



MARKET MOVEMENT

Major Indices	Dec 11, 2009	Dec 18, 2009	% Change	Change
BSE Sensex	17,119.03	16,719.83	(2.33)	
NSE Nifty	5,117.30	4,987.70	(2.53)	

INDIAN ECONOMY AT A GLANCE**POLICY WATCH**

- **India, Italy sign pact to enhance bilateral ties**
- **Six SEZ proposals get Government nod**
- **Financial sector tie-ups between India, Australia on the rise**
- **Government clears 6 National Highway projects**
- **Government readies for knowledge network roll-out**

India, Italy sign pact to enhance bilateral ties

INDIA and Italy signed a Memorandum of Intent (MoI) to enhance bilateral economic and commercial relations. The hope that Foreign Direct Investment (FDI) flow would gather momentum as the agreement would provide a single point of contact for existing and potential foreign investors. the bilateral trade between India and Italy touched \$8.1 billion during 2008-09 compared with \$7.8 billion in the previous year, despite the global economic slowdown. India has invited investment and joint ventures in Ultra Mega Power Projects, textile machinery, agricultural food processing, automotive components and wine technology. India has offered expertise in railways, IT and textiles sector.

Six SEZ proposals get Government nod

THE Government approved six proposals for setting up of Special Economic Zone (SEZ), including gems and jewellery SEZ by Delhi State Industrial and Infrastructure Development Corporation (DSIIDC). The Board of Approval (BoA) in commerce ministry also gave in-principle approval to two proposals, including that of Sterlite Industries (India) Ltd for copper SEZ in Tuticorin, Tamil Nadu. In total, 10 new SEZ proposals were considered by the BoA. The BoA gave its nod to two proposals of Delhi State Industrial and Infrastructure Development Corporation Ltd. The Corporation had requested for an Information and Technology (IT) SEZ and gems and jewellery SEZ at Baprola in New Delhi.

Financial sector tie-ups between India, Australia on the rise

FINANCIAL sector engagements between Indian and Australian firms are gaining momentum, with the possibility of market access for businesses on both sides looking brighter once the proposed Free Trade Agreement (FTA) comes into place. In a major deal in the financial sector earlier this month, Insurance Australia Group Ltd (IAG) announced the completion of an investment of AUS\$ 126 million for a 26% stake in its general insurance joint venture with the State Bank of India for the Indian market. The venture, SBI General Insurance Company, hopes to begin operations in the first half of 2010. IAG Australia's largest general

insurance company by premiums written holds an option to increase its stake in the joint venture to 49%, subject to regulatory and other conditions.

Government clears 6 National Highway projects

THE Government approved the widening of over 445 km of national highways at an estimated cost of Rs 44.5 billion. National Highway Authority of India (NHAI) will undertake these six projects in the Design Build Finance Operate Transfer (DBFOT) mode. Five projects will be undertaken in the DBFOT (toll) mode, while one will be in DBFOT (annuity) mode. The cost excludes land acquisition. This nod paves the way for undertaking the bidding process for the projects.

Government readies for knowledge network roll-out

THE Government has circulated a Cabinet note for the final phase of the National Knowledge Network, which seeks to connect research and academic institutions in the country over a high-speed multi gigabit network. The outlay proposed for the final phase of the mega-project expected to encourage collaborative research among institutions is estimated at Rs 600 billion over 10 years. The next stage will be a full country wide network that will link over 1,000 institutions. The National Knowledge Network will provide a platform to bring together all stakeholders scientists, researchers and students from different backgrounds and diverse geographies to work closely for faster development in critical and emerging areas.

INDUSTRY WATCH

- **Japanese pharma companies see big opportunities in India**
- **India industrial output up 10.3% in October**
- **Home textile exports shoot up 20%**
- **Insurance firms emerge a major force on the bourses**
- **Average urban teledensity crosses 100% mark**

Japanese pharma companies see big opportunities in India

THE Japanese pharmaceutical industry is looking at big opportunities through Joint Ventures (JV) and collaborative research in the Indian market which, at \$ 7 billion, is ranked 14th in value and fourth in volume terms globally. Eisai is setting up a huge facility in Visakhapatnam for drug substance and drug products, along with an API process research laboratory. Japan Pharmaceutical Manufacturers Association (JPMA) said there were also opportunities for Indian generic medicines in Japan. Japan is now considering special measures to introduce a price maintenance system from April next year, with penetration rate increase of generic drugs being a condition to accept the system

India industrial output up 10.3% in October

INDIA'S factory output rose 10.3% in October from a year earlier as stimulus measures and domestic demand pushed Asia's third-largest economy into its 10th straight month of industrial expansion. Manufacturing output grew 11.1%, rebounding from a 0.6% contraction in October. Consumer durables production shot up 21% and capital goods production rose 12.2%. The Government also revised its number for September industrial output growth to 9.6% from 9.1%. India's economy grew 7.9% in the July-September period, far faster than expected.

Home textile exports shoot up 20%

OVER the past couple of months, home textile exporters are witnessing a 15%-20% jump in their volumes from the US and the EU. These markets typically offer higher profit margins. India has emerged as the second-largest supplier to these markets after China. The home textile business consists of bed and bath linen, curtains, towels and mats. The US and Europe are the biggest export markets for Indian companies as they ship over 80% of their home textile products to these markets. With rising demand, Indian players, apart from looking at contract manufacturing and acquiring global brands, are also expanding their retail presence in overseas market.

Insurance firms emerge a major force on the bourses

INSURANCE companies have become a major force in Indian stock markets with the growing popularity of their market-linked plans. The insurance industry manages equity assets of nearly Rs 2700 billion. The insurance industry's assets are almost a third of the Rs 7550 billion that foreign institutional investors manage and actually higher than the Rs 2050 billion managed by equity mutual funds. Within the insurance sector, while private players hold about Rs 1080 billion of the equity assets, LIC manages Rs 1620 billion.

Average urban teledensity crosses 100% mark

THE average urban teledensity in India has now crossed the 100% mark. This implies the country's towns, cities and metros, all of which are classified as 'urban' by the Government, now have as many mobile connections as that of their population. The country's urban teledensity was about 60%, which jumped to over 85% in March 2009 and it has now crossed the 100% mark. Urban India accounts for close to 70% of India's 500 million cellular users and over 75 % of the telecom operators' revenues.

CORPORATE HIGHLIGHTS

- **Tokyo's Eisai injects Rs 2.5 billion for pharma plant in Vizag**
- **Sumitomo Metals forges ties with Bhushan Steel**
- **Yamaha gears up for new launches next year**
- **Mahindra Acquires majority stake in two Australian Aerospace companies**
- **Kotak ties up with Russia's top i-bank**
- **Varun Energy acquires Madagascar uranium mines**
- **Aptech, New Life Group in JV to expand operations in Philippines**
- **DCM Shriram arm in tech pact with KeyGene**

Tokyo's Eisai injects Rs 2.5 billion for pharma plant in Vizag

TOKYO based Eisai Co Ltd, focusing on R&D, manufacturing and marketing of chemicals, food additives along with machinery and equipment for pharmaceutical production, has invested Rs 2.5 billion for setting up a pharma manufacturing plant in Vizag. A wholly-owned subsidiary of Eisai, this facility is called Eisai Pharmaceutical Technology and Manufacturing Ltd. It also houses the Eisai Knowledge Centre. The manufacturing facility at Vizag is in the Pharmacy Special Economic Zone (SEZ) and is spread over 50 acres with over 80 employees in the first phase. Over a period of time, the company would be looking at setting up an R&D centre in India or Singapore.

Sumitomo Metals forges ties with Bhushan Steel

JAPANESE steel major Sumitomo Metals is set to enter India in an alliance with Bhushan Steel. The two companies announced that they had entered into an agreement wherein Sumitomo would provide the technical know-how for Bhushan Steel's 2.2-million tonnes per annum (mtpa) plant in Orissa. The plant, which would be commissioned in January 2010, will produce high quality auto grade steel sheets which will be marketed by Sumitomo Metals. In its first phase, the Orissa plant will be making 1.9 mtpa of hot rolled coil and 0.3 million tonnes per annum of billets. The company plans to ramp up production to 5 mtpa by 2012.

Yamaha gears up for new launches next year

JAPANESE two-wheeler company Yamaha would introduce a new version of its super-bike YZF-R1 in the country next year, and a range of other models and variants from its stable to strengthen its position in India. The company, which is likely to clock sales of 220,000 units in the Indian market and export 70,000 units from here this year, is also aiming for a 50 % growth in sales from both segments in 2010. They will launch a new version of YZF-R1 in India in 2010. The bike will be a bit more expensive than the existing YZF-R1, but will have the same 998cc engine. The new bike YZF-R1 2010 will be imported from Japan as Completely Built Unit (CBU), like the 2007 version.

Mahindra Acquires majority stake in two Australian Aerospace companies

MAHINDRA has acquired a majority stake in two Australian companies, Aerostaff Australia and Gippsland Aeronautics. The acquisitions have been made jointly with Kotak Private Equity with a total commitment of approximately Rs. 1.75 billion. Aerostaff Australia (AA) is a component manufacturer of high-precision close-tolerance aircraft components and assemblies for large aerospace OEMs. Mahindra will retain the existing managements of GA and AA, securing the services of the founders who developed this technology. A plant is being set up in Bangalore to complement these acquisitions and provide dual shoring cost benefits to customers.

Kotak ties up with Russia's top i-bank

KOTAK Investment Banking, a subsidiary of Kotak Mahindra Bank, has entered into an exclusive alliance with Renaissance Capital, Russia's biggest home-grown investment bank. The alliance aimed to use Renaissance's franchise in Russia, Africa and the former Soviet Union and Kotak's Indian experience to help big companies from those countries buy into each other's markets. Moscow-based Renaissance Capital, backed by Russian billionaire Mikhail Prokhorov, specialises in resources industries, particularly mining and oil & gas.

Varun Energy acquires Madagascar uranium mines

VARUN Energy Corporation, a group company of steel exporter Varun Industries Limited, has acquired uranium mines in Madagascar, an island nation in the Indian Ocean. Varun Energy is one of the first private Indian companies to acquire rights directly in this business. Madagascar has high concentration of uranium, besides thorium and gold. The group acquired 1,111 blocks covering 6,900 sq km with estimated reserves of 1,700,000 tonne of uranium, 4,350,000 tonne of thorium and traces of gold for exploration, exploitation and output sale. Varun is present in Madagascar as Varun International SARL and Madagascar Energy Corporation with 67 % stake in both companies.

Aptech, New Life Group in JV to expand operations in Philippines

MUMBAI-based Aptech, retail and corporate training solutions major, has signed a Joint Venture (JV) with New Life Group Inc a Philippines-based company, to expand its retail

presence in the country. The JV will be shared in the ratio of 60:40 in favor of new life Group Inc and Aptech, respectively. The JV will also serve to expand the scope of the retail and training brands of Aptech, namely Aptech Computer Education, Arena Multimedia, Avalon Academy, English Express and N- Power across Cambodia, Philippines and Laos. The Philippine IT market is expected to be a regional outperformer over the next few years with a projected increase in spending from the present \$2.4 billion to around \$3.6 billion in 2013.

DCM Shriram arm in tech pact with KeyGene

BIOSEED Research India Pvt Ltd, a 100% owned subsidiary of DCM Shriram Consolidated Ltd (DSCL), has inked a partnership agreement with KeyGene of the Netherlands to access the latter's molecular breeding technology platforms. Bioseed, which clocked revenues of Rs 1.55 billion out of DSCL's consolidated income of Rs 35.34 billion, is basically in the business of hybrid seeds (mainly corn, bajra, paddy, cotton, vegetables and sunflower). The Hyderabad-based company has, besides India, operations in south-east Asian markets such as the Philippines and Vietnam.