



**MARKET MOVEMENT**

Major Indices	October 24, 2008	October 31, 2008	% Change	Change
BSE Sensex	8,701.07	9,788.06	12.49	
NSE Nifty	2,943.15	2,885.60	(1.99)	

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

- **RBI eases off-balance sheet exposure norms**
- **SEBI relaxes norms for promoters to up stake**
- **SEZ developers, units eligible for concessional financing**
- **Airport Economic Regulatory Authority Bill cleared**
- **Rajya Sabha clears LLP Bill**

**RBI eases off-balance sheet exposure norms**

**THE Reserve Bank of India (RBI) has relaxed the prudential norms for off-balance sheet exposure of banks.** Banks would now only need to classify overdues arising from forward contracts and plain vanilla swaps and options of a client as Non-Performing Assets (NPAs). Accordingly, any amount, representing positive mark-to-market value of the foreign exchange derivative contracts (other than forward contract and plain vanilla swaps and options) that were entered into during the period April 2007 to June 2008, which has already crystallised or might crystallise in future could be parked in a separate account maintained in the name of the client.

**SEBI relaxes norms for promoters to up stake**

**SECURITIES and Exchange Board of India (SEBI) relaxed the creeping acquisition norms. This is a move seen by market men as another step to improve investor sentiment.** Promoters can increase their stake up to 75% through creeping acquisition, instead of 55% earlier. However, they will have to buy shares through normal market purchase and not through bulk, block or negotiated deals. Through a creeping acquisition, the promoters of a company can increase their stake in the company by buying up to 5% of the company's equity annually.

**SEZ developers, units eligible for concessional financing**

**SPECIAL Economic Zone (SEZ) developers and units would now be eligible for concessional financing that was available for infrastructure sector,** with an Empowered Group of Ministers (EGoM) deciding that all activities other than purchase of land should be treated as infrastructure by banks for financing purposes. The EGoM decision would give a fillip to SEZ development as developers and units will be eligible for concessional financing from banks on the lines accorded infrastructure.

### **Airport Economic Regulatory Authority Bill cleared**

THE Airport Economic Regulatory Authority Bill, which seeks to create a level playing field and to foster healthy competition among major airports within the country, was passed by Parliament. The Bill was cleared by the Lok Sabha, and got the Rajya Sabha approval thereby clearing the way for the establishment of the authority which will have a chairperson and two full-time members. The authority will be empowered to protect the reasonable interest of the users apart from regulating the tariff for aeronautical services at major airports. The Government considers an airport that handles at least 1.5 million passengers annually.

### **Rajya Sabha clears LLP Bill**

THE Rajya Sabha has cleared the Limited Liability Partnership (LLP) Bill, 2008. LLP, as proposed in the Bill, is a new corporate form that would give the benefits of limited liability but would allow its members the flexibility of organizing their internal structure as a partnership based on an agreement. A LLP will be a separate legal entity, liable to the full extent of its assets, and the liability of the partners would be limited to their agreed contribution in the firm. Further, no partner would be liable on account of the independent or unauthorised actions of other partners, thus, allowing individual partners to be shielded from joint liability created by another partner's wrongful business decisions or misconduct.

## **INDUSTRY WATCH**

- **Consumer goods industry bullish on hiring, R&D spend**
- **Big Bazaar, Great Indian retail story turning niche & premium**
- **AP Auto Park attracts Rs 20 billion investments**
- **Japanese electric loco firms may benefit from US\$ 4.6 billion loan**

### **Consumer goods industry bullish on hiring, R&D spend**

INDIAN consumer goods companies have not only decided to increase manpower, but also to scale up their research and development (R&D) spends. Korean consumer durables Company LG Electronics plans to invest US\$ 50 million to enhance its manpower and R&D in India by 2009. Samsung intends to double its R&D team in India to 4,000 by 2010. This will help it strengthening product development and provide customized technology for the domestic market.

### **Big Bazaar, Great Indian retail story turning niche & premium**

THE organized retail in India has become amoebic-flexible and ever changing. While the great Indian retail saga has just begun, the unpredictable Indian customer is forcing retailers to shun their morphed formats and be a little more experimentative than before. Across cities, retailers are providing a range of brands and products to match consumer preferences. For any retail venture, the success rate is mere 20-30%.

### **AP Auto Park attracts Rs 20 billion investments**

ACCORDING to the Government of Andhra Pradesh (AP) the Auto Park has attracted over Rs 20 billion investments from about 34 automotive ancillary units. This is in addition to Rs 12 billion greenfield project being set up by MLR Motors near the park. With MLR Motors and Hinduja Foundries taking up work, this will provide the necessary momentum for more projects to come up in the State.

### **Japanese electric loco firms may benefit from US\$ 4.6 billion loan**

JAPANESE firms in the electric locomotive manufacturing are likely to benefit from the recent US\$ 4.6 billion tied loan sanctioned by Japanese Government for the dedicated freight corridor project. The key Japanese players in the electric loco segment are Toshiba, Kawasaki and Hitachi. Since the loan is under the Japan's Special Terms for Economic Partnership (STEP) scheme, 30% of the amount (US\$ 1.38 billion) will have to be used for Japanese goods and services.

## **CORPORATE HIGHLIGHTS**

- **GM expects Indian operations to grow 20%**
- **Solar Semiconductor in reverse merger with US company**
- **Hero Honda, Andhra Bank tie up for bike loans**
- **Coke bites into the apple**
- **Cognizant, AstraZeneca in pact**
- **Reliance Retail opens third mart in Gujarat**
- **Sical Logistics starts 3rd box train on Delhi-Chennai sector**
- **Norway's Telenor buys Unitech's telecom firm**
- **Orchid Designs joins hands with European kitchen maker**

### **GM expects Indian operations to grow 20%**

GENERAL Motors (GM) expects its Indian operations to grow 20% during this year beating industry growth rate of about 7%. According to Vice-President of GM India, most of the growth of GM has been through the operations in China and India. GM was confident of reaching 10% market share in India by 2010. At present, the market share of the car maker is around 4%. The company expects to increase its sales by 20% to about 80,000 units during the current calendar year.

### **Solar Semiconductor in reverse merger with US company**

THE US based Trans India Acquisition Corporation has entered into an agreement to acquire about 80% of the privately held Solar Semiconductor Ltd. Describing the development as a reverse merger the value of the transaction would be around US\$ 375 million. According to the agreement, the shareholders of Solar Semiconductor would receive in exchange for their stock; shares of Trans-India common stock valued at US\$ 8 a share at present.

### **Hero Honda, Andhra Bank tie up for bike loans**

TWO wheeler maker Hero Honda Motors has entered into an agreement with Andhra Bank to offer financing support for buyers of their products. The motorbike company plans to take advantage of the large network of bank branches. Of the 1,389 branches, the bank has 980 of them in Andhra Pradesh. Hero Honda and Andhra Bank have signed up to support two-wheeler buyers, including in the rural parts of the State. The tie-up is particularly aimed at those in the farm sector, salaried employees and institutional customers.

### **Coke bites into the apple**

COCA-Cola announced the introduction of its latest product in the sparkling drink segment Fanta Apple initially in Hyderabad with a plan to offer it across the country in a phased manner. By next month, it will be available across Andhra Pradesh and Tamil Nadu, where the product is now being produced. Fanta Apple complements other products in clear lime, cloudy lime and orange.

Fanta Apple is being offered in 200ml, 300 ml returnable glass bottles priced at Rs 8 and 10, respectively, along with mobile Pet 500 ml bottle for Rs 22.

### **Cognizant, AstraZeneca in pact**

COGNIZANT Technology Solutions has announced a five year agreement with AstraZeneca to provide application maintenance services to AstraZeneca's global enterprise. Under the expanded agreement, Cognizant will work with AstraZeneca's Global Shared Services organization and implement end-to-end application maintenance services. Cognizant will adopt an Outcome or Effect-based model to provide the services by leveraging its global delivery network, talent pool and best practices.

### **Reliance Retail opens third mart in Gujarat**

RELIANCE Retail Ltd has opened its third mart in Gujarat. The earlier marts were launched in Ahmedabad and subsequently in Jamnagar. The third mart in Gujarat is spread over 41,600 sq ft in the Ghatlodia area. In India, this is the 12th Reliance Mart and it would be marketing 22,000 products. Reliance Retail, a subsidiary of Reliance Industries Ltd, now operates 700 stores in 60 cities spanning 14 States with over 36 lakh square feet.

### **Sical Logistics starts 3rd box train on Delhi-Chennai sector**

SICAL Logistics Ltd has started operating a third container train on the Delhi-Chennai sector. The deployment of the third rake on the North-South corridor promises improved frequency with one train every four days. The service will be further increased with the addition of a fourth rake by December. Sical's second rake is deployed on the Delhi-Chennai sector carrying general cargo such as cars, steel pipes, malt, raw rubber and industrial chemicals. It has transported about 20,000 tonnes of cargo on the Chennai-Delhi sector since August 2008.

### **Orchid Designs joins hands with European kitchen maker**

EUROPEAN kitchen manufacturer, Ewe Kitchens, part of the euro 13.3 billion Nobia Group, has joined hands with Chennai-based Orchid Designs to enter the Indian market. The company is targeting to capture a 25% market share in the imported kitchens segment, which is estimated to be around Rs 5 billion in the country and is growing at 50% annually.

### **Norway's Telenor buys Unitech's telecom firm**

NORWAY-based Telenor, the world's seventh largest telecom operator with a subscriber base of about 159 million, has bought new generation telecom company Unitech Wireless by paying Rs 61.20 billion for a 60% stake. The deal puts the enterprise value of the company, which holds a licence for 22 circles and is yet to roll out its services, at Rs 116.2 billion. The company is promoted by Delhi based realty group Unitech, which was in the news last week after its share price was hammered down on rumours of payment defaults. Telenor is estimated to have paid a premium of Rs 50 per share for fresh equity by the telecom company.