



MARKET MOVEMENT

Major Indices	Feb 26, 2010	Mar 05, 2010	% Change	Change
BSE Sensex	16,429.55	16,994.49	3.43	
NSE Nifty	4,922.30	5,088.70	3.38	

INDIAN ECONOMY AT A GLANCE

POLICY WATCH

- Government allocated 46% of outlay to Core sector
- Government nods plan of IIDF
- RBI allows credit enhancement by foreign entities
- Government eyeing Rs 500 million disinvestment in PSUs

Government allocated 46% of outlay to Core sector

GOVERNMENT allocated a large chunk of the total plan outlay of Rs 3730 billion for 2010-11 to infrastructure sectors, including road, power, railway, ports and airports. Over 46% of the total plan allocation Rs 1,735.52 billion for 2010-11 has been earmarked for infrastructure development. Last year, the proportion was around 30%. More than a double the plan is allocated for power to Rs 51.30 billion for the next financial year. A major portion of this corpus was directed at the Restructured Accelerated Power Development and Reforms Programme (R-APDRP) to improve capacity addition. Government is implementing the ambitious National Solar Mission, aimed at setting up 20,000 Mw of solar power capacity by 2020.

Government nods plan of IIDF

GOVERNMENT has approved the proposal of India Infrastructure Development Fund (IIDFL), Mauritius, as recommended by the Foreign Investment Promotion Board (FIPB), for international investment in its India fund, which is expected to bring in Foreign Direct Investment (FDI) of US\$ 163.8 million in the country. The proposal of IIDF Mauritius is to seek contributions from international investors and invest the same in IIDF by subscribing to the units of the fund under the FDI route. Government has approved raising the ceiling for payment of gratuity to private sector employees from US\$ 7,643 to US\$ 21,839. This will allow Government and private sector employees to enjoy equal gratuity benefits.

RBI allows credit enhancement by foreign entities

RESERVE Bank of India (RBI) allowed foreign entities to provide credit enhancement to local bonds issued by firms and lenders linked to infrastructure projects. Credit enhancement is allowed to help raise the credit profile of a debt issuance should be provided by multilateral and state-owned financial institutions. The debt instrument should have a minimum average maturity of seven years and prepayment and call or put options would not be allowed on such bonds for such time period. The guarantee fee and credit enhancement costs would be up to 2% of the principal amount.

Government eyeing Rs 500 million disinvestment in PSUs

GOVERNMENT gives green signal for disinvestment that it is looking at raising Rs 500 billion through share sale in Public Sector units (PSUs) by 2010-11. The money collected through disinvestment would be recycled into social sector capital expenditure in projects like IITs, hospitals and village roads. The Follow on Public Offering (FPO) by NMDC is an opportunity for retail buyers to be part of the biggest producer of iron ore in the country, accounting for 11% of iron-ore production.

INDUSTRY WATCH

- **India Fuel Exports Rise on Increasing Shipments to U.S., Japan**
- **Direct tax kitty swells 7.5% till February**
- **Cement sales up 28%**
- **Manufacturing output hits 20-month high**

India Fuel Exports Rise on Increasing Shipments to U.S., Japan

BOOKINGS of tankers to export fuels from India's west coast, rose in February as India sold more gasoline to the U.S. and Japan. Shipments of at least 1.45 million metric tons, or 12.3 million barrels, of oil products left west India last month for places such as Japan, the U.S., and the U.K., up from 760,000 metric tons in January and 1.3 million a year earlier. Japan, the world's second-biggest oil importer after the U.S., was the largest destination of India's fuel exports, receiving at least 18 tankers that carried 725,000 metric tons of fuels. Japan received 445,000 metric tons of fuels from India in January and 590,000 a year earlier.

Direct tax kitty swells 7.5% till February

DIRECT tax collections in the first 11 months (April-February) of the current financial year rose 7.52 % to Rs 2,783.73 billion, compared with Rs 2,589.02 billion in the corresponding period of 2008-09. The revenue department will have to collect Rs 916.27 billion in March to meet its revised Budget target of Rs 3870 billion for 2009-10. Corporate tax collections grew by 10.89% to Rs 1,803.18 billion, against Rs 1,626.17 billion in the same period of the previous financial year. Receipts from personal income tax including Securities Transaction Tax (STT), residual Fringe Benefit Tax (FBT) and Banking Cash Transaction Tax (BCTT) grew 1.84 % to Rs 976.92 billion, against Rs 959.30 billion in the year ago period.

Cement sales up 28%

CEMENT sales in the country have risen by an average 28% in February, underscoring a sharp pick up in the consumption of the key building commodity, following the Government's thrust on infrastructure spending and a revival in real estate. With the boost given by the Government to various infrastructure projects, road networks and housing facilities, growth in cement consumption has been anticipated. India's cement industry, which is likely to grow 10% every year, will go up to 250 mt by FY10. Globally, India is the second-largest cement maker after China, which produces 1,400 mt a year.

Manufacturing output hits 20-month high

INDIA'S manufacturing Purchasing Managers' Index (PMI), rose to a 20-month high of 58.5 in February, its strongest reading since June 2008, up from 57.7 in January 2010. PMI is an indicator of the economic health of the manufacturing sector. At 58.5, the headline index is consistent with the ongoing double digit gains in industrial production which in turn is likely to mean that spare capacity is being eaten into rapidly.

CORPORATE HIGHLIGHTS

- **Itochu Corporation Invests in Affle Holdings**
- **ZF and Hero Motors Ltd form JV**
- **Mithra Group and Kyokuto Kaihatsu Kogyo Company in JV**
- **Fehrer picks up 40% stake in Harita JV**
- **Hindustan Dorr-Oliver acquires UK Company**
- **UAC in deal with Indian companies**
- **AI, GE ink deal to set up \$90 million engine facility**
- **BDP enters into JV with Unique Global Logistics**

Itochu Corporation Invests in Affle Holdings

ITOCHU Corporation, a trading company in Japan, is investing in Affle Holdings Pte Ltd, a Singapore based mobile content and advertising distribution services company, with significant presence in India. This is the second investment in Affle after Microsoft picked up 20% stake in the company in 2009. Itochu has acquired minority shareholding in Affle, which has raised its series B round. Affle. The investment strengthens Itochu's operations in the media and telecom businesses in Asia. Itochu plans to use the overseas network of its group companies to provide content to and sell advertising spots on the platform provided by Affle. Itochu also plans to enter new markets, and will strive to expand the mobile-related business overseas with a focus on Asian countries.

ZF and Hero Motors Ltd form JV

ZF and Hero Motors Ltd. signed a contract establishing the Joint Venture (JV) enterprise ZF Hero Chassis Systems. ZF is acquiring 50% of Hero Chassis Systems including two assembly plants in Halol, around 300 miles north of Mumbai, and in Talegaon, near Pune having an annual installed capacity for assembling 160,000 units of chassis and axle systems. Over the next two years ZF Hero Chassis Systems will invest Rs 800 million to set up two new plants in Gurgaon and Chennai. These 2 new plants are expected to have an annual installed capacity for assembling 290,000 units of chassis and axle systems.

Mithra Group and Kyokuto Kaihatsu Kogyo Company in JV

MITHRA Group, primarily dealing with passenger cars, commercial vehicles and construction machinery, has entered into a Joint Venture (JV) with Kyokuto Kaihatsu Kogyo Company Limited, Japan for manufacture of Special Purpose Vehicles (SPVs) at Veerapanenigudem, Gannavaram Mandal, and Vijayawada. The proposed Joint Venture Company (JVC) has been named Mithra Kyokuto Special Purpose Vehicles Company Pvt. Ltd. Kyokuto will

provide its technological and development know-how for production and Mithra will provide infrastructure facilities as well as its sales network for marketing.

Fehrer picks up 40% stake in Harita JV

HARITA Seating Systems (HSL), part of TVS group and its JV, Harita Fehrer (HFRL), have chalked out plans to boost their seats and polyurethane products businesses catering to different segments of the auto industry by riding on strong recovery being witnessed in the domestic market. As part of their plan, the German partner in HFRL, Fehrer Automotive has picked up 40% stake in the JV at premium for a consideration of Rs 693.8 million. The balance 60% will be held by HSL. As a result, it has become a subsidiary of HSL against its earlier status of a wholly owned subsidiary.

Hindustan Dorr-Oliver acquires UK Company

ENGINEERING solutions company Hindustan Dorr-Oliver has acquired UK-based heavy engineering Company DavyMarkham for 9.5 million pounds. The acquisition provides Hindustan Dorr-Oliver Ltd (HDO), part of Hyderabad-based IVRCL Infrastructure and Projects, an entry into the heavy engineering space, it said in a filing to the National Stock Exchange. It is engaged in designing, manufacturing and assembling large equipment used in mining, quarrying, power generation, oil, gas and nuclear sectors.

UAC in deal with Indian companies

UNITED Aircraft Corporation (UAC), Russia based aircraft manufacturer, has inked a deal with three Indian companies for the delivery of eight passenger aircraft valued at \$400 million. They signed a Memorandum of Understanding (MoU) with three India-based non-scheduled air-operators for the delivery of eight passenger aircraft. The aircraft deliveries are expected to commence from the second quarter of 2011. UAC has firm orders of 10 cargo aircraft from domestic cargo operators and the first delivery of these aircraft is likely to commence from 2012.

AI, GE ink deal to set up \$90 million engine facility

INDIA'S national carrier Air India signed an agreement with GE Aviation, a unit of General Electric Company (GE), to set up a \$90-million facility to maintain aircraft engines. Under the GE Branded Services Agreement (GBSA), GE Aviation will provide technical support, while Air India will offer Maintenance, Repair and Overhaul (MRO) services for the GENx-1B engine. The facility will come up at Air India MRO in Mumbai and with an investment of \$90 million, of which GE will contribute \$20 million. The facility will not only cater to all wide body planes of Air India, but also carry out third party work for customers across the globe.

BDP enters into JV with Unique Global Logistics

BDP International (BDP), US based Company announced a Joint Venture (JV) with Unique Global Logistics called BDP Global Logistics in which BDP will hold a 65% stake and Unique Global Logistics, 35%. The investment in this JV will be Rs 250 million. BDP Global Logistics (India) will be headquartered in Mumbai and has plans to expand its footprint in the country. They have plans to expand into Chennai, Kolkata and Bangalore.