



MARKET MOVEMENT

Major Indices	June 14, 2008	June 20, 2008	% Change	Change
BSE Sensex	15,189.62	14,571.29	(4.07)	
NSE Nifty	4,517.10	4,347.55	(3.75)	

INDIAN ECONOMY AT A GLANCE**POLICY WATCH**

- **Pact with Syria to avoid double taxation**
- **RBI tightens anti-money laundering norms for RRBs**
- **Government slashes prices of complex fertilizers**
- **Government issues Press Note 7 incorporating changes in FDI policy**

Pact with Syria to avoid double taxation

INDIA and Syria signed a revised Double Taxation Avoidance Agreement (DTAA) to facilitate mutual economic cooperation and stimulate flow of investment, technology and services between the two countries. The latest agreement has revised an earlier DTAA notified on June 25, 1985. Besides including anti-abuse provisions, the revised DTAA provides for source-based taxation of capital gains from sale of shares. Simply put, capital gains from sale of shares may be taxed in the country of source. The revised DTAA provides for exchange of information between tax authorities of the two countries.

RBI tightens anti-money laundering norms for RRBs

THE Reserve Bank of India (RBI) made it mandatory for Regional Rural Banks (RRBs) to report all suspicious transactions above Rs 1 million to the directorate of financial intelligence as part of exercise to strengthen the anti-money laundering drive. The RBI had earlier on May 23, 2008 issued similar guidelines for the commercial banks. The RBI said all documents pertaining to complex, unusual large transactions and all unusual patterns of transactions, having no apparent economic and lawful purpose, should be examined and the findings should be properly recorded.

Government slashes prices of complex fertilizers

THE Government reduced prices of complex fertilizers by up to Rs 2,296 per tone to encourage farmers to use them instead of regular urea and Diammonium Phosphate (DAP) so that soil fertility is maintained. Complex fertilizers would now be available in the price range of Rs 5,121-Rs 8,185 per tonne from Rs 6,980-Rs 9,080 per tonne earlier, down by about Rs 843-Rs 2,296 per tonne.

Government issues Press Note 7 incorporating changes in FDI policy

THE Government issued Press Note 7 consolidating the policy and regulations governing Foreign Direct Investment (FDI) in India, including the policy review undertaken in January, 2008. FDI into India is regulated through “press notes” that publicly state the Government’s position on FDI

policy. A summary of the FDI policy and regulations applicable in various sectors after incorporating changes in the policy as on March 31, 2008 are included in Press Note 7 (2008). The release added that prior Government approval for FDI is required where more than 24% foreign equity is proposed to be inducted for manufacturing items reserved for the Small Scale sector.

INDUSTRY WATCH

- **Indian KPO to become a US\$ 10 billion industry**
- **Express industry on growth trajectory**
- **Indian realty firms make beeline for overseas projects**
- **IT companies grow on to bigger-sized projects**

Indian KPO to become a US\$ 10 billion industry

THE Indian Knowledge Process Outsourcing (KPO) industry is estimated to become a US\$ 10 billion industry by 2012, from the current size of US\$ 4 billion. Further, the industry which has been growing at around 15% in the last few years is likely to accelerate with a growth rate of 25% - 27%, provided a strong chain of qualified professionals is built, which would open up the field for biotechnology and nanotechnology experts.

Express industry on growth trajectory

EXPRESS industry remains one of the fastest growing segments of the Indian logistics space, thanks to the exponential growth of banking products and e-commerce. The segment is moving at a rapid rate. Growing at over 30%, e-commerce is a segment vouched by almost all courier companies. The potential for e-commerce solutions in India is huge and total e-commerce volumes have grown by 30% to touch Rs 70.8 billion in 2006-07. Courier companies also piggy ride on expansion of banking activities. Increasing use of cards – credit cards, debit cards, smart cards – have provided courier services a platform for growth which was not there before.

Indian realty firms make beeline for overseas projects

THE Indian realty firms are making a beeline for overseas projects. Mumbai-based companies such as Piramal Sunteck Realty, Ajmera Group, Mantri Realty and BSEL Infrastructure are all set to draft overseas projects on their boards. Piramal Sunteck Realty is to partner Oman's business major W.J. Towell Group for developing high-end mixed-use properties in Muscat. Mantri Realty has tied up with MSC Cyberport Sdn. Bhd, Malaysia to collaborate in the development of Bandar MSC Cyberport in Kulai, Johor. The Hiranandani Group is currently building a residential tower '23 Marina' in Dubai in association with Eta Star Properties. The Ajmera Group has formed a Joint Venture (JV) with Mayfair Housing to construct a 731,000 sq.ft. high-end residential and commercial tower in Bahrain.

IT companies grow on to bigger-sized projects

WHEN large Information Technology (IT) companies grow on to bigger-sized projects, Small and Medium-sized Enterprises (SMEs) find a growth opportunity for themselves. While moving forward, larger IT companies are therefore creating an ecosystem for sustenance of SMEs in terms of knowledge build-up, adding niche capabilities, promoting entrepreneurship, increasing standards, and building capability through inter-firm competition for higher quality output. More importantly, this is creating a competency build up for the long run that will help SMEs to take over non-core processes as well as niche specialised functions that are crucial to deliver complex

projects and can be shared across organisations. This not only boosts the IT industry as a whole but also helps the value-chain from small to large.

CORPORATE HIGHLIGHTS

- **Technopark and Intel sign pact**
- **Solar Semiconductor ties up with TUV Rheinland**
- **Steel City net up 68%**
- **Voltas buys stake in Fedders venture**
- **Compact Disc net revenue doubles**
- **Pantaloon Retail's arm ties up with Dubai's Aramex**
- **McNally Bharat income up by 8% in 2007-08**
- **Fiat arm Magneti Marelli partners with Endurance for shock absorbers**
- **Shyam-Spanco venture buys out Spectranet**
- **Honda launches Civic Hybrid**
- **Sintex acquires Digvijay Communications**
- **Hindalco Q4 net up 49.3%**

Technopark and Intel sign pact

INTEL India entered into an agreement with Technopark to offer its Intel Software Partner Program (ISPP), a program for Independent Software Vendors (ISVs). Under this, Intel would give ISVs the tools and resources they need to enable, market, and sell innovative applications that run on Intel technologies and platforms ranging from mobile to multi-core to virtualisation technology.

Solar Semiconductor ties up with TUV Rheinland

SOLAR Semiconductor (SS) entered into a strategic partnership with TUV Rheinland India Limited for certifying safety and quality of the former's products, systems and services. TUV Rheinland would inspect SS' plant at the Fab City annually to check manufacturing processes and quality of solar panels and related products.

Steel City net up 68%

STEEL City Securities Limited (SCSL) registered a 68% growth in net profit at Rs 95.6 million during 2007-08, as against Rs 56.6 million in the previous year. SCSL achieved a trading turnover of Rs 716.33 billion in 2007-08 with a revenue of Rs 421.3 million, as against Rs 482.31 billion and Rs 306.8 million respectively in the previous year.

Voltas buys stake in Fedders venture

VOLTAS Ltd announced acquisition of 50% stake in Universal Comfort Products Ltd, a 50:50 JV between Voltas and Fedders International Air-conditioning Ltd. Voltas, upon getting the required approvals, will be picking up 13.8 million equity shares of Universal Comfort for a consideration of Rs 31.2 million. Accordingly, Universal Comfort ceases to be a JV between Voltas and Fedders and now becomes a wholly owned subsidiary of Voltas.

Compact Disc net revenue doubles

COMPACT Disc India Ltd has announced a doubling of net revenues for the year ending March 2008. Net revenues stood at Rs 1.03 billion, as against Rs 501.8 million during the last fiscal. Its net

profit more than doubled to Rs 195 million from Rs 81.8 million. The company is working on projects worth Rs 2.82 billion.

Pantaloon Retail's arm ties up with Dubai's Aramex

FUTUREBAZAAR.com, a subsidiary of Pantaloon Retail, has partnered with the Dubai-based logistics service provider Aramex to open a 90,000 sq ft warehouse in Mumbai. This is part of their Rs 1 billion expansion plan. The facility at Bhiwandi, near Mumbai, is expected to be operational by September 1, 2008. Aramex will handle the entire supply and delivery of the 1,000-odd orders that Futurebazaar gets each day.

McNally Bharat income up by 8% in 2007-08

MCNALLY Bharat Engineering Company Ltd achieved a higher income of Rs 5.5 billion in 2007-08 compared with Rs 5.09 billion in 2006-07, an 8% growth. The Profit After Tax (PAT) at Rs 224 million (Rs 175 million), posted a 28% growth. The operating margin at 8.5% was significantly higher than 6.04% in the previous year.

Fiat arm Magneti Marelli partners with Endurance for shock absorbers

FIAT Group's €5-billion company Magneti Marelli has entered into a JV with the auto component company Endurance Technologies to produce shock absorbers for four-wheelers in India and Thailand. The JV would give Endurance a majority stake with one extra share. According to the terms of the agreement, the proposed company will be owned by Endurance Technologies in the ratio of 50% plus one share and 50% minus one share of Magneti Marelli.

Shyam-Spanco venture buys out Spectranet

SHYAM Group and Spanco Telesystems and Solutions Ltd (Spanco) have entered into an agreement with Punj Lloyd Ltd to acquire its Internet services company Spectranet. Shyam and Spanco have formed a 50:50 JV called Citycom Networks for this purpose. The JV company said that it has earmarked an investment of Rs 5 billion for the acquisition and for expanding Spectranet's infrastructure.

Honda launches Civic Hybrid

HONDA Motor Co. introduced the first hybrid vehicle in the country by launching its sedan Civic, equipped with a petrol engine and an electric battery. Honda said that the Civic Hybrid would cost Rs 2.15 million (ex-showroom Delhi). The import duty on a Completely Built Unit (CBU) is 104%. The company will import the CBU from Japan, where it produces the hybrid car for its global markets. However, it is also exploring alternatives through which it can import the engines and parts and bring the car as a semi-knocked down unit.

Sintex acquires Digvijay Communications

SINTEX Industries Ltd announced the acquisition of Digvijay Communications and Networks Pvt Ltd (DCNPL) through its 74% subsidiary Zeppelin Mobile Systems India Ltd, in the form of a slump sale deal amounting to Rs 540 million. YES Bank was the exclusive strategic and financial advisor to Sintex on this transaction. This move would offer the company an opportunity in the communication infrastructure space.

Hindalco Q4 net up 49.3%

HINDALCO reported a net profit of Rs 10.77 billion for the Q4 ended March 31, 2008, a rise of 49.3% over the corresponding period previous year. The company had registered a net profit of Rs

7.21 billion in the Q4 of 2006-2007. It clocked net sales of Rs 50.1 billion for the Q4 of the last fiscal, up by 5.5% over the same period last fiscal.