



MARKET MOVEMENT

Major Indices	May 14, 2010	May 21, 2010	% Change	Change
BSE Sensex	16,994.60	16,445.61	(3.23)	
NSE Nifty	5,093.50	4,931.15	(3.18)	

INDIAN ECONOMY AT A GLANCE

POLICY WATCH

- India Japan FTA talks to focus on services sector professionals
- Government clears Rs 65 billion road projects
- Government nods to data collection norms for Unique ID project
- Government clears 24 FDI proposals of Rs 14.12 billion
- SEBI eases listing rules for SMEs
- Government cleared expansion, modernization plans for three airports

India-Japan FTA talks to focus on services sector professionals

India and Japan are going to re-open discussions on liberalization of movement of professionals, an issue that has long stalled any significant progress in the conclusion of the Free Trade Agreement (FTA) between the two countries. A delegation of trade officials from Tokyo are going to visit the capital and would hold discussions with their Indian counterparts on services. On top of India's agenda would be the demand to allow Indian working professionals like doctors, nurses, lawyers and engineers to practice in Japan.

Government clears Rs 65 billion road projects

GOVERNMENT cleared eight road projects worth Rs 65 billion for construction and up gradation of highways in eight states, including Haryana, Uttar Pradesh, Andhra Pradesh and Bihar. It includes six laning of 179 km of the Delhi-Agra section on National Highway No. 2 in Haryana and Uttar Pradesh. The construction of the Delhi-Agra section will entail an investment of Rs 19.28 billion and will be built under the National Highways Development Project (NHDP) phase V on a Build, Operate and Transfer (BOT) basis. Government also approved six-laning of a 183 km section of National Highway No. 5 in Andhra Pradesh at an expenditure of Rs 15.35 billion.

Government nods to data collection norms for Unique ID project

GOVERNMENT gave in-principle approval for adoption of standardized approach for collection of demographic and biometric attributes, including iris scan, of residents by various bodies for UID project. To provide unique identity numbers to all residents of India, the UIDAI proposes to collect data through various agencies of central and state Governments and others who, in normal course of their activities, interact with residents. These entities are described as 'Registrars' of the UIDAI. Apart from providing identity, the UID will enable better delivery of services and effective governance.

Government clears 24 FDI proposals of Rs 14.12 billion

GOVERNMENT has cleared 24 Foreign Direct Investment (FDI) proposals worth Rs 14.12 billion, including a project of Asianet Communications. Trivandrum-based Asianet Communications has been permitted to raise FDI of Rs 4.25 billion to undertake business of broadcasting non-news and current affairs television programmes. Besides, Star India Holding BV's Rs 3.24 billion proposals were also approved. The company is to acquire 49% stake in TS Investment, who in turn will acquire share of Tata Sky. The Government has also given green signal to the proposals of US-based Elliot Company, Morgan Stanley Mauritius Company and NEO Sports Broadcast, among others. The Rs 2.40 billion proposal of Bhilwara Energy, Rs 1.25 billion FDI of Jyoti Structure and Rs 1.13 billion investment proposal of AIP Power were also approved. Government has also given green signal to the proposals of US-based Elliot Company, Morgan Stanley Mauritius Company and NEO Sports Broadcast, among others.

SEBI eases listing rules for SMEs

SECURITIES AND EXCHANGE BOARD OF INDIA (SEBI) has relaxed share-listing norms for Small and Medium Enterprises (SMEs) by allowing them to disclose their financial results every six months instead of three months, as is the norm for bigger companies. Companies listed on the SME exchange will not be required to send a full annual report to their shareholders and also need not to publish their financial results as required in the main stock exchange. But these companies will have to maintain a public shareholding of at least 25% of the total number of issued shares at all times. The promoters' stake cannot exceed 75%. A company listed on the SME exchange, having post-issue capital between Rs 100 million and Rs 250 million can migrate to the main exchange provided it meets the listing requirements of the stock exchange.

Government cleared expansion, modernization plans for three airports

GOVERNMENT has given the approval for expansion and modernization of airports at Jalgaon, Hyderabad and Jaisalmer. In Jaisalmer in Rajasthan, Airport Authority of India (AAI) has planned to construct one more terminal at the cost of Rs 810 million on the east side of the existing airport and involves construction of a new air terminal building, apron and taxi track for the new civil enclave spread over 24 hectares. At Jalgaon Airport, Maharashtra Airport Development Company (MADC) has proposed augmentation of infrastructure including the runway in 303 hectares of area besides various amenities. GMR Hyderabad International Airport (GHIAL) has proposed expansion of some activities within the airport at Hyderabad. GHIAL has obtained environmental clearance and consent for cargo handling capacity of 100,000 tonnes per annum within an area of 5,494 acres.

INDUSTRY WATCH

- PEs pump in \$140 million in education since January 2010
- India's imports jump 43.3% in April
- Air traffic surge 26% in April
- Handicrafts exports up by 16% to USD 179 million in April
- Exports rise 36% in April

PEs pump in \$140 million in education since January 2010

EDUCATION focused venture capitalists and Private Equity (PE) players have pumped in excess of \$140 million so far this year, 50% more than what they invested in the whole of 2009. There are about 25 Private Equity/Venture Capital players in the market

actively looking for good deals, and about ten deals have been done in the last few months. Lack of regulation in K-12 (kindergarten to class XII) segment and supplementary education has made education attractive for investors. The pre-school segment is worth \$2 billion but is growing at an annual rate of 40-45 %.

India's imports jump 43.3% in April

IMPORTS were up by a huge 43.3% to \$27.3 billion in the first month of the current fiscal, indicating that the domestic industry was consuming more and its output could grow. Imports of crude oil increased by 70%, gems and jewellery rose by 118%, chemicals imports rose by 47% and iron and steel imports surged by 141%. Factory production has also been rising steadily, with a 13.5% growth in March, and 10.4% for 2009-10.

Air traffic surge 26% in April

PASSENGER numbers increased 26% in April, with carriers taking 4.18 million passengers. Most domestic carriers saw flight occupancy of 70-80% as demand improved in April. Domestic carriers have maintained double digit growth for the past many months on the back of a robust economy. Domestic airlines carried 16.28 million passengers in January-April this year, up 22% over 13.34 million in the corresponding period last year. Domestic air traffic has shifted towards low-cost airlines, benefiting budget carriers IndiGo and SpiceJet. This has forced full-service carriers to keep tariffs competitive.

Handicrafts exports up by 16% to USD 179 million in April

INDIA'S handicrafts exports grew by 16% to USD 179 million in April compared to the same period in the previous fiscal, on growing demand from the US market. The exports stood at USD 154.78 million in April, 2009. Among the items that registered a healthy growth are imitation jewellery, which grew by 21%, followed by wood wares 20.66%, shawls (as art wares) 18.39%, zari and zari goods 16.67% and art metal ware 14.32%. The US and European Union (EU) together account for 70% of the country's handicrafts exports.

Exports rise 36% in April

EXPORTS in April clocked a 36% growth Year on Year (Y-o-Y) on back of higher demand for Indian gems & jewellery, textiles, petroleum, oil & lubricants and engineering. Exports in April 2010 at \$16.9 billion are much higher than the exports worth \$12.4 billion in April 2009. Gems and jewellery exports increased 36%. Exports of engineering goods and textiles went up by 16% and 30%. Trade deficit during the month increased to \$10.4 billion in April 2010 compared to \$6.7 billion.

CORPORATE HIGHLIGHTS

- **Avantha acquires US healthcare BPO firm**
- **Thermax inks waste to energy deal with Lambion**
- **AFD inks pact with SIDBI to promote energy saving investments**
- **Essar Energy signs Power Purchase Agreement with GUVNL**
- **RIL enters into JV with Russia's SIBUR**
- **Jindal Steel acquires Shaheed Iron for \$464 million**
- **MindTree inks pact with Carlyle Group**
- **OVL, IOC and OIL sign agreement for Venezuelan oilfield**
- **JSW Steel completes coal mine buy in US**

Avantha acquires US healthcare BPO firm

AVANTHA Group announced that it had acquired US (Florida)-based Pyramid Healthcare Solutions in a deal that values it at \$20 million. Avantha has paid \$14.5 million upfront and the balance will be paid after two years for a 100% stake in Pyramid. Avantha has an established presence in the IT & ITeS space in the US. This acquisition will strengthen their global presence in the niche healthcare solutions sector. The Pyramid acquisition will help the company mark its front-end presence and leverage the Pyramid Healthcare Solutions brand and relationships and provide a key platform to scale up domain expertise in the US healthcare market.

Thermax inks waste to energy deal with Lambion

THERMAX LTD has signed a technology transfer license agreement with Lambion Energy Solutions, a German engineering company with expertise in converting waste to energy. The technology transfer will provide Thermax with high efficiency combustion systems for using biomass that is high in moisture content for energy generation. These will be integrated in boilers and heaters with heat output ranging from 4 MW to 30 MW. Thermax will have an exclusive license to market heating systems, equipped with the new technology in India and SAARC countries, South East Asia, Middle East and Africa. The technology upgrade will equip it with advanced systems to provide industry eco-friendly ways of extracting energy from waste.

AFD inks pact with SIDBI to promote energy saving investments

AFD, a French based aid agency signed an agreement with Small Industries Development Board of India (SIDBI) to provide a 50 million Euro loan to promote energy saving investments in small industrial units and improve their energy efficiency in India. The two sides also signed a 0.5 million Euro technical assistance grant deal. The financing aims to promote energy saving investments within Medium, Small and Medium Enterprises (MSME) to reduce their energy bills, improve their efficiency and enhance their competitiveness.

Essar Energy signs Power Purchase Agreement with GUVNL

ESSAR ENERGY Plc, the power, oil and gas exploration arm of the Ruias-controlled Essar Group which recently got listed on London Stock Exchange (LSE), has signed a Power Purchase Agreement (PPA) with Gujarat Urja Vikas Nigam Limited (GUVNL) for 800 MW of contracted capacity from the 1,320 MW coal fired Salaya II power project to be located in Jamnagar district of the state. The PPA was signed between GUVNL and Essar Energy's Gujarat arm, Essar Power Gujarat Limited (EPGL) that is valid for a period of 25 years from the start of commercial operations. Under the terms of the PPA, EPGL will supply power to GUVNL at a balanced tariff of Rs 2.80 per kwh.

RIL enters into JV with Russia's SIBUR

RELIANCE INDUSTRIES (RIL) has entered into a Joint Venture (JV) with Russia's leading petrochemical company SIBUR to make butyl rubber as demand for rubber from India's automobile industry shows a rapid increase. The JV will make butyl rubber at RIL's integrated petrochemical complex in Jamnagar. RIL posted a 30% rise in net profit during the quarter ended March 2010 on the back of a strong performance from the petrochemical business. SIBUR will provide proprietary technology for polymerization and finishing, while RIL will supply monomers. It operates across the entire petrochemical value chain from gas processing to the production of synthetic rubbers.

Jindal Steel acquires Shaheed Iron for \$464 million

JINDAL STEEL AND POWER LTD (JSPL) announced that it has completed the acquisition of Oman-based **Shadeed Iron and Steel Co LLC (Shadeed)**. The acquisition was completed for \$464 million, which includes the assumption of liabilities and was carried through by JSPL's 100% subsidiary, Jindal Steel and Power (Mauritius) Ltd (JSPLM). For the acquisition, JSPL has tied up \$400 million in debt financing from international banks while the rest of the amount would be from internal accruals. The Shadeed facility is engineered by Kobe Steel (Japan) and Midrex (US), which are among the global leaders in the field of direct iron technology.

MindTree inks pact with Carlyle Group

MINDTREE, a global IT solutions company announced a partnership with **Carlyle Group**, one of the world's largest private equity firms. MindTree will provide IT infrastructure management and support services for Carlyle's global data centres. They would monitor and manage all of Carlyle's IT production servers at Carlyle's data centres in the US, the UK and Hong Kong, as well as its disaster recovery data centre in Virginia. MindTree will also monitor and manage file servers located in Carlyle offices throughout the world, as well as other classes of hardware and applications.

OVL, IOC and OIL sign agreement for Venezuelan oilfield

ONGC Videsh Ltd, Indian flagship overseas explorer and its partners have signed an agreement to develop a \$20 billion oil project in Venezuela that will give energy-deficient India 3.6 million tonnes a year of crude. OVL and its partners inked an agreement with Venezuelan national oil firm **Petroleos de Venezuela SA (PdV)** for the development and production of hydrocarbons from the Carabobo project in the Orinoco region of Venezuela. Spain's **Repsol-YPF SA**, **Petroleum Nasional Bhd (Petronas)** of Malaysia and OVL, the overseas investment arm of state-run **Oil and Natural Gas Corp**, each hold an 11% stake in the consortium that will produce 400,000 barrels of oil per day.

JSW Steel completes coal mine buy in US

JSW Steel completed the acquisition of nine coking coal mines in West Virginia in the United States (US). It will pay in the range of \$200-250 million for the mines. Nine mines have combined reserves of 123 million tonnes. Coking coal is a key raw material for steel mills and accounts for 40% of the total cost of steel-making. These mines have a railway load and barge facility which reduces the cost of production and transportation of the coking coal. Infrastructure around the mines and facilities to move the coal from mines to ports and to consumption centres, accounts for about 30% to 40% of the total cost.