



**MARKET MOVEMENT**

Major Indices	July 25, 2008	August 01, 2008	% Change	Change
BSE Sensex	14,274.94	14,656.69	2.67	
NSE Nifty	4,311.85	4,414.05	2.37	

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

- **RBI hikes CRR by 25bps to 9%**
- **Government releases new defence procurement policy**
- **Tamil Nadu policy focuses on spread-out growth in IT**
- **Government approves Rs 170.33 billion for power reforms**
- **Government extends scope of 13th Finance Commission**
- **MP signs 12 MoUs worth 320 billion in investors meet**

**RBI hikes CRR by 25bps to 9%**

**THE Reserve Bank of India (RBI), in its monetary policy review hiked the Cash Reserve Ratio (CRR) by 25 basis points (bps) to 9%.** The repo rate has also been revised upwards by 50 bps to 9%. However, the RBI has kept the bank rate unchanged. The hike in Repo rate, RBI's overnight lending rate to banks, would come into effect immediately, while the 0.25% increase in CRR, the percentage of amount banks are required to park with RBI, would be effective from August 30, 2008.

**Government releases new defence procurement policy**

**GOVERNMENT releases new defence procurement policy; enables foreign vendors to create offset programme in anticipation of future contract.** All defence vendors to be given advance information before release of Request for Proposals in procurement cases, except those sensitive in nature. Bidders for Indian weapons contract required to sign integrity pact in all deals exceeding Rs 200 million.

**Tamil Nadu policy focuses on spread-out growth in IT**

**THE Tamil Nadu Government unveiled the Information, Communication and Technology Policy, 2008 with a thrust on incentivising units set up in smaller towns and villages** and developing the full eco-system for the development of the industry. The policy for 2008 is different from the previous policies on two major counts. First, it channels investments into Tier-II and Tier-III cities, for more secular growth across the State, by providing incentives and capital subsidy to units set up in there. Second, it addresses the entire eco-system – encompassing education, finishing schools, industry-academia partnership, civic amenities, branding.

### **Government approves Rs 170.33 billion for power reforms**

THE Government approved an allocation of Rs 170.33 billion for revamping a power sector reforms programme aimed at cutting commercial and other losses of state utilities. The decision to restructure the Accelerated Power Development and Reforms Programme (APDRP) covering 571 projects in the first phase was taken by the Cabinet at its meeting. Out of the Rs 170.33 billion, the grant component is Rs 64.45 billion and the loan component is Rs 22.74 billion.

### **Government extends scope of 13th Finance Commission**

THE Government mandated the 13th Finance Commission to map the road for fiscal accounting of liabilities on account of oil, food and fertiliser bonds. The Cabinet has approved the extension of the Terms of Reference of 13th Finance Commission having regard to the need to bring liabilities of the Central Government into fiscal accounting. The Commission would also review the impact of various other obligation of Central Government on the deficit target.

### **MP signs 12 MoUs worth 320 billion in investors meet**

MADHYA Pradesh Government inked 12 investment proposals worth Rs 320 billion during a two-day Investors Meet. The Memorandums of Understanding (MoU) signed on the first day of the meet included Rs 13 billion cement plant, Rs 10 billion real estate unit, Rs 100 million sponge iron unit and Rs 4.5 billion bio-energy unit besides several others. The Gwalior region would be placed in 'C' category to accelerate the pace of industrialisation and Udyog Mitra Yojana would be extended for another six years to facilitate the entrepreneurs of the region.

## **INDUSTRY WATCH**

- **India becomes most-favoured investment destination for Japan**
- **Indian food market to grow two-fold by 2025**
- **India revs up for a dozen new small cars by 2010**
- **Indian Animation industry to touch US\$ 993.38 million by FY 2009**
- **Domestic BPO sector to treble revenues by 2012**
- **Indian biotechnology firms aid global players in drug discovery**

### **India becomes most-favoured investment destination for Japan**

A recent survey conducted by the Japan Bank for International Cooperation (JBIC) shows that India has become the most-favoured destination for long-term Japanese investment. While nearly 70% of Japanese manufacturers regard India as the most attractive country to do business over the next 10 years, around 67% preferred China. Russia came third with a 37% rating, followed by Vietnam at 28%. The automobile sector has been the area where the Japanese presence is the most noticeable. But their interest has now spread to various sectors like machine tools, electronics and IT. According to India Brand Equity Foundation (IBEF), Japan ranks fifth in terms of cumulative Foreign Direct Investment (FDI) equity inflow into India. Japan's FDI in India is projected to be around \$5.5 billion over 5 years from 2006 to 2010.

### **Indian food market to grow two-fold by 2025**

THE Indian food market will grow two fold by 2025 with the rapidly growing Indian economy and improving lifestyles of Indians contributing in a big way to this growth. The market size for the

food consumption category in India is expected to grow from US\$ 155 billion in 2005 to US\$ 344 billion in 2025 at a Compound Annual Growth Rate (CAGR) of 4.1%. The Indian snacks market is worth around US\$ 3 billion, with the organised segment taking half the market share, and has an annual growth rate of 15%-20%. The unorganised snacks market is worth US\$ 1.56 billion, with a growth rate of 7%-8% per year. There are approximately 1,000 types of snacks and another 300 types of savouries being sold in the Indian market today.

### **India revs up for a dozen new small cars by 2010**

**CLOSE to a dozen new small cars from big names, including Maruti-Suzuki, Honda, Volkswagen, Fiat, Ford and Toyota, are expected to hit the road by 2010**, rejuvenating a market that accounts for as much as 75% of car sales. The new cars, many of which would also have variants loaded with latest features like automatic drive, Anti-lock Braking System (ABS) and airbags, will flow from almost the entire spectrum of carmakers present in India and be available in the Rs 300,000 Rs 500,000 bracket (excluding the Rs 100,000 wonder Tata Nano). To take advantage of the special subsidized excise duty for small cars, the under-4m models would sport engines below 1200cc in petrol and below 1500cc in diesel.

### **Indian Animation industry to touch US\$ 993.38 million by FY 2009**

**THE animation industry in India is set to grow to US\$ 993.38 million from US\$ 283.82 million by 2009**. Its revenues are expected to grow two fold to nearly US\$ 1.5 billion by 2010. Though the Indian animation market is presently merely around 1% of the global market of the US\$ 1,125 billion, it is projected to grow about 35% in the next few years. India is fast evolving into a favoured destination for outsourced projects from studios like Walt Disney Pictures and Cartoon Network. India decidedly has a competitive edge over its rivals. For example, there are very few Government regulations on the industry making it relatively free from complications and bottlenecks. Indians have talent, and that needs to be nurtured with training, large investments and creating innovative and challenging content which will be important for growth.

### **Domestic BPO sector to treble revenues by 2012**

**THE domestic Business Process Outsourcing (BPO) industry is expected to more than treble in revenues by 2012**, which will lead to an almost four-fold rise in the number of people employed for providing back office services to these firms. The domestic BPO firms would collectively employ about 540,000 employees in the next four years as against 140,000 staff currently. In the same time period, it will achieve revenues of Rs 228 billion from Rs 69 billion in fiscal 2008. Apart from opening new vistas of opportunity for third party BPO companies, the growth in domestic BPOs would help in creation of job opportunities in semi-urban pockets of the country. Unlike the international service providers, the driver for domestic BPOs is not labour or cost arbitrage but the need to provide better customer services, scale up rapidly, enhance productivity and reduce time to market.

### **Indian biotechnology firms aid global players in drug discovery**

**INDIAN biotechnology firms are steadily moving up the value chain by offering Research and Development (R&D) services for global pharmaceuticals companies to aid drug discovery and manufacture**. Companies are offering services in drug discovery and validation based on pathway analysis (that is, analysis of how toxic or radioactive substances reach humans), genomics (study of gene sequences in living organisms), proteomics (large-scale study of proteins) and translational research (clinical investigation with human patients or volunteers). These specialised teams are led

by scientists of Indian origin, who have returned from the West following long stints in this field. They have set up their own companies or have joined existing firms here.

## CORPORATE HIGHLIGHTS

- **Tata Projects, Engineers India form Joint Venture**
- **XL Telecom, Mola Solaire in solar-wafer pact**
- **Tata Steel net rises 22% at Rs 14.88 billion**
- **Sintex acquires 90% stake in German company Geiger Technik**
- **Nestle India net up 26.5% at Rs 1.21 billion**
- **Titan net up 79% at Rs 322.2 million**
- **M&M acquires business assets of Kinetic Motor**
- **Offshoring lifts HTMT Global Q1 revenues by 17%**
- **Geodesic net up 103%**
- **Uppal Group and Marriott join hands to open five-star hotel in Gurgaon**
- **Rolta buys WhittmanHart**
- **Engineering and construction margins boost L&T net 33%**
- **TVS Motor sales up at Rs 9.11 billion**
- **GAIL India Q1 net up 31%**

### **Tata Projects, Engineers India form Joint Venture**

**TATA Projects Ltd and the public sector Engineers India Ltd have formed a Joint Venture (JV) to undertake projects in the hydrocarbon sector.** The JV will have a start-up equity capital of Rs 100 million, equally shared by the two partners. The headquarters will be in Noida, near New Delhi.

### **XL Telecom, Mola Solaire in solar-wafer pact**

**XL Telecom has announced that it has entered into an agreement with German manufacturer Mola Solaire Produktions, for supply of multi-crystalline solar wafers.** As per the terms, Mola Solaire, a manufacturer of multi-crystalline and mono-crystalline solar wafers, will deliver approximately 125 mw of wafers to XL Telecom over a five year period commencing 2008 through to 2013.

### **Tata Steel net rises 22% at Rs 14.88 billion**

**TATA Steel Ltd has posted a 21.78% rise in its standalone net profit at Rs 14.88 billion for the quarter-ended June 30, 2008,** against Rs 12.22 billion logged in the same period of last year. Total income rose 43.48% at Rs 61.77 billion for the quarter, against Rs. 43.05 billion. Steel production for the quarter was higher at 1,186,873 tonnes as against 1,064,832 tonnes. Export turnover was at Rs 8.8 billion as compared with Rs 3.61 billion.

### **Sintex acquires 90% stake in German company Geiger Technik**

**SINTEX Industries Ltd announced that through its wholly-owned subsidiary Sintex Holdings B.V., The Netherlands, it has acquired 90% stake in Geiger Technik GmbH (Garmisch-**

Partenkirchen, Germany) for an approximate €35.6 million. The Geiger family will continue to hold the remaining 10%. This acquisition will assist the company to further enhance its presence in the European market.

#### **Nestle India net up 26.5% at Rs 1.21 billion**

NESTLE India has recorded a 26.5% rise in second quarter net profit as its factory in Pantnagar was given an income tax holiday. Net profit during the quarter ended June 2008 rose to Rs 1.21 billion, or Rs 12.56 per share, from Rs 956.9 million, or Rs 9.92 per share, in the corresponding quarter of the previous year. Sales rose 23.5% to Rs 10.35 billion compared with Rs 8.39 billion in the same quarter a year ago. Sales in India rose 24.8% to Rs 9.44 billion while exports rose 11.4% to Rs 914 million.

#### **Titan net up 79% at Rs 322.2 million**

TTAN Industries has posted a 79% increase in net profit to Rs 322.2 million for the first quarter of the current fiscal as against Rs 179.9 million for the corresponding period of last year. Income from operations went up by 22.8% to Rs. 8.19 billion, while profit before taxes increased by 73% to Rs. 439.5 million. Watch segment sales income increased by close to 2% to Rs 1.72 billion for the current quarter, while the jewellery segment sales income grew 32% to Rs. 6.16 billion during this year.

#### **M&M acquires business assets of Kinetic Motor**

MAHINDRA & Mahindra (M&M) is set to foray into the two wheeler-business with the company announcing the acquisition of well-known two-wheeler brand, Kinetic Motors. M&M will form a new company – Mahindra Kinetic Scooters & Motorcycles Ltd – which would execute the acquisition of Kinetic by purchasing all operating assets of the company.

#### **Offshoring lifts HTMT Global Q1 revenues by 17%**

HTMT Global Solutions Ltd reported a 17% growth in revenue in the first quarter, helped by increased off-shoring by clients. For the latest quarter, net profit was Rs 200.5 million, compared with Rs 178.7 million in the year-ago quarter. Revenue increased to Rs 1.78 billion (Rs 1.52 billion).

#### **Geodesic net up 103%**

GEODESIC Information Systems Ltd reported a 103% rise in net profit to Rs. 584.4 million for the June 2008 quarter as compared to Rs 287.3 million reported in the same quarter a year ago. Geodesic provides mobile and desktop solutions for instant messaging, internet radio and mobile Voice over Internet Protocol (VoIP). Revenues for the quarter were up by 116% to Rs 1.29 billion (Rs 609.8 million).

#### **Uppal Group and Marriott join hands to open five-star hotel in Gurgaon**

UPPAL group has announced that it is partnering with Marriott International to develop and own a five-star hotel in Gurgaon. Enthused by the opportunities in this rewarding hospitality market, the two companies plan to work on their niche areas and collaborate to expand in and around the region. Under the terms of the agreement, the Uppal group, will be responsible for developing the hotel and will own it, while Marriott International will manage all operational activities.

#### **Rolta buys WhittmanHart**

ROLTA India has acquired the US-based business intelligence vendor WhittmanHart Consulting. This acquisition is in keeping with their declared strategy of acquiring technologies and skills that

help their clients get greater returns from their investments in enterprise solutions and services from Rolta.

**Engineering and construction margins boost L&T net 33%**

LARSEN & Toubro (L&T) has posted a 33% rise in net profit for the first quarter of the fiscal as revenues rose and margins from its key Engineering and Construction (E&C) business looked up. Gross sales rose by 53%. The E&C segment, which accounts for more than two-thirds of the company's revenues, reported an operating profit margin of 10.5% from 9.6% a year ago.

**TVS Motor sales up at Rs 9.11 billion**

TVS Motor Company Ltd has posted a net profit of Rs 70.2 million on sales of Rs 9.11 billion for the quarter ended June 30, 2008 against a net profit of Rs 75.5 million on sales of Rs 7.83 billion for the same period last year. The company sold 171,700 motorcycles (152,100) and 65,500 scooters (70,200) during the quarter. With new launches in the two- and three-wheeler segments, the company forecasts a more positive growth in the second quarter.

**GAIL India Q1 net up 31%**

GAIL India reported a 31% jump in net profit to Rs 8.97 billion for the quarter ended June 30, 2008. The company had recorded a net profit of Rs 6.85 billion in the April-June quarter of last fiscal. GAIL's turnover rose 35% to Rs 57.31 billion in Q1 this year as against Rs 42.46 billion in same period last year. Profit before tax was up 40% to Rs 13.52 billion.