



**MARKET MOVEMENT**

Major Indices	January 09, 2009	January 16, 2009	% Change	Change
BSE Sensex	9,406.47	9,323.59	(0.88)	
NSE Nifty	2,873.00	2,828.45	(1.55)	

**INDIAN ECONOMY AT A GLANCE****POLICY WATCH**

- **100% FDI in fax editions of foreign newspapers allowed**
- **8 new SEZ proposals cleared**
- **CCEA approves higher project cost estimates**
- **Semiconductor Policy brings in 17 projects**

**100% FDI in fax editions of foreign newspapers allowed**

THE Government has allowed 100% Foreign Direct Investment (FDI) in fax editions of magazines and newspapers, in a move that would allow international media houses to open subsidiaries and market and distribute facsimile editions of their magazine and newspaper in India. The FDI policy for the facsimile edition of magazines and newspapers needed clarification. While non-news segment already attracts a 100% FDI in India, foreign investment in news and current affairs segment is restricted to 26%. Facsimile or fax edition of a magazine or newspaper implies a 100% replica of a publication that is originally published outside the country.

**8 new SEZ proposals cleared**

THE Board of Approval (BoA) for Special Economic Zones (SEZs) has approved 8 fresh proposals for establishing SEZs across India. The board gave formal approvals to 3 Information Technology (IT)/ITeS SEZs, out of which 2 would be located in Tamil Nadu and one in Maharashtra. A port-based SEZ, including port development, has been approved for Karaikal Port Pvt Ltd in Karaikal district, Puducherry. With these, the formal approvals for SEZs have crossed 550 out of which 278 SEZs have already been notified.

**CCEA approves higher project cost estimates**

THE Cabinet Committee of Economic Affairs (CCEA) has approved the new, upward revised project costs for three more projects and their sub-projects, in a bid to make the ongoing National Highways Authority of India (NHAI) projects attractive to bidders. The move allows highway developers to seek higher Viability Gap Funding (VGF) from the Government. The projects are four-laning a stretch of the Cuddapah-Mydukur-Kurnool section in Andhra Pradesh; four laning a stretch of Walayar-Vadakkancherry section and six laning a stretch of Vadakkancherry-Thrissur section in Kerala.

**Semiconductor Policy brings in 17 projects**

SEVENTEEN projects amounting to an investment of \$31 billion (Rs 1,570 billion) have been received by the Government under the Semiconductor Policy, according to the Ministry of

Communications and Information Technology. The policy provides special incentives in the form of capital subsidy of 20% for units in Special Economic Zone (SEZ) and 25% for units outside the SEZ on the investment. The proposals received include investments in semiconductor wafer fabrication, TFT-LCD panel and solar photovoltaic.

## INDUSTRY WATCH

- **Smartphones to ring in 23% CAGR by 2011**
- **Technology biggies to bag \$4 billion outsourcing deals in 2009**
- **Luxury cars log double digit growth last year**
- **Telecom industry revenue touches US\$ 7.62 billion in July-September 2008**
- **Banks adopt 48 industrial clusters to improve credit flow**

### **Smartphones to ring in 23% CAGR by 2011**

**SMARTPHONES** market, sized at 5 million in 2008, is expected to witness a Compound Annual Growth Rate (CAGR) of 23% by 2011. They are clocking robust sales in India. Smartphones, which have computer-like features, are a favourite with not only professionals, as they enhance productivity, but also with the youth that are attracted by their multimedia applications. While the growth in the handset market is shrinking at an aggregate level, the smartphone or the converged devices category are growing. This is more than the growth rate of around 10% being witnessed by the regular handsets market, which closed with nearly 105 million units in 2008.

### **Technology biggies to bag \$4 billion outsourcing deals in 2009**

**TECHNOLOGY** biggies such as TCS, Infosys, Wipro and HCL are all set to get new outsourcing contracts worth \$4 billion from top customers including British Telecom, Citi, GE and Bank of America (BoA) in 2009. In a bid to cope with their tightened budgets, these companies plan to send their IT works to offshore locations such as India. Among some of the top deals coming to India, \$250 million outsourcing contract being considered by Australian phone firm Telstra is expected to be finalised by the end of January, 2009, followed by several contracts worth between \$50 and \$100 million from Citi, BT, GE and other customers.

### **Luxury cars log double digit growth last year**

**LUXURY** cars have registered high double digit growth in India in 2008. Mercedes-Benz India, the largest luxury car manufacturer in the country, registered a growth of 46% at 3,625 units in the passenger car industry in 2008 as against 2,483 units in the preceding year. Even BMW India sold over 2,500 units last year as against an estimated 2,000 units for the whole year. Likewise Audi India, the relatively new entrant into the Indian automobile industry, posted a growth of 201% at 1,050 units in 2008 as compared to 349 units in 2007.

### **Telecom industry revenue touches US\$ 7.62 billion in July-September 2008**

**THE** telecommunications sector continued its robust growth with the wireless market increasing at 9.91% and garnering revenues worth US\$ 7.62 billion for the second quarter ending September 2008, according to the Telecom Regulatory Authority of India (TRAI). The Adjusted Gross Revenue (AGR) for the period was placed at US\$ 5.60 billion as against US\$ 5.52 billion for the previous quarter, thereby showing an increase of 1.36%. A total of 28.44 million subscribers were added in this quarter. The total subscriber base of the wireline and wireless services reached 353.66 million for the quarter ending September as against 325.79 million for the quarter ending June, thus registering an increase of 8.55% during the quarter.

### **Banks adopt 48 industrial clusters to improve credit flow**

TO improve the flow of credit to industrial clusters and facilitate their all round development, 15 banks operating in Orissa including the public sector State Bank of India (SBI) and the Small Industries Development Bank of India (SIDBI) have adopted 48 clusters. These clusters are in the sectors like engineering tools, foundry, handloom, food processing, weaving, rice mill, cashew processing, pharmaceuticals, bell metals and carpentry among others. While SBI has adopted 7 clusters, highest among all the banks, SIDBI, Allahabad Bank and Utkal Gramya Bank have adopted 5 clusters each. Andhra Bank, Punjab National Bank (PNB), United Bank of India and Bank of Baroda have adopted 4 clusters each.

## **CORPORATE HIGHLIGHTS**

- **CBDT nod for IIFCL to issue tax-free bonds**
- **UK-based Clifford Chance ties up with AZB & Partners**
- **Trivitron, Vision Engineering enter JV**
- **Fidelity India launches Wealth Builder Fund**
- **Bombardier in deal worth Rs 2.5 billion**
- **Hugo Boss inks sourcing deal with Pokarna**
- **Bajaj Auto Finance profit rises 39%**
- **PFC net up 6% in Q3**
- **HDFC Bank Q3 net up 45%**
- **ONGC inks pact with Australian company Arrow Energy**
- **Infosys Q3 net rises 33% on higher earnings growth**
- **Mahindra unveils multi purpose vehicle Xylo**

### **CBDT nod for IIFCL to issue tax-free bonds**

THE Central Board of Direct Taxes (CBDT) has given its nod for India Infrastructure Finance Company Ltd (IIFCL) to issue tax-free bonds to the extent of up to Rs 100 billion in the financial year 2008-09. The CBDT move would pave the way for IIFCL to hit the market in the coming weeks. The tax benefit would be available so long as the coupon on the bond does not exceed 8% per annum. Indications are that the tax benefit would be available only to the initial investor whose name is registered with IIFCL at the time of primary purchase of the bond.

### **UK-based Clifford Chance ties up with AZB & Partners**

UK-based Clifford Chance, the world's largest law firm, and AZB & Partners, an Indian law firm, have entered into an informal tie up which will involve client referral arrangements, joint training, consultation and marketing. At present, foreign law firms are not allowed to operate in India and the Bar Council of India prohibits Joint Ventures (JVs) between foreign and domestic law firms. But, global entities are opting for tie-ups with Indian partners, as they are increasingly looking at establishing an India presence, in anticipation of a possible opening up of the local legal services industry to foreigners.

### **Trivitron, Vision Engineering enter JV**

TRIVITRON Medical Systems has entered into a JV agreement with X-ray machines maker Vision Engineering to set up a new manufacturing facility in Pune. The 51:49 JV in favour of Trivitron Medical Systems seeks to generate Rs 1 billion in revenues by year 2011. The JV gives Trivitron a

controlling stake in vision Engineering, which manufactures fully Indigenised advanced X-ray machines.

### **Fidelity India launches Wealth Builder Fund**

FIDELITY International's Indian asset management company has launched Fidelity Wealth Builder Fund, an open ended fund of funds scheme, offering asset allocation options with three plans. The New Fund Offers (NFO) will be open from January 14 to February 5, 2009. The fund will open for ongoing purchases and redemptions from March 2, 2009.

### **Bombardier in deal worth Rs 2.5 billion**

INDIA'S largest metro vehicle supplier, Bombardier Transportation Inc signed a Memorandum of Understanding (MoU) attracting an investment of Rs 2.5 billion with the Government of Gujarat at the Vibrant Gujarat Global Investors' Summit 2009 at the science city in Ahmedabad. The MoU entails an investment of Rs 2.5 billion and direct employment to around 700 people. The company plans to make its Metro Vehicle cars at the newly constructed facility at Savli near Vadodara.

### **Hugo Boss inks sourcing deal with Pokarna**

HUGO Boss has unveiled a sourcing deal with Hyderabad-based Pokarna Group, makers of Stanza brand, in a move to boost India's stature as a value-added player among apparel sourcing markets globally. The deal was part of the company's aim at emerging as a key supplier to marquee brands like Hugo Boss. It is believed that Hugo Boss through its Hong Kong sourcing hub has entered direct buying with Pokarna.

### **Bajaj Auto Finance profit rises 39%**

BAJAJ Auto Finance Ltd (BAFL) has posted a 39% growth in net profit at Rs 112.8 million in the quarter ending December 31, 2008, compared with Rs 81.2 million posted last year. Total income in the December quarter was up 19% at Rs 1.58 billion (Rs 1.32 billion). During the last quarter, BAFL launched loan-against-property business in Delhi, Mumbai, Bangalore, Kolkata, Chennai, Pune, Hyderabad, Ahmedabad, Chandigarh, Surat and Panipat-Yamunanagar.

### **PFC net up 6% in Q3**

POWER Finance Corporation (PFC) has reported a 6% jump in net profits at Rs 3.39 billion during the third quarter of the current fiscal, as against Rs 3.2 billion during the same quarter last year. Operating income rose 33% to Rs 17.16 billion (Rs 12.92 billion), while disbursements were up 35% at Rs 42.78 billion (Rs 31.70 billion). The major projects sanctioned during the quarter include Rs 65.12 billion to Koradi Extension thermal station of the Maharashtra State Power Generation Corporation, Rs 18.06 billion to Bellary thermal station of Karnataka Power Corporation and Rs 12.5 billion to RKM Power Generation Pvt Ltd.

### **HDFC Bank Q3 net up 45%**

HDFC Bank recorded a 45% growth in net profit at Rs 6.22 billion for the quarter ended December 31, 2008, against Rs 4.29 billion in the same quarter last year, on the back of strong growth in both interest income and other income. The results for the period ended December 2008 are of the merged HDFC Bank and Centurion Bank of Punjab, and therefore, not comparable with the results for the period ended December 2007, which are on a standalone basis for HDFC Bank.

### **ONGC inks pact with Australian company Arrow Energy**

ONGC has inked an MoU with Australia's Arrow Energy for cooperation in the Coal Bed Methane (CBM) sector. The main areas of cooperation identified are: joint participation in blocks in India and abroad for exploration, field development and production of CBM, and sharing of knowledge, experience and transfer of technology in the sector. CBM, found in coal seams, is fast emerging as an important source of energy.

### **Infosys Q3 net rises 33% on higher earnings growth**

INFOSYS reported a 33.3% rise in net profits at Rs 16.41 billion for the December quarter, compared with Rs 12.31 billion in the year-ago quarter. Revenues rose 35.5% to Rs 57.86 billion (Rs 42.71 billion). Projecting a flattish growth for the March quarter, Infosys said it expects revenue to be in the range of Rs 54.94 billion - 56.99 billion. Infosys added 30 new clients during the quarter, and the gross employee addition was 5,997.

### **Mahindra unveils MPV Xylo**

MAHINDRA & Mahindra (M&M) launched its multi-purpose vehicle (MPV) Xylo at its Nashik plant. Xylo, with its competitive price ranging from Rs 624,000 to Rs 769,000, is pitched against not only MPV market leader Toyota Innova but also midsize sedans including Ford Fiesta and Maruti SX4. Xylo, which was under development for four and a half years, is coming out of an all-new platform called Ingenio. It is six and a half years since Mahindra launched a new platform in the UV segment.