



**MARKET MOVEMENT**

Major Indices	January 23, 2009	January 30, 2009	% Change	Change
BSE Sensex	8,674.35	9,424.24	8.64	
NSE Nifty	2,678.55	2,874.80	7.32	

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

- **31 FDI proposals cleared**
- **Government clears infra projects worth Rs 340 billion**
- **Cabinet nod for Rs 146 billion Chennai Metro rail-link project**
- **Centre relaxes fiscal deficit targets, borrowing ceilings for States**
- **Cabinet nod for longer concession periods of highway projects**

**31 FDI proposals cleared**

**THE Government cleared 31 Foreign Direct Investment (FDI) proposals worth Rs 12.77 billion** of companies including Morgan Stanley Financial Services, Keystone Realtors and Ramky Enviro Engineers. The 31 proposals cleared include proposals by Ramky Enviro Engineers and Keystone Realtors, entailing FDI inflow of Rs 3.20 billion and Rs 3 billion, respectively. Besides this, Morgan Stanley Financial Services application for post facto approval for conversion of operating company into an operating-cum-holding company to make further downstream investment involving an FDI inflow of Rs 1 billion also got Government approval.

**Government clears infra projects worth Rs 340 billion**

**GOVERNMENT cleared projects worth around Rs 340 billion.** Apart from that, FDI's worth Rs 9.57 billion in Krishnapatnam Port Company Ltd, which is currently developing the Krishnapatnam port in Andhra Pradesh, was also approved. It also approved the Delhi Metro Railways (Amendment) Bill, 2009, to amend the Delhi Metro (Operation and Maintenance) Act, 2002, and the Metro Railways (Construction of Works) Act, 1978. The Cabinet Committee on Economic Affairs (CCEA) also approved the four laning of the Vijayawada-Machilipatnam section of National Highway (NH-9) in Andhra Pradesh under Phase III of the National Highways Development Project (NHDP) on Design, Build, Finance, Operate and Transfer (BOT/DBFOT) basis.

**Cabinet nod for Rs 146 billion Chennai Metro rail-link project**

**THE Cabinet approved the Chennai Metro Rail Project Phase-I, comprising two corridors, covering a length of 45.046 km at a cost of Rs 146 billion.** The total length to be covered is 45.046 km in two corridors. One corridor will be 23.085 km (out of which 14.3 km will be underground) from Washermanpet to Chennai airport and another 21.961 km corridor will be from Chennai Central to St. Thomas Mount (including 9.695 km underground stretch). The detailed project report for the project was done by Delhi Metro Rail Corporation. The project is scheduled to be

completed by 2014-15 and is expected to earn total revenue during the first year of operation i.e. 2014-15 estimated at Rs 4.35 billion.

### **Centre relaxes fiscal deficit targets, borrowing ceilings for States**

**THE Union Cabinet relaxed the Debt Consolidation and Relief Facility (DCRF) guidelines for the current year 2008-09 by modifying the fiscal deficit targets as 3.5%.** This would enable the States to borrow up to 3.5% of their respective Gross State Domestic Product (GSDP), and is a one-time relaxation for undertaking capital expenditure, an official spokesperson said after the Cabinet meeting. In addition, the DCRF requirement of elimination of revenue deficit is also relaxed for 2008-09. These States will not lose benefits of DCRF, provided they achieve the 3% fiscal deficit target in 2009-10 and maintain revenue balance in 2009-10.

### **Cabinet nod for longer concession periods of highway projects**

**THE Cabinet Committee on Economic Affairs (CCEA) gave its nod for the upward revised cost and concession periods of nine stretches of national highways.** The projects covering a total length 1409.93 km with an estimated cost of Rs 182.38 billion will be undertaken on a DBFOT basis. The steps were taken to make the projects financially attractive to the bidders as they allow the bidders to claim a higher Viability Gap Funding (VGF) and collect toll revenues for a longer duration.

## **INDUSTRY WATCH**

- **Indian textile, apparel industry now part of global supply chain**
- **India can target 6.5-7% growth in 2009-10**
- **India, China to buoy world economy in 2009**
- **Banks deliver impressive profits in Q3**
- **Indian markets can contribute to global stabilisation**

### **Indian textile, apparel industry now part of global supply chain**

**INDIAN textile and apparel industry has become a part of the global supply chain,** the event was jointly organised by International Garment Fair Association, Apparel Export Promotion Council, Garment Exporters Association, the Clothing Manufacturers Association of India, Apparel Exporters and Manufacturers Association and Apparel and Handloom Exporters Association, more than 300 leading apparel manufacturers and exporters laid out a spectacular collection for autumn and winter seasons of 2009-10 at the event showcasing fine garments for men, women and children.

### **India can target 6.5-7% growth in 2009-10**

**INDIA can target economic growth of around 6.5-7% in the current financial year with support from ramped up infrastructure spending.** Maintaining such momentum would depend in part on global financial markets which have begun the recovery process around middle of the year, adequate fiscal stimulus and a boost in private investment. Cutting interest rates further would not be critical to reviving growth, as the Reserve Bank of India (RBI) has already cut policy rates by 350 basis points since October and left banks with surplus liquidity.

### **India, China to buoy world economy in 2009**

**INDIA and China, the only sizeable economies likely to record growth rates of over 5%, will prevent the world from recording negative growth in 2009.** The Chinese economy will grow at

6.7%, while the forecast for India will be around 5.1%. For 2010, the Fund foresaw an impressive global recovery to 3% growth, with China's 8% and India's 6.5% once again leading the way.

### **Banks deliver impressive profits in Q3**

**BANKS have delivered impressive profit growth in the Q3, with the average net profit growth for the top 20 banks standing at 58% and a median net profit growth standing at 44%.** Outstanding growth rates came from State Bank of Mysore (157%), UCO Bank (107%), Union Bank of India (84%), Central Bank of India (76%), State Bank of Travancore (214%), Federal Bank (98%) and YES Bank (95%). Higher treasury income, as bond portfolios appreciated in value, and higher margins, due to the Cash Reserve Ratio (CRR) cut, were key drivers of overall growth.

### **Indian markets can contribute to global stabilisation**

**GLOBAL manufacturing majors can benefit from Indian markets which offer competitive resources by setting up production facilities in India.** The financial situation has eased somewhat and liquidity is accessible in the domestic market. India is still a low-cost high-quality competitive manufacturing environment. India's recovery from the impact of global turmoil would be much faster as compared to the rest of the world. India's economic growth would be in the range of 7 to 8% in the 2009 March end period. The RBI has already injected almost US\$ 81.68 billion since September 16, 2008 to improve liquidity by taking measures including reduction in the CRR and key policy rates.

## **CORPORATE HIGHLIGHTS**

- **TCS inks US\$ 100 million deal with UK company 4U Group**
- **SingTel gets nod for STD, ISD services**
- **Chennai Port signs pact with Canada's Port of Halifax**
- **CavinKare ties up with Coty**
- **Germany's Norma Group launches India operations**
- **GVK Bio, Crelux in pact**
- **Bharat Forge, Areva sign MoU**
- **KTwo Tech unveils healthcare device**
- **IFFCO in pact with Kazphosphate**
- **Venture fund for creating employment launched**

### **TCS inks US\$ 100 million deal with UK company 4U Group**

**TATA Consultancy Services (TCS) has signed a US\$ 100 million agreement to provide Information Technology (IT) services to a UK based telecom company 4U Group, which runs Phones 4U.** TCS has around 4,800 people working in 65 locations in the UK. Under the agreement, TCS will provide a full-range of IT and business change services to 4U Group like service management, application support, maintenance, management and development, data centre and desktop services.

### **SingTel gets nod for STD, ISD services**

**SINGAPORE Telecommunications (SingTel), which has a 31% stake in Bharti Airtel, has received the Government's approval to offer long distance services in India.** SingTel can carry STD and ISD traffic, besides offering communication and internet services, to corporate and institutions. Under existing policy, there is a cap of 74% on foreign direct holdings in telecom services. SingTel

has formed a Joint Venture (JV) with Bharti and Leela Lace Software Solutions of the Leela hospitality group to hold 26% stake in the Indian JV. Bharti will own 9.9% and Leela Lace Software Solutions will hold the remaining stake in the venture.

### **Chennai Port signs pact with Canada's Port of Halifax**

**THE Chennai Port Trust has signed a sister port agreement with the Port of Halifax, Canada, to cooperate in maritime transportation and port development.** It also has a similar agreement with Port of Zeebrugge, Belgium and Port of Halifax which will also cover technical expertise, cruise knowledge, container terminal and tourism between the two ports. Port of Halifax, located on the east coast of Canada, handles around 1.5 million containers. Of this, 35% of traffic comes from South East Asia, with India's share being one-third of the Asian cargo. The agreement with the Chennai Port Trust was part of a marketing strategy to increase traffic from India.

### **CavinKare ties up with Coty**

**CAVINKARE has entered into a strategic alliance with Coty Inc to market the entire Adidas personal care portfolio in the Indian market.** The tie-up is not just for marketing the products. They will jointly invest in building the brand in the Indian market. CavinKare, with 40% growth year-on-year, the Rs 5 billion fragrances and perfumes market is one of the fastest-growing categories here. Adidas range of products will initially be made available in over 50,000 stores across the country. With an ad budget of Rs 100 billion, the company will initiate campaigns on the internet, television and out-of-home media to increase the brand visibility.

### **Germany's Norma Group launches India operations**

**THE Norma Group, Germany-based manufacturer of clamps, plastic tubing and connectors for auto and non-auto applications, has begun operations in India with a manufacturing plant at Talegaon.** Norma Group Products India Pvt Ltd, an 80:20 JV between Norma and Taurus Flexibles, will produce plastic tubing systems and clamps for passenger cars in the first phase of the project. Norma plans to cater to the domestic market and will invest €3 million in the plant over the next five years and is targeting a turnover of Rs 800 million by 2012.

### **GVK Bio, Crelux in pact**

**GVK Biosciences (GVK BIO) and CRELUX have set-up a highly fragment-based drug discovery platform to deliver viable lead molecules.** They will provide seamless integration of all aspects of drug design for the biopharmaceutical industry and furnish accelerated timelines for moving molecules from concept into the clinic at an optimal cost. CRELUX, the German company, would bring in its high performance structural biology technologies to GVK BIO's Computer-Assisted Drug Design (CADD) tools and other components of its drug discovery and development process.

### **Bharat Forge, Areva sign MoU**

**BHARAT Forge Ltd, manufacturer of automotive forgings, and Areva, a player in nuclear power, have signed a Memorandum of Understanding (MoU) to set up a JV to build a manufacturing facility for heavy forgings in India.** The plant is expected to become operational by 2012. The JV will have a 14,000-tonne open die forging press with associated equipment and an integrated steel making facility. It would secure supply of heavy forgings, especially stainless steel forgings to the customers. It would primarily meet indigenous requirements of power generation sector, including manufacture of turbines, generator rotors and steel plant rolls and also of new nuclear power plants in the country.

### **KTWO Tech unveils healthcare device**

**KTWO Technology Solutions**, a Bangalore based company has unveiled its healthcare device targeted at rural as well as urban markets. The eco-friendly and wireless enabled device Kshema is built on an Intel-embedded platform and runs innovative applications such as electronic health records, blood bank management system, tele-pathology CytoSight and tele-radiology TomoSight. More than 70% of India's population is concentrated in the rural areas and the demand for quality healthcare keeps increasing.

### **IFFCO in pact with Kazphosphate**

**INDIAN Farmers Fertiliser Cooperative Limited (IFFCO)** has signed a MoU with Kazakhstan based leading chemical and fertiliser manufacturing company Kazphosphate for supply of rock phosphate from its mines with a proven reserve of 4 billion tones of rock phosphate. Rock phosphate is the main raw material used for making di-ammonium phosphate which is one of the main fertilisers used in India.

### **Venture fund for creating employment launched**

**VENTUREAST**, a Hyderabad based private equity fund manager and Bharatiya Yuva Shakti Trust, have joined hands to launch a **BYST Growth Fund** that will provide finance and mentoring for young entrepreneurs. IFC has given US\$ 700,000 to the fund. The fund expects its corpus to grow to US\$ 5 million in two years. The fund would provide equity-type financing to entrepreneurs, a kind of preference capital which after some time would convert into equity. Initially, the fund would support existing entrepreneurs, to catch the low hanging fruit and de-risk its operations in the initial stages.