



**MARKET MOVEMENT**

Major Indices	February 27, 2009	March 06, 2009	% Change	Change
BSE Sensex	8,891.61	8,325.82	(6.36)	
NSE Nifty	2,763.65	2,620.15	(5.19)	

**INDIAN ECONOMY AT A GLANCE****POLICY WATCH**

- **PN 4 gives relief to foreign companies**
- **Cabinet Okays Rs 95.65 billion road projects**
- **Agreement between India and Bulgaria**
- **Relaxation of Fiscal Deficit Target and Borrowing Ceiling for States for 2009-10**
- **Government approves 29 FDI proposals of 6.16 billion**
- **SEZ units get service tax relief**
- **Cost-cutting drives Japanese companies to India**

**PN 4 gives relief to foreign companies**

**THE Government issued clarification in the form of Press Note (PN) 4 of 2009, on downstream investments by foreign-owned or controlled companies.** These offer some procedural relief to foreign companies that want to invest in India. A foreign-owned or controlled Indian company that either runs a business (operates, in Government parlance) and also invests in other companies down the line will no longer have to seek clearance from the Foreign Investment Promotion Board (FIPB) for making investments in yet another company. They will only need to notify the FIPB, Department of Industrial Policy and Promotion and the Secretariat for Industrial Assistance about their investment within 30 days of downstream investment.

**Cabinet Okays Rs 95.65 billion road projects**

**THE Government approved infrastructure projects worth Rs 95.65 billion in Kerala and Tamil Nadu, entailing four-laning of National Highways in both States, and the development of a container terminal at Ennore Port.** An allocation of Rs 73 billion for the construction of roads in eight extremist-affected States was also approved by the Cabinet Committee on Economic Affairs (CCEA) at its meeting. The road projects approved include four sub-projects in Kerala for four-laning National Highways and one sub-project in Tamil Nadu.

**Agreement between India and Bulgaria**

**THE Union Cabinet has approved the signing of an agreement between the Government of the Republic of India and the Government of the Republic of Bulgaria** on exemption from visa requirement for the holders of Diplomatic and Official/Service passports. The Agreement will permit the diplomatic and official/service passport holders of the two countries to enter into, transit through or stay in each other's territory for up to ninety days, without the requirement to obtain visas.

**Relaxation of Fiscal Deficit Target and Borrowing Ceiling for States for 2009-10**

MINISTRY of Finance (MoF) relaxed the Debt Consolidation and Relief Facility (DCRF) guidelines by modifying the fiscal deficit target as 3.5% so as to enable the States to borrow up to 3.5% of their respective Gross State Domestic Product (GSDP) during 2008-09 as one-time relaxation for undertaking capital expenditures. Thus the States were enabled to raise additional market borrowings of 0.5% of their GSDP, amounting to about Rs 300 billion, for capital expenditures. In addition, the DCRF requirement of elimination of revenue deficit was also relaxed for 2008-09.

### **Government approves 29 FDI proposals of 6.16 billion**

THE Government approved 29 Foreign Direct Investment (FDI) proposals worth Rs 6.16 billion including AAPC Singapore's Rs 3.65 billion hotel project. AAPC plans to set up a wholly-owned subsidiary in India for its hospitality venture. The Government has also allowed ABG Bulk Handling's plan to convert its operating company into an operating cum-holding company. It proposes to make downstream investments of Rs 900 million. Other proposals cleared by the Government include Rs 500 million investment proposal of Cinema Capital Ventures Fund, US-based Telcordia Technologies plan to induct foreign equity up to 74% in the mobile number portability solutions business and Telcordia plan to invest Rs 450 million in its Indian operation.

### **SEZ units get service tax relief**

THE Government has allowed companies located in Special Economic Zones (SEZs) to claim service tax refund for services availed outside the tax-free export zones. SEZ developers are also permitted to do the same. The refund will be allowed only for services that are related to authorised operations (permitted activities within SEZs). Another change pertains to services provided between units located within an SEZ. Earlier, this was exempted but now firms have to claim refund instead of a blanket exemption.

### **Cost-cutting drives Japanese companies to India**

COST-cutting drives Japanese companies to India. Traditionally, Japanese firms outsource such contracts to companies within the country, and the rest to China and Korea. However, this is set to change in favour of India. Japan is a strategic market owing to its size. There is undoubtedly great interest among Japanese customers for India-based services. They are looking for scale of services and cost benefits. The Japanese electronics major ready with an outsourcing contract is Toshiba with a US\$ 50-100 million deal. Infosys and IBM, is currently pursuing an outsourcing contract worth around US\$ 60-100 million from Sony. The contract is a first in a series of IT deals valued over US\$ 250 million to be awarded by the world's second largest electronics maker over the next two years.

## **INDUSTRY WATCH**

- **Indian advertising industry grew by 17% in 2006-08**
- **Pharma retail market grows 15%**
- **M&E sector to grow to Rs 14.40 billion by 2010**
- **Economy to grow 6.7% this fiscal**

### **Indian advertising industry grew by 17% in 2006-08**

THE Indian advertising industry registered a Compounded Annual Growth Rate (CAGR) of 17.1% during the last three years, giving sector-wise details from the report, during the period, the highest growth in advertising revenue was witnessed in internet advertising, which grew by 45%.

The radio segment recorded a growth of 19.7% in advertisement revenues followed by outdoor media, television and print.

#### **Pharma retail market grows 15%**

**THE domestic pharma retail market has recorded nearly 15% growth in January.** The market had grown by nearly 10% during January-December 2008, and over 13% in December. There was no major change in rankings of pharma companies in January in terms of market share, with Cipla garnering the largest, followed by Ranbaxy and GlaxoSmithKline at third position. Piramal Healthcare was ranked fourth, followed by Zydus Cadila at the fifth slot in terms of market share.

#### **M&E sector to grow to Rs 14.40 billion by 2010**

**THE Media and Entertainment (M&E) industry is expected to grow to Rs 14.40 billion by 2010, with a Compound Annual Growth Rate of 32%.** These firms should target 20% to 30% cost reduction by rationalisation of hardware and software IT assets, supporting their multiple media properties. Initiative towards Green IT is also gaining prominence. Technology has influenced the entertainment industry in a big way, bringing in DTH and digital cinema. This has transformed content delivery as well as viewership experience.

#### **Economy to grow 6.7% this fiscal**

**INDIAN economy will grow 6.7% in fiscal year 2009-10,** pushed by a healthy increase in consumption even as private investment will moderate. The economy will pick up in the medium to long-term when the policy responses of the Government and Reserve Bank of India (RBI) will come into play and the external situation will stabilise. The strong fundamentals of the Indian economy are a key to early reversal. The growth in investment will level at 35%.

### **CORPORATE HIGHLIGHTS**

- **BEML in pact with Indonesian firm for mining business**
- **C&K Management, US company tie up**
- **Zensar expands ties with UK Company**
- **Maruti ties up with Punjab & Sind bank**
- **Ashok Leyland inks MoU with Bank of Baroda**
- **Aurobindo Pharma, Pfizer in pact**
- **Rexam to supply tin cans to UB**
- **Voltas arm in pact with German company**
- **Patni partners SAP in Japan**
- **Sun Micro expands ties with Redington**
- **Tata Comm launches Ethernet services in UAE**
- **IFC partners CII to strengthen corporate governance**

#### **BEML in pact with Indonesian firm for mining business**

**BEML Ltd, has entered into a partnership with Sumber Mitra Jaya (SMJ) of Indonesia to bid for a contract mining business in India.** The two companies have entered into an agreement to meet the qualification to bid for the tender. Under the eligibility norms, only a consortium that has mined 10 million tonnes of coal in the last two years can participate in the tender. SMJ, the flagship of Indonesian Group Mitra Jaya, has wide expertise in contract coal mining and production. The

consortium approach includes agreement for investments in contract mining, with BEML holding 30% stake in the Joint Venture (JV).

#### **C&K Management, US company tie up**

**THE US-based consulting firm SilkRoad Technology has tied up with the Hyderabad-based C&K Management.** The common objective is to help companies not to lose their talent. During downsizing, companies very often let the wrong people go. Helping companies identify real talent and the need to retain them is a key challenge.

#### **Zensar expands ties with UK Company**

**ZENSAR Technologies has partnered with TwoFour Media, UK's largest broadcast TV Company to launch its Media Freedom product in India.** Media Perform is an asset management system that enables media content of any format to be acquired, published and delivered to end users live or on-demand, anywhere, on any connected device; including PC, Mobile and TV through a set top box (STB).

#### **Maruti ties up with Punjab & Sind bank**

**MARUTI Suzuki has signed a MoU with Punjab & Sind bank.** This is to finance its cars in the States of Delhi, Haryana, Punjab, Chandigarh and Jammu and Kashmir. Punjab and Sindh Bank also plans to introduce a scheme for inventory funding of Maruti Suzuki dealers at competitive rates.

#### **Ashok Leyland inks MoU with Bank of Baroda**

**HINDUJA Group Company, Ashok Leyland, and Bank of Baroda, have signed a MoU** wherein the bank will fund Ashok Leyland's end-customers and also finance its dealers inventory. This tie-up enables Ashok Leyland to utilise Bank of Baroda's comprehensive network and reach to service the value-chain, from wholesale to retail. Recognising the wide reach and financial strength of public sector banks, Ashok Leyland has already entered into MoUs with State Bank of India, State Bank of Patiala, Jammu & Kashmir Bank and Corporation Bank.

#### **Aurobindo Pharma, Pfizer in pact**

**AUROBINDO Pharma Ltd has entered into licensing and supply agreements with US pharma major, Pfizer Inc, for several solid dosage and sterile products.** The agreements, the details of which were not disclosed, would give the Hyderabad-based company access to Pfizer's newly-formed established product business unit to exploit the sales potential for the post Loss Of Exclusivity (LOE) products through its global commercial presence. Aurobindo has a large manufacturing base approved by several regulatory authorities with strong product portfolio for the manufacture of post LOE products.

#### **Rexam to supply tin cans to UB**

**REXAM HTW, a JV between Rexam Plc, UK, and Hindustan Tin Works Ltd, has signed an agreement with United Breweries (UB) to supply 500ml cans.** To capture the growing demand in the 500ml can market. Rexam had invested Rs 1.5 billion at its plant in Taloja, near Mumbai. The company also makes 330ml cans. The new cans will be made of steel, primarily used to pack beer but that can also be used to pack carbonated and non-carbonated drinks.

### **Voltas arm in pact with German company**

THE textile machinery division of Voltas has entered into an alliance with Thies of Germany to sell and service the German major's products in India. This is a century-old enterprise with global leadership in dyeing equipment. The company also offers customers access to its research and dye-house facilities for carrying out trials. Their product range includes jet and soft flow fabric dyeing machines, jiggers high temperature and atmospheric, fully automated yarn dyeing machines and pressure dryers, loose stock bleaching and dyeing plants, heat recovery units, control technology for dyeing machines and total plants, besides fully automated plants and centralised overhead systems.

### **Patni partners SAP in Japan**

IT services company Patni Computer Systems has formed a local services partnership with SAP Japan. As SAP's Japan partner, Patni will take an active part in the support, customisation and deployment of SAP solution-based systems for customers in Japan. Patni has a keen focus on the Japanese market and this partnership will enable us to further enhance value and accelerate growth for Japanese companies. They are confident that this partnership with SAP Japan, combined with their experience will provide solutions and services in support of SAP software to Fortune 1000 companies, and will help companies in Japan to lower costs, align applications investments with business goals and maintain competitive advantage.

### **Sun Micro expands ties with Redington**

SUN Microsystems India has tied up with Redington (India) Ltd for the Sun Open Access Channel Program to capture untapped market and grow business, especially in the small and medium business segment. The program gives resellers a simple and no-barrier-to-entry option to Sun's product. Redington is a distributor of IT products and provider of support services. As part of the expanded relationship, Sun will partner with Redington's wide network of resellers and also jointly invest in resources, training and go-to-market initiatives.

### **Tata Comm launches Ethernet services in UAE**

TATA Communications, a Tata Group company marked its entry into UAE by launching a range of dedicated Ethernet services in association with leading telecommunication service provider of UAE, Etisalat. The partnership enables Etisalat to extend its reach by offering layer-2 Global Ethernet services into and out of UAE whereas it also simultaneously extends Tata Communication's global network coverage in UAE. The tie-up would also help Etisalat to leverage Tata Communication's Ethernet portfolio (which can span over across five continents) by offering advanced network services to its customers in other emerging markets across the Middle-East.

### **IFC partners CII to strengthen corporate governance**

INTERNATIONAL Finance Corporation (IFC), an arm of World Bank, has joined hands with the Confederation of Indian Industry (CII) to strengthen corporate governance in India. IFC, via its Global Corporate Governance Forum, is tailoring a training programme for India Inc and working closely with partners on the implementation plan. The program, started in 2007 by IFC and Securities Exchange Board of India's (SEBI's) National Institute of Securities Markets, is designed to reach key players in corporate governance, including board directors, practitioners, academicians, and the media.