



MARKET MOVEMENT

Major Indices	Dec 04, 2009	Dec 11, 2009	% Change	Change
BSE Sensex	17,101.54	17,119.03	0.10	
NSE Nifty	5,108.90	5,117.30	0.16	

INDIAN ECONOMY AT A GLANCE**POLICY WATCH**

- **Japanese Companies royalty income to be taxed at 10%**
- **India, Russia signs nuke, defence pacts**
- **India, Australia wraps up free trade pact feasibility study**
- **Japan, Finland among 5 nations cleared for visa-on-arrival in India**

Japanese Companies royalty income to be taxed at 10%

JAPANESE firms earning royalty income in India from various services will be taxed at only 10% instead of the current 20% from assessment year 2008-09. According to Japanese firm Sumitomo Mitsui Construction Income by way of royalty accruing to the applicant (Sumitomo) is liable to be taxed in terms of Article 12 of the Double Taxation Avoidance Agreement (DTAA) (with Japan) at a rate not exceeding 10% from the assessment year 2008-09 onwards. Royalty can be earned by an entity on activities such as providing technical know-how, sale of intellectual property. The DTAA with Japan was amended in 2006 to tax royalty income at the rate of 10 % and not 20 % as earlier. The revised rate was applicable for the year beginning on or after 1st April 2007, relevant to the Assessment Year (AY) 2008-09.

India, Russia signs nuke, defence pacts

RELATIONS between India and Russia experienced a range of interests encompassing N-trade, shared a plan to boost commerce to \$20 billion by 2015. It yielded a rich cache of agreements which included establishing a credit line of \$100 million and a nuclear agreement that is expected to provide momentum to India's nuclear trade. After signing a crucial nuclear deal with Russia, there would be an addition to the two reactors being developed at Kudankulam in Tamil Nadu while a site was being considered at Haripur in West Bengal in India.

India, Australia wraps up free trade pact feasibility study

INDIA and Australia have wrapped up the feasibility study on the proposed Free Trade Agreement (FTA) between the two countries. This sets the stage for commencement of negotiations for the bilateral trade pact. In fiscal 2008-09, India was Australia's fastest growing trade partner, with two way trade up 55 % at \$21.7 billion. This is expected to see a jump once the FTA is in place, with increased market access for products and services from both countries. India has consolidated its position as one of Australia's most significant economic partners. Australia's exports of gold, coal, copper, wool, education services, and construction and industrial services form key inputs for Indian export, business and infrastructure requirements.

Japan, Finland among 5 nations cleared for visa-on-arrival in India

THE Government has decided to offer visa-on-arrival facility to citizens of a select group of five countries, something that New Delhi had been extremely hesitant to do so far because of security concerns. The Government has decided to clear the names of Japan, Singapore, New Zealand, Luxembourg and Finland as the countries whose nationals can fly in to India and obtain a visa at the airport. A formal notification in this regard is likely to be made very soon. The decision has ostensibly been taken with the aim of promoting tourism but its significance is much more than that. This is the first time that India is offering visa-on-arrival to any country. And it is making this offer completely unilaterally; junking a proposal that said New Delhi should offer this facility only to countries that were ready to reciprocate.

INDUSTRY WATCH

- **Japan steel firms eye Indian tie-ups**
- **Car sales surge to 6 year high**
- **Indian insurance firms on high growth curve**
- **India Inc rides growth wave, raises \$16.7 billion in April-December**

Japan steel firms eye Indian tie-ups

INDIA has become an attractive destination for Japanese players, with a few of them entering the country through technical collaboration to be part of the growth story. The recent entrant to join the race is JFE Steel Corporation, the world's sixth-largest steel producer, which recently entered India in a technical collaboration with JSW Steel Ltd. Others include Japan's steel major Sumitomo Metals Ltd, which is in technical tie-up with India's Bhushan Steel for its upcoming greenfield project in Orissa. Essar Steel had also in 2008 effected a technical tie-up with Japan's Kobe Steel to gain operational technology to manufacture higher quality steel products. On technical tie-up, the partnership will allow it access to JFE's technology for producing steel used in automobiles.

Car sales surge to 6 year high

CAR sales register their highest growth rate in nearly 6 years in November as sales were up a massive 61%, though a lower base also contributed to the numbers. Car sales in November stood at 133,000 units in the domestic market, up from 83,121 in the same month last year. Demand has been helped by the surge in the stock markets as well as lower interest rates. The rise in auto sales on a large scale depended on the launch of new models and lower tax on manufacturing that was cut as part of Government stimulus packages during the peak recession late last year. Two-wheeler sales also remained robust in the month and so was the demand for commercial vehicles where volumes have been on the up for at 98% in November.

Indian insurance firms on high growth curve

THE Indian life insurance industry has registered a double-digit growth figure of 35.7% year-on-year (y-o-y) in October 2009, owing to large inflows in first-year premiums. The Government-owned Life Insurance Corp of India (LIC) leads the industry with a growth of 45 % y-o-y in its annual premium equivalent (APE). Private firms succeeded in mobilizing US\$ 3.48 billion in the first-year premiums during the first seven months of FY10. The mobilization stood at US\$ 3.82 billion during the same period in FY09. Some of the strong private players which posted double-digit growth include ICICI Prudential Life Insurance Co Ltd, SBI Life Insurance Co Ltd and Max New York Life Insurance Co Ltd.

India Inc rides growth wave, raises \$16.7 billion in April-December

INDIA Inc raised \$16.7 billion through equity issues in the first eight months of the current fiscal, five times which in the entire financial year ended March 2009, as foreign investors and companies resumed expansion activities. Total funds rose through overseas issues, including equity and equity convertible bonds, totalled to Rs 277.45 billion across 28 issues in the first eight months of the current fiscal. Fund-raising by companies coming through public issues also jumped eight times to Rs 159.81 billion through 16 initial public offer (IPO), besides one follow-on public offer (FPO). Many firms, including those in power, real estate and infrastructure, are in the queue to float their IPOs.

CORPORATE HIGHLIGHTS

- **Destination India, say surging numbers in Japan Inc**
- **Tata's look to enter Swaraj via Sumitomo**
- **India signs oil deal with Russian firm**
- **Essar's telecom retail arm acquires X-Cite**
- **HCL inks \$250million, 5-yr deal with News Corp UK**
- **RIL in deal with Colombian firm for deep water blocks**
- **Sterling Tools Ltd enters into JV with Netherlands based FABORY**
- **Dishman pharma forms JV to make API in Saudi Arabia**

Destination India, say surging numbers in Japan Inc

ACCORDING to a recent survey by the Japan Bank for International Cooperation (JBIC) covering 620 leading Japanese manufacturing companies, 278, or 58%, wanted to do business with India in the medium term, behind 74% for China. The survey reflects Japanese companies mounting interests in Indian businesses, especially in sectors such as automobiles, IT, infrastructure, steel, power and pharmaceuticals. Japan now ranks sixth in the list of Foreign Direct Investments (FDI) in India, in a list dominated by Mauritius, which accounts for 44% of cumulative FDI in India. Japan's advanced technologies are also flowing to India. Of the 8,000-plus foreign technology transfers (FTC) so far approved by the Indian Government, Japan accounts for 10.88%, with 879 approvals, in third position behind the US and Germany. Takeda Pharmaceuticals, the largest drug maker in Japan, will start selling drugs in India.

Tata's look to enter Swaraj via Sumitomo

TATA Motors, India's largest maker of commercial vehicles, is negotiating to acquire Japanese conglomerate Sumitomo's 53.5% stake in Luxury cars to hit Indian roads. Swaraj Mazda as it attempts to strengthen its position in the Light Commercial Vehicle or LCV market which is all set to see the entry of new players such as GM and its Chinese partner SAIC and a Joint Venture (JV) between Ashok Leyland and Nissan. Tata Motors' stake will go up to 73.5% if the open offer, which has to be at least 20% of the target company's equity capital, is fully subscribed. The acquisition of a majority stake in Swaraj Mazda will also provide Tata Motors access to technology from Isuzu, a Japanese company, for commercial vehicle and buses.

India signs oil deal with Russian firm

ONGC Videsh Limited (OVL) signed an agreement with Systema, the Russian telecom-finance-oil-gas behemoth, to jointly bid for oil and gas assets in Russia and the Commonwealth of Independent States. OVL has also expressed interest in bidding for the

Sakhalin-3 oilfield, one of the largest oil and gas development projects in the world, off Russia's Pacific coast. They are interested in partnering with Russia in developing this field.

Essar's telecom retail arm acquires X-Cite

DIVERSIFIED Essar group has entered into the Rs 800 billion consumer durables and IT products business through the acquisition of X-Cite, the chain of large format electronics stores of Impact Retail, a franchisee of Kuwait's Alghanim Industries. Essar-promoted cellular retail chain The Mobile Store (TMS) announced the acquisition of X-Cite for an undisclosed sum and said it would scale up the number of retail outlets to 2,500 by fiscal 2011 from the existing 1,300 stores. TMS will also retain focus on the telecom retailing space. It aims at increasing market share in this business to 15% in next two years from 6% now.

HCL inks \$250million, 5-yr deal with News Corp UK

INDIA'S fifth-largest IT (Information and Technology) company HCL Technologies announced a five-year deal with media conglomerate News Corp for managing its data centres and IT across UK newspapers like The Times, The Sun and The Sunday Times. Under the deal, HCL will be transforming News Corp's UK subsidiary News International's data centres and migrating its operating systems to a lower cost solution. The deal is pegged to be in the range of \$200-250 million. The company had also signed a deal with Viacom (owner of brands such as MTV Networks, Nickelodeon and VH1), for developing an online media content and platform. McKinsey and Nasscom have jointly estimated IT infrastructure management to gross \$28 billion in the next 5 years.

RIL in deal with Colombian firm for deep water blocks

RELIANCE Exploration and Production DMCC a wholly-owned subsidiary of Reliance Industries Ltd (RIL) has signed a deal with Colombian state oil firm Ecopetrol for two deepwater blocks in Colombia. Under the agreement, the foreign company acquires a 20% stake in Borojo North Block 42 and the Borojo South Block 43 in Colombia, which cover a combined 8,000 sq km in water depths ranging from 60 to 1,500 meters. Reliance Exploration holds 80% ownership in the blocks and will be their operator. Reliance Exploration has completed acquisition and processing of 2D seismic of around 3,000 line km and is in the process of commencing multi-beam bathymetry studies covering both the blocks.

Sterling Tools Ltd enters into JV with Netherlands based FABORY

STERLING Tools Limited (Sterling), a manufacturer of high tensile cold forged fasteners primarily focused on the Indian Automotive industry, has entered into a Joint Venture (JV) with Netherlands headquartered Borstlap Masters in Fasteners Group B.V, (FABORY). The JV aims to capitalize on the fast growing demand for non-automotive fasteners in the emerging markets in South Asia. The JV will be incorporated during Q1 of 2010 and plans to trade under the brand name of Sterling FABORY. Sterling and FABORY will hold an equal 50% stake in the JV. Sterling FABORY will operate from a Greenfield facility at Faridabad. The JV will act as the exclusive distributor and value added services provider of the FABORY product range in South Asia.

Dishman pharma forms JV to make API in Saudi Arabia

DISHMAN Pharmaceuticals and Chemicals Ltd have formed a Joint Venture (JV) company to manufacture Active Pharmaceutical Ingredients (API) in Saudi Arabia with three partners and expect to complete work on the facility in 15 months time. Dishman

Pharmaceuticals will invest Rs 1.5 billion to set up four contract manufacturing facilities at its upcoming Special Economic Zone (SEZ) project in the first phase. It is also in the process of investing Rs 1.5 billion to expand its existing facility at Bavla, and is expecting its Saudi Arabia project that will manufacture disinfectants to start commercial production in the last quarter of 2010. Dishman Pharmaceuticals plans to invest Rs 5 billion to 6 billion over the next five years in the SEZ.