



MARKET MOVEMENT

Major Indices	July 31, 2009	Aug 07, 2009	% Change	Change
BSE Sensex	15,670.31	15,160.24	(3.26)	
NSE Nifty	4,636.45	4,481.40	(3.34)	

INDIAN ECONOMY AT A GLANCE**POLICY WATCH**

- **Government unveils roadmap for financial sector reforms**
- **Landmark education Bill passed by Parliament**
- **No service tax on commission paid by companies to MDs, Directors**
- **Companies Bill, 2009 introduced in LS**
- **Bill to give legal cover for metro rail in cities outside Delhi**

Government unveils roadmap for financial sector reforms

THE Ministry of Finance (MoF) has made its priorities clear by tabling in Parliament its menu of financial sector reforms to be taken up immediately. These include liberalisation of rules governing sale of shares by Indian companies abroad through American Depository Receipts (ADRs), relaxation in the External Commercial Borrowings (ECBs) guidelines and coming up with innovative measures to spur investments through public-private partnerships.

Landmark education Bill passed by Parliament

THE Lok Sabha passed the Right of Children to Free and Compulsory Education Bill, 2008, to make free education a fundamental right for children. The bill is to provide free and compulsory education to children aged between 6 to 14 years also aims to reserve 25% seats to weaker sections in private schools. The Bill also aims at achieving 10 broad objectives, including free and compulsory education, obligation on the part of states to provide education, nature of curriculum consistent with the Constitution, quality, focus on social responsibility and obligation of teachers and de-bureaucratisation in admissions.

No service tax on commission paid by companies to MDs, Directors

THE MoF has said that remuneration paid to Managing Directors (MD's) and Directors of companies for their performance as MD/Director would not be liable to service tax. This Central Board of Excise and Customs' (CBEC) stance was applicable irrespective of whether the director compensated was a whole-time or an independent one. This move could lead to some savings for companies as many would have had to fork out service tax if the CBEC had clarified that the tax would be applicable on such payouts. The clarification that this would not attract service tax could well be considered as another stimulus for the top management in Corporate India.

Companies Bill, 2009 introduced in LS

THE Ministry of Corporate Affairs has introduced a new Bill that seeks to replace the existing Companies Act of 1956. The new Bill has been introduced in view of an earlier version (the Companies Bill 2008, tabled on October 23). Some of the special features of the Companies Bill,

2009 include prohibition of insider trading by company directors or key managerial personnel and declaring it as an offence with criminal liability; mandatory consolidation of financial statements of subsidiaries with holding companies and recognition of cross-border mergers, besides having a single forum for approval of mergers and acquisitions.

Bill to give legal cover for metro rail in cities outside Delhi

A Bill to give legal cover for construction, operation and maintenance of the metro rail system in the National Capital Region and other metro cities is been introduced. Work was already on to extend the Delhi metro network to areas such as Noida in Uttar Pradesh and Gurgaon in Haryana. Metro rail network was also being constructed in Bangalore and Chennai, while implementation of the system was at different stages of consideration for cities such as Mumbai, Chandigarh, Hyderabad and Kochi.

INDUSTRY WATCH

- **Online ad spends will see highest growth over next five years**
- **MF industry sees 2.8% growth in AUM**
- **Auto companies log double digit growth on new launches**
- **Cement companies concrete performance in Q1**

Online ad spends will see highest growth over next five years

THE domestic Entertainment and Media (E&M) industry to grow by 10.5% cumulatively between 2009 and 2013 to reach Rs 939 billion. The E&M industry had witnessed remarkable growth in recent years having consistently outpaced growth in domestic Gross Domestic Product (GDP). While the annual average growth in nominal GDP was 14.48% over the period 2004 to 2008, overall E&M growth in 2008 slowed, reflecting weaker overall economic conditions. This is expected to continue in 2009.

MF industry sees 2.8% growth in AUM

THE Indian Mutual Fund (MF) industry to continue its growth in Asset Under Management (AUM) for July. Total AUM of 32 fund houses out of 38 fund houses stood at Rs 6,470.70 billion in July gaining Rs 181.08 billion or 2.88% compared to Rs 6,289.61 billion in June. AUM for July for the country largest fund house Reliance MF almost remained flat at Rs 1,083.34 billion.

Auto companies log double digit growth on new launches

AUTO companies log double digit growth on new launches, passenger car manufacturers like Hyundai Motor India Ltd (HMIL), Tata Motors, Mahindra and Mahindra (M&M) and Fiat India witnessed a high double-digit growth in July sales. While Hyundai Motor India, the country's second largest passenger car manufacturer, registered a 53.19% jump in domestic sales last month at 23,193 units against 15,066 units in July last year on the back of recently launched i20, its close competitor Tata Motors posted an increase of 17.3% at 17,191 units as compared to 14,652 units during the same month last year.

Cement companies concrete performance in Q1

THE cement sector has been one of the outstanding performers of India Inc in Q1, with the sales of 11 listed companies expanding nearly 23% relative to the same period last year. Net profits expanded by a healthy 36%. However, there has been a significant North-South divide in the numbers; with players based in the North managing much higher growth rates in volumes and

profits than those in the South. While North-based players averaged a 63% profit growth, the South-based ones managed a mere 3%. Growth for the southern companies was more price-led, while northern players witnessed strong expansion in despatches.

CORPORATE HIGHLIGHTS

- **Logistics firm in tie-up with Japanese giant**
- **Ecron Acunova joins hands with CRO of US**
- **Japanese financial firms develop a yen for India**
- **RINL Manganese Ore JV**
- **HCL Technologies completes US data centre buy**
- **Canara Bank, Crisil in pact for rating MSMEs**
- **Discount retailer, TCS tie up for IT rollout**
- **Schneider buys Meher Capacitors**
- **UK trade body seeks tie-ups in more cities**

Logistics firm in tie-up with Japanese giant

SICAL Logistics has signed a Memorandum of Understanding (MoU) with Japan-based shipping and logistics company Mitsui OSK Lines (MOL) to set up a new Joint Venture (JV) company for an automotive management yard at Ennore port, near Chennai. Nissan Motor India Pvt Ltd (NMIPL) has signed a MoU with Ennore Port Ltd (EPL) for exporting its vehicles through the port. While the berth will be constructed by the port, the proposed new company will take care of yard management. Nissan Motor India, which will get priority for using the marine facilities being developed at Ennore Port, will start exporting its cars to Europe and elsewhere by mid-2010. The company will export about 110,000 units in 2010-11, with the number going up to 180,000 units within two years.

Ecron Acunova joins hands with CRO of US

CONTRACT Research Organisation (CRO) Ecron Acunova of Bangalore announced a global strategic alliance with Essential CRO, US, in emerging markets. The alliance provides potential clients with access to do clinical trials in 18 countries. The CRO network offers services in pharmaceutical, biotechnology, medical device, diagnostic and nutritional space. Essential, based in Illinois, US and Ecron Acunova, which has a presence in Bangalore, the US, and Europe, have been partners for several years.

Japanese financial firms develop a yen for India

JAPAN'S financial powerhouse, Nomura, bought a 35% stake in LIC Mutual Fund in a deal that values the Indian firm at Rs 8 billion. Nomura, which in October 2008 acquired the Asian operations of bankrupt US investment bank, Lehman Brothers, employs over 2,600 people in India. The mutual fund arm of the US\$ 120 billion Shinsei Bank launched its second equity fund in India, just a month after the first an open-ended liquid fund closed successfully. The second fund, which closes on August 25, will invest in companies that are leaders in their respective sectors, and the fund house plans to launch two more equity funds by the end of this financial year.

RINL Manganese Ore JV

RASHTRIYA Ispat Nigam Ltd (RINL) and the Manganese Ore India Ltd have formed a JV RINMOIL Ferro-Alloys Pvt Ltd to manufacture ferro-alloys. The JV shall initially install and commission one 27 MVA and 9 MVA furnaces based on the feasibility report prepared by Mecon. The RINL needs 70,000 tonnes of silico manganese, 15,000 tonnes of ferro silicon and 2,000 tonnes of ferro manganese annually after the completion of the expansion project. The present capacity of the steel plant (3 million tonnes) will be doubled after the expansion

HCL Technologies completes US data centre buy

HCL Technologies announced that it had completed the acquisition of a 35,000 sq ft data centre from a Fortune 500 organisation in New Jersey. The new data centre would help HCL expand its delivery footprint in the US. The new centre would complement HCL's existing near-shore delivery network in the US comprising its operations in North Carolina. HCL took over the data centre from a Fortune 500 enterprise in October 2008 and has since upgraded the facilities at the data centre. The company is investing Rs 710 million on this new facility.

Canara Bank, Crisil in pact for rating MSMEs

CANARA Bank has entered into a MoU with Crisil Ltd. The MoU envisages credit rating of the bank's existing and prospective customers under Micro, Small and Medium Enterprise (MSME) sector for three years till March 31, 2012, or till the validity of the National Small Industries Corporation (NSIC) scheme. Under the MoU, the rating fee has been subsidised for small enterprises (including micro enterprises) registered with NSIC with a special discount to the bank's clients. In respect of small enterprises not registered with NSIC and medium enterprises not eligible for the NSIC subsidy, the rating fee will be discounted.

Discount retailer, TCS tie up for IT rollout

THE Loot has said it had roped in Tata Consultancy Services (TCS) to implement its front end and back end software support system. The company said it would also scale up its retail operations from 111 stores to 200 by the end of March 2010. The agreement with TCS comes at crucial stage when they are ramping up their retail offering. The agreement would help augment its IT infrastructure, which includes supporting its online sales and distribution, warehouse management among others.

Schneider buys Meher Capacitors

SCHNEIDER buys Meher Capacitors. Schneider Electric has announced its second Indian acquisition in two months that of Meher Capacitors from the family-run Meher Group, Bangalore. The Indian arm of the €18-billion French major grew 15% last year and now expects to increase its revenue four-fold in five years and double its exports. Starting 2010, Schneider plans to take some of the Meher products to Spain, Italy and other markets. Meher, Bangalore would be Schneider's R&D and manufacturing hub for capacitors to primarily serve this region. Meher is a domestic leader in power factor correction market, with the second biggest domestic market share in low-voltage capacitors. It generated Rs 400 million revenue in this business last year.

UK trade body seeks tie-ups in more cities

UNITED Kingdom (UK) Trade and Investment is expanding its promotional activities to more cities and states in India as part of its strategy to reach out to businesses. India and the UK have a vibrant business relationship. Around 500 UK based companies have invested in India, while in 2008-09 India was the second largest investor in the UK in terms of the number of new projects,

in 2008-09, Indian companies invested in 108 projects in the UK. These companies will get access not only to the UK market but also Europe and markets in Africa. Indian companies from diverse sectors such as financial services, hospitality and IT are expressing interest in investing in the UK.