



**MARKET MOVEMENT**

Major Indices	August 08, 2008	August 14, 2008	% Change	Change
BSE Sensex	15,167.82	14,724.18	(2.92)	
NSE Nifty	4,529.50	4,430.70	(2.18)	

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

- **Cabinet accepts Sixth Pay Commission report**
- **SEBI okays NSE's plan for currency trading**
- **Government of India approves 10 road projects worth US\$ 2.48 billion**
- **Tamil Nadu Government clears 7 projects worth Rs 100 billion**
- **Government to create over 3.7 million jobs under new scheme**

**Cabinet accepts Sixth Pay Commission report**

THE Government announced an average increase of 21% in salaries of over 5 million Government employees with effect from January 1, 2006, adopting the Sixth Pay Commission recommendations. The wage hike would increase the financial implication for the Government by Rs 177.98 billion annually and the arrears with effect from January 2006 would cost Rs 293.73 billion. It also increased the rate of annual increment from 2.5% to 3%.

**SEBI okays NSE's plan for currency trading**

NATIONAL Stock Exchange (NSE) got an in-principle approval from the Securities and Exchange Board of India (SEBI) to start an exchange to trade foreign currency derivatives. According to plans, NSE will have a separate segment on its existing stock and derivatives bourse to trade in forex derivatives. It would also use its clearing corporation to settle the trades on the new segment.

**Government of India approves 10 road projects worth US\$ 2.48 billion**

THE Government has approved 10 road projects, which will be built in Public-Private Partnership (PPP) at an estimated cost of US\$ 2.48 billion. As part of a larger plan to improve the country's infrastructure, the projects are aimed at four-laning of National Highways (NH) in eight states, including Pune-Sholapur section of NH-9 in Maharashtra involving an estimated cost of US\$ 218 million, Coimbatore-Mettupalayam section of NH-67 in Tamil Nadu involving US\$ 118.16 million and Patna-Buxar section in Bihar for US\$ 382.93 million.

**Tamil Nadu Government clears 7 projects worth Rs 100 billion**

THE Tamil Nadu Government has cleared seven proposals for setting up of new industrial projects in the State at an investment of more than Rs 100 billion. The investments had been made possible because of the confidence inspired by the strong economy and good macro economic

fundamentals. Tamil Nadu is looking at 9%-10% growth and this is something which has been achieved in the recent past.

### **Government to create over 3.7 million jobs under new scheme**

THE Government announced a new employment generation scheme to create over 3.7 million jobs by merging the existing Prime Minister's Rozgar Yojana (PMRY) and the Rural Employment Generation Programme (REGP). The financial implication of the new scheme, to be implemented over a four-year period, is estimated at Rs 44.85 billion. The expected employment generation under the new scheme would be 37,37,500.

## **INDUSTRY WATCH**

- **Real Estate Sector breaking new grounds**
- **TCS, Infosys, Wipro Next Generation megavendors**
- **Automotive engineering services outsourcing industry to grow by 32%**
- **IT firms' sales may touch \$11 billion by 2015**
- **Global pharmaceutical firms eye pharmacovigilance base**
- **Global bank majors vie for licence in India**

### **Real Estate Sector breaking new grounds**

THE Indian real-estate sector is breaking new ground – in its adoption of Information Technology (IT). In recent years, many real-estate companies have been taking to end-to-end IT solutions in a bid to automate their business processes. This has not only helped to increase efficiency and cut cost but also to make their functioning more transparent. It has enabled them to grow, as well. Rapid growth in business opportunities, inflow of foreign investment into the sector, and the entry of second-generation owners or managers into companies are largely the reasons behind the real-estate industry adopting IT solutions. Using IT is linked to the opening up of Foreign Direct Investment (FDI) in the real-estate market. Most of the new developers funded by private equity or real-estate funds use IT. The spread of IT could be attributed to the second-generation owners or managers in a company. They have more exposure, are aware of technology and rely on technology to a great extent.

### **TCS, Infosys, Wipro Next Generation megavendors**

INDIA'S top IT services companies, Tata Consultancy Services (TCS), Infosys Technologies and Wipro Technologies will emerge as the next generation of IT service megavendors. These vendors are increasingly being considered for strategic service deals, and will augment or in some cases, replace today's acknowledged megavendors by revenue – IBM Global Services, Accenture and EDS – in this space by 2011. These emerging megavendors are much smaller than the current megavendors but will increasingly compete for the same mega deals that had been the exclusive domain of the incumbent megavendors. The emerging megavendors have leveraged four critical competencies to achieve their status. The competencies are process excellence, world-class Human Resource (HR) practices, providing high quality services at a low cost and the achievement of significant and disproportionate 'mind share' compared to their actual size.

### **Automotive engineering services outsourcing industry to grow by 32%**

THE Indian automotive engineering services outsourcing industry is expected to grow at a Compounded Annual Growth Rate (CAGR) of 32% by 2012-13. The industry has generated revenues to the tune of \$500-600 million last year and there is \$2.2 billion potential outsourcing

opportunity in the next two years. The top 15 Original Equipment Manufacturers (OEMs) and system providers taken together spent close to \$60 billion on engineering, and Research and Development (R&D) last year. Globally, the spent on R&D in the automotive sector spent is about \$130-140 billion. While industry experts see that the country has upper hand over other low-cost destinations when it comes to engineering services, they feel the need of the hour is to innovate and move up the value chain. They need to grow from designing interiors to more serious and complex engineering involving powertrains and chassis.

### **IT firms' sales may touch \$11 billion by 2015**

**THE IT industry**, dominated by software services and Business Process Outsourcing (BPO) segments, **is rapidly seeing the emergence of product companies and a latest study projects that India could account for roughly 2%, or \$11 billion, of global product business by 2015.** In the first-ever survey of India's software products segment conducted by Nasscom along with Zinnov Consulting, the study lists 371 companies in this sector with two-thirds of them being less than three-years old. These companies together had a combined revenue of \$1.4 billion in FY'08 growing at 44% CAGR in the last three years. The study has projected that India's software products space may touch \$11 billion by 2015. This could mean that Indian companies will be accounting for nearly 2% of the overall global products business estimated at \$500 billion by then.

### **Global pharmaceutical firms eye pharmacovigilance base**

**GLOBAL pharmaceutical companies are looking at India to set up their pharmacovigilance unit.** Pharmacovigilance relates to detecting, assessing, understanding and preventing adverse side effects of medicines, both short and long term. India has the considerable expertise in this field. Companies from the regulated markets of Europe and United States which outsource clinical trials are now entering India with their pharmacovigilance plans. Pharmacovigilance in India is evolving and the Drugs Controller General of India (DGCI) is trying to streamline the process. The DGCI, in its efforts, is in the process of amending Schedule Y introduced in 2005. Schedule Y deals with regulations relating to clinical trial requirements for import, manufacture and grant of marketing approvals for new drugs.

### **Global bank majors vie for licence in India**

**SOME of the top global financial services firms and banks have sought a banking licence in India,** a market considered to be perhaps the most attractive after China. A host of banks, including Credit Suisse, Rabo Group and ANZ, are now looking at having a branch presence in India. The Reserve Bank of India (RBI), in recent months, has granted fresh banking licences to UBS – Switzerland's largest bank, Dresdner Bank and United Overseas Bank. Rabobank Group, the Dutch Group, is now in the process of submitting an application for a banking licence. The group already holds a 18.2% stake in another local private bank, YES Bank.

## **CORPORATE HIGHLIGHTS**

- **Fortis acquires CRS Health**
- **Firstsource bags KPO deal from British Telecom**
- **Panacea bags \$35 million deal from UNICEF**
- **HCC consortium bags Rs 13.98 billion project**
- **XL Telecom ties up with Chinese firm LDK Solar**
- **Reliance ties up with British toy retailer Hamleys**
- **Tata Steel in Joint Venture with Vietnam Steel**

- **L&T consortium bags Rs 38 billion orders**
- **OTPC inks pact with BHEL for Tripura power project**
- **Satyam, RelWare tie up**

#### **Fortis acquires CRS Health**

**FORTIS Healthworld has acquired CRS Health.** It is also planning to rebrand itself and the pharmaceutical chains it acquires in future as Religare Wellness. CRS is the drug retailing arm of the diversified Delhi-based SAK Industries. Fortis will pay around Rs 150 million to acquire 90% stake in CRS Health.

#### **Firstsource bags KPO deal from British Telecom**

**PIPAL Research, a subsidiary of Firstsource Solutions, bagged a three-year partnership agreement worth \$15 million with British Telecom Global Services (BTGS) to provide Knowledge Process Outsourcing (KPO) services.** If the company achieves certain milestone, the contract can be extended to over 6 years and the total value of the contract would exceed \$30 million. Under the terms of the agreement, Pipal Research will provide KPO and Marketing Process Outsourcing (MPO) Services to BTGS.

#### **Panacea bags \$35 million deal from UNICEF**

**PANACEA Biotec is learnt to have bagged a \$35 million drug supply order from United Nation's Children's Fund (UNICEF),** to supply pentavalent vaccines, the first Indian company to get such a contract. Pentavalent combines four vaccines - Diphtheria, Tetanus, Pertussis, Hepatitis B and HIB (whooping cough).

#### **HCC consortium bags Rs 13.98 billion project**

**HINDUSTAN Construction Company (HCC) led consortium has bagged a contract worth Rs 13.98 billion from Andhra Pradesh Government for irrigation project.** The company has been awarded the contract along with two other companies – Megha Engineering & Infrastructure (MIEL) and Czech Republic-based CKD Blansko Engineering (CBE) for a Lift Irrigation Scheme.

#### **XL Telecom ties up with Chinese firm LDK Solar**

**XL Telecom & Energy Ltd and Chinese firm LDK Solar Co Ltd have signed a five-year contract for supply of multi-crystalline solar wafers** for consumption in the 120-MW per annum solar cell and panel manufacturing plant being set up by the former. This follows a similar agreement with Mola Solaire, a German supplier last month, for solar wafers, an input item for manufacture of solar cells and panels to be supplied to firms in Europe.

#### **Reliance ties up with British toy retailer Hamleys**

**RELIANCE Retail has tied up with the British toy retailer Hamleys Group to set up a nationwide network of exclusive toy stores.** Under the exclusive franchise agreement, Reliance Retail will invest for setting up the network while Hamleys will bring in its expertise on designing stores, training staff and developing its private labels. Reliance Retail will pay royalty to the British company for 20 years.

#### **Tata Steel in Joint Venture with Vietnam Steel**

**TATA Steel said it has entered into a Joint Venture (JV) with Vietnam Steel Corporation (VSC) to build a plant at the Ha Tinh province in Vietnam.** The company, through its wholly owned

subsidiary in Singapore – Tata Steel Global Holding Pte Ltd, would hold 65% stake in the JV and the remaining would be owned by VSC.

#### **L&T consortium bags Rs 38 billion orders**

LARSEN and Toubro (L&T)-led consortium has bagged orders totalling Rs 38.16 billion from customers in the metal industry. L&T in association with Outotec, GmbH of Germany, and Paul Wurth bagged orders totalling Rs 25.45 billion from Tata Steel for a 6 million tonnes per annum (tpa) pellet plant and a blast furnace at Jamshedpur. L&T's share in the order is valued at Rs 15.78 billion.

#### **OTPC inks pact with BHEL for Tripura power project**

ONGC Tripura Power Company Pvt Ltd (OTPC) has signed a contract with Bharat Heavy Electricals Ltd (BHEL) for setting up 726.6-MW capacity Combined Cycle Gas Turbine (CCGT) based power project in Palatana in Tripura. The contract is valued at around Rs 22 billion. The 363.3x 2-MW plant is being developed by OTPC. ONGC has 50% equity stake in OTPC; 26% is held by Infrastructure Leasing & Financial Services Ltd (IL&FS) and 0.5% by the Government of Tripura. The remaining equity of 23.5% will be tied up through the most optimal modes, including IPO.

#### **Satyam, RelWare tie up**

SATYAM Computer and RelWare, a developer of Web-based solutions for healthcare, have formed an alliance to offer healthcare related technology-based solutions. The alliance seeks to implement, customise, train and provide professional services in support of RelWare's OneRecord solution around the world. Through the alliance, both the companies plan to provide healthcare organisations, physicians and patients access to a full range of solutions from acute care electronic medical records systems to a personal health record for individuals.