



MARKET MOVEMENT

Major Indices	Apr 16, 2010	Apr 23, 2010	% Change	Change
BSE Sensex	17,591.18	17,694.20	0.58	
NSE Nifty	5,256.15	5,304.10	0.91	

INDIAN ECONOMY AT A GLANCE**POLICY WATCH**

- Government approves IIFCL for takeout financing
- RBI releases draft rules on investment firms
- Government approves 3.4 billion dollar bank recapitalization plan
- RBI nods options trading in currency futures
- Private Sector banks must get RBI approval to raise funds via QIP
- Government approves 1,000 additional model schools

Government approvals IIFCL for takeout financing

GOVERNMENT has allowed India Infrastructure Finance Company Ltd (IIFCL) to lend up to 50% of an infrastructure project. IIFCL will be able to fund infrastructure development in the country by taking over loans provided by other lenders such as banks to eligible projects. The takeout financing scheme is aimed at encouraging commercial banks to lend more to the infrastructure sector. Under the scheme, banks lend to infrastructure projects but sell a part of that loan to a third party after a certain period of time. Commercial banks or financial institutions that finance infrastructure projects will enter into a tripartite arrangement with IIFCL for transferring the loan amount after the commencement of commercial operations. Government has allowed the infrastructure financing firm IIFCL to take over 75% of an individual loan.

RBI releases draft rules on investment firms

RESERVE Bank of India (RBI) released draft rules for core investment companies, saying those firms with asset size below Rs 1 billion may not obtain a certificate of registration on meeting some conditions. Such exemption would be provided if 90% of the total assets of such firms are invested in shares of investee companies as equity stakes. However, core investment companies with an asset size of Rs 1 billion or more will be considered systemically important core investment companies and would be required to obtain certificate of registration from the bank. The outside liabilities of these companies would not exceed two-and-a-half times of their adjusted net worth.

Government approves 3.4 billion dollar bank recapitalization plan

GOVERNMENT approved a plan to provide \$3.4 billion to recapitalize several state banks in the current financial year. The infusion of Rs 150 billion in Tier-I capital instruments of public sector banks would enable them to expand their credit growth by about 1.85 trillion rupees. India has negotiated with the Washington-based World Bank for a loan of \$ 3.2 billion to part-fund the recapitalization.

RBI nods options trading in currency futures

RBI has allowed options trading in the currency futures market. It has been decided to permit recognized stock exchanges to introduce plain-vanilla currency options on the spot US dollar/ rupee exchange rate for residents. This will lead to further deepening of the market. With this, one more instrument will be available to companies as well as importers and exporters. At present, Indian residents are permitted to trade in futures contracts in four currency pairs on the two exchanges. There are many advantages of options trading in the currency market. For one, options give buyers a right, but not the obligation, to exercise it. Options are also a cheaper hedging tool compared to futures.

Private Sector banks must get RBI approval to raise funds via QIP

ALL private sector banks need to take prior in-principle approval from the **RBI** for **Qualified Institutional Placements (QIP)**. Banks need to approach RBI along with details of the issue once the bank's board approves the proposal of raising capital through this route. This would be irrespective of whether any acquisition results in shareholding of 5% or more of the paid up capital of the bank. However, for bonus share and rights share issues there is no need for any approval from the RBI.

Government approves 1,000 additional model schools

GOVERNMENT has approved the setting up of 1,000 additional model schools in the **Government sector**. These additional schools will take the total number of model schools to be set up in Government sector to 3,500. An additional 1,000 model schools will be set up in the Educationally Backward Blocks (EBB) in the country which will serve as a benchmark of excellence. Besides, another 2,500 model schools will be set up in rural blocks in Public Private Partnership (PPP) mode for which modalities are being worked out. The additional 1,000 schools are estimated to cost Rs 33.04 billion with the Central share of Rs 24.78 billion.

INDUSTRY WATCH

- **SEZ exports up 122% to Rs 2200 billion in 2009-10**
- **FII eye cement sector, raise stakes in firms**
- **Life insurance industry gains 68% in new biz**
- **Railways' freight earnings grow by 8%**
- **Oil exploration attracts \$10.3 billion till January 2010**

SEZ exports up 122% to Rs 2200 billion in 2009-10

EXPORTS from SEZs grew by over 122% to Rs 2200 billion in 2009-10 compared to the previous fiscal which amounted to Rs 996.89 billion. Reliance's Jamnagar refinery has contributed the maximum in exports about Rs 700 billion and the Government-owned SEZs have also contributed significantly. Information Technology (IT), hardware, petroleum, engineering, leather and garments are the leading exports from SEZs. By December, 2009, 105 SEZs, including 15 multi-product zones, were operational. Over 570 developers have been given formal approval to set up the SEZs.

FII eye cement sector, raise stakes in firms

FOREIGN INSTITUTIONAL INVESTORS (FIIs) raised their stake in top Indian cement companies during the quarter ended March. Domestic cement demand has been robust in spite of capacity additions in the sector. Cement consumption witnessed double-digit growth at 10.6% to about 200 million tonnes (mt) in the 12 months ended March 31. Cement production, too, grew 10.8% to 201 mt. Most companies saw capacity utilization well in excess of 100%, with the national average at 96%.

Life insurance industry gains 68% in new biz

LIFE insurance industry recorded 68% increase to Rs 253.99 billion in new business premium collected in March 2010 compared to Rs150.90 billion in the corresponding month in 2009. Private players registered a whopping 47% growth in the new business premium while state owned Life Insurance Corporation of India (LIC) posted 83% increase in new business income in March. At the end of March 2010, LIC holds 65% market share in terms of new business income collection with the private sector contributing the remaining 35% share last fiscal.

Railways' freight earnings grow by 8%

RAILWAYS posted 8% growth in its earnings from freight traffic during the last financial year. During the financial year, it earned Rs 575.94 billion from freight traffic as compared to Rs 531.37 billion during the corresponding period last year, registering an increase of 8.39%. Out of the total earnings, it earned Rs 223.66 billion from transportation of 396.10 million tonnes of coal, followed by Rs 83.50 billion from 132.72 million tonnes of iron ore for exports, steel plants and for other domestic user. Its other earnings included Rs 52.82 billion from transporting 93.15 million tonnes of cement, Rs 39.72 billion from 37.52 million tonnes of foodgrains and Rs 33.19 billion from 39.49 million tonnes of petroleum and lubricants.

Oil exploration attracts \$10.3 billion till January 2010

INDIA has attracted a whopping \$10.3 billion private and Foreign Direct Investment (FDI) in the oil and gas hunt till January this year since advent of New Exploration and Licensing Policy. Natural gas production in India has increased 75% compared to 2008-09 and is expected to double in near future. About 46% India's sedimentary basin areas have been awarded for exploration including deepwater exploration. So far, 77 oil and gas discoveries have been made, including major gas discoveries in deepwater. Out of these, 49 discoveries were made by private/foreign companies. Crude oil production is about 20,000 barrels per day.

CORPORATE HIGHLIGHTS

- **Anupam Industries in tech deal with Mitsubishi Heavy Industries**
- **K-Air venture with Matheson Tri gas**
- **Keikaku set to enter India with furniture brand**
- **TCS inks global engineering services pact with Rolls-Royce**
- **Prodapt acquires Pacific Crest Technology**
- **Ashok Leyland, Nissan JV to roll out LCV next year**
- **UPPCL, Bajaj Hindustan sign MoU for power project**
- **Evonik Energy signs agreement with Sterlite Energy**

Anupam Industries in tech deal with Mitsubishi Heavy Industries

ANUPAM Industries Limited has signed a license agreement with Mitsubishi Heavy Industries (MHI) Limited of Japan to acquire the latter's technology to manufacture a wide range of port and container cranes and material handling equipment and systems. The two companies have also signed an Memorandum of Understanding (MoU) to form a Joint Venture (JV) eventually, to cater to domestic as well as global markets.

K-Air venture with Matheson Tri gas

MATHESON TRI GAS, largest subsidiary of the Japanese company Taiyo Nippon Sanso Corporation Group has entered into a 51:49 partnership with Pune-based K-Air Speciality Gases. The Joint Venture Company (JVC), named Matheson K-Air Gases India Pvt. Ltd. Matheson K-Air will bring together synergies of the existing industrial gases business of K-Air and the global industrial gases experience of Matheson Tri-Gas to India. K-Air has operations in Pune and Aurangabad where it transfills helium and produces packaged gases and trades in bulk and specialty gases catering to Indian and West Asian markets.

Keikaku set to enter India with furniture brand

JAPANESE retailer Ryohin Keikaku is all set to enter the Indian retail market with its furniture brand Muji. The single brand retailer is scouting for a partner in the retail arena. Senior company officials visited India to study the prospects of the organized Indian furniture market. The current Indian laws permit up to 51% Foreign Direct Investment (FDI) in single brand retail and the company is currently negotiating with a host of Indian players. Currently, the furniture retail market is estimated to be around Rs 450 billion of which the organized segment is only 9% of the total market.

TCS inks global engineering services pact with Rolls-Royce

TATA Consultancy Services announced a global engineering services partnership with power systems company Rolls-Royce. Under the agreement, TCS will provide Rolls-Royce with a range of engineering services and support across the entire product life-cycle, which will enable Rolls-Royce to expand its engineering services footprint in India. The Tata Group Company will also set up an engineering centre to cater to Rolls-Royce design and engineering requirements in Bangalore.

Prodapt acquires Pacific Crest Technology

SOFTWARE services company Prodapt, part of 110-year-old Jhaver Group has acquired **US-based Pacific Crest Technology**. Prodapt has acquired a 100% stake in Pacific Crest Technology, USA in an all cash deal. Pacific Crest would be renamed as Prodapt North America. The acquisition expands the Prodapt's base in the North American market and would consolidate the company's US operations. This consolidation will strengthen their delivery capabilities for both wireline and wireless operators

Ashok Leyland, Nissan JV to roll out LCV next year

THE Joint Venture (JV) between Japanese automaker Nissan and Ashok Leyland and will roll out a **Light Commercial Vehicle (LCV) in 2011**. Ashok Leyland Nissan Vehicles Pvt Ltd, in which the Indian partner has a 51% stake and the remaining equity is held by Nissan, was set up in 2007 to manufacture LCVs. They will use the facilities of both plants. All LCVs will be engineered in India, but some will have donor platforms and then they will be restructured. Both the partners have agreed to go for separate badging of the products to be manufactured by the JV.

UPPCL, Bajaj Hindustan sign MoU for power project

UTTAR PRADESH Power Corporation Limited (UPPCL) signed a **Memorandum of Understanding (MoU) with Bajaj Hindustan Limited to set up a 1,980-MW thermal power project** in Lalitpur district of Bundelkhand region. The proposed power project would be set up on 1,500 acres of land at Mirchawar village, some 60 km from the Rajghat dam in Lalitpur. Uttar Pradesh will get 90% of the electricity generated by the plant. Uttar Pradesh will start getting power generated by this plant from the year 2014. In addition, two major power projects are also coming up at Bara and Karchana, while another 1,320-MW unit is being set up at Etah.

Evonik Energy signs agreement with Sterlite Energy

EVONIK ENERGY SERVICES INDIA, a subsidiary of Germany- based Evonik Energy Services has signed an agreement with Sterlite Energy Ltd for operation and maintenance of the latter's 2,400 MW power plant at Jharsuguda in Orissa. The four units of the 2,400-MW (4x600 MW) are in final stages of commissioning with the first unit expected to become commercially operational by May 2010. The systems include a simulator for training operational staff and online optimization and diagnostic systems to achieve best possible heat rates and high availability. Evonik will also bring in its proprietary plant management system and latest fault prediction systems which will ensure that downtime for maintenance is reduced to a minimum.