



MARKET MOVEMENT

Major Indices	January 03, 2009	January 09, 2009	% Change	Change
BSE Sensex	9,958.22	9,406.47	5.54	
NSE Nifty	3,046.75	2,873.00	5.70	

INDIAN ECONOMY AT A GLANCE**POLICY WATCH**

- **Government nod to 34 FDI proposals worth Rs 16.15 billion**
- **Six NHDP projects worth Rs 48 billion get approval**
- **India, Malaysia sign labour agreement**
- **Gujarat releases new industrial policy before VGGIS-09**
- **Government releases Rs 8 billion to help Indian exporters**
- **RBI slashes CRR for cooperative banks**

Government nod to 34 FDI proposals worth Rs 16.15 billion

THE Government has cleared 34 Foreign Direct Investment (FDI) proposals worth about Rs 16.15 billion of firms like Mahindra and Mahindra (M&M), Sumitomo Corporation, and Barwah International from Qatar. The largest investment proposals are in urban development, by HBS Realtors Mumbai, which intends to invest Rs 3 billion to convert the operating company into a operating-cum-holding company and Qatar-based Barwah International, which would invest Rs 4 billion.

Six NHDP projects worth Rs 48 billion get approval

THE Cabinet approved six highway projects worth Rs 48.03 billion of National Highway Development Programme (NHDP), covering 639 km across Orissa, Madhya Pradesh, Maharashtra, Tamil Nadu and Andhra Pradesh. All these projects will be developed by the National Highways Authority of India (NHAI) through private sector concessionaires who will be selected by NHAI following two-stage bidding process.

India, Malaysia sign labour agreement

INDIA and Malaysia signed an agreement for the 'orderly' recruitment and deployment of workers and the procedures for monitoring recruiting agents and employers. The Memorandum of Understanding (MoU) was signed by the Ministry for Overseas Indian Affairs and the Malaysian Ministry of Human Resources. The agreement is a 'major milestone' in relation between the two countries and the important component is to check unscrupulous agents. India has already signed similar labour agreements with all major gulf countries except Saudi Arabia.

Gujarat releases new industrial policy before VGGIS-09

THE Gujarat Government announced the new Industrial Policy (IP) ahead of the Vibrant Gujarat Global Investors' Summit-09 (VGGIS) with an aspiration to become an Asian Leader in industrial

growth. The policy aims at attracting quality investments, increasing employment opportunities in the State, developing Special Investment Regions (SIRs), encouraging Public Private Partnership (PPP) model, setting up of mega projects and core infrastructure projects. The first objective of the policy is to attract investments in the areas of SIRs, PPP projects, mega projects, innovative projects, infrastructure projects, port related projects and logistics and services related enterprises.

Government releases Rs 8 billion to help Indian exporters

THE Government released Rs 8 billion to be paid to exporters as duty drawback and refund of central sales tax giving them a major relief in the face of credit crunch due to the global meltdown. Simultaneously, the Directorate General of Foreign Trade (DGFT) also started putting the stimulus package into operation for exporters by hiking the duty refund rates and restoring them to the level before November 5, 2008, when the reimbursement was cut. A sum of Rs 6 billion was dispatched to the regional authorities of the DGFT for clearing payment of the terminal excise duty and duty drawback under the deemed export scheme. Another Rs 2 billion were sent to the Development Commissioners of the Special Economic Zones (SEZs) for the payment towards the Central Sales Tax in respect of supplies made to 100% Export Oriented Units (EOUs).

RBI slashes CRR for cooperative banks

THE Reserve Bank of India (RBI) extended a 0.50% reduction in Cash Reserve Ratio (CRR), the amount of cash that banks need to keep in reserve, to cooperative banks. It has decided to reduce the CRR for scheduled state co-operative banks and urban cooperative banks by 50 basis points from 5.50% to 5%. The rate cut will be effective from the fortnight beginning January 17, 2009. Last week, the RBI cut CRR by 50 basis points to infuse more liquidity into the system. It also cut repo and reverse repo - the short-term rates at which RBI lends and borrows from banks - by 100 basis points each to 5.5% and 4%, respectively.

INDUSTRY WATCH

- **Jaipur Gemstone industry eyes markets in Europe, South Africa**
- **Global Pharmaceutical looking to set up base in India**
- **Consumer durables: Staying alive, staying strong**
- **Colourful Q4 likely for paint companies**
- **India sees over 6% jump in tourist arrivals**

Jaipur Gemstone industry eyes markets in Europe, South Africa

THE Rs 20 billion gemstone industry is planning to shift its focus from US to Latin American, European and South African markets. The US accounts for over 50% of coloured stone exports. The industry thinks that over-dependence on a market is hazardous for them, as is largely export-based so they are planning to explore export opportunities in emerging markets of Europe, Latin America and South Africa. The industry is also betting big on domestic market to push the sale of stone-studded gold jewellery. Big exporters are now focusing on stone-studded jewellery in the domestic market to compensate their losses incurred due to slowdown in exports. India's gems and jewellery exports stood at \$20.88 billion for 2007-08, against \$17.08 billion in the year-ago period, up by 22.27%.

Global Pharmaceutical looking to set up base in India

THE global pharmaceutical companies are actively looking to convince Indian companies to set up units in their countries. Over the past couple of months, representatives from at least four such

countries have been in India conducting conferences and interacting with senior officials at Indian pharmaceutical companies who are open to investing outside India. Officials from Belgium, Australia and Denmark have been in India to convince their Indian counterparts. At the latest IBC lifesciences conference in Mumbai, representatives from the Australian trade commission and the Danish foreign ministry were present to push for investing in their countries. The Danish Ministry of Foreign Affairs, said that they don't offer direct incentives in Denmark. Their taxes, however, are the lowest in the European Union. Besides, if Indian companies collaborate with Danish universities or companies, they become eligible for funding from the Government. The UK also has not been far behind and it hosted diabetes conferences across India late last year.

Consumer durables: Staying alive, staying strong

THE consumer durable sector is showing signs of considerable resilience. The last quarter of 2008 experienced double digit growth. Spends on televisions and home appliances are expected to spill over into the New Year. Auto majors are revving up to introduce sassy, new models in 2009. The New Year is expected to bring in truck-loads of bargains and discounts. Whether it is gaming, which is already becoming another accepted form of entertainment for the middle class youth, or the auto sector bringing in nifty, new models during the year, one thing is inescapable: the decline in retail interest rates, higher liquidity and more money in the wallet of Government employees is likely to add to the overall positive tone of higher demand.

Colourful Q4 likely for paint companies

THE organised decorative paints industry is hoping to witness some positive growth in February-March 2009. A major reduction in paint prices, due to a dip in input costs, is expected to emerge as a major growth driver for the paint companies in the next few months. Paint companies have been able to reduce prices owing to a fall in crude oil prices, one of the key inputs of paints. This will catalyse growth. Paint makers also feel that with home loan rates easing, the real estate sector will witness some activity, which in turn will help the Rs 100 billion decorative paints industry clock some growth.

India sees over 6% jump in tourist arrivals

ACCORDING to initial figures prepared by the Ministry of Tourism (MoT), there has been a 6%-8% jump in foreign tourist arrivals in 2008 over the corresponding year 2007. Last year, the tourist arrivals to the country were 5.3 million as compared to 5.08 million in 2007. Foreign exchange earnings from this sector also showed a growth of 8% at \$11.5 billion in 2008 as against \$10.70 billion registered in 2007. The United Kingdom contributed the largest number of visitors with more than 700,000 followed by the US with almost 500,000. While France has shown a growth of 16%, visitors from Germany have seen a 22% growth. From the South Asian countries the visitor growth in 2008 has been significant at 20%. Latin American countries, particularly Brazil, Argentina and Mexico, where some major road shows were done by the MoT over the last two years, have shown a huge upsurge in interest.

CORPORATE HIGHLIGHTS

- **Japan co forms JV with Anand Automotive Systems**
- **Reliance Digital inks marketing pact with Reva**
- **Audi India sales rise three-fold in 2008**
- **CCEA allows Pepsi to keep stake in bottling arms**
- **L&T unit bags Rs 11 billion orders**

- Corolla Altis sales rise
- TTSL, Quippo merge tower biz, create Rs 130 billion entity
- Changi Airport buys 26% stake in Bengal Aerotropolis
- Motherson Sumi buys Visiocrp's global mirror business
- Credit Suisse infuses Rs 7.94 billion in NBFC arm

Japan co forms JV with Anand Automotive Systems

JAPAN'S Takata Corporation has entered into a Joint Venture (JV) with Anand Automotive Systems for manufacturing and sales of automobile safety systems such as airbags, seatbelts and steering wheels in India. The JV will be called Takata India Pvt Ltd, wherein the majority equity holding will be with Takata. Takata has set up a wholly owned Indian subsidiary, Takata India in June 2007. The company plans to build two manufacturing plants, in Chennai and in Neemrana.

Reliance Digital inks marketing pact with Reva

RELIANCE Digital has tied up with Reva Electric Car Co (RECC), makers of India's first electric car, for retailing cars through its outlets across the country. In addition to consumer electronics and IT products and services, Reliance Digital will sell Reva cars through its digital stores in Hyderabad and Delhi in the initial phase. Later this initiative will be extended to other cities. The initiative by Reliance Digital is an attempt to promote the environment friendly car by bringing about social and environmental awareness among its customers.

Audi India sales rise three-fold in 2008

AUDI reported a sale of 1,050 units in the country in the year 2008, a three-fold rise compared with the sale of 349 units in the previous year. The company posted over two fold rise in its sales in December last year at 76 units as against 31 units in the year-ago period. The year 2008 has been an exciting time for Audi India as they not only have achieved, but exceeded their projected targets despite the overall slowdown in the automobile market.

CCEA allows Pepsi to keep stake in bottling arms

THE Cabinet Committee on Economic Affairs (CCEA) gave approval to PepsiCo's plea for waiver of the mandatory 49% divestment in its Indian bottling arms. The company had sought exemption from the divestment clause as the Government had already allowed 100% FDI in food processing sector. The Cabinet has also paved the way for PepsiCo to infuse Rs 2.5 billion as FDI in its Indian operation.

L&T unit bags Rs 11 billion orders

LARSEN and Toubro (L&T) has bagged add-on orders totaling about Rs 11 billion in the third quarter of this fiscal. L&T said these orders were from its ongoing projects such as mixed use developments at Chandigarh, Darley Road Tower in Sri Lanka, Airport Hotel at Bangalore and at its airport projects.

Corolla Altis sales rise

TOYOTA-Kirloskar Motor's Corolla Altis achieved a 42% market share in the premium mid-sized car segment during the last four months of 2008. The car's sales touched a peak of 2,031 units in September 2008 and between September and December 2008, its sales grew 102% compared with the same period in 2007.

TTSL, Quippo merge tower biz, create Rs 130 billion entity

Tata Teleservices (TTSL) merged its infrastructure business with independent infrastructure equipment rental company Quippo Telecom Infrastructure (QTIL) to form the country's largest independently managed tower company with an enterprise valuation of Rs 130 billion. Under the agreement, QTIL – promoted by the Kanorias of Srei Infrastructure Finance – will make an upfront cash payment of about Rs 24 billion for 49% share in the new entity through which it will gain management control. This amount will be invested as capital expenditure for TTSL.

Changi Airport buys 26% stake in Bengal Aerotropolis

SINGAPORE'S Changi Airport International Pte has picked up a 26% stake in Bengal Aerotropolis Projects Ltd (BAPL), which is setting up a Rs 100 billion airport city in Durgapur. The stake has been picked up by Changi Airport India Pte Limited, the 100% subsidiary of Changi Airport International. The other four stakeholders of BAPL, which together hold 74% stake in the company, are Pragati Social Infrastructure, Pragati 47, Lend Lease Ltd and City Star Ltd.

Motherson Sumi buys Visiocrp's global mirror business

MOTHERSON Sumi Systems (MSSL) announced its acquisition of the UK-based Visiocrp's global rear view mirror business. The acquisition would be made in collaboration with its sibling firm Samverdhan Motherson Finance (SMFL). The acquisition will be completed by end-February, 2009. MSSL is the flagship company of New Delhi-based auto component group Sumi Motherson. The acquisition will be made through a step down Special Purpose Vehicle (SPV) to be set up between MSSL and SMFL in the ratio of 51%:49% and the SPV will directly or indirectly acquire various operating companies engaged in the design, manufacture and assembly of rear view mirrors.

Credit Suisse infuses Rs 7.94 billion in NBFC arm

CREDIT Suisse said that it has infused a capital of Rs 7.94 billion (approx \$164 million) in wholly owned Non-Banking Finance Company (NBFC) subsidiary, Credit Suisse Finance (India). Through this investment the company intends to expand its wealth management, investment banking and asset management businesses in India. Through its NBFC arm in India, the Swiss firm caters to the corporate and individual investors in asset backed financing, securities backed financing, Initial Public Offering (IPO) lending and pre-IPO funding. With this investment, the total capital base of Credit Suisse Finance would go up to Rs 8.27 billion (approximately \$170 million).