MARKET MOVEMENT

Major Indices	January 27, 2012	February 3, 2012	% Change	Change
BSE Sensex	17,233.98	17,604.96	2.15	⇧
NSE Nifty	5,204.70	5,325.85	2.32	⇧

INDIAN ECONOMY AT A GLANCE

POLICY WATCH

- **SEBI eases preferential allotment norms**
- **India signs multilateral agreement for tax co-operation**
- **DIPP told to set rules for FDI in power exchanges**
- **Indian missions to help PSUs' hunt for global assets**
- **Cabinet approval may not be required for PSU share buyback**

SEBI eases preferential allotment norms

THE Securities and Exchange Board of India (SEBI), the capital market regulator, lifted restrictions on broad-based institutions, such as insurance companies and mutual funds, subscribing to preferential issues of companies. According to earlier regulations, these institutions were not allowed to participate in preferential allotments if they had sold holdings in the issuer companies in the preceding six months. Further, on allotment, they were required to lock in their entire pre-preferential holdings in such companies for a period of six months from the date of preferential allotment. Both these restrictions have now been lifted. It has been decided to exempt insurance companies and mutual funds, which are broad-based investment vehicles representing public at large, from regulations related to sale and lock-in of their pre-preferential shareholding in issuer companies. However, the lock-in on shares allotted in the preferential issue, will remain unchanged. Some of the larger Asset Management Companies (AMCs) that already have significant holdings in companies and want to increase those further through preferential allotments will be benefitted. At present, not many AMCs participate in preferential allotments.

India signs multilateral agreement for tax co-operation

INDIA has signed an international agreement that could be an effective tool to help it combat tax avoidance and evasion. This agreement Multilateral Convention on Mutual Administrative Assistance in Tax Matters is being seen as the gold standard for co-operation in tax administration. This agreement was signed at the OECD headquarters in Paris by Central Board of Direct Taxes, in the presence of the OECD Deputy Secretary-General. The multilateral convention covers all taxes (direct and indirect), all forms of exchange of information and provides for assistance not just in tax assessment but also in the actual collection. At the G20 leaders Summit at Cannes in November 2011, India had signed a letter of intent on the multilateral convention. By signing the convention, India and the other 31 signatories will encourage more countries to join, sending a strong signal that they are acting in unison to ensure that individuals and multinational enterprises pay the right amount of tax, at the right time and in the right place.

DIPP told to set rules for FDI in power exchanges

THE government has set the ball rolling for Foreign Direct Investment (FDI) in power exchanges. The finance ministry has asked the Department of Industrial Policy and Promotion (DIPP) to design a FDI policy for power exchanges on the lines of commodity exchanges. There is a need for clear FDI regime for power exchanges. At present, FDI in power exchanges is not explicitly banned but the rules not specifically provide for foreign investment on the lines of commodity exchanges. FDI is permitted in power exchanges up to 49%. The current scheme of FDI policy contemplates the concept of negative list.. In light of the evolving business scenario, the negative list itself needs to be relooked. Negative list stipulates that sectors not mentioned in it are the ones in which FDI is permitted. Currently, India has two power exchanges, the other being National Stock Exchange (NSE) promoted Power Exchange India. The thinking among the policymakers is that FDI policy should be rationalized and simplified to encourage overseas investment in sectors as the country needs foreign capital to support a 9% growth. Infrastructure sectors such power are receiving government's special attention.

Indian missions to help PSUs' hunt for global assets

INDIAN missions abroad will be actively involved to help the government-owned firms realize their global ambitions to acquire critical raw material assets overseas. It has asked the Public Sector Units (PSUs) and their administrative ministries to undertake a consultation procedure with the Ministry of External Affairs (MEA)/missions to develop possible value addition to the original proposal. Also, state-owned units may consult Indian missions for value-addition in terms of infrastructure development in the country of possible acquisitions. The embassies and the missions have to be kept in loop at all stages of the deal-making, including due diligence, leveraging the lines of credit and government-to-government interactions required to expedite the acquisitions. The Union Cabinet had approved a new policy on October 14, 2011 for acquisition of raw material assets abroad by central PSUs which have a three-year record of profit, vesting more powers with Maharatna and Navratna companies for such buy-outs. As a follow-up action, the government had formed a panel of secretaries to help PSUs in their global hunt for strategic wealth such as oil, minerals and agricultural resources.

Cabinet approval may not be required for PSU share buyback

CABINET approval may not be required for the finance ministry to go ahead with its plan of PSU disinvestment through buyback and Private Placement Mode (PPM). As the Public Sector Undertakings (PSUs) are guided by the Companies Law, They can buyback their shares after approval of the board. The Cabinet approval for selling stake in PSUs through buyback and private placement as the Company Law, under which PSUs are governed, approves buyback. The finance ministry had earlier floated a Cabinet note seeking responses of administrative ministries by allowing buyback and private placement mode for disinvestment. For the companies for which the government already has Cabinet approval for disinvestment, do not need fresh approval. They will go ahead with ONGC stake sale once there is clarity on SEBI guidelines on the revised buyback and institutional placement norms. Market regulator Securities and Exchange Board of

India (SEBI) has relaxed norms for buyback of shares and dilution of equity by companies. The new norms would help the companies to complete the process of selling shares within days against the normal process which can take months, a move that will facilitate offloading of government shares in central PSUs.

INDUSTRY WATCH

- **Indian firms raised $4.46 billion in December 2011 through ECBs, FCCBs**
- **Airport retail business tops $1 billion revenue**
- **IOC to invest Rs 77 Billion in pipelines by 2015**
- **RBI Allows Private Banks To Conduct Government Business**
- **December 2011 exports up 6.7%**

Indian firms raised $4.46 billion in December 2011 through ECBs, FCCBs

INDIA Inc raised over $4.46 billion from overseas markets in December 2011 through External Commercial Borrowings (ECB) and Foreign Currency Convertible Bonds (FCCB). Companies had raised $1.58 billion in November 2011 through the ECB and FCCB routes. The huge jump in the numbers is on account of high domestic interest rates and cheaper fund raising options abroad. Around 90 companies raised around $2.70 billion for various projects through the automatic route in December which does not require approval from the Reserve Bank of India (RBI) or the government.

Airport retail business tops $1 billion revenue

AIRPORT retail business in India topped $1 billion in revenue during 2011, on the back of robust growth in passenger traffic and more people shopping on the go. The business is growing at 17-18 % annually, emerging as a viable platform for retailers and operators of the new airports. Beauty, personal care, alcohol and tobacco emerged as the top three categories in the dutyfree section, while food & beverage , books, periodicals and stationery took the top spot within the duty-paid segment. Globally, airports registered approximately $43 billion in sales, with the likes of London Heathrow and Seoul's Incheon being the most lucrative ones. The Delhi domestic-cum-international terminal (T3) has a retail area of around 200,000 sq ft and built to tap the potential of retail revenues. No wonder airport operators like GMR and GVK, who started off with exorbitant rental rates, are now moving towards a revenue-share model. Malls still work on a per sq-ft rental model, with the exception of a few.

IOC to invest Rs 77 Billion in pipelines by 2015

INDIAN Oil Corporation (IOC) plans to invest 77 billion by 2015 to expand its pipeline network, which has emerged as a highly profitable business, generating revenue of 42 billion in the previous fiscal year with a net profit of 30 billion. IOC plans to lay more than 20 new pipelines to expand its network from 10,900 km to 15,000 km by 2015. IOC uses its pipelines to transport crude oil from the coast to its refineries and distribute refined products across the country. The company is undertaking several projects such as integrated offshore crude oil handling facilities at

Paradip, de-bottlenecking of Salaya-Mathura-Pipeline, Paradip-Raipur-Ranchi product pipeline, Paradip-Haldia-Budge-Budge-Durgapur LPG pipeline, Viramgam-Kandla pipeline, construction of additional crude oil storage tanks at Vadinar, Patna-Raxual-Baitalpur pipeline and dedicated Aviation Turbine Fuel (ATF) pipelines connecting Kolkata, Guwahati and Delhi (T-3) airports. IOC also transports liquefied natural gas and natural gas through pipelines. The combined capacity of iquid pipelines is over 75 million tonnes per annum and gas pipeline is 10 million standard cubic metres.

RBI Allows Private Banks To Conduct Government Business

THE Reserve Bank of India (RBI) has decided to allow all private sector banks to undertake Central and state government business, which is still a forte of public sector banks and three large private players, ICICI Bank, HDFC Bank and Axis Bank. Banks earn a fee while working as an agent of the central bank for collecting revenues as well as disbursing the payments under various schemes. At present, the three private banks are allowed to undertake government business in a limited way but RBI. Now all the private lenders will be treated at par with their public sector counterparts. The move is aimed to enhance the quality of customer service in Government business through more competition, improving customer convenience by increasing the number of customer service outlets and broad basing the revenue collection and payments mechanism of governments. RBI stated those banks interested to handle government business need to be appointed as agents of RBI. For this purpose, it said government may work out the arrangement with the bank and send the proposal to the Controller General of Accounts (CGA) for examination. The CGA, in turn, will forward the recommendation the central bank and then RBI will formally appoint a bank as an agency bank.

December 2011 exports up 6.7%

INDIA'S December 2011 exports rose an annual 6.7% to $25 billion, while imports for the month rose 19.8% to $37.8 billion, leaving a trade deficit of $12.7 billion. Exports between April-December rose 25.8% to $217.6 billion. Oil imports for the month rose 11.2% to $10.3 billion. Indian exporters enjoyed record growth last fiscal year, but have struggled in recent months in the face of economic turbulence in the European Union, which is India's biggest trade partner.

CORPORATE HIGHLIGHTS

- **Escorts Enters Into Strategic Tie-Up with Honeywell**
- **Honda Motor plans diesel variant of Brio to increase market share**
- **Starbucks and Tatas signs JV to set up cafes**
- **Binani buys Belgian fibreglass company 3B for euro 275 million**
- **Scania to invest in a factory in Bangalore**

Escorts Enters Into Strategic Tie-Up with Honeywell

ESCORTS, a maker of critical railway components, have signed a licensing and technology agreement with a US-based firm Honeywell for technical assistance on railway brake systems. The strategic alliance between Escorts and Honeywell will position Escorts as a front-runner in the friction material business in India, besides providing a considerable technological edge over existing players. Escorts has been manufacturing and supplying various products to the Indian Railways and is one of the key players for supply of brake systems, including composite brake blocks. Escorts enjoys a healthy share in the brake block braking business. Through this strategic tie-up, it would be able to introduce cutting edge technology which will further help in substantially raising the bar and assume a dominant position.

Honda Motor plans diesel variant of Brio to increase market share

HONDA Motor could introduce the diesel variant of its high-selling compact car 'Brio' in India this year. The carmaker is testing its newly developed diesel technology, common rail i-DTEC (Earth Dreams Technology) , on the Brio and could introduce it in a 1.2-litre version. The diesel variants of its City sedan and Jazz hatchback, carrying larger engines, will be introduced later. The company had earlier planned to introduce diesel vehicles in 2013. Honda is committed to bringing its diesel technology to key markets like India. And to ensure that Honda diesel is best suited to local conditions and offers optimum performance levels. The Japanese automaker, which entered India in 1995, has seen sales fall 27% in the first nine months of the current fiscal, largely because it was unable to introduce any diesel variants, which have become popular in India because of the rising cost of petrol. Diesel cars, which registered a 26% rise in sales in the first nine months of the current fiscal, accounted for about 60% of the passenger vehicles sold in the country.

Starbucks and Tatas signs JV to set up cafes

A year after Seattle-headquartered Starbucks Coffee Company entered into an agreement with Tata Coffee Ltd to source and roast coffee Arabica beans in India, it has formed a Joint Venture (JV) with Tata Global Beverages (TGB), the parent of Tata Coffee, to roll out its cafes nationwide. As part of the signed agreement, the two companies will form an equal JV, Tata Starbucks Ltd. The venture will have a separate management team and a board of six members, with equal representation from both partners. Tata and Starbucks' senior management did not reveal the identities This JV is in line with TGB's strategy of inorganic growth through strategic alliances. Starbucks will be the first foreign retailer to enter India after the government loosened rules about how single-brand companies can invest here. But despite the relaxed norms, Starbucks has decided not to go solo.

Binani buys Belgian fibreglass company 3B for euro 275 million

BINANI Industries Limited (BIL), the holding company of the $1.6-billion Braj Binani Group, has acquired 3B, a Belgian fibreglass major, for euro 275 million. This is the third such global acquisition of the group in six years. Last year, the group acquired US-based composite maker CPI Inc. Binani Industries has acquired the entire equity interest in 3B from private equity investor Platinum Equity. Binani is one of India's leading global diversified business houses, with interests in cement, zinc, glass fibre, composites and ready-mix concrete. Headquartered in Battice, Belgium, 3B is Europe's leading manufacturer of fibreglass for reinforcement of thermoplastics and thermoset polymer applications, and is a preferred supplier to global leaders in industries, including automotive and wind energy. Binani will now become a prominent supplier to industries such as automotive, wind energy, electrical, electronics, marine, infrastructure and transportation, primarily in Europe, where approximately 90% of 3B's customers are based. Moreover, the manufacturing plants that Binani Industries will own in Battice (Belgium) and Birkeland (Norway) will help it serve blue-chip customers in northern and central Europe. About 45% of 3B's customers are in the industrially advanced countries.

Scania to invest in a factory in Bangalore

SWEDISH truck maker Scania will be investing Rs 1.5 billion this year to set up a plant in Bangalore. This plant will serve as a completely-knocked down (CKD) assembly unit for truck and bus chassis during phase 1 of operations. This investment furthers Scania's committed to the Indian market. With the commercial vehicles segment likely to register a higher volume growth of 8-10% this year, the outlook for the industry is very promising. Also, Scania had last year announced plans for India. It envisages around 2000 heavy haulage trucks and 1000 inter-city buses and coaches to be rolled out from this plant within five years. Besides these vehicles, Scania is also preparing to sell engines to its OEM customers. Scania will employ upto 800 people in this facility over the next five years.