 10,000 new computer programmers and engineers this year, 1,000 of which will be found in Canada and the U.S. With annual revenues rising 63% in 2004 and almost quadrupling over the past four years to a total of $2.2 billion, Tata needs all the manpower it can get to keep pace with new business. Expectations are high: The company went public last August and its stock has risen as high as 72% in just seven months.

"The strategy in North America is critical," says Gupta, the Indian-born president of TCS's North American operations, from his small office at the company's regional headquarters on Park Avenue. A spartan space with only two cheap watercolours of New York street life for decor, you get the impression he doesn't get many visitors, especially not today as the smell of fresh paint drifts into his quarters. TCS is renovating its offices, integrating an adjacent empty space. Adding real estate in pricey Manhattan reinforces what Gupta is saying: TCS is serious about being a major player in the North American information-technology industry.

"We're trying to replicate here what we do successfully in India. That means the ability to attract top talent," the 50-year-old explains. "I'm under a massive recruitment drive."

Other companies may have similar aims, but TCS's situation is unique. While the company is hardly a household name in North America, the nature of its work -- the outsourcing to India of back-office IT functions, such as software development and systems testing, for big business -- has become legendary. TCS invented the concept, and along with its Indian peers Wipro and Infosys, has worked hard to build a reputation as a company that offers a cheap, yet high-quality alternative for firms looking to cut back on their IT budgets. So many U.S. firms liked what they offered that the practice exploded. But what was good for the bottom line quickly became a political hot potato. The resulting loss of American jobs became a major issue in last year's U.S. presidential election campaign. In this context, TCS's expansion plans in North America carry a lot of additional baggage.

CREDIT: Graphics by Kagan Mcleod

WHERE THE CODE WARRIORS ARE: A breakdown of where TCS employees are located: (See had copy for complete graphic/diagram.)

More Columns By This Writer
:: How does a corporate bond fall to junk status? :: How does a corporate bond fall to junk status?

"Outsourcing is a huge trend, and Tata happens to be the largest outsource firm [in the world]," says Frances Karamouzis, research director at Gartner Inc., a firm that tracks the IT industry. "They've managed to do something unprecedented -- hire some 5,000 people globally and integrate them with consistency and quality. Even IBM and Accenture at the height of their growth in the 1980s and 1990s couldn't do it."

TCS can do it cheap because of how it sets up projects. Various teams of employees around the globe work on the same contract, while the bulk of work is done in India, where software writers earn less than half the North American standard. It's a model that will continue to work as TCS targets higher-margin projects in North America -- as long as TCS manages its staff deployment to suit the job, its clients and the political climate. The Indian giant's current moves, then, can be seen as a sort of reverse outsourcing -- it's investing heavily in its North American operations and undergoing mass recruitment efforts to deepen the company's presence on this continent, which began in 1979, as well as increase sales. In essence, TCS is opening more storefronts in North America to build goodwill and sell its special brand of IT services.

"They've done an excellent job to expand their onshore presence in North America and the challenge now is to make it effective," says Andy Efstathiou, program manager of the IT services group at consulting firm Yankee Group. "The key is for them to manage what percentage of the workforce is here and what percentage is in India. You have to gain onshore presence to create customer intimacy, but [maintain] as much offshore as possible to cut costs."

The stakes are high. The extent to which it succeds here will likely determine whether TCS becomes a major global player or remains an Indian alternative. According to Forrester Research, an industry research firm, the U.S. IT services market is worth $100 billion (Canada's is estimated at US$14 billion) and TCS derives 60% of all its revenues from Canada and the U.S. TCS has seen enormous gains in market share and revenue, but its sales are still less than 1/20th of the US$46.2 billion that IBM's IT services division made last year, and far behind many other IT firms, including Accenture and EDS.

Being a small player, especially one with a reputation for low-cost work that steals North American jobs, can make recruiting difficult. Thus far, Gupta says TCS isn't attracting enough high-quality candidates. Less than 5% of applicants in North America are accepted, a disturbingly low number for management. "We need a stronger brand name to attract the top talent," Gupta admits, adding that brand awareness is vital to all parts of his business. "People have heard of TCS, but when it comes to comparisons to Accenture and IBM, they have to see that we're going to offer the same opportunities."

TCS is an Indian success story and has undergone its prodigious beginning. Now, as the company enters its adolescence and grows past its roots, the next phase of existence will be crucial. As the song goes, if they can make it here, they can make it anywhere.

Tata Consultancy's contract with the Canadian Depository for Securities, the firm whose systems clear all trades in stocks and bonds in this country, is indicative of how TCS does business in North America. The project, called System X, was a revamp of CDS's computer systems for handling transactions. It took three years to complete, required 300 man years of labour, and was divided between teams in several locales on two continents.

When TCS lands a major project for a North American customer like CDS, the work is split among three groups of programmers and engineers. A small team works on-site at the client's office, acting as lead managers and liaisons between TCS and the client. A second team of employees work off-site, but in the same city or region, for support. And the vast majority remain in India. On average, TCS sends 70% of the work on North American projects to India, while the remaining 30% is completed on this continent. The various teams work separately, and the project is assembled and delivered to the client on-site. This approach to software writing is the modern-day application of Henry Ford's assembly-line process.

Canada is key to this line. TCS, here since 1999, has 900 employees located in Montreal, Ottawa, Vancouver, Toronto and Mississauga, Ont. The company plans to add 100 techies to its Toronto outpost by the end of the year, to work primarily on U.S. contracts. Many customers, especially big Wall Street firms, continue to have hesitations about outsourcing, and feel more comfortable having highly sensitive projects handled "near shore," in Canada, rather than entirely in India. Gupta estimates that IT work performed in Toronto is about 15% cheaper than in downtown Manhattan. "Wall Street companies are looking to India for cost savings, but they're also looking for the lowest risk. The lowest risk for Americans is to go to Canada."

India has become a major hub for IT services, but TCS remains unique in a few ways: For one, it's the country's largest IT company. Secondly, it's part of Tata Sons Ltd., a family-owned conglomerate that built India's first power plant and modern hotel. The name Tata is synonymous with phones, steel, cars, and electrical appliances. It is also renowned for its philanthropy -- 30% of its net profits go to charity.

"Tata Group is such a respected name in India," says Atul Kapoor, Gupta's executive assistant who recently arrived in New York from India. "In India, once you say you're working for Tata, you're fine. You know you don't have to worry much about your future."

Another strength is TCS's ability to mobilize its workforce with ease. Of its 46,350 employees, 30,300 are in India, 8,500 in North America and the rest are spread throughout the world. TCS will send its Indian employees all over: The fact that TCS had performed similar projects in Switzerland and South Africa convinced Canadian Depository for Securities to go with the Indian company.

TCS employees are Indian IT merceneries: 96% of its employees are Indian-born and this is key to the company's cost advantage. In North America, 90% of its workers are Indian expats. And because most of those living in the U.S. are imported from India on work visas, TCS can pay its programmers less than the North American rate.

A TCS engineer can move around quite a bit. Suresh Kanaan, manager of the development centre in Toronto, has lived in nine different cities in four countries during his 11-year tenure with TCS. Because of their nomadic existence, analysts have dubbed TCS employees "code warriors," though sometimes they feel more like ambassadors to ignorant North Americans.

"A lot of people find it difficult to work with Indians for the first time because of cultural differences," says Kanaan. He added that TCS sometimes gives seminars about Indian culture on major projects where a large number of Indian expats will be working side by side with North Americans.

TCS is trying to change its ethnic makeup and hopes to bring the Indian/non-Indian ratio to 50:50. More native-born talent would cut down on cultural gaps and dependence on immigration visas, which are increasingly difficult to get as the U.S. cuts the number of visas it issues (Canada hasn't crimped its quotas). But that will only work if it's able to find the local help. Recruitment is easy in India, where computer engineering is a sought-after degree and the TCS name is as respected as IBM, but North Americans are less keen on both the brand and the discipline. "Here, most of the bright people are going to management or law," says Gupta. "IT is not their first choice."

The ambassadorial role is not new to Gupta, who has lived in the U.S. for the past six years as the head of TCS's North American operations. In the late 1980s, Gupta was instrumental in bringing U.S. database software giant Oracle to India, forging a partnership between the American company and Tata Consultancy -- a task that required hard salesmanship.

"The database concept wasn't even there," says Gupta. "The first challenge was to tell Indian industry why they should go into databases and why they should pay for expensive software. ... There had to be a cultural change."

Gupta faces another cultural challenge here. Even with a greater presence, Indian companies will still have to work to overcome a general wariness on the part of many potential North American clients. "Companies have to think things like where is the data and intellectual property?" says the Yankee Group's Efstathiou. "How can we control to prevent a security breach? The Indians are developing methodologies to mitigate the risk, but all parties are just getting used to these issues."

A final obstacle could be the success of TCS's original outsourcing model. As its competitors -- both Indian and non-Indian -- point out, the global style for writing software is no longer unique to TCS. All heavyweight IT companies have workforces in India and are in search of the next low-cost centre. "We've evolved into a global service provider," says Blake Hanna, a Toronto-based partner at Accenture. "Our presence erodes their cost advantage."

Forrester Research estimates the Indian cost advantage may disappear as early as 2010.

Annual double-digit percentage salary increases are now standard, and rising labour costs in India are crimping profit margins. In its fourth-quarter update in mid-April, TCS posted an unexpected drop in profit as the company was forced to spend US$23.3 million in the quarter alone on employee incentives in India to keep staff. Unlike its bigger competitors, TCS hasn't established a strong presence in any other low-cost areas outside of India. And with the recruiting targets that Gupta has been asked to meet, costs are likely to increase.

Revenues will have to outpace the increase in expenses. Gupta is confident the growth is there, promising that new hands will not be sitting idle. There's plenty of work, and TCS thinks the greater the presence in North America, the more TCS can integrate itself in the world's most important IT market and drum up even more business. "We are going global, going everywhere," says Gupta. "We're getting local talent and we're adapting. People used to think we were too much in India. We're changing that."

WHERE THE CODE WARRIORS ARE: A breakdown of where TCS employees are located:

United States and Canada: 8,500

Central and South America: 600

Europe: 1,100

United Kingdom and Ireland: 2,050

Middle East and Africa: 200

India: 30,300

Asia Pacific: 900

OUTPACING OTHER OUTSOURCE FIRMS: Tata leads India IT firms in offshore business:

Market share of IT exports (%)

2002 2003 2004 (Est.)

TCS 13.1 13.5 15.7

Infosys 8.7 10.2 12.1

Wipro 7.8 8.0 9.8

Satyam 5.8 5.8 6.5

HC 4.5 4.4 5.2

Profile of Tata Consultancy Services

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A Leading Legacy

Canadians should celebrate Niko Resources' unlikely triumph in India -- and then try to emulate it

Brian Banks
National Post

Monday, May 02, 2005

Last fall, when I became editor of National Post Business, I told readers to expect new initiatives as a result of the magazine's closer integration with the newspaper. Heading the list: crossover editorial projects. This issue's cover package -- and the entire joint New India series -- makes good on that promise. Starting today, and continuing in the paper over the coming week, we're showcasing Canadians at work over the length and breadth of the world's biggest democracy. Their stories are part and parcel of the economic and social transformation that's turning India into Asia's other powerhouse -- a process that could see it outstrip China as the country with the brightest prospects in the 21st century.

From our project's earliest stages, senior writer Jason Kirby's story about Calgary's Niko Resources Ltd. -- and its triumph as the first and only North American oil and gas driller to enter India -- was our pick as the magazine's cover feature (see "The Star of India," page 34). Kirby's travels to Niko's offices in Baroda, 400 kilometres north of Mumbai, and to its natural gas production platform in the shallow waters at Hazira, three hours southwest by car and helicopter, make for a riveting ride. But Niko's own journey, which began in the early '90s with founder Bob Ohlson trolling the subcontinent for oil and gas opportunities in the first days of economic liberalization, is even more amazing.

I had the opportunity to interview Ohlson in New Delhi in October 1994. India being India, our meeting came on the heels of an overblown pneumonic-plague scare that saw half the world's airlines suspend service to the country. Even then, Ohlson took it all in stride. We drank Johnnie Walker Black in a hotel bar, and he told me stories about bureaucracy, bribery and being eminently adaptable to whatever India throws at you. Weeks earlier, he'd signed a landmark deal that made Niko the first foreign oil firm to take a stake in a producing Indian oil field. Its immediate share of production was to be, at best, 500 barrels per day. But it was the foot in the door he'd been looking for.

Ohlson was in his element, but it's still hard to imagine how he managed to get Niko from there to its present $2.5-billion stock market valuation. It's almost as hard to imagine that no other North American oil and gas firm has yet to join it. The find that sealed Niko's place in the Indian firmament was a 2002 strike in the Bay of Bengal, a field now estimated at 14 trillion cubic feet of gas. With that under its belt and other projects on the go, Niko seems ready for even bigger scores.

It's doing it without Ohlson, however. He died last fall of cancer, but lived long enough to see not only his expectations, but his dreams for Niko fulfilled. The company's story -- past, present and future -- stands above all others as a case study in how to do India right.

Brian Banks, Editor - banks@nationalpostbusiness.com

canada.com News

The Star of India

For more than a decade, tiny Niko Resources has been the only North American company drilling for oil and gas in this energy-starved nation. Now other foreign firms are waking up to the opportunity -- and following Niko's path

Jason Kirby
National Post

May 2, 2005

Few people get to mount the bright yellow steps that jut out over the shark-infested Arabian Sea off India's northwest coast. The stairs, which point up and out like an arm from Niko Resources Ltd.'s offshore rig, lead to an emergency valve. Should something go wrong within the tangle of pipes that wind through the rig's bowels, gas would rush to the tip of the arm to be burned off safely away from the crew. Of course, anyone standing nearby would be incinerated in a heartbeat. It's hard to shake that thought, even as Bill Hornaday, the company's chief operating officer, uses the perch to explain how Calgary-based Niko got to be the only North American company pumping oil and gas on the subcontinent. If you can ignore the valve, the skeletal remains of birds and the sight of swelling brown waves crashing against the rig, this really is the best place to glimpse Niko's past, present and future.

Hornaday, clad in protective sunglasses and a yellow hard hat, looks east at the shore. With his finger, he charts Niko's history across the landscape of the Hazira field -- from the first successful land-based well in 1995, to the concrete island Niko built to house more wells in 1998, to the rig we're standing on now. Completed last fall at a cost of more than $100 million, roughly 150 million cubic feet of unprocessed natural gas screams through the platform every day, generating revenue of US$500,000. Niko and its local partner, the Gujarat State Petroleum Corp., paid half that for the rights to drill the area more than a decade ago. "We kept going west and growing with each step," says Hornaday. "Now we're producing five times as much gas as we were in 2000."

But it's the future that has Hornaday really excited. He turns and points a couple of kilometres out to sea, to where the shallow brown water turns a deep blue. That's the area Niko is drilling towards now, where the motherlode of the area's natural gas, and possibly oil, lies waiting. And that's just on this side of the country. Off the east coast, in the Bay of Bengal, Niko and its majority partner there, Indian conglomerate Reliance Industries, have enjoyed a steady string of discoveries in what has proven to be one of India's largest gas fields, believed to contain 14 trillion cubic feet of gas. Canada's Mackenzie Natural Gas Project, by comparison, is about six trillion cubic feet. And so far, Niko and Reliance have only explored 10% of the 1.9-million-acre block.

Meanwhile, wells in Bangladesh, the site of the company's latest foray, are already producing 40 million cubic feet of gas per day -- not a huge amount by global standards. But a year ago, nothing was coming through the pipes.

There's no shortage of demand in either country for all that gas. You can see the opportunity here in India from the Hazira platform in the form of the hulking Essar steel mill -- built in East Germany but dismantled and reassembled here -- and the state fertilizer company. Niko pipes its gas directly from the rig to these and other nearby companies, yet they're still starved. Like that other billion-strong, hyper-growth nation to the northeast, India faces a serious oil and gas crunch. India's economy has grown 6% a year on average since 1990. Each year, millions of Indians ascend to the middle class, now numbering some 300 million. Every rupee they spend on houses, cars and the mass of motorcycles and mopeds that clog every artery in the country means an even bigger need for energy. The country already imports 70% of the crude oil it consumes. As for natural gas, India needs 10 billion cubic feet a day; its current domestic supply is just 20% of that.

A billion potential customers. Vast untapped resource fields. Seemingly all for the taking. You can't help but ask: How come nobody else has figured this out? Sure, there are a few international firms here, such as British Gas and Cairn Energy of Scotland (you can see Cairn's rig further out to sea), but none are majors. Why is Niko -- a company nearly booted off the Alberta Stock Exchange 15 years ago for having no underlying business -- the only North American oil-patch player drilling here, especially since sales have jumped 580% since 2000, to $85.5 million and, more important for investors, its share price has outperformed most companies in the red-hot Canadian energy sector? (It's up 60% over a year ago; the S&P/TSX energy index is up just 34%.)

In one word: India. "India doesn't have a reputation for being an easy place to operate," says Hornaday, who has visited the country three dozen times in the past four years. "That's for good reason." This is, after all, the land of the stamp and form. Bureaucrats seem to exist solely to produce documents that require approval. If customers at a grocery store have to fill out a form just to buy mangoes, as they inexplicably sometimes do, imagine the hurdles for a multinational exploration firm that wants to bore a two-kilometre-deep hole in the ground.

Even if approval for a project arrives fast, the country's ramshackle roads ensure you don't. Indian infrastructure is a decade behind other Asian tigers. Money is finally being earmarked for express roads, railway lines and airports, but it's happening at a plodding pace -- like everything else here.

Most of all, no one ever thought of India as a resource-rich nation. State-sponsored companies have drawn oil and gas from the ground since the turn of the century, but not enough to attract much foreign interest. The Russians were there when the West was in India's bad books, lending a hand with their Soviet-era technology. No wonder the Indians didn't find much oil and gas.

Niko's 13 years in India have been tough, to say the least. Back when bankers wouldn't look at the company, when it was desperate for approval to drill for gas, red tape acted like a noose around its neck. Arbitrary rulings and outdated contracts for the price of gas have continued to challenge the company. Even keeping employees has been difficult. For some prospective expatriates, the frequent power outages, cattle-clogged roads and extremes of life in India are too much. Yet through a mix of patience, perseverance and dumb luck, Niko has prospered virtually alone in India's oil and gas sector.

That could soon change. The Indian government desperately wants foreign companies to explore its oil and gas fields. The Ministry of Petroleum and Natural Gas has cobbled together 20 on- and offshore blocks, and it's in the midst of auctioning off the exploration rights. The deadline for submitting bids is May 31.

This is the fifth time since the late '90s that the government has offered drilling rights under its New Exploration Licensing Policy. Niko has won access to several blocks. During the last round, many expected a huge rush of interest from other foreign companies. That never happened. Big Oil still didn't see enough potential to warrant tackling India's many obstacles. But since then, Niko has uncovered vast quantities of gas in the D6 field off the east coast, along with Reliance, which controls 90% of the project. Their success has attracted the attention of ExxonMobil. The rumour in Indian energy circles is that the U.S. giant is in talks with Reliance to take a stake in D6.

At the same time, Mani Shankar Aiyar, the petroleum minister, has been travelling the world to drum up interest in the Indian energy sector. In February, his road show swung through Calgary. His message was simple: "We invite you to come in and get it." At least one firm took notice. According to Indian press reports, Talisman Energy Inc. executives recently came to India on a fact-finding mission. "We want to be an offshore player in gas exploration and are looking for opportunities in India," Timothy England, a senior executive with the company, told a local reporter. A Talisman spokesman in Calgary wouldn't confirm whether the company is actually bidding on any property, but it already has ties to the country: When Talisman succumbed to pressure from activists to unload its investments in Sudan, it sold them to India's largest company, Oil and Natural Gas Corp. (ONGC).

With new foreign players on the way, it seems ONGC wants to solidify its position. One executive hinted earlier this year the oil giant might be interested in acquiring its smaller Canadian rival.

It's not clear what this all means for Niko. The company has enough untapped gas in India to keep its engineers busy for a long time. And if recent Indian press reports are any indication, the Canadians could be on the verge of announcing another blockbuster discovery. In mid-April, Minister Aiyar told reporters he's hopeful Niko and Reliance have made a large find in a block called NEC-25. "I am constrained by the existing regulations of the Securities and Exchange Board of India from divulging more details," he said. "However, we are hoping the NEC-25 could be what the [D6] find was in 2002." For its part, Niko says it's too early to tell what's at NEC-25.

Whatever the case, Niko is drilling ahead with plans to expand in India, even as other foreign players try to mimic the company's success.

To residents of teeming cities like Delhi and Mumbai, Baroda, in the northwestern state of Gujarat, is a quaint country town. It's not. Close to two million people are crammed into a space one-sixth the size of Calgary. Its roundabouts and concrete buildings can leave visitors wandering in circles. Worst of all, after a long, hot day of navigating the region's bumpy roads, you can forget about relaxing with a cool Kingfisher beer at the bar. Gujarat's government enforces a strict no-alcohol policy in honour of its most famous son, Mahatma Gandhi.

On the surface, the place hasn't changed much since Niko's founder, Bob Ohlson, came to town in the early 1990s. Back then, Niko was a tiny player on a shoestring budget. Visitors to Baroda might have spotted Ohlson weaving through traffic on the back of a moped, since the company couldn't afford a car. Ohlson lived just long enough to see the Hazira rig go into operation -- he died last November, at the age of 58, after a battle with cancer.

Ohlson started scouting out deals in India in 1992.

But his first real break here came when a small delegation from the Gujarat State Petroleum Corp. (GSPC) swung through Calgary in 1994. The Indian government had launched a series of reforms to loosen its grip on business. The goal was to lower tariffs, liberalize trade and attract more foreign investment in sectors like oil and gas. The state-owned company was on the hunt for a partner to operate its drilling program. The Gujarat group had already travelled through Europe when they met with Ohlson. The two sides hit it off, but they had one last stop -- Houston. Before they could catch their plane, one delegate got a call about a family emergency back home. They cancelled the rest of the trip. Niko came on board.

Ohlson's early struggles to crack the Indian market are the stuff of legend among employees. They chuckle at the thought of Ohlson, a beefy six-foot-three, driving to meetings on a little two-wheeler. Or how Ohlson and a handful of employees operated out of the cramped basement of a Baroda house. The company had little cash and was perpetually waiting for approvals. "Bob did some hard yards for the company in those days," says Hornaday.

Ohlson, an engineering grad from the University of British Columbia, had launched Niko in 1987 as a junior capital pool on the Alberta Stock Exchange. It was little more than a shell, and it narrowly averted getting the boot by making a few investments in Saskatchewan. It was Ohlson's decades of work in places like Indonesia, Libya and Malaysia that led to Niko's big break.

GSPC had won the right to explore the tract of land known as Hazira, so Niko (which owns a third of the project) looked at old exploration logs. ONGC and its Russian partner had drilled for oil there decades earlier. It found pockets of gas, but didn't believe it was commercially viable. ONGC moved on.

But Ohlson was sure there was a sizeable gas field at Hazira. Based on his experience in Indonesia, he believed high iron levels in the clay were producing misleading readings. "Where others thought there was only water, Bob said, 'No way, there's gas here,'" says chief financial officer, Richard Alexander, who joined Niko in 2003. In July 1995, Hazira was producing half a million cubic feet a day. Last year, production averaged 124 million cubic feet a day. (It's not the first time ONGC has missed out on a big find. Reliance has also found oil or gas in other former ONGC blocks. Critics say the company has spent over $100 million since 2003 to sink seven wells, yet hasn't found enough to warrant development.)

Ohlson was joined early on by Edward Sampson, now Niko's CEO. The two men had worked together on an oil project in Saskatchewan, and Ohlson's stories about India piqued Sampson's interest -- enough that in 1995 he joined Niko and invested $10 million of his own money. It was a wise move. Sampson's stake is now worth nearly $200 million. Ohlson's own stake would be worth even more. "India was not the flavour of the month, and getting attention from institutions and brokerage firms was virtually impossible," says Sampson from the company's Calgary HQ. "The only way we could get by was to put money in ourselves. We were able to bootstrap ourselves through the first few wells."

Even as its projects grew more complicated, Niko found ways to keep costs down. It soon became clear that much of the Hazira field was under the Arabian Sea's Gulf of Cambay, yet the company couldn't afford to erect an offshore platform. Instead, it opted to build an island for a fraction of the cost. It was a huge undertaking, requiring approval from forestry officials (though there's hardly a tree in sight) to the military. More than 200 trucks hauled rock around the clock from 100 kilometres away. Even after construction ended, the state and central governments continued to rumble over who should receive tax revenue from the island's wells.

As Niko has expanded its drilling program, Sampson has seen the country change around him.

It's still a bumpy, cow-congested three-hour trek to get from Baroda to the helicopter pad near the offshore rig. That's a huge improvement. "It used to take us six hours to get to our partners' offices," he says, "and now that's down to an hour and a half."

Red tape has been cut down, too. Sampson recalls that after the first round of auctions in the late 1990s, it took years for some deals to close. For the upcoming fifth round, it's expected to take two to three months to determine which companies come out on top. That's thanks largely to oil minister Aiyar, who has made a concerted effort to speed things up since he took over last fall.

Sampson is hopeful current negotiations over the price it gets for its gas go smoothly, too. While world natural gas prices have risen dramatically, Niko has been locked into contracts with some of its customers for five years. "It took me months last time to negotiate the price, even though they needed the gas," Sampson recalls. In April, he went to India to renegotiate those contracts. Now that India's energy sector has had time to develop, he thinks Niko will get not just higher prices, but also shorter contracts.

While Sampson has witnessed plenty of change in India, he's guaranteed to see much more in Bangladesh. In September 2003, Niko acquired the Bangladeshi operations of Chevron Texaco after that company pulled out as part of a global restructuring. Then, last October, Niko signed a deal with the Bangladesh Petroleum Exploration & Production Co. to operate at two other sites. It's been a mixed experience. Like India, Bangladesh is starved for energy. But doing business there is even more difficult. It took five years for Niko to navigate the country's bureaucracy before it could gain a foothold. And while one of the Bangladesh sites is already producing large quantities of gas, another, known as Chhatak, has blown into a local public-relations nightmare.

In January, a well Niko was drilling there exploded, forcing the evacuation of thousands of villagers. Fires raged for more than 48 hours. According to Bangladeshi press reports, a government committee blamed Niko for the "faulty" design of the well. Many demanded Niko compensate the government for the lost gas.

Sampson defends Niko's work at the well and says they regained control quickly. Villagers were immediately compensated, he says. "In Canada while that was happening there were five gas fires, three that burned down the rig, and only one near Edmonton was reported because it was toxic gas," he says. "Bangladesh is gas rich. You're going to have accidents. It doesn't mean anyone did anything wrong. We lost no people. Not one Band-Aid was needed."

Still, with India and Bangladesh only now encouraging foreign firms to develop their resources, accidents don't send a good message. But with typical resolve, Niko has already started planning three new wells in Chhatak. "We're convinced enough we have gas there that, whether we're foolish or brilliant, we're going ahead and putting in a pipeline," says Sampson.

Niko is better known in India than the city it officially calls home, Calgary. "When I tell people where I work, they ask, 'What's that, a little junior?'" says CFO Alexander. "I say, 'Well, we work in India and Bangladesh, and our market cap is $2.5 billion.'" But while executive decisions are made in Canada, India is where the future lies. As employees sometimes say: "Calgary is the old Niko, Baroda is the new Niko."

Niko's Indian-based execs can now drive around in the company car or SUV, but its head office in Baroda proves it has remained true to its frugal roots. Niko operates out of two floors in a grim concrete building. At each landing, there's a spittoon in the corner where workers who chew paan -- a betel leaf folded around fennel, tobacco paste, coconut and cloves -- can spit out the juice. Few gobs hit their mark, and the walls are sprayed with rusty red streaks. But once you pass through Niko's glass doors, it's like walking into a little piece of corporate

Canada. Wood paneling, cubicles and the familiar tap-tap of keyboards.

Most of the faces here and in the field are Indian. Niko relies heavily on the local workforce. They know how to get things done, and they're a lot cheaper than the $300,000 it can cost to pay, house and insure an expatriate, and educate his children. The average monthly salary for field workers is $2,000 a month, still a windfall in India. Other foreign companies rely heavily on expats. Enron, during a disastrous attempt to launch a power company here in the late 1990s, employed 56. At Hazira, Niko has two.

Larry Fisher, a Manitoba native who heads up Niko's Indian operations, is an old hand at the expat game. In 35 years of mining, and oil and gas work, he's changed countries more times than most people change jobs, jetting to the U.S., Russia, Guatemala, Indonesia and now India, where he started a year and a half ago.

Fisher is an operations guy, the one you bring in when the euphoria of the initial oil or gas discovery wears off, and it's time to get the stuff out of the ground. While his thick hands and firm handshake are a testament to a life spent in the field, the pile of folders and papers on his desk awaiting his signature are a constant reminder of the differences of operating in India. "A huge chunk of my time is spent dealing with partners and getting approvals," he says, passing his hand over the folders. "They're very careful about making any decisions, whereas in the West you'd send an e-mail and they'd have the comfort level to say, 'go for it.'"

One of the biggest files on his desk has to do with Niko's proposed oil program in Hazira. Niko believes there is oil below the gas field, and it plans to drill for it from the rig. "In Canada, it would probably take less than a month to get approval, minus the environmental studies," says Fisher. "Something like this oil development program here can take six months to get approved." Later, he adds: "The big international companies aren't tantalized by the way India's doing things at present. That's why Niko has been successful. Niko had the patience to stick with their niche."

As with Sampson, though, Niko's operations people see things getting easier for foreign companies. On a tour of Niko's offices, Fisher introduces Ajith Muralidharan, general manager of the Surat Block, a 400-square-kilometre tract that's producing about 15 million cubic feet of gas a day. With eight years of experience, Muralidharan is a veteran in India's young energy sector. He senses a shift in how industry bureaucrats think. "With the petroleum minister going on these road trips, it's shone a light on the red tape," he says. "[Aiyar] is out there saying the process is getting quicker, so there's pressure on officials for that to actually happen. But it's not a drastic improvement. It's actually quite slow."

Fisher sees a bigger change within the company itself. The Niko Ohlson created was a nimble junior venture company. The instincts and skills of a few people working out of a basement drove the business. Cash was always tight. Exploration ideas were its greatest asset. Where major companies feared to tread, Niko would plunge headfirst based on little more than a hunch.

Now Niko is a mid-size producer that's quickly outgrowing its existing office space. In the field, it's had to instill the concept of safety among Indian employees -- in a country where crossing the street is a life-endangering exercise. The end goal, says Fisher, is to "bring more responsible steadiness to the organization."

For company watchers, that's important. Terry Peters, an analyst with Canaccord Capital in Toronto, says Niko is now doing less in exploration and more in resource production and development. "Three years ago, D6 was a huge part of Niko's future story," he says. "Today, what they have in Bangladesh and the oil in Hazira is more important than D6. Their story is more diversified."

But, adds Fisher, the company is in no hurry to abandon its adventurous past. "Niko is learning to be the steady engine that goes chug chug chug, yet still has the venture guys out there in the rocket ship doing the exploring."

It's starting to get crowded in the shipping lanes that run along the Gujarat coastline, with tankers chugging back and forth through the deep waters. The Arabian Sea is about to get a whole lot busier. Royal Dutch Shell is nearing the final stages of opening a liquid natural gas (LNG) terminal roughly one kilometre north of Niko's man-made island. Once operational, it will handle more than five million tonnes of foreign LNG a year. Meanwhile, Shell filled in the sea water north of the causeway that runs out to Niko's island. There are plans to build a container terminal here, which will mean even more seabound traffic.

The Indian government is eager to see foreign exploration vessels searching for oil and gas. It might get its wish, depending on the success of the country's upcoming auction of drilling rights. The results should be made public as early as July.

Niko wants to grab a bigger piece of the action this time. In past rounds, a lack of capital forced it to bid on smaller properties or team with deep-pocketed partners, as it did with Reliance. "We'd like to have a bigger share and be more involved in the decision process," says Fisher. "With a 10% stake, they invite you to sit at the table, but say, 'Oh, you want to speak too?'"

Bankers, brokers and investors who once shunned Niko because of its exposure to India are now drawn to the little Canadian company capitalizing on the developing nation. "We have options now," says Alexander. "We're well-funded, low-debt, with $100 million of cash in the bank."

Increased competition means Niko will have to sweeten any bids it submits, but it could gain more than it loses. India is still a strange and confusing place for private enterprise. "Competition presents challenges, but if a company has been in on the ground floor as Niko has, they can become very natural partners," says analyst Peters. "Don't be surprised if Niko has already been approached by some international companies."

As for Niko's executives, they say they're looking forward to more foreign participants. "You never want to be the tall poppy," says COO Hornaday. "There's safety in numbers."

Niko's greater challenge might come from India's giant ONGC, which went public on the Bombay Stock Exchange last year. In every auction so far, it has walked away with the lion's share of the exploration rights. Niko executives also grumble ONGC holds onto blocks long after the exploration rights expire. "Will the government make ONGC give back overdue blocks? We would have to," says Alexander. "If they don't, it's not a level playing field."

There seemed to be evidence of favouritism in the last auction, in 2003. Niko had reportedly bid for a block off the east coast. But a government body known as the Committee of Secretaries disqualified the bid, claiming Niko had a net worth of US$97 million -- not enough to tackle the project. The Canadian company fired back with a KPMG report stating its net worth was 6.5 times that. Still, the committee invited ONGC to match Niko's bid. ONGC didn't bite, and the block is up for grabs again.

ONGC desperately needs some big finds. With its dismal record, its solution might be: If you can't beat 'em, buy 'em. In January, a reporter asked the company's chairman whether it was interested in either buying Niko or forming an alliance. "Both," he replied. "Niko is of interest to us. Let me leave it at that."

Sampson says ONGC hasn't approached Niko with a takeover offer. For now, the two players are competing in the latest auction. But winning new blocks is not crucial for Niko, says Sampson. There will be another round in a year or so, and besides, the company has plenty of exploring left to do at properties like Hazira.

You can get to Niko's Hazira platform by boat, but it's faster and far more comfortable by helicopter. Shortly after the chopper rises from the mainland and turns west, the rig appears through the haze that hangs over the muddy brown Gulf of Cambay.

A chartered helicopter is a luxury Niko could never have afforded in its early days. Yet in mid-April, a small group took the four-minute hop to the platform to remember the guy who turned this tiny Calgary start-up into a major player in India. Bob Ohlson's widow and two children, along with long-time executives, watched as Sampson unveiled a plaque in Ohlson's honour and renamed the platform Alpha Bob. Even Niko's first employee, who used to shuttle Ohlson around on his moped, came to the ceremony.

Niko has come a long way since Ohlson first had a hunch there was gas out here. So has India. And that means the view from Alpha Bob could soon be a lot more crowded.

NIKO'S PASSAGE TO INDIA: How a hunch turned a tiny Canadian outfit into a major player:

1987 Bob Ohlson launches Niko on the Alberta Stock Exchange

1992 Ohlson visits India

1994 Gujarat State Petroleum Co. representatives meet with Ohlson in Calgary. Niko signs a production-sharing contract with GSPC to explore its fields

1996 Production begins at Hazira after Niko discovers gas in a previously drilled well. The bulk of the gas field lies offshore

1998 The company constructs an island just off the coast of Gujarat to house a land-based platform. From the island the company drills further offshore. On December 11, Niko's shares start trading on the TSX

April 2000 Niko signs productionsharing contract with 90% partner Reliance Industries for 12 blocks off India's east coast

July 2001 Signs contract with Indian government for 100% interest in Surat Block

November 2002 Reliance and Niko make largest gas discovery of the year at Block D6

September 2003 Buys Chevron Texaco's interests in Bangladesh to explore Block 9

October 2003 Signs joint venture with Bangladesh Petroleum Exploration Co. for Feni and Chhatak gas fields

April 2004 Offshore Hazira platform is completed. Operations get underway in October

January 2005 Well head explodes at Chhatak in Bangladesh

February 2005 Closes share sale to raise $102 million

May 2005 Niko will bid for new exploration blocks in latest Indian government auction

INDIA vs. CHINA:

INDIA:

Population: 1.1 billion

GDP per capita: US$2,900

Projected real GDP growth, 2005: .7%

Projected GDP growth, 2006: 6.4%

Proven oil reserves: 5.4 bil. barrels

Oil consumption: 2.2 mil. barrels/day

Natural gas reserves: 30.1 tril. cubic feet

Natural gas consumption: 883 bil. cubic feet

CHINA:

Population: 1.3 billion

GDP per capita: US$5,000

Projected real GDP growth, 2005: 8.5%

Projected GDP growth, 2006: 8%

Proven oil reserves: 18.3 bil. barrels

Oil consumption:5.56 mil. barrels/day

Natural gas reserves: 53.3 tril. cubic feet

Natural gas consumption: 1.15 tril. cubic feet

Source: International Monetary Fund and U.S. Department of Energy

canada.com News

Walking a high wireless act

Jason Kirby
Financial Post

Friday, May 06, 2005

India is in the middle of a revolution. With a growing economy and tech-savvy population, tens of millions of Indians are going wireless. Last fall, Research In Motion Ltd. teamed up with a major Indian telecom carrier to launch its BlackBerry device. National Post sent two reporters to India in March to report on the country's transformation. In this report from Delhi, Jason Kirby checks out the opportunities and challenges for RIM.

DELHI, India - RIM's name is plastered everywhere in India. Those three letters flash across television screens and adorn billboards in the heart of Mumbai's business district. They're nailed to post after post along some of Delhi's main arteries. It's enough to make a Canadian visitor think every Indian in the country has a BlackBerry pager beeping away in his pocket.

Unfortunately for Waterloo, Ont.-based Research In Motion Ltd., which plunged into the Indian market with its mobile device last October, those RIM signs actually refer to Reliance India Mobile, one of the Canadian company's largest competitors here. Granted, it's still early days for the BlackBerry in India, but you have to look very hard on the streets of Delhi to find anyone who doesn't think you're asking for fruit.

Despite teaming up with another major Indian telecommunications firm, Bharti Tele-Ventures, and marketing the BlackBerry with its own lavish ad campaign under Bharti's Airtel brand, the venture has suffered a stuttering start.

You don't have to look far to see what brought RIM here. (That's RIM as in Research In Motion.) From the steps of the Taj Mahal to Bangalore's shiny new office towers to rural fishing villages, record numbers of Indians are communicating using wireless devices. Since the turn of the millennium, the sector has exploded here, with 18 million people activating cellphones last year alone.

Meanwhile, back on RIM's home turf of North America, rivals of all sizes, from tiny upstarts to mighty Microsoft Corp., are taking aim at the BlackBerry's grip on the mobile e-mail market. So the company is rapidly extending its reach overseas, teaming up with local carriers to launch the BlackBerry in Russia, Brazil, Portugal, Romania, the Netherlands and South Africa. Foreign markets offer major growth potential for RIM -- in fiscal 2004, countries in Europe, Asia and the Middle East accounted for 20% of its 2.5 million subscriber base.

But the returns in India may not come quickly. While the BlackBerry has received pages of positive coverage in the Indian press and landed many of the country's largest companies as customers, Airtel has had to slash monthly service costs by as much as half, while also reducing the price of the devices themselves. India's mobile revolution, it has quickly become clear, is a frugal one.

Jai Menon, IT director for Bharti Tele-Ventures, vividly recalls his first call to Jim Balsillie, RIM's chairman and co-chief executive, in the fall of 2002. He was hoping to convince Mr. Balsillie that

India was ripe for the BlackBerry. "Jim asked, 'What is India? What's the opportunity?' He wanted to understand the market here," says Mr. Menon, who moved back to India three years ago, after spending nearly two decades in the United States, most recently as an executive vice-president at Atlanta-based telecommunications company BellSouth.

"I told him it's a mind-blowing explosion -- you wouldn't believe the growth rate over here. That's what really got his attention."

Thanks to a changing regulatory environment, businesses of all sizes were investing heavily in wireless communications to replace their ramshackle landlines. (In fact, the number of cellphones here topped landlines for the first time last fall, with an estimated 54 million Indians choosing to go wireless.) A nationwide rollout of a GPRS network was also underway, which would enable the BlackBerry's instant e-mail function.

Another promising sign, Mr. Menon told Mr. Balsillie, was that few Indians had home PCs for Internet access. Instead, they pile into Internet cafes -- a loose term for the multitude of mostly cramped shops where customers type e-mails on grimy keyboards next to out-of-service Nescafe machines. With always-on connectivity and Web access, Mr. Menon believed the BlackBerry would be a strong draw.

Lastly, Mr. Menon -- who holds a doctoral degree in engineering from Cornell University and is a self-professed "crackberry" user -- said Bharti was ready to throw its considerable resources behind the device.

The company has more than 10 million customers and offers a host of telecommunication services through a nationwide network of sales branches. "I had a lot of experience with it and knew how good this was as a corporate tool," says Mr. Menon, a BlackBerry device bearing the red Airtel logo sitting an inch from his right hand.

That counted for a lot with RIM. "The interest level of the carrier is probably the single most important factor in the growth of the carrier's customer base," says Don Morrison, RIM's chief operating officer. "Airtel expressed a very high level of interest."

RIM was a little more cautious. It was two years before the Canadians were ready to take the plunge. A series of phone calls eventually led to a meeting in February, 2004, between Mr. Balsillie and his counterpart at Bharti, founder and chairman Sunil Bharti Mittal, at a mobile industry conference in Cannes, France. They signed a deal, and the BlackBerry officially debuted in India eight months later. "Sometimes I believe there's a way by which the stars align and everything falls into place," says Mr. Menon.

RIM's Mr. Morrison, who travelled to India for the launch, says it was India's huge customer base that ultimately attracted the Canadian company. "It's the sheer size of the market, as well as our perception that the customers there are extremely tech-savvy," he says. "There's such a large population of multinational companies there; it's an extremely attractive market for RIM."

Many of the multinationals that have ventured into India over the past few years jumped at the chance to outfit their local staff with the same e-mail devices used by their Western colleagues. Airtel soon counted Coca-Cola Co., Thomson Financial, HSBC and Deutsche Bank AG among its customers. Some of India's largest domestic companies also signed on, including ICICI Bank and Wipro Technologies. Mr. Menon says between 800 and 1,000 companies have come on board; roughly half have installed RIM's BlackBerry Enterprise Server to manage their wireless systems.

There has also been heavy demand from the country's consumer elite. Indeed, half the BlackBerrys sold in India have been bought by individuals, says Mr. Menon. That contrasts sharply with other markets, where the device remains largely the domain of corporations. "A small percentage of the country, albeit a large segment, is higher-end consumers and smaller businesses that are quickly going for it," says Mr. Menon. India's wealthy may account for just a few percentage points of the total population, yet that's roughly the entire population of Canada.

But Mr. Menon won't divulge the actual number of BlackBerrys that have been sold here. One recent press report put the figure at roughly 10,000; Mr. Menon says it's in the "several thousands."

It's not that India's 300 million-strong middle class isn't hungry for all things wireless. Back in July, 2003, Reliance India Mobile (that other RIM), an arm of the sprawling Reliance Industries conglomerate, dropped a bombshell on the wireless sector when it unleashed its Monsoon Hungama -- or Major Blast -- a simple cellphone for 501 rupees, or about $15. The plan came with a three-year contract, with a service fee of about $9 a month. In just 10 days, more than one million Indian customers signed on, driving Reliance to the No. 1 spot in the industry.

In the end, the Monsoon campaign was a bit of a bust. Reliance dropped the plan six months later, and recent news reports have suggested the company is hoping to dump as many as 90,000 deadbeat subscribers. Still, the episode opened the eyes of many to India's potential.

Unlike the Monsoon, the BlackBerry debuted with a very Western price tag. The three models on offer ranged in price from $500 to $900, with monthly service fees ranging from $50 to $80. To put that in perspective, most people in Delhi earn $50 to $150 a month.

It wasn't long before Airtel realized the steep prices were keeping some people away. By December, just 200 companies had signed on, and the number of individual devices sold was reportedly less than 4,000, despite one of the largest advertising campaigns Airtel had ever mounted. Clearly the company had to rethink its approach. "India is a very price-sensitive market, and these devices tend to be a little too expensive," says Mr. Menon. "If there's anything we've learned ... there is room for prices to be more amenable to the masses."

Airtel has since knocked down prices -- the top-line model dropped slightly, to $880, while the lower-end black-and-white 6230 now sells for $285. Monthly service fees have also come down to as low as $28.

But many Indians still believe owning a BlackBerry comes at a steep cost. "I've seen their advertisements, but I don't know many people who use it," says Ravi Kumar, a businessman in Mumbai's financial district, as he slides his Nokia phone into his suit pocket. "My sense is it's because they think it's too expensive."

Even so, Dev Chakravarty, a telecommunications consultant at AMI-India in Kolkata, credits Airtel with quickly recognizing the price issue and dealing with it. He also says RIM was wise to team up with a strong local partner like Airtel, with a nationwide network of dealers.

But Mr. Chakravarty points out that the Indian market is getting crowded, with high-end cellphones now offering e-mail services. Reliance has also launched a wireless card for laptops that allows users to connect to the Internet anytime, anywhere, and effectively turns any portable computer into an oversized cellphone. Reliance officials say their product negates the need for a BlackBerry.

"Getting wireless e-mail access is not a problem here, and that offers some competition for the BlackBerry," says Mr. Chakravarty. "It will take them a good deal of time to penetrate the market."

When RIM first launched the BlackBerry in North America in the late 1990s, there was no other device offering seamless integration with desktop e-mail programs or technology that automatically pushed e-mails to users. As giants such as Nokia and Microsoft have targeted the wireless e-mail segment on its home turf, RIM's dominant position has given it a leading edge. In India, on the other hand, RIM is a small player coming late to the e-mail game.

"RIM has to emphasize it's a world leader in wireless technologies and make people more aware of the intrinsic value of the BlackBerry over other high-end mobile phones," says Mr. Chakravarty.

That will require a renewed advertising campaign. In March, at least, there were few BlackBerry ads on the streets and airwaves of India's major cities.

The BlackBerry price discounts and competition from other companies don't worry RIM's Mr. Morrison.

"Many carriers in the beginning test out the price elasticity on the device for a finite period of time to see if it renders an increase in the rate of penetration," he says.

Moreover, the BlackBerry's penetration levels in India compare favourably with its experience in other developing nations. "We track these things daily, and their performance continues to improve on a daily and weekly basis," Mr. Morrison says.

Still, RIM isn't relying solely on Airtel to help it expand into India. More than two years ago, the company signed a deal with Nokia India that has the phone manufacturer offering BlackBerry services on a couple of its handsets, answering a popular criticism in India that the BlackBerry, sans camera and MP3 player, just isn't cool.

Don't tell that to Mr. Menon. He's clearly bullish about the BlackBerry's prospects in India. Airtel has sunk considerable resources into the partnership, establishing a dedicated call centre for users. (He's even trying to convince RIM to outsource some of its customer service functions to India.)

And Airtel is drawing up plans to launch new, more advanced BlackBerry models, while expanding coverage into other corners of the country. As India's economy grows, putting more money into people's pockets, Mr. Menon sees the market for the device growing even wider. "Jim [Balsillie] believes that in Asia, India will probably be the No. 1 market for BlackBerry."

It may just take a little longer than expected.

-The grapes of Bangalore

The New India: **Shamed by India's once abysmal wine offerings, Grover Vineyards sets out to make it right**

Financial Post

Saturday, May 07, 2005

In the Nandi Hills north of Bangalore, the roots of a new Indian industry are taking hold. In a country known more for call centres and curries, entrepreneurs such as Kapil Grover have teamed up with the French to sow the seeds of a burgeoning wine region. In the process, they are recreating the success of other emerging wine-producing countries such as Argentina, Chile and even Canada. National Post reporter Jason Kirby travelled to India to sample Grover Vineyards' shiraz first-hand.

Kapil Grover is a man with a plan to tap a lucrative Indian market. He's got a great product and lots of ready customers. But for three years, he's been beating his head against a brick wall of bureaucracy.

No, he's not a Canadian businessman struggling through India's infamous red tape. He's the owner of a Bangalore vineyard that is one of the top producers in this country's emerging wine industry. And he wants to sell his roses and Cabernets at Indian restaurants throughout Ontario.

One problem: Mr. Grover can't get past the province's liquor mandarins. His agents in North America have applied several times for the Liquor Control Board of Ontario to import wines from Grover Vineyards--to no avail. "It's quite odd in a free country like Canada to have something like the LCBO," says Mr. Grover, sitting in the wood-paneled dining room of the exclusive Widdington Sports Club in Mumbai. "Maybe here in India, but not Canada."

The LCBO is something of an oddity in the world--most developed countries let producers import wine directly. Not in Ontario, where the LCBO is the official arbiter of taste. And the board has deemed the quality of Grover Vineyards' wines unworthy for the province's consumers. That has left Mr. Grover flummoxed. Wine drinkers in the United Kindgom, the United States, Russia and even picky France can't get enough of the Indian vineyard's wine. Legendary French winemaker Michel Roland, one of the world's top oenologists, has guided Grover's development and owns a stake in the firm. So does France's prestigious Veuve Clicquot champagne house.

You have to admit that the idea of consuming wine from India is eyebrow-raising, to say the least. Curries, yes. Even Kingfisher beer. But wine? Over the past 15 years, however, a small group of entrepreneurs have sewn the seeds of a burgeoning wine industry here by enlisting some of the top names in winemaking. Grover Vineyards, which has slowly nurtured its operations near Bangalore, is now the second-largest producer in India.

This year, Grover will press enough grapes -- their vines transplanted from France -- to produce 620,000 bottles of wine. Of those, 150,000 will be exported, to the United Kingdom, the United States, Russia and even picky France. In fact, two-thirds of Grover's exports will end up on tables in Paris, the self-declared wine capital of the world. Legendary French winemaker Michel Rolland, one of the world's top oenologists, has guided Grover's development and owns a stake in the firm. So does France's prestigious Veuve Clicquot champagne house.

But try as he might, Mr. Grover can't get past Ontario's liquor mandarins. His agents in North

America have applied several times for the Liquor Control Board of Ontario to import wines from Grover Vineyards -- to no avail. "It's quite odd in a free country like Canada to have something like the LCBO," says Mr. Grover, sitting in the wood-panelled dining room of the exclusive Widdington Sports Club in Mumbai. "Maybe here in India, but not Canada."

If Ontario weren't such a huge market, he'd be tempted to give up. His agents have just started investigating the markets in Alberta and British Columbia. But the LCBO is the largest purchaser of alcohol in the world. It's also something of an oddity -- most developed countries let producers import wine directly. Not in Ontario, where the LCBO is the official arbiter of taste.

And the board has deemed the quality of Grover Vineyards' wines unworthy for the province's consumers. That means Ontario wine drinkers won't be sipping Mr. Grover's Cabernet Shiraz or Blanc de Blanc any time soon.

It was partly a sense of shame that led to the creation of Grover Vineyards. In the 1940s, Mr. Grover's father, Kanwal, started a machine-tool company that eventually imported equipment for India's aerospace sector. Most of the company's partners were based in France, and officials often went back and forth between the two countries. Over the years, the elder Grover grew embarrassed that there was no decent domestic wine to serve his discerning French guests. "When I joined the company in 1981," says Kapil Grover, "we would have almost three lunches a week with engineers, marketing people and technicians. But there would be no good wine available. Dad said he wanted India to have the best technology available, but he didn't want this country to be a punishment station, where companies say 'Who would want to go to India?' "

In 1980, Kanwal Grover read an article about Georges Vesselle -- known as the "pope of champagne" -- who was helping the Chinese develop a domestic wine industry. Kanwal sent him a letter. Mr. Vesselle agreed to meet and, over a 1935 bottle of Bouzy Rouge, the two shared their passion for fine wine. The French winemaker agreed to help, but he warned the elder Grover that creating a respectable vineyard would be a long and arduous process.

He was right. Mr. Vesselle started by poring over 50 years of India's weather data. He toured 21 potential sites over three weeks and debated with Mr. Grover about possible locations, with just the right amount of rain and sunshine for growing perfect grapes. Mr. Grover's pick, Hyderabad, in the mid-south, was deemed too dry by the wine expert. Mr. Vesselle's pick, the disputed Kashmir region on the Pakistan border, was considered too volatile by the Indian entrepreneur. Mr. Vesselle ended up planting tiny test crops of more than 30 grape varieties around the country. Each summer for eight years, his wine students would haul a one-kilo press to India from France and crush grapes in their hotel room. The bottles were flown back to Mr. Vesselle's lab for testing.

In the end, Messrs. Vesselle and Grover settled on Dodballapur, 40 kilometres north of Bangalore. It's a dry and hilly area, warm by day and slightly cool by night, with a temperate climate year-round. They planted nine varieties of grapes in 1989 and officially launched Grover Vineyards four years later.

But Mr. Vesselle was getting too old to keep jetting around India. So the Grovers enlisted the help of Mr. Rolland, sometimes known as "the flying winemaker" for his reputation for cultivating wineries around the globe. In lieu of his traditional consulting fee, the wine master -- who advises more than 1,000 chateaux in France and many other vineyards worldwide -- agreed to take a small stake in Grover Vineyards. The addition of "Mr. Michel Rolland, Bordeaux, France" on each label has added heft to the upstart winery's reputation. Mr. Rolland has compared his experiences working at Grover to those of "a mountain climber who has scaled an impossible peak."

It hasn't done much to excite the domestic Indian market, however. For most Indians, the choice of drink remains beer and whiskey. Little wonder. A decade ago, the only widely available wine was mostly rancid stuff made from table grapes. "The Indian market is booming, but it's small -- just three million bottles a year," says Mr. Grover. "I'm talking about good-quality wine, not the crap you get everywhere." Aside from Grover Vineyards, two other Indian vintners dominate the high-end market -- Chateau Indage and Sula Vineyards.

By some estimates, Indians consume just half a teaspoon of wine per person each year. (By comparison, Canadians, drink about 12.8 litres a year; the French have everyone beat, at 55 litres.) Still, even if a fraction of India's billion people get turned on to a good domestic shiraz, the market could be huge. And with India's rapidly growing middle class increasingly demanding the finer things of Western life, the domestic wine market is growing at about 15% a year.

But Mr. Grover sees more potential overseas for his five wines -- a Cabernet Shiraz, two varieties of rose, a Blanc de Blanc from the clairette grape and La Reserve Cabernet Sauvignon. Rather than tackling the wine market in general, he has targeted patrons at Indian restaurants. "In London, for instance, we have a great advantage because of the popularity of Indian food," he says. "People eating there order either Kingfisher or Cobra beers with their meals because they think they're Indian. But those drinks aren't even made in India." So why not pair a true Indian wine with your chicken tikka masala?

Grover Vineyards hopes to produce 800,000 bottles next year, with 30% marked for export. By 2008, Mr. Grover wants to cork one million bottles and send 400,000 to Indian restaurants around the world. Ontario will have to wait.

This is not the first time Mr. Grover has had trouble cracking a foreign market. When he first started exporting wine to the U.K., European Union rules initially forbade the vineyard from using the name Cabernet on bottles. It took a year to get British officials to recognize and approve the site where Mr. Grover grows his grapes.

Ontario has been another thing altogether. Mr. Grover says his U.S. distributor first approached the LCBO three or four years ago about shipping wine to the province. Since then, North American importers working on behalf of the Indian winemaker have applied at least three times for access to Canada's largest alcohol market. The latest rejection came in February, says Mr. Grover.

When first contacted about Grover's case, LCBO spokesman Chris Layton said the agency had no record of being approached by the vineyard. That was news to Ashok Dhir, an importer based in Oakville, Ont., who is one of the hundreds of registered agents authorized to deal with the liquor board. Roughly six months ago, he contacted Mr. Grover about bringing his wine to Canada. Mr. Dhir figures he has put in roughly 200 hours negotiating with LCBO officials and visiting some of the roughly 300 Indian restaurants across Ontario to gauge their appetite.

"I think there's plenty of demand at restaurants here for Grover wine," says Mr. Dhir. "I've said this to the LCBO, but they say the quality isn't good and there isn't enough demand." But so far, he says, 37 restaurants have ordered 10 cases (or 120 bottles) of Grover wines. "In other countries, you can import directly by yourself," says Mr. Dhir. "But here you've got to go through the LCBO."

One LCBO official in charge of screening incoming alcohol did little to hide his distaste for Grover Vineyards' products. In his feedback last February, David Cacciottola, product manager of European wines, variously described three of the Indian wines as "unclean," "prematurely aged," with "barnyard" and "mouldy aromas."

That stands in stark contrast to published reviews of Grover wines. Janis Robinson, editor of the

Oxford Companion to Wine, has said Grover's wines are "very competently made and as they'll grow older, they'll acquire more layers of flavour." A reviewer for The Wall Street Journal has described Grover's Cabernet Sauvignon as "exceedingly aromatic and fruity ... with a remarkably persistent finish." A couple years ago, Wine Enthusiast magazine credited the Grovers with "creating a little corner of France in South India."

Mr. Layton of the LCBO says Grover may be going about things all wrong. Rather than apply through the board's retail arm, he says the Indian winery's agents should apply through one of the LCBO's other departments -- the private ordering division, perhaps. "We're like any retailer in that we run the risk of having products on the shelf that don't sell," he says. "The ultimate person bearing the burden of inefficiency is the taxpayer."

Mr. Dhir doesn't buy it. He says the private ordering program isn't worth his effort, since the LCBO's monopoly allows it to jack up prices as much as four times the retail price in India. A $5 bottle of wine, for example, then becomes a $20 bottle of wine. Mr. Dhir argues that after adding the costs for delivering the wine to individual restaurants across the province, the final price would be prohibitively high.

The whole episode is puzzling to Santosh Awatramani, a Los Angeles-based importer who acts as Grover Vineyards' agent in North America. "I've come to realize that, with the LCBO, it's not what you know, it's who you know." Mr. Awatramani says he left India 17 years ago to get away from that kind of system. "There has to be a solution," he says. "Restaurants want Grover's wine. The only thing standing in the way is the LCBO."

While his North American representatives duke it out with LCBO bureaucrats, Mr. Grover is ploughing ahead with his expansion strategy. The vineyard will only use 80 of the 300 acres at its plantation near Bangalore. Increasing the crop is one of Mr. Grover's top priorities. Meanwhile, his wines are only available in eight U.S. states, leaving much room for growth.

But it looks as if it will be some time before diners in Ontario can judge for themselves whether Grover wines go well with their lamb biryani. "If I can send 100,000 bottles to France, it must be good," says Mr. Grover. "Russia has just started buying. The U.K. is buying. The U.S. is buying. I don't understand why Ontario wouldn't want us in there."

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canada.com News

The reverse migration

The New India: Peace and prosperity lure Indian ex-pats back to the subcontinent

Jason Kirby
Financial Post

Saturday, May 14, 2005

For decades, millions of educated Indians fled their homeland for opportunities in the West.

With India's reforms and its thriving economy, that's changing. Many Indians are chosing to come home, drawn by new opportunities. But even with modernization, many still find life in India too challenging. The National Post's Jason Kirby recently travelled to Delhi.

When James Abraham, an Indian-born Canadian, returned to his native land six years ago to work for a global consulting firm, some of his Indian friends back in Toronto fretted over the horror stories pouring out of the old country. There were nuclear tests, monsoons, threats of all-out war with Pakistan and the bombing of India's parliament in 2001. "Every year there was something," he says. "And every time, my friends said, 'What are you doing? It's a war zone. Come back to Canada.' "

These days it's a different story. An increasing number of non-resident Indians (NRIs) -- the phrase widely used to refer to the Indian diaspora -- are choosing to follow in Mr. Abraham's footsteps and return home. The result has been a major shift in migration between India and the Western world, fuelled by a growing economy, thriving middle class and an infectious peace process.

"India now offers them lucrative opportunities to go back and work over there, not just in information technology, but in accounting, law and finance," says Inder Singh, president of the Global Organization of People of Indian Origin, an advocacy group based in Stamford, Conn. Specific numbers are hard to come by, but Mr. Singh says there are now more than 100,000 American citizens working in India, most of whom are of Indian origin. (Similar figures for Canada were not available.)

Doctors are returning to practice in Indian hospitals, executives to lead corporate divisions, tech workers for research and development jobs, and engineers to modernize the nation's infrastructure. Both the government and Indian companies are doing what they can to smooth the process. Wipro Technologies, the country's largest employer, has set up an office to advise prospective employees overseas on how to navigate the red tape when coming home. In 2003, the government made it possible for people of Indian origin living in several nations, including the U.S. and Canada, to hold dual citizenship.

India hasn't always felt this warmly about those who left it behind. To many who stayed in India, NRI also meant "not-required Indian" or "not-really Indian." Even today, some critics feel Indians outside the country exert undue influence over the nation. Yet with an estimated 22 million Indians living outside its borders -- many well-educated and wealthy -- the country now looks on them as a valuable resource.

Those who return are finding a very different country from the one they or their parents left. "There's a real feeling of growth here, that you can actually make things happen," says Mr. Abraham, a director at Boston Consulting Group's office in Delhi. Ever since his father uprooted the family and moved to Canada three decades ago, when Mr. Abraham was 10, he has harboured dreams of returning to India.

He went to work for Boston Consulting after earning his MBA at Wharton and a degree in international relations from John Hopkins University. "It really triggered for me the urge to come back to this country."

He was just waiting for the right time. With the country emerging from years of socialist protectionism, Mr. Abraham found his chance. A new generation of enterprise has sprung up across India, thanks to a decade and a half of liberalization that has freed many sectors of the economy from government control. Today, Mr. Abraham advises organizations in the private and public sector, as well as non-profits.

As with Mr. Abraham, Anil Nayar's friends and associates were stunned when he announced three years ago he was transferring to KPGM's operations in Delhi. Messrs. Abraham and Nayar attended the University of Waterloo together. "Those same friends who were surprised I was going to India now want to come themselves," he says.

Unlike his former classmate, though, Mr. Nayar never expected to return to the country he left when he was eight years old. But when KPMG needed someone to do audit work for General Electric's Indian operations, he stepped forward because he was looking for a challenge. The hardest part was convincing his Indian-born wife, Anjali, who worked for one of Canada's big banks, to come with him. Even three years later, Mr. Nayar says his wife gets frustrated with life in India, which is still a male-dominated society.

Mr. Nayar has also had to adapt. For one, he's had to ditch ingrained Western concepts like efficiency. When he first went into KPMG's Indian offices, he was perturbed to see several receptionists behind the desk. But in a country with more than one billion people, and with wages so low, he's gotten used to the sight of people sitting around with little work to do. It's a trade-off, he says.

"It can take longer to do things here, but back in North America, it's harder to create value because everybody is focused on cost management," he says.

For returning Indians, it helps that many of the trappings of Western society are now widely available in India. As recently as the 1980s, for instance, virtually the only car on the country's roads was the boxy Ambassador. Today, the streets are packed with an array of foreign and domestic autos, including the odd SUV -- a sight to see as they squeeze between errant scooters and meandering cattle.

In Gurgaon, the rapidly growing city south of Delhi, which both Mr. Abraham and Mr. Nayar call home, families hang out in five-storey malls and watch movies at 10-theatre movieplexes. "I don't know how many Indians would want to move to North America now that you can get everything here," says Mr. Nayar, whose family lives in a gated condo complex complete with tennis court and pool. "The upside of going to the West is getting less and less."

More than the consumer goods, Indians who are passing on Western job offers are staying for the sense of opportunity. Last year, Anupam Mukerji's bosses at one of India's largest outsourcing firms asked the marketing employee if he'd be interested in transferring to its office in the U.S. "I had the chance to move to the States, but I decided to stay here and try something on my own instead," he says.

Mr. Mukerji quit his well-paying job a year ago. Today, he has three start-ups on the go -- two in outsourcing and a third producing educational programming for Indian television. None are making much money, and he admits his family isn't thrilled with his decision. But listening to him rhyme off the opportunities, it's clear why more Indians are choosing to stay put. Half the population is under 25, and the government is ready to invest heavily to educate them, he says

Of course, for many thousands of poor Indians, the West still offers a greater chance to improve their lives. Even Mr. Nayar believes he will eventually move back to Toronto.

Meanwhile, for many of the roughly 2.5 million East Indians living in North America, going home is not an option. "If you look at the demographics of the people coming back, it's either the young or the elders or those with a strong familial tie to the country," says Mr. Abraham. "The young guys see this as an entrepreneurial opportunity. The elders see this as a way to give back to the country."

Those in between have deep roots in the West.

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India is next Asian tiger

Both China's and India's economies are growing at a fast pace but experts say China's single-child policy will be its undoing

Jade Hemeon
Financial Post

Monday, May 09, 2005

India and China are in a race to lead major world economies in growth in the next half-century as their populations of more than one billion people each evolve into middle-class consumers. China is in the lead, with production this year increasing at a faster-than-forecast 9.5% a year, compared with India's 6.6%. But there are demographic trends at play that may give India the advantage over time.

India has a more youthful population, Bhim Asdhir, founder and president of Excel Funds Management Inc. of Mississauga, Ont., said at a recent seminar on India and China. India's rising middle class is buying at an accelerating pace things such as homes, cellphones and cars, he said. Home mortgages outstanding rose to a value of 810-billion rupees in 2004 from 360-billion rupees in 2001 and 186-billion rupees in 1998. The number of cars stands at six million, from four million in 2001 and three million in 1998. All of this activity has contributed to an expanding tax base and a strengthening rupee.

China will continue to grow rapidly for many years, but ultimately it will suffer the consequences of its one-child policy, which not only limits the percentage of young people, but has created a shortage of females and could result in as many as 40 million single men by 2020, according to Chinese media reports. The selection process for their one child to be a boy has been aided by the availability of ultrasound, abortion, and the practice of infanticide in rural areas where boys outnumber girls by 130 to 100.

In India there are no such restrictions. Currently, 54% of the population is under age 25, compared with about 40% in China, less than 40% in the United States and less than 30% in Japan and Germany. One-quarter of the world's youth live in India. By 2013, the net addition to the productive population between the ages of 25 and 44 is projected to be 91 million or 33%.

"There is a relatively uneducated population in the rural areas of eastern China, and these people are leaving agricultural areas and flooding into cities, increasing the rate of unemployment," Peter Sacks, Toronto-based managing director and global strategist at Toron Capital Markets Inc. told the meeting. "China is going to have a relatively high percentage of unemployed single males and won't have the same stability as India. By 2020, China will be undermined by its single-child policy."

Nevertheless, China is expected to be the world's largest economy by 2050, followed by the

United States and India. Goldman Sachs predicts the combined annual economic output of India and China will be US$72-trillion by 2050, up from US$2-trillion now. The annual value of the U.S. economy is expected to grow to US$35-trillion from US$11-trillion during the same period. "The opportunities in China and India are 10 times greater than in the United States as more than one billion people in each of the two major Asian countries march toward middle-class status," Mr. Asdhir said.

In 1998, Mr. Asdhir left his job as an actuary, after visits to his native New Delhi convinced him there was enormous investment potential in India, and founded Excel as a vehicle for Canadians to invest in India and China. Excel's three funds are subadvised by top-ranked investment managers residing in those countries.

While emerging markets have a history of volatility and their financial infrastructure is less mature than developed nations, advisors should not overlook the potential of India and China in a diversified investment portfolio. The key is to limit exposure to a small slice of total assets, and expect dramatic fluctuations as these economies contend with inevitable growing pains. The Excel India Fund, for example, showed impressive gains of 83% in 2003 and 31% in 2004, but has been struggling through a corrective phase this year, dropping 2.1% in the first quarter.

There is an extensive amount of analysis of stock market opportunities in more stable developed markets and it's much harder to find undiscovered gems, Mr. Sacks said. While emerging countries may be plagued by lower standards of accounting and corporate governance, and some "rigging" in their markets, an experienced investment team on the ground has an abundance of promising and legitimate opportunities to choose from, he said.

"Governments are encouraging foreign trade and are less dependent on financial aid. Improving transportation, communication and technology, combined with deregulation and the fall of protectionist barriers, are transforming emerging economies."

Last year, Indians living abroad sent US$23-billion to their families in India. Much of this is being invested in small businesses. There has also been significant government investment in infrastructure such as power plants, roads, ports, airports, irrigation and water supplies, and telecommunications. "The burgeoning middle class is spurring domestic demand and consumption, leading to tremendous growth and rising employment," Mr. Sacks said.

There are still risks, including high energy prices, the threat of global inflation, political change and rising interest rates. A slowdown in China would result in falling commodity prices, and with 35% of its stock market dependent on commodities, India would suffer. A slowdown in the U.S. economy would hurt both countries.

Who's Sari now?

Peter Kuitenbrouwer
National Post

Saturday, May 07, 2005

Trish Mahtani is the face of the new Little India.

CREDIT: Peter Redman, National Post

"A lot of people were asking for this stuff," Trish Mahtani says of the rainbow-hued home accessories she sells in her shop, Rang Home Decor.

Sure, her father has a sari shop on the north side of Gerrard Street, a two-storey emporium that sells sumptuous embroidered wedding dresses in a rainbow of colours, but Mahtani is no traditional Indian, and she's too young to get married. So when she got out of business school she busted out on her own.

Mahtani took over Amir's, an Indian knick-knack shop across from her father's store, painted it fuchsia on the outside and parrot green within and hung a sign out front, Rang Home Decor. Rang is the Hindi word for colour, and this place has it in spades: cushions, bedcovers, tablecloths, placemats, all in pure silk and resplendent with embroidery.

"A lot of people were asking for this kind of stuff," says Mahtani, 24, who was born in Hong Kong and raised in North York. She is referring to the years she spent helping out at her father's shop, Nucreation. "It worked out really well for me. I had an interest and I knew there was a demand."

Today she flies often to Jaipur, Delhi, Mumbai and Bangalore, in India, where she chooses fabrics, has pillows custom-made and buys ornate benches and swinging chairs carved from sesame wood in the Rajastani style.

Mahtani's store really is the new Little India: In place of the tinkly strains of the sitar, the pounding hip hop of Flow 93.5 FM fills the shop. Most of Mahtani's customers are "mainstream," she says, meaning white people. Little India, officially Gerrard India Bazaar, is also busting out these days. It started in the early 1970s when Ontario's first Sikh gurdwara, or temple, opened on Pape Street between Gerrard and Dundas. The Naaz Theatre, on Gerrard, followed, soon joined by a snack shop and a grocery store. By the late 1990s the strip west of Coxwell Avenue counted 70 shops, and today there are 100, including 22 restaurants. While most South Asians (including about 200,000 Sikhs) live in Scarborough, Mississauga and Brampton, this strip has continued to thrive."This is one-stop shopping," says Dilbag Singh, owner of New Haandi 2000 restaurant, which delivers all over east Toronto. "Other places it's broken up."

The strip's pioneers have done very well, even if they had to take a bit of grief at the outset. P. S. Bajaj moved here from New Delhi in 1969. "I went to Eaton's and I said, 'I want a job as a salesman,' " he recalls. "The man said, 'If you don't have a turban I can hire you.' I said, 'To hell with you.' A year later I came back and said, 'I have a store on Yonge Street and I am making more money than you -- I can hire you.' "Thirty-three years later, he still has that store, Fashion Fashion, and also owns a building here on Gerrard. Such are the improving fortunes of the strip that in January, Bajaj cleared out his sari shop and leased it to ICICI Bank, one of India's largest. The bank is completing a pricey renovation and looks near ready to open.

Nucreation is keeping up with the times, too. A sign reads: "What's hot! Bustier-style lehngas

$399." Govind Mahtani, the owner, takes me upstairs to show off more lehngas, a kind of halter top worn with a scarf and floor-length skirt. A bride's lehnga in the traditional maroon (for good luck) covered in zardozi work (embroidery threaded with silver and hundreds of sparkling glass beads) bears the price tag $3,950. "But don't go by that," Mahtani says. "People bargain. They would get 30% or 40% off." He adds, "When she wears it in the night, all the light falls on it like diamonds." Nearby, a bride-to-be is trying on a lehnga in royal blue.

For younger girls, the store has what it calls ponchos -- "East meets West," Mahtani says -- which are like the Mexican ones, only made of brightly coloured see-through gauze. "This is the new stuff that is coming in," he says. "The young girls will wear this."

The enduring marvel of this strip is the chance to immerse oneself in a place that feels absolutely foreign. But get ready for some change. Mahtani, for one, has discarded her father's tradition of bargaining with customers."I'm not comfortable with that," she says, "so I work on a fixed pricing system." She says it's working out fine -- she can hardly keeped the store stocked.

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Gerrard offers spice of life

You can smell the cloves on the shelves from two feet away

Jacob Richler
National Post

May 7, 2005

I am a fiend for Indian cookery, and would happily eat the stuff three times a day, just as South Asians do if they're lucky. But while I enjoy cooking and am capable at a handful of different cuisines, results are best for me -- as for the professionals -- when I stick to the cooking of the cultures I grew up with. So when struck with a craving for Indian nosh my habit is to reach for the phone or look about for the car keys.

My neighbourhood in the downtown west end is well served by Restaurants on the Go, who will obligingly fetch what you want from The Host, on Prince Arthur, one of the best Indian restaurants in town. Trimurti does the same at a more modest price. If I am feeling flush, I can always head down to Babur, on Queen Street. When I'm in the mood for something trendy, chic and new on the plate in front of me as well as at the table alongside, Xacutti, on College Street, is just a short drive away. Downtown I like to drop in for lunch at the Indian Hut on Church Street. And when happy to settle for something more modest, like a reverse-fusion Indian-curry-stuffed roti, I can always pick up a $10 or $12 butter chicken or chicken korma roti at Gandhi Cuisine on Queen West.

CREDIT: Peter Redman, National Post

Tariq Bashir, left, and owner Amin Vali in their spice and vegetable store, Toronto Cash and Carry.

Which all adds up to a happy wealth of fragrantly spiced options no sensible person could complain about. All the same, I've long wanted to learn a few tricks of the craft to bring back to the home kitchen, and so a couple of years back I signed up for some Indian cookery lessons chef Chander Dhawan was to give on Saturday afternoons in his kitchen at Indian Hut. Unfortunately, public enthusiasm for the project vastly exceeded what he could give in terms of kitchen space or time, and he abandoned the idea before it got off the ground. So I never got a lesson, but I did get a tip:

"You want a tandoor, you see my friend Gaupam at Kitchen Queen," Dhawan told me. "He will give you what you need."

So this week, with a hint of spring and thoughts of summer barbecue-and-tandoor season in the air, I took a cab out to the intersection of Gerrard and Coxwell, disembarking by chance in front of an Internet cafe going by the intriguing name "Lick n' Click." There were dollar stores to the right of me, dollar stores to the left of me, but I went on, into the valley of Little India.

At the east end of the strip you will find jewellers, grubby pharmacies, some sorry-looking dentists and beauty salons and a dusty kitchenware shop that the owner, suffering from delusions of grandeur, has named the Taj Mahal. There is a restaurant named (G.) Ali Baba, and an incongruously named clothing store called Milans Saree Emporium. Across the street from the United Church you will find a shop called Brothers Halal Meats that has a sideline in phone cards, all priced at $2.49, that will earn you 35 minutes airtime to India, 25 minutes to Pakistan or 29 minutes to Sri Lanka, which by my count makes ringing up a chum in Calcutta, Islamabad or Colombo strangely cheaper than dialing someone in Montreal, but what can you do.

Finally, a block further at 1416 Gerrard St. E., I find what I am looking for and it sports the best sign on the strip: "Kitchen Queen," it reads, and in a banner of big bold letters beneath that appears a list of the main items sold here: "Stainless Steel and Brassware -- Religious Items -- Restaurant Supplies -- Costume Jewelry." You know, the usual.

Take a look around and you will have a sense of having been here before. Because while the place may be best known as a purveyor of British-made tandoori ovens, it turns out to also be in the business of selling Indian-restaurant decor to every Indian restaurant that ever opened here.

There are dancing Shivas everywhere you turn. Framed pictures of Hindu deities frolicking about in the Ganges are stacked in rows like Marilyn Monroe and James Dean posters at a head shop. There is faux brass Ganesha statuary stacked to the ceiling and, tucked in a far corner, a lone plaster bust that bears a peculiar resemblance to Richard Simmons.

I ask after the tandoors and am informed that they are all locked up in a trailer across the street, but I can tell you that they are available in baked clay, unbaked clay and even steel, and home models range in price from about $400 to $1,500. So I decide to leave it for another day, and instead ring up Xacutti chef Brad Moore on his cellphone to see where he shops around here, catching him, as it happens, while shopping at Bangladesh Grocery (1176 Bloor St. W.), near Dufferin Street, in which environs he also recommends Universal Grocery.

"The west end is more convenient for me, but I do my bulk shopping on Gerrard once a month," he says. "I think the spices are fresher down there."

Indeed, at the store to which he sends me, called Kohinoor, just down the street at the corner of Ashdale, you can smell the cloves on the shelves from two feet away. Kohinoor sells all the spice you need -- cinnamon bark, black cardamom, green cardamom, you name it -- and at the most preposterous prices. Dried chilies that at St. Lawrence Market cost $3.99 for 100 grams sell here for $2.99 a kilo. Those mixed Indian pickles that restaurants sell for $19.99 per thimbleful retail here for $3.99 a kilo. Ten-pound bags of basmati rice go for $8.99. Fresh, ripe Indian mangoes are only a dollar each. The only puzzler is a big box by the cash of something called "Cannabis Incense Sticks." I thought you were supposed to burn that stuff to get rid of the smell. But what do I know.