



MARKET MOVEMENT

Major Indices	Apr 30, 2010	May 07, 2010	% Change	Change
BSE Sensex	17,558.71	16,769.11	(4.49)	
NSE Nifty	5,278.00	5,018.05	(4.92)	

INDIAN ECONOMY AT A GLANCE**POLICY WATCH**

- **India, Venezuela keen on expanding ties**
- **Government nod for 12 highway projects**
- **Government inks pact with top Japanese companies**
- **SEBI tightens guidelines for rating agencies**
- **Government nods gratuity limit hike to Rs 1 million**
- **Government increases ECB annual cap to \$40 billion**

India, Venezuela keen on expanding ties

INDIA and Venezuela have agreed to explore all possibilities for expanding the areas of cooperation between the two countries in the wake of the growing cooperation in hydrocarbon sector. Venezuela is currently supplying 150,000 barrels per day (bopd) of crude oil to India and there was a potential to raise supplies. Indian companies would help ramp up production in Venezuelan oil fields which could also be utilized by the upcoming refinery projects in India to herald long term cooperation in the sector. The two countries agreed that the fruitful alliance in the energy sector could be replicated by investments in other sectors such as cement, pharmaceutical, and steel, iron ore to foster stronger long-term relations between the two nations.

Government nod for 12 highway projects

GOVERNMENT approved expansion of 12 National Highway projects and development of a multi-purpose berth at Paradip Port at a total cost of around Rs 140 billion. Some of the major projects approved included the four-laning of the 174-km long Nagpur-Betul section of NH 89 in Madhya Pradesh and Maharashtra at a cost of Rs 24.99 billion. Government also approved the implementation of two laning of Dindigul-Theni section of NH45 and Theni Kumli section of NH 220 and the six laning of 59.87 km long Hosur-Krishnagiri section of NH-7 in the Tamil Nadu at a total cost of Rs 10.36 billion. Government also approved a proposal to build multipurpose berth to handle clean cargo including containers at Paradip Port on BOT basis at a cost of Rs 3.87 billion.

Government inks pact with top Japanese companies

THREE state Governments and the Delhi-Mumbai Industrial Corridor Development Corporation (DMIDC) have joined hands with top Japanese consultants, including Mitsubishi, Nikken Sekkei and IBM Japan, to develop eco-friendly infrastructure for new

cities planned in the \$90-billion Delhi-Mumbai Industrial Corridor (DMIC). The Japanese consultants will launch feasibility studies to set up the first set of eco-friendly cities in Manesar-Bawal region of Haryana, Dahej, Changodar in Gujarat and Shendra industrial region in Maharashtra, as per the agreements entered into by them. First phase of the project launched in 2006 will be completed by 2018. The corridor, which will run through six states, is being developed in collaboration with the Japanese Government as a global manufacturing and trading hub.

SEBI tightens guidelines for rating agencies

SECURITIES AND EXCHANGE BOARD OF INDIA (SEBI) tightened guidelines for credit rating agencies, by standardizing the definition of defaults by bond issuers, and the formula for computing default rates. The capital market regulator has made it mandatory for rating agencies to publish information about the historical default rates of their rating categories and whether the default rates of these categories have changed over time. It will help investors to evaluate the performance of the rating agency as well as understand the historical performance of each category. SEBI has defined default as non-payment of interest or principal amount in full on the pre-agreed date. In order to improve transparency, the raters will have to maintain records of the rating committee, including voting details and notes of dissent, for a period of five years.

Government nods gratuity limit hike to Rs 1 million

GOVERNMENT approved enhancing the gratuity limit for employees from Rs 3,500,000 to Rs 1 million as also the exemption threshold from income tax on it. Many employees, whose gratuity amount exceeds more than Rs 3,500,000, were not getting it so far. As per the Payment of Gratuity Act, 1972, on completion of five years service, employees are entitled to payment of gratuity subject to a maximum of Rs 3,500,000. The gratuity is considered an income and the employee who receives it is liable to pay taxes on it. However, gratuity up to Rs 3,500,000 is exempted from Income Tax. With the enhancement of the limit, employees will get more benefits at the time of retirement.

Government increases ECB annual cap to \$40 billion

INDIAN firms can borrow up to \$40 billion this year from overseas markets, with the Government moving in to ensure easy availability of funds. Government decided to raise the annual indicative ceiling of External Commercial Borrowings (ECB) to \$40 billion for 2010-11 from \$35 billion last year. The higher limit will allow Indian corporate to access cheaper funds abroad at a time. The companies are allowed to access overseas debt on a First Come First Served (FCFS) basis within the \$40 billion limit. But actual borrowing in the year could exceed the \$40 billion limit as some dollar funds can also come through the automatic route, where prior approval from RBI is not needed.

INDUSTRY WATCH

- **India's M&A deal activity logs US\$ 1.7 billion in April 2010**
- **India signs deal with Japanese companies to upgrade cities**
- **Truck sales accelerates 104.36% April**
- **Coffee exports jump 42% in January-April 2010**
- **Japanese trade Organization sees Chennai as gateway to South-East Asia**
- **PE transactions in India rise three-fold to \$840 million in April**

India's M&A deal activity logs US\$ 1.7 billion in April 2010

INDIA Inc's Merger and Acquisition (M&A) deal activity touched US\$ 1.74 billion in April 2010. The total M&A deal value touched US\$ 21 billion so far this year. The M&A deal value during April 2010 rose 57% over the same period last year. The deal count also saw an upward trend and rose to 49 in April compared to 28 in the year-ago period. 25 domestic deals worth US\$ 815 million took place in the month of April compared to 13 deals worth US\$ 603 million in the year-ago period. Also, the number of outbound deals surged from 8 in April 2009 to 18 this year, posting a double rise.

India signs deal with Japanese companies to upgrade cities

INDIA signed an agreement with a group of Japanese companies including Toshiba Corp., Tokyo Gas Co., and Mitsubishi Heavy Industries Ltd., Hitachi Ltd., JGC Corp. and Kyocera Corp to upgrade and develop cities modeled on Japan's Yokohama and Kitakyushu towns. The Japanese companies will study the possibility of using technologies to reduce pollution, recycle industrial wastes and optimize energy supplies in the Indian cities. The Japanese companies will help develop cities in Haryana, Maharashtra and Gujarat states in the first phase, along an industrial corridor connecting the capital, New Delhi, and the financial hub of Mumbai.

Truck sales accelerates 104.36% April

TRUCK sales in April have more than doubled at 104.36% over last year. Sales figures for April stood at 22,469 units against 10,995 units in the corresponding month last fiscal. The substantial growth in truck sales follows the growth in manufacturing, which leads to an increase in cargo transport. Agricultural produce like wheat procurement and the summer fruits and vegetables in April add to the high demand for trucks. Among trucks the multi-axle trailer segment showed the highest sales growth of 506% in April.

Coffee exports jump 42% in January-April 2010

COFFEE exports from India rose by 42% to 100,574 tonnes in the first four months of 2010 on strong global demand and domestic supplies. Coffee exports surged to Rs 10.25 billion during the January-April period of 2010 from Rs 7.63 billion in the same period in 2009. Exports have increased due to a rise in demand for variety of coffee and increase in the re-export of processed coffee. The overseas sale of instant coffee stood at 8,670 tonnes, whereas the re-export of processed-coffee was about 18,871 tonnes during the period.

Japanese trade Organization sees Chennai as gateway to South-East Asia

JAPAN EXTERNAL TRADE ORGANIZATION (JETRO) recognized Chennai as the new gateway to South-East Asia following the Indo-ASEAN Free Trade Agreement (Indo-ASEAN FTA) for Japanese Companies. The strong ties between India and Japan are bound to grow further as Japanese companies become increasingly aware of the potential in Chennai. Japan trade organization would fully support bilateral investments in a wide range of sectors including infrastructure. Government is considering proposals for development of Chennai-Bengaluru and Chennai-Ennore Industrial Corridors. There is scope for setting up of a Multi Logistic Park near Chennai and promotion of projects in several sectors like transportation, education, health care, tourism and agriculture in Public Private Partnership mode.

PE transactions in India rise three-fold to \$840 million in April

PRIVATE Equity deals in India amounted to \$840 million in April, 2010, against \$285 million in the corresponding period of the previous year. In April this year, 35 PE transactions

were reported, against 22 deals registered in the same period in 2009. Utilities, consumer discretionary (luxury goods) and industrials were the most targeted sectors for investment, with deals worth \$201 million, \$186 million and \$160 million respectively in April, 2010.

CORPORATE HIGHLIGHTS

- **Hitachi arm buys Flyjac Logistics**
- **Orchid in pact with US Company for oral non-antibiotic drug**
- **RDCIS in pact with BARC**
- **Kirloskar Brothers acquires 90% in South African Company**
- **Glenmark, Taro in pact for branded drug in US**
- **L&T forms venture with Howden Global**
- **Tata Communication partners with Infinity Africa**
- **NTT Data in talks to buy stake in Patni**

Hitachi arm buys Flyjac Logistics

HITACHI Transport System, a Japan based company, has acquired Flyjac Logistics for nearly Rs 2.46 billion, giving it a firm footing in India's logistics and warehousing sector. The deal propels Hitachi to the top 10 Indian logistics companies alongside big players such as DHL, Panalpina and Kuehne+Nagel. Hitachi Transport, which operates in 285 locations globally, specialises in third-party logistics and warehousing. The company's main focus is heavyweight cargo distribution. This deal will trigger consolidation in the unorganized freight forwarding sector in India. Japan's Nippon Express acquired JI Logistics to enter India in 2007, while Mitsubishi Logistics Corporation is a partner alongside Gateway Distriparks in South Indian cold-chain logistics company Snowman Frozen Foods. NYK, another big player from Japan, too, is present in India.

Orchid in pact with US Company for oral non-antibiotic drug

ORCHID Chemicals & Pharmaceuticals announced that it has entered into an out-licensing and distribution agreement with the US-based pharma company Alvogen for marketing eight of Orchid's oral non-antibiotic generic formulations in the US market. Under this agreement, Orchid will develop and manufacture eight oral non-antibiotic formulations for licensing to and marketing by Alvogen in the US. Alvogen will source these products from Orchid exclusively. Both the companies would share the legal expenses and bio-study costs. These formulations licensed to Alvogen under the agreement comprise products in the high-growth therapeutic segments of CNS and Osteoporosis among others.

RDCIS in pact with BARC

RESEARCH and Development Centre for Iron and Steel (RDCIS) signed a Memorandum of Understanding (MoU) with the Bhabha Atomic Research Centre (BARC) for scientific collaboration on hot workability studies of refractory metal and alloys. BARC showed keen interest in the wide spectrum of research being carried out at RDCIS on special purpose steels, variety of refractory metals and alloys, structural ceramics and inter-metallic compounds including mineral processing. RDCIS is the research and development wing of Steel Authority of India Ltd.

Kirloskar Brothers acquires 90% in South African Company

KIRLOSKAR BROTHERS LTD (KBL) has acquired 90% shares of South Africa-based Braybar Pumps Ltd through its wholly-owned subsidiary Kirloskar Brothers International B.V., Netherlands. The deal will help KBL strengthen its position in a pre-eminent South African market. The acquisition will provide KBL an immediate supply and service base for its products in the South African markets as Braybar has repair and in-house machining facilities. These can be utilized for assembling various pumps required for the whole region as well as for supporting KBL with white metal lined bearings, another of their product range. The mining experience of Braybar Pumps will also enable KBL to set foot in the mining industry.

Glenmark, Taro in pact for branded drug in US

GLENMARK'S wholly-owned subsidiary in the US has entered into an exclusive license and supply agreement for a branded product with the US arm of Israeli generic drugs company Taro Pharmaceuticals. Glenmark will manufacture the product exclusively for Taro USA, a branded division of Taro Pharma, and will be the exclusive US distributor of the product. Glenmark will receive milestone payments and a royalty on sales.

L&T forms venture with Howden Global

LARSEN & Toubro (L&T) and Howden Global, a UK-based Company have signed a Joint Venture (JV) to design, engineer, manufacture and supply axial fans and air pre-heaters to Indian thermal power plants ranging between 100 MW and 1,200 MW. The joint venture will invest Rs 1 billion to set up a facility at Hazira, Gujarat, expected to begin operations in 2011. Partnership will also offer Howden access to the fast growing Indian power plant equipment market. The manufacture of fans and air-heaters will add to L&T power's portfolio of products giving it a 'distinct edge' in the power plant market. The company already has joint ventures with Mitsubishi Heavy Industries to make super critical boilers, steam turbines and generators.

Tata Communication partners with Infinity Africa

TATA COMMUNICATIONS, a global provider of a new world of communications, has entered into a partnership with Infinity Africa, a licensed Data Services Provider in Tanzania, expanding the reach of Tata Communications' IP network further into East Africa. This follows the company's establishment of a Point of Presence (PoP) in Kenya 6 months ago, further reinforcing its commitment of emerging markets. Tata Communications has been providing internet and voice services in Tanzania for over 10 years - as Teleglobe. This point of presence in Dares-Salaam offers tier 1 IP service in Tanzania and will enable local service providers to offer highly resilient internet access.

NTT Data in talks to buy stake in Patni

JAPAN'S NTT Data Corp is in talks to buy a majority holding in Indian software services firm Patni Computer Systems for up to \$1 billion. L&T Infotech & Japan's Fujitsu are also looking at the stake. The founding Patni brothers aim to sell a large part of their 46.5% holding, while private equity firm General Atlantic, will offer its 17.7% stake. NTT is likely to pay between Rs 650 and 700 per share for 51% of the company.