MARKET MOVEMENT

Major Indices	June 25, 2010	July 02, 2010	% Change	Change
BSE Sensex	17,570.82	17,460.95	(0.62)	
NSE Nifty	5,262.60	5,237.10	(0.48)	

INDIAN ECONOMY AT A GLANCE

POLICY WATCH

- **India, Canada sign civil nuclear cooperation pact**
- **India, Japan ready to begin talks for civil nuclear pact**
- **Railways initiates policy for auto sector**
- **Insurance regulator extends protection to premature withdrawals of ULIPs**
- **SIPB approves VAT rebate for new industries**
- **E-filing of Central excise, service tax will be facilitated**

India, Canada sign civil nuclear cooperation pact

INDIA and Canada signed a Civil Nuclear Cooperation Agreement (CNCA). The nuclear cooperation agreement will provide access for Canada's nuclear industry to India's expanding nuclear market. India and Canada have agreed to try and take bilateral trade up to $15 billion in the next five years, up from the current level of around $5 billion. A Comprehensive Economic Cooperation Agreement (CECA) is also being envisaged and the initial work is also started. The other areas in which both countries agreed to increase cooperation are earth sciences and mining, transportation, natural resources, infrastructure and agriculture and agri-food cooperation, and higher education.

India, Japan ready to begin talks for civil nuclear pact

THE Japanese Foreign Ministry said that Japan is ready to begin talks with India for sealing a Civil Nuclear Cooperation Pact (CNCP). The first round of talks will be held on June 28-29 in Tokyo. It will be the first agreement between Japan and a country that isn't a signatory to the Nuclear Non-Proliferation Treaty. The signing of a nuclear treaty between the two countries is likely to make the way for companies such as Toshiba Corp, Hitachi Ltd and Mitsubishi Heavy Industries to sell reactors in India.

Railways initiates policy for auto sector

RAILWAYS has formulated and implemented an innovative policy that is anticipated to facilitate bulk movement of automobile traffic by rail. The policy will also aid in the development of automobile and ancillary hubs across the country. Under the policy, any registered company in India, i.e., manufacturer of automobile or logistics company or Society for Indian

Automobile Manufacturer (SIAM) or registered freight train operator having annual turnover of Rs 200 million during last financial year, can apply for it. Railway will provide the land for such hubs on license basis initially for a period of seven years. The license fee shall be payable as per extant policy. Such automobile and ancillary hubs will be used as a common user facility for general use of the automobile industry, without any exclusive right.

Insurance regulator extends protection to premature withdrawals of ULIPs

INSURANCE REGULATORY AND DEVELOPMENT AUTHORITY (IRDA) have come up with fresh guidelines that will bring some protection and cheer to policyholders of Unit-Linked Insurance Plans (ULIPs). The capping has been rationalized to ensure that the difference in yield is capped from the fifth year onwards. So far, the cap was applicable only at the time of maturity. This will not only reduce the overall charges on these products, but also smoothen the charge structure for the policyholder. These changes will be applicable from September 1, 2010. Mortality cover has been increased to 10 times, from five times, of the annualized premiums. According to the guidelines Death benefit should not be less than 105% of the premiums paid.

SIPB approves VAT rebate for new industries

THE State Investment Promotion Board (SIPB) decided to give about 50% Value Added Tax (VAT) or State General Sales Tax (SGST) reimbursements for five years along with other incentives to the industries setting up base in Andhra Pradesh in accordance to the Industrial and Investment Policy 2005-10. The SIPB considered the case of 27 industries with a total investment of Rs 181.37 billion and an employment potential of 59,732 and cleared the proposals. These industries are span cement, food processing, glass, steel and ferro alloys, mineral, pharma, textiles, photovoltaic and warehousing.

E-filing of Central excise, service tax will be facilitated

THE Institute of Company Secretaries of India (ICSI) has entered into a Memorandum of Understanding (MoU) with the Central Board of Excise and Customs (CBEC). This would enable company secretaries to set up Certified Facilitation Centres (CFCs) under the Automation of Central Excise and Service Tax (ACES) project, which will facilitate e-filing of returns and other documents by assesses of Central Excise and Service Tax. CFC is a facility, other than the physical front offices or facilitation centres of CBEC, which may be set up and operated by a practicing company secretary to whom a certificate is issued under the ACES project, where the assesses of Central Excise and Service Tax can avail themselves of the facility to file their returns and other documents electronically along with associated facilitation on payment of specified fees.

INDUSTRY WATCH

- **Telephone user base touches 653 million**
- **Core industries register 5% growth in May**
- **Refineries process 7.7% more crude and gas in May**
- **Exports rise 35% in May**
- **FDI rose 5.6% to $2.21 billion in May**

Telephone user base touches 653 million

THE number of telephone subscribers in India increased to 653.92 million at the end of May-2010 from 638.05 million in April-2010, registering a growth rate of 2.49%. With this, the overall tele-density in India reaches 55.38%. The wireless segment subscriber base (GSM, CDMA & FWP) increased from 601.22 million in April-2010 to 617.53 million at the end of May 2010, registering a growth of 2.71%. Wireless tele-density stands at 52.30%. The wire line subscriber base declined from 36.83 million in April-2010 to 36.39 million at the end of May-2010. BSNL/MTNL, two PSU operators, hold 84.32% of the wire line market share. The overall wire line tele-density is 3.08%. The total broadband subscriber base has increased from 9 million in April-2010 to 9.24 million in May 2010, a growth of 2.67%.

Core industries register 5% growth in May

THE six core infrastructure industries have registered a 5% Year-on-Year (Y-o-Y) growth in May, compared with 3.2% in the same month of the last fiscal. For the first two months of the current fiscal, the overall annual core sector growth worked out to 5.1%, against 3.5% during April-May 2009-10. Among individual industries, cement grew by 8.6% in May, while these amounted to 6.4% for electricity, 7.7% for refined petro-products, 5.8% for crude petroleum, and 2.5% for finished steel.

Refineries process 7.7% more crude and gas in May

DOMESTIC refiners processed 7.7% more crude oil at 13.753 million tonnes Year-on-Year (Y-o-Y) in may, the, as most operated at higher capacity to meet the growing demand. 17 public sector refineries processed 6.7% more crude oil during the month at 9.37 million tonne Year-on-Year (Y-o-Y). India's natural gas production rose by 34.4% in May at 4.585 billion cubic metre. Higher production from onshore fields including Cairn India's Rajasthan block continued to push up the domestic crude oil output in May. The crude oil product in May was up 5.8% at 2.945 million tonne Year-on-Year (Y-o-Y).

Exports rise 35% in May

EXPORTS grew a strong 35.1% Year-on-Year (Y-o-Y) in May. Exports in May grew to $ 16.1 billion from $11.95 billion a year ago. Imports also surged 38.5% to $27.4 billion compared to the same period last fiscal. The trade deficit widened $11.29 billion from $7.8 billion a year ago because of the strong growth in imports. Imports during the first two months grew by 40.9% to $54.74 billion Year-on-Year (Y-o-Y).

FDI rose 5.6% to $2.21 billion in May

INDIA'S Foreign Direct Investment (FDI) in May this year rose by 5.6% to $2.21 billion. The FDI inflows in May 2009 were $2.09 billion. The government has been taking measures to streamline the procedures for foreign investors. The Department of Industrial Policy and Promotion (DIPP) had initiated a concept paper proposing a hike in FDI cap of 26% in the defence sector. Similar papers are expected on sectors like multi-brand retail, agriculture and pharmaceutical.

CORPORATE HIGHLIGHTS

- **Trivitron, Johnson Medical in pact to manufacture medical equipment**
- **Subros forms JV with Denso to set up R&D centre in India**
- **Essar Steel buys UK steel processor**
- **Arvind Mills in Joint Venture to develop residential projects**
- **Raychem RPG inks pact with Hexaformer**
- **RSB acquires 70% stake in Belgian engineering firm**
- **Nakoda acquires South Korean polyester plant for $ 40 million**
- **Mahindra Satyam BPO ties up with South Africa firm**

Trivitron, Johnson Medical in pact to manufacture medical equipment

TRIVITRON HEALTHCARE, a Chennai based Company has announced its alliance with Johnson Medical, Sweden, to manufacture medical equipment in the country. The manufacturing facility will be set up at the Trivitron Medical Technology Park (TMTP) in Tamil Nadu. Trivitron has entered into similar pacts with other foreign manufacturers, including Aloka, Japan (to manufacture ultrasound system); Biosystems, Spain (to manufacture diagnostic instruments and reagents etc. The technology park will house over 10 MNCs which pioneer in the medical technology field. These products will be manufactured in India and will be at least 30%-40% cheaper than imported products and even hospitals or institutions in rural areas of the country would be able to afford them. The alliance, besides catering to the domestic market, would be a hub for exports to other emerging markets.

Subros forms JV with Denso to set up R&D centre in India

SUBROS, an automobile air-conditioning system maker has joined hands with Japanese firm Denso to set up a research and development centre in India by September. Both the companies have formed a Joint Venture (JV), in which the domestic firm holds 26% stake while the rest lies with Denso. So far, Subros was only producing the products here and R&D was done at Denso's centre in Japan. After commissioning the new centre in September, all their product development will be shifted to India. R&D centre will initially have 40 engineers, and the number would be increased to 150 employees later, depending on demand from its clients and Denso's training schedule. The company plans to invest about Rs 150 million.

Essar Steel buys UK steel processor

ESSAR STEEL INTERNATIONAL BV, a subsidiary of Essar Steel Holdings, has acquired UK-based Servosteel (Oakside Solutions), the largest independent steel processor. Servosteel has a steel processing capacity of 500,000 tonnes a year. It is capable of processing the entire flat product range including hot-rolled coils, cold-rolled coils, and hot-rolled pickled, galvanized and colour-coated products. Servosteel offers a one-stop service for smooth clean surface technology, pickling, slitting and decoiling and various individual custom tailored services.

Arvind Mills in Joint Venture to develop residential projects

ARVIND MILLS, a textile and retail major and B. Safal Group has formed 50:50 Joint Venture (JV) to develop a one-million square feet residential complex in eastern Ahmedabad. The B. Safal Group will also buy one-third of the land area of Ashok Cotsyn, by paying Rs 700 million that includes its consideration for the 50% stake in the JV. The complex will come up in one-third of the area of Ashok Cotsyn, a division of Arvind Mills, situated at Khokhra. Arvind Mills has announced Rs 2250 million project there.

Raychem RPG inks pact with Hexaformer

RAYCHEM RPG, an electrical engineering products maker has firmed up a deal with Hexaformer AB of Sweden to manufacture its patented brand of transformers in India, in a move to expand the scope of its transformer business in the domestic and overseas markets. Hexaformer, which holds the patent for its transformer brand in 30-odd countries, expanded the scope of the agreement with Raychem to facilitate outsourcing of its production for the European market through India, as these would then cost about 20-25% cheaper. Raychem will be producing about 5,000 units of Hexaformer transformers by its second year of production at its two plants in Pune and Himachal Pradesh and later scale it up to about 40,000 units annually in the next five years.

RSB acquires 70% stake in Belgian engineering firm

RSB TRANSMISSIONS, engaged in manufacturing of automotive, construction and farm equipment, has acquired, through its Netherland based arm RSB Europe BV, 70% stake in the Belgium based construction equipment aggregate manufacturer Mechanical Supplies International (MSI). MSI manufactures heavy fabrication aggregates for excavators, off-highway machines and windmills which are similar to the products of RSB. The acquisition of majority stake in MSI will provide immense synergy benefits to RSB and MSI as both companies have identical technology, process and machines.

Nakoda acquires South Korean polyester plant for $ 40 million

NAKODA LTD, a Surat based company has signed an asset purchase agreement with South Korean polyester fiber manufacturing firm, Kyunghan Industry Company Ltd. for acquisition of their entire manufacturing facilities at Kyunghan. Nakoda Ltd. has announced an investment of $ 40 million for acquisition of the South Korean manufacturing plant through its subsidiary Indo Korean Petrochem Ltd. Nakoda Ltd will gain benefit from the plant's strategic location in the industrial hub of synthetic fiber manufacturing in South Korea. Post acquisition, Nakoda Ltd. will get easy availability of raw material, abundance of power, technocrats, skilled manpower and sophisticated infrastructure.

Mahindra Satyam BPO ties up with South Africa firm

MAHINDRA SATYAM BPO has announced that it has entered into an agreement with the Johannesburg-based Direct Channel Holding Ltd, a contact centre and Business Process Outsourcing (BPO) company with multiple delivery centres in Africa. This tie-up will help in strengthening their positioning as a service provider offering services spanning from transactional to high-end strategic services. The alliances will allow Direct Channel to extend their services to its extensive domestic customer base.