



## MARKET MOVEMENT

| Major Indices | Apr 02, 2010 | Apr 09, 2010 | % Change | Change  |
|---------------|--------------|--------------|----------|---|
| BSE Sensex    | 17,692.62    | 17,933.34    | 1.36     |  |
| NSE Nifty     | 5,290.50     | 5,361.75     | 1.34     |  |

## INDIAN ECONOMY AT A GLANCE

### POLICY WATCH

- India, Japan resume talks on market opening pact
- India Australia sign deal to expand education ties
- Government clears Rs 43.55 billion highway projects
- India, US launch financial partnership forum
- SEBI extends ASBA to institutional investors
- Government nod to SAIL divestment

#### India, Japan resume talks on market opening pact

INDIA and Japan resumed talks on a Free Trade Agreement (FTA) that will break duty and other barriers for bilateral investment and commerce in goods and services. India is seeking market access in Japan mainly for its agricultural products and pharmaceuticals. Besides, India is interested in services like information technology, English teaching and para-medical. Both the countries would also deliberate on trade in services and investment, a key area of interest for India. Bilateral trade has more than double over the past four years to about \$11 billion in 2008-09

#### India Australia sign deal to expand education ties

INDIA and Australia inked a major education deal to expand exchanges in the sector as both sides intend to take their relationship forward. Under the deal, the two sides agreed to set up a joint education council and to extend exchanges in the field of education. An India-Australia Education Council comprising experts from both sides will be formed to expand the education exchange programme.

#### Government clears Rs 43.55 billion highway projects

GOVERNMENT has approved highway construction works worth over Rs 43.55 billion in various states, including Bihar and Rajasthan. Government gave its nod for the four-laning of Beawar-Pali section and Pali-Pindwara section of national highway (NH) 14 in Rajasthan at an estimated cost of Rs 11.02 billion and Rs 13.26 billion, respectively. Government has also cleared the Rs 6.58 billion project for four-laning of Deoli-Kota section of NH 12 in Rajasthan and the Rs 6.05 billion project for four-laning of Patna-Bhaktiyarpur stretch of NH 30 in Bihar.

### **India, US launch financial partnership forum**

**INDIA and the US has launched a joint financial and economic partnership forum that would involve the two countries closely on designing a private system** capable of financing future innovations and leverage investments in infrastructure development. The two countries can broaden partnership focusing on three key areas macroeconomic policy, financial sector reforms and infrastructure financing. India needs an investment of \$600 billion in the next five years in infrastructure sector.

### **SEBI extends ASBA to institutional investors**

**SECURITIES and Exchange Board of India (SEBI) has extended the Application Supported by Blocked Amount (ASBA) facility to institutional investors.** Currently, it is only available for retail investors and high net worth individuals. The new norms would be applicable for all public issues from May 1. Earlier money is blocked in the investor's account while he bids in a public or a rights issue. The money is debited from the account only at the time of allotment. If there is high oversubscription and the investor is not allotted any share, no money is debited from his account. SEBI move coincides with the new norms on margin payments for Qualified Institutional Buyers (QIBs). QIBs would have to pay 100% money upfront while applying in issues that open on or after May 1. Currently, QIBs pay only 25% of the money while bidding.

### **Government nod to SAIL divestment**

**Government approved disinvestment in Steel Authority of India Ltd (SAIL) to mop up an estimated at Rs 160 billion.** SAIL will raise an additional 10% of the paid up equity and the Government on its part will disinvest 10% of its holding in the PSU. This will be done in two tranches. In each tranche, there will a 5% Follow-on Public Offer (FPO) and 5% sale of the Government equity. When both tranches gets completed, the Government's shareholding in SAIL will come down to 69%, from 85.6% at present and public shareholding will rise to 31%, from 14.2%. SAIL is undertaking Rs 700 billion expansion programme to raise its installed production capacity from 13.82 million tonnes per annum (mtpa) to 23.46 mtpa.

## **INDUSTRY WATCH**

- **Merger & Acquisition touch \$19 billion in 2010**
- **Cargo traffic up by 5.68% in 2009-2010**
- **Steel consumption up 8% on high infra, auto demand**
- **PE firms invest \$2 billion in March Quarter**
- **Mineral output up 3.5 % in January**

### **Merger & Acquisition touch \$19 billion in 2010**

**THE total value of Merger and Acquisition (M&A) deals in the country in the Q1 of 2010 has nearly quadrupled to \$19 billion.** India rose to \$19.2 billion in the Q1 of this year, up from \$5.2 billion a year ago. The number of domestic transactions doubled from 39 deals worth \$2.2 billion in Q1 of 2009 to 80 deals worth \$4 billion in the same period of this year. There were 51 outbound deals in the period, while the figure stood at 24 a year ago. The number of inbound deals

also rose to 29 in first three months of 2010 from 24 deals in the same period of 2009. In terms of value, the increase was more than seven times.

### **Cargo traffic up by 5.68% in 2009-2010**

**CARGO** traffic handled by the top 12 major ports grew by 5.68% to 560.68 million tonne (mt) in the last fiscal against 530.35 mt in 2008-09. The 5.68% growth during the 2009-2010 is more than double compared to 2.13% increase in port traffic reported in 2008-09. The rise in port traffic during the last fiscal was triggered by a 21.02% jump in cargo growth to 78.22 mt, coupled with a 6.25% rise in iron ore traffic, which increased to 102 mt.

### **Steel consumption up 8% on high infra, auto demand**

**STEEL** consumption grew 8% in the fiscal year ended March 2010 due to strong demand from automobile, infrastructure and housing sectors. The country's steel consumption increased to 56.3 mt in the twelve months to March 2010 from 52.3 mt in the previous year. Production in the world's fifth-largest steel producing nation rose 4.2% to 60 mt. Domestic demand fuelled 23% growth in steel imports to 7.2 mt for the fiscal. Government's planned investments for the infrastructure sector will continue to boost domestic steel demand this year.

### **PE firms invest \$2 billion in March Quarter**

**Private Equity (PE)** firms invested about \$2 billion, the highest in the last six quarters, across 56 deals during the March quarter. The preceding quarter witnessed investments worth \$1,681 million across 102 deals compared to the corresponding quarter in the previous year saw investments worth \$620 million across 58 deals. Private Equity firms obtained exit routes for their investments in 32 Indian companies during the first quarter of 2010, including six via IPOs. This compares to 16 exits (none via IPOs) in the same period in 2009 and 20 exits (including four IPOs) in the immediate previous quarter.

### **Mineral output up 3.5 % in January**

**Mineral output from the mining and quarrying sector grew 3.54% in January 2010 compared to December 2009.** The total value of the minerals (excluding atomic and minor minerals) was estimated at Rs 101.53 billion. On a Year-on-Year (Y-o-Y) basis, mineral output grew 14.64% in January 2010 over the corresponding period last year. In the April-January 2009-10 period, mineral productions grew 9.32% as compared to that of the previous year. Coal accounted for 40% of the total mineral output value at Rs 40.63 billion, followed by iron ore at Rs 19.01 billion. Output of petroleum (crude) in value terms stood at Rs 16.26 billion in January, followed by natural gas (utilized) at Rs 14.30 billion, lignite at Rs 2.76 billion and limestone at Rs 2.55 billion. These six minerals accounted for about 94% of the total mineral output in January 2010.

## CORPORATE HIGHLIGHTS

- **Panasonic sets up PASI to focus on Indian car market**
- **Ruchi Group inks pact with Mitsui to set up a JV**
- **Veesons Energy Systems ties up with Osmo Kaulamo**
- **Larsen & Toubro and Rolls Royce sign MoU for Nuclear cooperation**
- **Air India signs \$190 million deal for IT infrastructure**
- **Gem Group in pact with Vision India for real estate development**
- **Greenko acquires LVS Power**
- **ICRA ties up with IDEA carbon to offer carbon ratings**

### **Panasonic sets up PASI to focus on Indian car market**

**JAPANESE** consumer electronics major **Panasonic** announced the setting up of an internal division, **Panasonic Automotive Systems India (PASI)**, to focus on the Indian automotive sector. PASI specializes in sales and support of in-car equipment and systems. The new division aims at developing a sales structure, which will enable quick response to the Indian automotive market, facilitated by fast decision-making and sales strategy catering to local needs. The company, as part of its global business strategy to strengthen its presence in emerging countries, will strive to take advantage of the rapidly-growing Indian market for car electronics.

### **Ruchi Group inks pact with Mitsui to set up a JV**

**RUCHI** Group has signed a pact with Japanese conglomerate **Mitsui** to form a **Joint Venture Company (JVC)**. The new 50:50 JV Company will engage in the business of establishing, setting up and operating Steel Service Centres in India to cater to automotive, white goods and construction sector. The steel service centres would be located near the India's largest auto hubs with an annual capacity of 100,000 MT for each, which will also offer services/facilities like delivery of non-processed steel coils. Initially the JV Company would set up the service centre in Gurgaon and has plans to expand to other regions of India within a span of two years.

### **Veesons Energy Systems ties up with Osmo Kaulamo**

**VEESONS ENERGY SYSTEMS PVT LTD.**, a boiler and power plant manufacturer based in **Trichy**, entered into a technical collaboration with **Osmo Kaulamo Engineering (OKE)**, Finland for manufacturing Circulating Fluidised Bed Combustion (CFBC) boilers and chemical recovery boilers. The company will be investing Rs 1 to Rs 1.5 billion in the next three years. During the current fiscal, it will set up a new manufacturing unit at Raipur in Chhattisgarh, to cater to customers in the northern and western part of the country.

### **Larsen & Toubro and Rolls Royce sign MoU for Nuclear cooperation**

**LARSEN & TOUBRO (L&T)** and **Rolls Royce** have signed a **Memorandum of Understanding (MoU)** for cooperation to effectively address the projected need for Light Water Reactors (LWR) in India and internationally. The two companies have agreed to collaborate on

areas including nuclear instrumentation and controls, engineered products and systems, reactor components, engineering services, in-service reactor support and waste management. The cooperation with L&T for instrumentation and controls will form the first operational phase of this relationship to bridge the gap in the existing supply chain in support of India's ambitious new build program.

### **Air India signs \$190 million deal for IT infrastructure**

**AIR INDIA has announced a \$190 million deal with aviation solutions provider SITA to upgrade its IT infrastructure which will enable it to join the Star Alliance.** The deal is valued at \$190 million over ten years. Air India would become able to leverage the complementary strengths and synergies of the single new carrier to the maximum, resulting in a more competitive, customer friendly and world class airline with significant improvement in their passenger yield. SITA's services will be used to deliver a single airline code to allow the seamless integration of the former domestic carrier Indian Airlines with Air India.

### **Gem Group in pact with Vision India for real estate development**

**GEM group, a leading stone mining and export group, and Vision India Real Estate, the Indian arm of a US based player in property development have entered into a Joint Venture (JV) to promote a residential project.** This is part of Vision India's plans to invest over \$100-200 million through Foreign Direct Investment (FDI) in real estate development and logistics and warehousing projects over the next three years. With the Gem Group the partners are promoting Rs 3 billion residential project The Company is looking at investing in logistics projects in Sriperumbudur, an industrial suburb to the west of Chennai and in Bangalore.

### **Greenko acquires LVS Power**

**GREENKO Group has acquired LVS Power, a 36.8 MW liquid fuel power plant.** It plans to convert the project to use natural gas and thereafter increase the capacity to 117 MW with additional investment. Greenko Group focussing on hydel, biomass and gas-based projects will invest up to \$117.89 million in the buyout deal, which includes additional capital expenditure of \$85 million. The company sees this move as strategic, helping it ramp up capacity from 37 MW to 117 MW after converting the existing plant to run on natural gas. The acquisition and conversion to support natural gas and expansion will entail investments of about Rs 6 billion.

### **ICRA ties up with IDEA carbon to offer carbon ratings**

**ICRA Online, the wholly-owned subsidiary of ICRA Ltd, has partnered with the UK based IDEA carbon to offer carbon rating services in India.** The alliance will develop best practices and assess risks associated with the carbon market instruments. It will also provide the Indian carbon market participants an independent and reliable analysis of carbon assets and help manage risks. India accounts for close to a fourth of the over 2,000 Clean Development Mechanism (CDM) projects registered with the United Nations Framework Convention on Climate Change (UNFCCC).