



MARKET MOVEMENT

Major Indices	October 03, 2008	October 10, 2008	% Change	Change
BSE Sensex	12,526.32	10,527.85	(15.95)	
NSE Nifty	3,824.55	3,279.95	(14.23)	

INDIAN ECONOMY AT A GLANCE**POLICY WATCH**

- **FII's can invest in IDRs, RBI**
- **2G licence fee cut up to 33%, biggies to benefit**
- **Government relaxes ECB norms for infrastructure sector**
- **Cabinet approves enactment of SC and the ST's Reservation Bill 2008**
- **Curbs on P-notes lifted**
- **RBI cuts CRR**

FII's can invest in IDRs, RBI

THE Reserve Bank of India (RBI) and Ministry of Finance (MoF) have cleared the participation of Foreign Institutional Investors (FIIs) in Indian Depository Receipts (IDRs). IDRs are Indian counterparts of global depository receipts that enable foreign companies to raise money from the Indian markets. In its original form, Persons of Indian origin (PIOs) and resident Indians were permitted to invest in IDRs. The capital market regulator, Securities and Exchange Board of India (SEBI), has set Rs 500 million as the minimum amount for issuing IDRs and the minimum investment by retail investors has been set at Rs 2, 00,000.

2G licence fee cut up to 33%, biggies to benefit

THE Indian Government has slashed licence fees by 20-33% for players whose services cover over 95% of the residential areas in a state. Large tele-companies such as Bharti Airtel, Reliance Communications and BSNL will save significant benefit from it. Currently, all tele-companies pay a certain % of their gross revenues to the Government (depending on the area of operation) as licence fee. The Department of Telecoms (DoT) move implies tele-companies will have to share considerably lower revenues with the Government if they have a comprehensive presence in any state.

Government relaxes ECB norms for infrastructure sector

The Ministry Of Finance (MoF) has relaxed norms to allow companies in the mining, exploration and refineries sectors to bring in up to US\$ 500 million in External Commercial Borrowing (ECB) to the country for rupee expenditure. The earlier limit was US\$ 50 million. The move will also result in more inflow of foreign currencies in to the country and will help check depreciation of rupee.

Cabinet approves enactment of SC and the ST's Reservation Bill 2008

THE Union Cabinet has approved a proposal to withdraw the Bill of 2004 and introduce in place thereof another bill regarding reservation in posts and services, for SC and STs. The proposed Bill contains provisions regarding penalty on offices who do not implement reservation provisions, imparting of training to SCs and STs so as to enable them to compete for jobs etc. in addition to other existing provisions. The proposed law will create an unambiguous coherent and authentic framework for implementing reservation for the SC and ST's in the Central Government services. It will bring in interpretative clarity about various facets of the policy on reservation in the Central Government jobs and infuse greater confidence in the minds of the SC and ST's.

Curbs on P-notes lifted

THE Securities and Exchange Board of India (SEBI) lifted the October 2007 restrictions on issue of participatory notes by Foreign Institutional Investors (FIIs) with immediate effect, a move widely perceived to bring in more funds to lift the sagging capital markets. FIIs can issue P-Notes against securities, including derivatives, as underlying assets. The P-Note limit of 40% of an FII's total assets under custody has also been done away with.

RBI cuts CRR

IN a bid to ease the current cash crunch in the financial system, the Reserve Bank of India (RBI) on announced a half % point reduction in the Cash Reserve Ratio (CRR) to 8.5 % from 9 %. The revision in CRR, which will come into effect from the fortnight beginning October 11, 2008, will release Rs 200 billion into the system. CRR is the portion of the deposits banks have to keep with the Reserve Bank of India. The CRR cut will now increase the lendable resources of banks, which had been tightening their loan taps as liquidity came under pressure.

INDUSTRY WATCH

- **Indian biotech to be a US\$ 5 billion industry by 2010**
- **German bank eyeing core sector lending in India**
- **Realty sector draws US\$ 6 billion PE investment**
- **Hotel industry going places, eyes 10 million foreign visitors by 2010**
- **Banks record highest growth in H2 lending despite crunch**

Indian biotech to be a US\$ 5 billion industry by 2010

ACCORDING to Confederation of Indian Industry (CII) and consultancy firm KPMG, the Indian biotechnology sector is projected to become a US\$ 5 billion industry by 2010. The report says that the sector has tremendous potential and that India is ranked among the top 12 biotech destinations in the world and is the third biggest in Asia-Pacific in terms of the number of biotech companies. The sector has been attracting major investments, which have been growing at the rate of about 38% for the last three years, and had touched US\$ 560 million in 2006-07.

German bank eyeing core sector lending in India

GERMAN bank Norddeutsche Landes bank, which inaugurated its representative office in Mumbai recently, has commitments for US\$ 813 million from Indian companies. The bank is looking at financing companies in core sectors such as steel, oil and gas, shipping, aircraft and renewable energy, the bank, which has a balance sheet of US\$ 323.8 billion as on June 30, 2008, is the Landesbank for the federal states of Lower Saxony and Saxony-Anhalt. Over the last few years, the bank has built up a business of around US\$ 542 million in India through its Asia-Pacific

Centre. The bank's offices in Asia include a branch in Singapore, a representative office in Beijing and branch in Shanghai.

Realty sector draws US\$ 6 billion PE investment

ACCORDING to global realty consultant Cushman & Wakefield, India's real estate sector received investments worth about US\$ 6 billion from Private Equity (PE) investors, in August 2007-08, 79 deals amounting to about US\$ 6 billion were struck, a 100% rise over the corresponding period a year ago. The residential sector was the most preferred area of investment, accounting for about 41 % of total inflow in the year, while township development accounted for about 21% of the total commitment.

Hotel industry going places, eyes 10 million foreign visitors by 2010

THE long-term outlook for the domestic hotel industry remains upbeat as the country's tourism industry experiences unprecedented growth, while domestic tourism is expanding in India owing to an increasingly affluent and growing population, greater consumption and the introduction of low cost airline carriers, the Government is looking to grow foreign visitation to 10 million international visitor arrivals by 2010. Over the last five years, India has seen a double-digit growth in foreign visitors to a 10-year high of five million arrivals in 2007. Foreign exchange earnings for the same year soared in tandem to US\$ 12 billion a year-on-year increase of 34%.

Banks record highest growth in H2 lending despite crunch

DESPITE tight credit conditions, banks have lent very high amounts in H208-09. Between July and September, banks lent Rs 1,293.96 billion the highest H2 growth despite high interest rates.

According to the latest RBI data, the outstanding amount of total domestic loans disbursed by banks touched Rs 25,424.67 billion as on September 26, 2008 while total deposits touched Rs 34,421.37 billion. The year-on-year credit growth works out to 24.8%, way above the projected growth of 20% for the year.

CORPORATE HIGHLIGHTS

- **BSNL, BT ink deal for managed networks**
- **Wockhardt, Sinclair sign pact**
- **Bharti Airtel launches DtH service**
- **Essar Oil signs pact with IOC**
- **Cadbury India re-launches dark chocolate**
- **Cleartrip ties up with IRCTC**
- **ITC sets up wind energy project in Tamil Nadu**
- **Eli Lilly forms JV with Jubilant for drug development**
- **XLRI, German varsity sign pact**
- **Siemens sets up new arm for rail transportation sector**

BSNL, BT ink deal for managed networks

BHARAT Sanchar Nigam (BSNL) has inked an agreement with BT to provide managed network services to enterprises in a bid to strengthen its Information and Communications Technology (ICT) offerings. The two companies will provide full range of services including basic, leased line, Multi Protocol Label Switching (MPLS), Virtual Private Networks (VPN) services, Internet, mobile

and broadband services. The partnership also gives BT access to value added services as well as a single point of resolution for all queries and fault management services.

Wockhardt, Sinclair sign pact

DRUG-maker Wockhardt Ltd has entered into a 10 year in-licensing agreement with the UK's Sinclair Pharma plc to market dermatology and dental products in India. The agreement also envisages that Wockhardt manufacture the formulation in India from bulk imported from Sinclair Pharma, the agreement will help Wockhardt consolidate its position in the two segments which includes drugs like Papulex (an innovative formulation for acne and a leading product in the segment in France), Atopiclair (non-steroidal cream for atopic dermatitis), Aloclair (patented gel for mouth ulcer), Decapinol range (patented formulation for the treatment of Gingivitis and plaque).

Bharti Airtel launches DTH service

BHARTI Airtel launched its Direct to Home (DTH) service, marking the telecom company's entry into media and entertainment and for which it plans to leverage the parent company's 80 million subscriber base and brand name. Airtel digital TV, the sixth player in the market, is hoping to take the current 3% DTH penetration in the 225-million Indian households much deeper when it launches on across 62 cities in the first phase. The service was being launched under the mother brand which would lead to substantial synergies. The advantage of being able to offer more than one services would make Airtel digital TV more viable than other players.

Essar Oil signs pact with IOC

ESSAR Oil signed a Product Sale, Purchase and Infrastructure Sharing Memorandum of Understanding (MoU) with Indian Oil Corporation (IOC), having earlier signed similar pacts with the other two PSU oil companies, HPCL and BPCL. This is part of the company's strategy to directly sell its product through long term tie-ups with consumers and through its own distribution network in the overseas markets. The company operates a 10.5 million tonne refinery in Gujarat, with over 1,500 retail stations. The company has put up on its drawing board plans to increase its refinery capacity to 34 million tonnes.

Cadbury India re-launches dark chocolate

CADBURY India has re-launched its Bournville brand of fine dark chocolate. With intentions of building the dark chocolate category in the country, Cadbury has launched four new variants under the Bournville brand on the eve of the festive season. The chocolate major intends embarking on a large sampling exercise for the brand along with a new campaign created by its agency. Dark chocolate is the fastest growing at 13 % in the confectionery category globally.

Cleartrip ties up with IRCTC

ONLINE travel portal cleartrip has partnered with IRCTC to enable customer's book train tickets on its Web site. The Mumbai headquartered company has added maps for stations, train routes and connecting journeys. In addition, payments can be made through credit cards, debit cards and net banking. All the railway bookings are permanently stored in the user's account. Users can also cancel their bookings online at any time.

ITC sets up wind energy project in Tamil Nadu

THE success of the Chennai based wind energy project Wimco has prompted ITC Ltd to foray into the use of wind energy in its packaging and printing business. The company has

commissioned a 14 Mega Watt (MW) wind energy project in Tamil Nadu by installing four windmills in Theni District, near Madurai, and five windmills in the Radhapuram Taluk, Tirunelveli District, in September. The generation from these windmills would be used for captive consumption of its packaging and printing plant at Tiruvottiyur, Chennai.

Eli Lilly forms JV with Jubilant for drug development

JUBILANT Organosys has entered into an agreement with US-based Eli Lilly & Company to form an equally owned Joint Venture (JV) company in India that will focus on providing drug development services. The two companies will invest US\$ 8 million over the next 3 years in the new venture, which will be based in Bangalore. The JV focus in developing drugs in the areas of oncology, diabetes and metabolic diseases.

XLRI, German varsity sign pact

Xavier Labour Relations Institute (XLRI) signed a Memorandum of Understanding (MoU) with the University of Muenster, Germany, for student exchange, faculty exchange, joint research projects and joint development programmes. The MoU was signed by head of the Marketing Centre Munster (MCM) at Munster University, and Chairperson of International Relations at XLRI. The institute is the first B-school partner for Muenster School of Business Administration and Economics in India.

Siemens sets up new arm for rail transportation sector

ENGINEERING goods manufacturer Siemens Ltd has set up a new, wholly-owned subsidiary company to tap the potential in the Indian rail transportation sector. The move comes in the wake of Siemens acquiring land at Aurangabad to establish a facility to manufacture rolling stock, including coaches for trains and metros. The recently formed Siemens Rolling Stock Pvt Ltd (SRSPL) is a 100 % subsidiary of Siemens Ltd handling the Rolling Stock business in India