



**MARKET MOVEMENT**

Major Indices	December 19, 2008	December 26, 2008	% Change	Change
BSE Sensex	10,099.91	9,328.92	(7.63)	
NSE Nifty	3,077.50	2,857.25	(7.16)	

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

- Rules eased for entry of foreign companies into India
- Insurance bill introduced in Rajya Sabha
- Cabinet approves development of Semi Cryogenic Engine Technology
- Government extends Standby Credit Facility to Maldives
- MoU with Oman and Indonesia approved
- Uttarakhand approves over 100 industrial units
- Trade pact with Japan

**Rules eased for entry of foreign companies into India**

THE Ministry of Corporate Affairs (MCA) has removed the requirement of foreign companies/foreign nationals to get consular verification in their country of origin for establishing place of business or setting up a subsidiary in India. This benefit will be available to only those foreign companies incorporated in a country that fall outside the Commonwealth but a party to the Hague Apostille Convention 1961. For foreign companies incorporated in a country falling outside the commonwealth, but a signatory to the Hague Apostille Convention 1961, documents certified by the Government official of that convention country would be entitled for recognition in India without any further verification.

**Insurance bill introduced in Rajya Sabha**

THE Insurance Laws (Amendment) Bill, which seeks to hike the Foreign Direct Investment (FDI) limit in the sector to 49% from the existing 26%, was introduced in the Rajya Sabha – full two years after it was originally sent to the Cabinet for approval. The stakes involved are significant. The sector had a turnover of Rs 262.87 billion in the quarter ended September 2008. A simple calculation shows that raising the FDI limit to 49% may increase the total FDI just in the life insurance segment by almost 2.5 times from the current levels of about Rs 25 billion.

**Cabinet approves development of Semi Cryogenic Engine Technology**

THE Cabinet approved development of Semi Cryogenic Engine technology at an estimated cost of Rs. 17.98 billion with a foreign exchange component of Rs. 5.88 billion. The objective is designing, fabricating and testing this advanced technology in India in six years time. This will be an important step towards self-reliance in advanced space transportation technology for India.

### **Government extends Standby Credit Facility to Maldives**

**THE Cabinet approved a Standby Credit Facility of US\$ 100 million to Maldives** of which US\$50 million is for imports from India and the remaining US\$50 million for budgetary support. The decision will demonstrate support to the new President elected in the first multi-party Presidential elections held in Maldives and provide aid to a close strategic neighbour in their hour of need and promote greater trade with India.

### **MoU with Oman and Indonesia approved**

**THE Cabinet has approved signing of Memorandum of Understanding (MoU) with Oman and Indonesia.** The MoU is in the field of manpower between the Government of India and Sultanate of Oman and the MoU between India and Indonesia is for cooperation in the field of agriculture and allied sectors.

### **Uttarakhand approves over 100 industrial units**

**A high-powered committee in Uttarakhand cleared proposals of over 100 industrial units,** including that of top notch companies like Tata Motors, Hindustan Unilever Ltd (HUL) and Sterlite. The committee cleared the proposals, which were invited by State Infrastructure and Industrial Development Corporation of Uttarakhand Ltd (SIDCUL) in July, 2008. All these companies were given land under the new allotment policy formulated recently by the Government for Haridwar, Pantnagar, Kotdwar and Selaquie industrial areas, which are being developed by SIDCUL.

### **Trade pact with Japan**

**TRADE officials of India and Japan will meet again in February, 2009 to resolve some ticklish issues blocking the tariff-breaking bilateral pact.** The Ministry of Commerce officials will engage with their Japanese counterparts to bridge the gap on issues such as recognition of Indian pharmaceutical products by Japan and services. India is keen on gaining market access through a free trade agreement for the \$19 billion pharmaceutical industry in Japan, which is one of the major importers in the world. India also wants wider reach for its services sector, which the Japanese are a bit circumspect about. While India's trade with Japan has more than doubled in the last four years from about \$4 in 2003-04 to almost \$10 billion in the last fiscal, many products such as oilseeds, dairy products, sugar and sugar products face tariff peaks in Japan.

## **INDUSTRY WATCH**

- **Acquisitions in the FMCG space likely to continue**
- **Indian telecommunications industry witnesses M&A deals worth US\$ 9 billion**
- **Railways woos private investment in new lines**
- **IT spend in logistics may touch Rs 10 billion in 5 years**
- **Telecommunication companies to expand rural bases in Punjab**

### **Acquisitions in the FMCG space likely to continue**

**THE Fast Moving Consumer Goods (FMCG) sector is headed for an acquisition spree.** While there were a fair number of other deals as well, 2008 belonged to Emami and Dabur, which were involved in the two biggest deals of the year in the sector. While Emami acquired Zandu Pharmaceutical Works for a little over Rs 7 billion, Dabur bought a 72% stake in Fem Care

Pharma for Rs 2.04 billion. The valuations in the industry are supporting Merger and Acquisition (M&A) opportunities. Many companies are also eyeing overseas buys. This could be a good time for cash-rich companies to acquire assets at attractive valuations.

### **Indian telecommunications industry witnesses M&A deals worth US\$ 9 billion**

**THE fast growing Indian telecommunications industry has witnessed M&As valued at over US\$ 9 billion in 2007-08.** In fact, out of the total M&A deals sealed in the country, the telecommunications industry accounted for around one-third of them. The largest telecommunication deal of the year came from the buyout of 26% stake in Tata Teleservices by Japanese major NTT DoCoMo Inc. In another significant deal, Dubai-based Emirates Telecommunications Corp (Etisalat) has bought 45% stake in Swan Telecom for cash up to US\$ 900 million.

### **Railways woos private investment in new lines**

**TO attract private investment into new rail link constructions, Indian Railways has finalised a policy with two options.** In the first option, called the advance contribution model, companies must invest at least 50% of the total project cost, including the cost of land for building the new rail line, which should be at least 20 km in length. In reciprocation, they will receive a 10%-12% freight discount, but only on incremental outward traffic. In the second option, the Special Purpose Vehicle (SPV) model, the Railways will “generally invest about 26% in equity, and the SPV will get a concession, a share in the revenues generated in the line” in return for the construction, operation and maintenance of the line. The concession period will be only till the SPV recovers its equity, allowing for a 14% rate of return.

### **IT spend in logistics may touch Rs 10 billion in 5 years**

**THE ‘Technology Survey for the Indian Logistics Industry – 2008’ has stated that the Information Technology (IT) spends in the logistics industry would grow to approximately Rs 10 billion from the present Rs 4 billion in the next 5 years (CAGR of 20%-22%).** The demand is expected from the western region of the country followed by the northern and the southern regions. It noted that 46% of the IT investments, currently made, are towards capital expenditure and the remaining 54% in operational. Global majors have committed to huge investments for their Indian operations. Private Equity (PE) funds are increasingly eyeing the sector. The sector has already attracted investments of over Rs 200 billion in the first half of 2008. India spent around 13% of its GDP on logistics, higher than the US (10%), Europe (11%) and Japan (10%).

### **Telecommunication companies to expand rural bases in Punjab**

**CELLULAR service providers in Punjab are focusing on rural locations to expand their presence as the mobile phone density in these areas is lower than that in urban areas.** This will not only help them in adding new customers but also strengthen rural connectivity. Punjab’s teledensity, at 47%, is the higher among states and more than twice the national average of 20%. The teledensity in rural Punjab is around 20% compared to 80% in the urban areas. Idea Cellular Ltd recently announced that it will specifically target rural areas as there is low mobile density. At present, Idea covers 10,000 towns and villages in the state and plans to further expand its presence by adding new cell sites. Airtel has reached out to about 11,300 villages out of a total 12,500 in Punjab. It is determined to enter the remaining villages as well. Even Bharat Sanchar Nigam Ltd (BSNL) has a significant presence in rural Punjab and plans to add new cell sites. Tata Teleservices covers about 356 towns in Punjab and has 579 cell sites.

## CORPORATE HIGHLIGHTS

- **Reliance Petroleum commissions ‘only-for-export’ refinery at Jamnagar**
- **Piramal acquires US firm for \$40 million**
- **Becton Dickinson in MoU with paediatrics academy**
- **Nalco in JV with UAE firm**
- **Taj Group opens first property in Chennai**
- **BGR Energy in pact with Italian firm**
- **Lulu Group ties up with Marriot Hotels**
- **Shyam-Sistema brings global brand MTS to India**

### **Reliance Petroleum commissions ‘only-for-export’ refinery at Jamnagar**

RELIANCE Petroleum Ltd brought on stream the world’s largest single-location refinery complex by cranking up a new exports-only refinery next to its existing unit at Jamnagar in Gujarat. Together, the two units will have a combined capacity to process 62 million tonne of crude a year, or 1.24 million barrels a day. US major Chevron has a 5% stake in the refinery which deploys state-of-the-art technology capable of producing Euro-IV and Euro-V grade fuels even from the poorest quality crude.

### **Piramal acquires US firm for \$40 million**

PIRAMAL Healthcare has acquired New York-based Minrad International, a manufacturer of generic inhalation anaesthetic drugs for \$40 million, to become one among the top three players in the \$1-billion global inhalation anaesthetics market. Post acquisition, Minrad will become a newly incorporated wholly-owned subsidiary of Piramal and it will be de-listed from US stock exchanges.

### **Becton Dickinson in MoU with paediatrics academy**

BECTON Dickinson India, a leading global medical technology company, has signed a MoU with the Indian Academy of Paediatrics – Kochi to promote safe injection practices in all the Government and private hospitals across the State. The first phase includes inviting and selecting 30 hospitals to participate in Safe Hospital initiative for the programme from across the State. Workshops will be conducted to train doctors and nurses for the ‘Safe Injection Practices’.

### **Nalco in JV with UAE firm**

NATIONAL Aluminium Co Ltd (Nalco) has entered in a MoU with United Arab Emirates (UAE) based Rak Minerals & Metals Investments (RMMI) for setting up smelter in the new aluminium project in Indonesia. RMMI will pick up 24% stake for setting up 500,000 tonne smelter. Nalco will invest Rs 140 billion in the aluminium project, which includes a 1,250 MW captive power plant. Against this background, the schedules of construction of port and rail corridor by RMMI and smelter and power plant by Nalco would be synergised more efficiently through the Joint Venture (JV).

### **Taj Group opens first property in Chennai**

TAJ GVK Hotels and Resorts Ltd launched its first property in Chennai – Taj Mount Road. This is the fourth and the largest Taj property in the city. The hotel, with three restaurants, a bar and a host of other facilities, is positioned as a five-star business class hotel. The seven-floor property has 220 rooms, including 16 suites and a presidential suite.

**BGR Energy in pact with Italian firm**

BGR Energy Systems said it has signed a five-year agreement with Italy-based TME SpA Termomeccanica Ecologia for technical assistance. The company has entered into technical collaboration and licence agreement with TME for condensate polishing plants in India. The agreement is for a period of five years with a scope for extension for further period. TME would train the engineers of BGR Energy in design, engineering and manufacturing, under the said agreement.

**Lulu Group ties up with Marriot Hotels**

THE \$3-billion Lulu Group has entered into a management contract with Marriot Hotels to run the 20-story 300-room business hotel property now under construction in Kochi. The hotel is coming up as part of the Rs 12 billion hypermarket-multiplex-airlines tower complex, which is being built by the Dubai-based group. Once completed, this would be the biggest mall-multiplex complex in the country, built over an 18-acre property with a built-up area of 1.6 million sq. ft.

**Shyam-Sistema brings global brand MTS to India**

SHYAM Telelink has tied up with Mobile TeleSystems of Russia that will bring the globally acclaimed brand MTS to India for offering telecom services. Shyam Telelink, which is in a partnership with Russia's Sistema, has the licence to offer mobile services throughout the country and has already launched services in Rajasthan about two months ago.