



**MARKET MOVEMENT**

Major Indices	Sep 26, 2009	Oct 02, 2009	% Change	Change
BSE Sensex	16,693.00	17,134.55	2.65	
NSE Nifty	4,955.00	5,083.40	2.59	

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

- **CERC notifies tariff norms for green power**
- **India signs pact with Luxembourg**
- **PFRDA nod for corporate pension fund proposal**
- **RBI, SEBI will regulate NCDs jointly**

**CERC notifies tariff norms for green power**

**CENTRAL Electricity Regulatory Commission (CERC) notified the tariff regulations for electricity generated from renewable energy sources.** These regulations assume special importance in view of the National Action Plan on Climate Change which stipulated that minimum renewable purchase standards may be set at 5% of the total power purchases in 2010 and thereafter should increase by 1% each year for 10 years. The new tariff regulations are expected to promote new investments so that renewable electricity supply could expand to meet the goals stipulated in the National Action Plan. The tariff permitted to a project under these regulations would apply for the whole tariff period which is 13 years. The tariff period for solar power has been kept as 25 years and for small hydro below 5 mw, it has been kept as 35 years in view of the special considerations required for these technologies.

**India signs pact with Luxembourg**

**INDIA has signed a bilateral social security agreement with Luxembourg.** This agreement is expected to help ease the hardship of double payment of social security by the employer and the employee (in country of host and origin) on the cross border deputation of workers. With this agreement, an employee of an Indian entity, who is deputed from India to Luxembourg on a short-term contract, for a period of up to 60 months, will not be required to make any social security contributions in Luxembourg. The pact with Luxembourg will take effect from a date to be notified. The agreement is expected to encourage movement of professionals between the two countries.

**PFRDA nod for corporate pension fund proposal**

THE board of the Pension Regulatory Fund Development Authority (PFRDA) approved the proposal to manage the pension corpus of companies. The pension regulator has given its in-principle nod to the proposal and it will announce the guidelines for managing such funds in about four weeks. PFRDA have cleared it subject to certain conditions. They will have to follow the same investment and regulatory norms as are applicable to the individual subscribers. Corpus management of companies will be a new area for PFRDA. Till now it has been managing the corpus of individuals under the New Pension System. The scheme, which was earlier restricted to Government employees, was extended to all citizens in May this year.

**RBI, SEBI will regulate NCDs jointly**

NON-Convertible Debentures (NCDs) of less than one-year maturity will now be regulated jointly by financial and market regulators. The two regulators agreed that NCDs needed to be regulated following huge investments by mutual funds in fixed income plans and banks as it posed a systemic risk in case there was any problem in redemption of these instruments. NCDs are debt instruments floated by companies, Non-Banking Finance Companies (NBFCs) and banks to raise short-term finance from the market, mostly for working capital purposes. These are subscribed to in a major way by mutual funds for their short-term fixed-income portfolios, and other banks. Debenture trustees to such instruments will be asked to report the filings by companies or Non-Banking Finance Companies (NBFCs) to Securities & Exchange Board of India (SEBI) which, in turn, will send them to Reserve Bank of India (RBI).

**INDUSTRY WATCH**

- **NRI deposits surge \$1.8 billion in Q1**
- **Forex reserves increase on valuation gains**
- **It's raining orders for India Inc**
- **Travel operators witness growth in business**
- **PEs sees gains in infrastructure sector**
- **Pharma exports grow 29% in 2008-09**

**NRI deposits surge \$1.8 billion in Q1**

NON-resident Indian (NRI) deposits with banks surged by \$1.8 billion in the Q1 of FY2010 as against \$0.8 billion in the corresponding quarter last year. In order to counter foreign exchange outflows, the RBI had revised the ceiling rate in respect of foreign currency non-resident (banks) deposits. Private transfer receipts, comprising mainly remittances from Indians working overseas and local withdrawals from NRI rupee deposits, remained buoyant and increased by 9.4% to \$13.3 billion during Q1FY2010 from \$12.2 billion in Q1FY2009.

**Forex reserves increase on valuation gains**

THE rise in the country's foreign exchange reserves in the June-ended quarter was mainly on account of valuation gains, rather than on account of balance of payments. The country's Foreign Exchange Reserves had risen by \$13.157 billion in the Q1 of this fiscal. The reserves had risen by \$2.364 billion in the corresponding quarter last year. The total increase in foreign exchange reserves in the June ended quarter, around 99.1% was on account of revaluation. The remaining 0.9% was on account of a change in foreign exchange reserves on Balance of Payment basis. Inflows under Foreign Direct Investment (FDI), portfolio investments and NRI deposits were the major sources contributing to the increase in foreign exchange reserves.

### **It's raining orders for India Inc**

**INDIA Inc's order book has more than doubled to an all-time high of Rs 733.20 billion in the second quarter of the current financial year, compared to the first quarter.** On a year-on-year basis, the increase is 21%. 63 companies shows that capital goods, engineering and infrastructure have led the way, cornering 86% (Rs 634.39 billion) of the total orders. The remaining Rs 98.81 billion went to gems & jewellery, pharmaceuticals and telecom. The bulk of orders has come from public sector undertakings and central and state Governments. Foreign companies accounted for a quarter and the private sector for the rest.

### **Travel operators witness growth in business**

**TOUR and travel operators in the Chandigarh region are observing a surge in the business as the economy's sentiment turns positive.** Not only the leisure bookings but the corporate bookings have also witnessed a rise in demand. There was a 20% rise in the corporate bookings corresponding to the previous year. In addition, real estate dealers, Government employees and senior citizens had been the main focus for the travel houses.

### **PEs sees gains in infrastructure sector**

**SENSING huge opportunities, a clutch of Private Equity (PE) players are rushing in to raise funds for the infrastructure sector.** At present, close to Rs 85.41 billion is in the process of being raised. Out of this, Rs 68 billion is being raised by India-dedicated infrastructure funds. Infrastructure deals still form a small part of the total PE deal flow. There are other emerging markets and Asia-focused infrastructure funds for whom India is an important investment destination. Such funds include JP Morgan Asian Infrastructure Fund, Babcock & Brown Asia Infrastructure Fund, and Challenger Mitsui Emerging Markets Infrastructure Fund.

### **Pharma exports grow 29% in 2008-09**

**EXPORTS of pharmaceuticals and fine chemicals increased 29% at Rs 395.38 billion compared with the year-ago period beating recession blues.** Exports in the sector had grown at a compounded annual growth rate of 17.8% during the five-year period 2003-04 to 2007-08. On the trade with Africa, Indian companies had established their lead in most of the markets, including Africa. The Government of India would establish National Institute of Design in Hyderabad for product designs to help entrepreneurs in various sectors.

## **CORPORATE HIGHLIGHTS**

- **MindTree acquires Kyocera Wireless subsidiary in India**
- **Panasonic to double share in split AC market by next year**
- **Minda Group ties up with Italian Company**
- **Hind Construction ties up with UK Company AMEC**
- **GM ties up with Reva for electric vehicles**
- **Union Bank in pact with Mahindras for vehicle finance**
- **Ford inks \$500-million deal with TN Government**
- **Nissan's 370Z sports car to race into India by January**

### **MindTree acquires Kyocera Wireless' subsidiary in India**

MINDTREE, the IT and R&D services Company, has signed an agreement with Kyocera Wireless Corporation (KWC) to acquire its Indian subsidiary, Kyocera Wireless (India). The acquisition involves an upfront payment of about \$6 million (about Rs 290 million), other than payments linked to the revenues to be acquired from Kyocera during 2010-11 and 2011-12. MindTree expects this acquisition to contribute about \$9 million in revenues for the period October 2009 to March 2010, with profit after tax in the range of 13%-15%. The Company provides wireless product development, software engineering and product testing services for KWC's global product portfolio, other than developing customised wireless handsets for Indian telecom service providers.

### **Panasonic to double share in split AC market by next year**

JAPANESE consumer durables major Panasonic is planning to double its share in the Indian split Air Conditioner (AC) market to 20% by next year with introduction of more products in the category. The Company, which currently has a 10% share in the estimated 1.4 million units split AC market in India, has also started scouting for sites to set up a new manufacturing plant for producing air conditioners, washing machines and other home appliances. Split AC currently constitutes 55% of the entire AC market and it is increasingly replacing window ACs.

### **Minda Group ties up with Italian Company**

AUTO component makers NK Minda Group has entered into a Joint Venture (JV) with Italian alternative fuel systems maker EMER. The Minda Group will invest Rs 400 million over the next three years. The Company, owned by the Palladio Finanziaria investment bank, designs, manufactures and markets complete fuelling systems for new vehicles and for the aftermarket conversion of engines for LPG, CNG and HCNG systems. The Joint Venture will design, produce and sell alternative fuel systems and components. EMER will support the new venture through supply of technology, design and testing; while the Minda Group will provide production and marketing support. The Minda - EMER kits will be manufactured at Manesar and are expected to be available in India in March 2010.

### **Hind Construction ties up with UK co AMEC**

HINDUSTAN Construction Company (HCC) announced a tie-up for its nuclear business with Britain-based firm AMEC. The two companies would provide consulting and EPC services for the establishment of nuclear power plants in India. The tie-up will also enable HCC to execute services in the field of mechanical and electrical components of nuclear power plants by sourcing the latest global technologies through AMEC. HCC expects Hindustan Construction to win 30%-50% of the contracts to build nuclear power plants in India. The partnership with AMEC will provide flexible and technology-independent platforms to help reduce the cost of building new nuclear power plants in India.

### **GM, Reva tie up for electric vehicles**

GENERAL Motors' Indian subsidiary signed an agreement with Bangalore-based Reva Electric Car Company (RECC) to jointly develop and produce electric vehicles for the Indian market. They hope to be able to produce one for sale by next year. The two companies said the plan is to make India a hub for environment-friendly vehicles. RECC is already making and selling electric cars for both the domestic and export markets. The partnership will help GM, India build Chevrolet - badged electric cars for the domestic market. Its entry compact car, Spark, will be the first Chevy

model to use the electric drive train of Reva. Electric car technology is fast growing in the domestic market, primarily due to Government support.

#### **Union Bank in pact with Mahindras for vehicle finance**

**PUBLIC-sector lender, Union Bank has entered into an agreement with automajor, Mahindra and Mahindra to extend finance to the latter's dealers across the country.** The agreement will extend finance under SRTO scheme for purchase of commercial vehicles and retail finance for purchase of passenger cars, MUVs/SUVs. The agreement will enable the bank to provide a total financial end-to-end solution, taking care of all participants in the supply chain.

#### **Ford inks \$500-million deal with TN Government**

**FORD Motor Company signed an agreement with the Tamil Nadu Government for the \$500-million expansion programme** at its manufacturing facility at Maraimalai Nagar a city suburb. This would help the Company expand its presence in India, paving the way for volume production of the new Ford Figo. Ford has already executed the first phase of transformation at its Maraimalai Nagar plant as a part of the \$500-million expansion programme. The Ford investment in Chennai's regional development envisions a high degree of localisation and a broader India supply base boosted by the plant's new export status and higher vehicle production expectations.

#### **Nissan's 370Z sports car to race into India by January**

**NISSAN Motor India is planning to launch its sports car 370Z in India by January 2010. The Company has drawn up an aggressive plan for India** which will see a business model comprising five locally-made cars and four imported models by 2012. The Company considers India as one of the key market and expects to sell 300-odd units of its Teana and X-trail models, which have already been launched in the Indian market. It has appointed Hover Automotive India as its service partner for marketing, sales, after-sales service and dealer development in the country.