



MARKET MOVEMENT

Major Indices	May 21, 2010	May 28, 2010	% Change	Change
BSE Sensex	16,445.61	16,863.03	2.53	
NSE Nifty	4,931.15	5,066.55	2.74	

INDIAN ECONOMY AT A GLANCE**POLICY WATCH**

- **Work visa norms for IT companies relaxed**
- **Government nod to its stake sale in PSUs**
- **Import of radial tyres made free**
- **Government inks pact with 8 mega units for ITCs**
- **Allocation of Rs 10 billion approved for subsidizing solar generation**
- **Projects worth over Rs 580 billion gets approved**

Work visa norms for IT companies relaxed

GOVERNMENT has relaxed employment visa norms for the sector, allowing companies to hire foreign nationals as per their requirements, effectively removing the ceiling of 20 such employees per company. Government has circulated new guidelines to all missions abroad informing them of the relaxation in procedures for Information Technology (IT) and IT-enabled services (ITeS) companies. Technology companies that sponsor foreigners to work in India will need to give a declaration that the skilled worker has been hired for working in an IT or ITeS company or a software technology park of India or Special Economic Zone (SEZ) dedicated to IT or an IT unit in a Multi-Product Zone (MPZ). The foreign worker being sponsored will have to give a declaration to the effect that his annual salary is in excess of \$25,000 per annum. The salary cap is being introduced to ensure only highly skilled workforce comes to the country.

Government nod to its stake sale in PSUs

A vital change in the process of share sale in state-run firms has been approved by the government. Merchant banker appointments for Government stake sale will now be advanced to an earlier stage in the disinvestment process, thereby saving time, which could be optimally utilized in preparing for the actual transaction. The approved process will help planning and timing of the public offerings in a manner that they are spread out evenly. This would also avoid bunching as far as possible so as to ensure better response from investors, including retail.

Import of radial tyres made free

IMPORT of radial tyres is made free in to the country by removing it from the restricted list. The move is expected to help both the automakers and tyre retailers, who had asked the Government to free tyre imports in view of rising domestic tyre prices. Radial tyres were put on the 'restricted list' of imports earlier in November 2008. The exponential demand for tyres by the rapidly growing auto industry had put pressure on tyre manufacturers who had not been able to increase production capacities as fast. Imported tyres are cheaper by 10-15%, but in cases where there is circumvention of duties, imports can be cheaper by 25%.

Government inks pact with 8 mega units for ITCs

GOVERNMENT signed Memoranda of Understanding (MoUs) with eight mega industries for setting up quality Industrial Training Centres (ITCs) in Orissa to bridge the gap between the available skilled manpower and demand from the upcoming industries. As per the MoU, the Government would identify and transfer the land required for setting up the ITCs. The sponsoring companies would have to develop the required infrastructure in those centres as per the norms of National Council of Vocational Training (NCVT). However, the mega industries would have to pay for the land whether it is Government or private land.

Allocation of Rs 10 billion is approved for subsidizing solar generation

ALLOCATION of Rs 10 billion for subsidizing solar power generation got approved, in line with its plan to boost utilization of renewable energy resources. The announcement was made by Union Ministry of New and Renewable Energy (MNRE) which aims to produce 1,300 MW of power from the new energy sector within the next three years. In solar cities, people would be encouraged to harness solar energy through rooftop panels and contribute to the national power grid. Government is working out a plan to reduce the cost of solar panels by producing components indigenously.

Projects worth over Rs 580 billion gets approved

SIXTY new industrial projects involving an investment of Rs 585.17 billion gets approved by Government. Of the 60 approved new industrial projects, ten projects are in iron and steel sector followed by six non conventional energy projects and four gas-based energy and thermal projects. The other projects are in sectors including software development, agro-based, cement, housing, textiles and minerals. It includes two projects of Infosys Technologies and one of Wipro. Software development centre projects of Infosys Technologies, one on 350 acres in Sarjapur Road and another on 40 acres in Devanahalli Industrial Area in Bangalore Rural district with investment of Rs 29.60 billion, employing 30,000 people in all, have been approved.

INDUSTRY WATCH

- PE investment rises over 3 times in January-April
- Electrical industry sees marked pick-up in Q4
- Power sector rise 25% higher investments
- Core infrastructure sector grows 5.1% in April
- Cotton exports under licensing is allowed

PE investment rises over 3 times in January-April

INVESTMENT by private equity (PE) companies rose over three times during January-April this year as compared to the same period last year. The comparative figures are \$3,044 million and \$837 million respectively. These investments were driven by energy and healthcare services sectors. The number of deals rose from 73 to 92. The healthcare and life sciences sector attracted \$247.3 million, compared to \$37.8 million a year earlier. The Information Technology (IT) and IT-enabled services industries got \$322.8 million, compared to \$141.4 million a year earlier. Banking, financial services and insurance got \$457.5 million, compared to \$76.8 million.

Electrical industry sees marked pick-up in Q4

THE electrical equipment industry has regained momentum clocking 11.25% in 2009-2010 as against a five-year low of 2.73% logged the previous year. Substantial improvement in growth was seen in the Q2. During the period, the industry grew by about 20% as against 1.7% in Q1. The fourth quarter saw 30% growth in sectors such as rotating machines, switchgear and cables, primarily due to the economic recovery in real estate and infrastructure. About 56% growth was in the extra high voltage (above 245 kV) segment. The cables industry logged an overall growth of 12% due to the power cable segment.

Power sector rise 25% higher investments

POWER sector has seen nearly 25% higher investment flows than envisaged. In the first two years of the current Plan period, the sector, especially generation projects, saw investments of Rs 2280 billion against the projected Rs 1,840 billion. The private sector's contribution to capacity addition has gone up from 8% in 2007-08 to 25% in 2008-09 and now to 45% during 2009-10. In terms of capacities on the ground, private developers accounted for 45% of the 9,585 MW of generation capacity added during the last fiscal.

Core infrastructure sector grows 5.1% in April

SIX core infrastructure industries grew 5.1% in April against 3.7% in the same month last year. Finished steel sector grew by 4.7% in April. Crude oil production went up by 5.2% in the month against a negative growth of 3.1% in April 2009. Petroleum refinery products output too grew by 5.3% in April 2010, against a negative 4.5% in the year-ago month. For the financial year 2009-10, the six core sectors, which have 26.7% combined weightage on the overall industrial production, registered a growth 5.5% against 3% in the same period last year.

Cotton exports under licensing is allowed

COTTON exports under a licensing regime are allowed by Government. A notification that exports would be permitted under a license for almost all varieties of cotton and cotton waste. Earlier, Government had virtually banned cotton exports by suspending the

registration of contracts with the Textile Commissioner, which was a must for outbound shipments. China, which buys more than 60% of Indian exports, is also likely to benefit from the decision.

CORPORATE HIGHLIGHTS

- **Sujana Energy in pact with Japanese company for LED products**
- **LIC Mutual ties up with Nomura for fund management**
- **ARAI inks pact with DSM Engineering**
- **Mahindra buys 55% stake in electric car company Reva**
- **Suryachakra signs deals for Chhattisgarh plant equipment**
- **BHEL signs pact with US Company to make drilling rigs**
- **Abbott buys Piramal health unit for \$3.72 billion**
- **Marico buys Singapore skincare products firm**

Sujana Energy in pact with Japanese company for LED products

SUJANA ENERGY LTD has entered into an agreement with Japanese major **Nichia Corporation**, a global supplier of LED systems and plans to roll out a range of products in the domestic market. Sujana Energy is investing \$5 million in assembling and introducing its LED products customized for both commercial deployments and use in domestic applications. The company has set up a base in Hyderabad for assembly and customization of LEDs sourced from its Japanese partner, which is considered amongst the biggest players in the LED business.

LIC Mutual ties up with Nomura for fund management

LIFE INSURANCE CORPORATION OF INDIA MUTUAL FUND (LIC MF) and **Nomura Asset Management Company of Japan** are entering into a **Joint Venture (JV)** for adoption of better technology and management of funds. The approval from the regulatory authorities has been obtained and completion of other formalities is under process. The Fund enjoyed a market share of 5.66% with funds under management to the tune of Rs 423.03 billion, spread across 27 products, as at the end of March 2010. Currently, there are 26 Area offices and 4 more would be coming up shortly. There are plans to open 100 business centres.

ARAI inks pact with DSM Engineering

AUTOMOTIVE RESEARCH ASSOCIATION OF INDIA (ARAI) and **DSM** of the Netherlands have entered into an alliance to develop new lighter materials that could substitute metals in the automotive industry, and help auto components shed weight. As a result of the new partnership, **DSM Engineering Plastics (DSM EP)** will provide the know-how on newer materials, while **ARAI** will provide the expertise to develop and test automotive parts developed by using them. Over the next decade, the auto industry will concentrate on saving 8-10% of the weight of its products.

Mahindra buys 55% stake in electric car company Reva

MAHINDRA & MAHINDRA (M&M) has bought a majority 55.2%, stake in **Maini Group's Reva Electric Car Company** as it expects alternative technology to drive a large part of global vehicle growth in the future. M&M will own 55.2% in the Joint Venture (JV), which has

been named Mahindra Reva Electric Vehicle Company, through a combination of equity purchase from the promoters and a fresh equity infusion of over Rs 450 million into the new company. With this acquisition, M&M will get a lead of three-four years in the electric vehicle space.

Suryachakra signs deals for Chhattisgarh plant equipment

SURYACHAKRA POWER CORPORATION LTD has **firmed up deals for its proposed Rs 21 billion coal-based plant in Chhattisgarh.** The deals have been firmed up with Burmeister & Wain Energy A/S of Denmark for boiler, Skoda power of Czech Republic for steam turbine generator and Punj Lloyd Ltd for the rest of the plant. The company had concluded an agreement with the Chhattisgarh Government for setting up a 350-MW coal-based plant at Sapos village in Jhanjgir-Champa district for the project. The project will be implemented through a debt-equity ratio of 75:25. They will also secure suppliers credit from the Danish company and Punj Lloyd. For the remaining part of the equity component, they expect to close the funding of about \$100 million later this year. The company already has shareholder approval for this move.

BHEL signs pact with US Company to make drilling rigs

BHARAT HEAVY ELECTRICALS LTD (BHEL), Hyderabad, has concluded an MoU with National Oil Well Varco (NOV) of the US to build AC deep land drilling rigs. The agreement envisages building 35 rigs with AC technology, in a phased manner. It covers 2,000 HP AC draw works in which AC technology rigs are known to be fuel-efficient with less maintenance cost and have precise control parameters. With this agreement, BHEL will be in a position to meet any requirement of customer for land drilling rigs. Also, the turnover for oilrigs will increase from the present Rs 2 billion to Rs 4 billion.

Abbott buys Piramal health unit for \$3.72 billion

ABBOTT Laboratories has acquired Piramal Healthcare's Rs 18.23 billion domestic formulations business. Of the total \$3.72-billion deal, \$2.12 billion will be paid on closing the transaction, expected by the second half of this year. The remaining payment is staggered at \$400 million every year for four years. Piramal Healthcare is now left with business worth Rs 17 billion. The deal strengthens Abbott's emerging market strategy, a business that accounts for over 20% of its business. This strategic action will advance Abbott into the leading market position in India.

Marico buys Singapore skincare products firm

MARICO announced the acquisition of the **aesthetics skincare business of Singapore-based Derma Rx Asia Pacific Pte Ltd (Derma Rx).** The deal was done through Kaya, which is Marico's wholly-owned subsidiary that delivers skincare solutions through its range of Kaya Skin Clinics. Derma Rx has a customer base of about 37,000, and turnover of about Rs 500 million. The acquisition provides Kaya access to an advanced range of skincare products and a sourcing network, including suppliers of products from developed nations.