



**MARKET MOVEMENT**

Major Indices	June 21, 2008	June 27, 2008	% Change	Change
BSE Sensex	14,571.29	13,802.22	(5.28)	
NSE Nifty	4,347.55	4,136.85	(4.84)	

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

- Government approves cruise shipping policy
- India, Myanmar sign investment promotion pact
- Government okays Rs 4.5 billion subsidy for rural godowns
- Cabinet approves grant for drug R&D
- RBI raises lending rate
- Signing & ratification of International Coffee Agreement , 2007

**Government approves cruise shipping policy**

**THE Government approved a Cruise Shipping Policy to partake a larger portion of the \$14 billion industry.** Cruise shipping would showcase India as a major destination of world tourism. It will spill out growth in diverse other sectors. It will also generate enormous employment opportunities. Adoption of the policy by the country is expected to bring in foreign exchange. Cruise tourism is also likely to promote people to people contact and will enhance India's friendly ties with other countries.

**India, Myanmar sign investment promotion pact**

**A Bilateral Investment Promotion Agreement (BIPA) between India and Myanmar is signed in Myanmar to facilitate greater Indian investment in Myanmar and vice versa.** The Agreement, the 71st of its kind that India has entered into, provides a framework for the resolution of disputes, for promotion and protection of investment, for extending national treatment and most-favoured-nation treatment, for repatriation of investment and returns and for entry and sojourn of technical and managerial personnel.

**Government okays Rs 4.5 billion subsidy for rural godowns**

**The Government has approved a subsidy of Rs 4.5 billion for the construction and renovation of rural godowns across the country during the Eleventh Five-Year Plan period (2007-12).** Under the revised scheme, the Government would provide capital subsidy in the range of Rs 4.68 million to Rs 6.25 million to rural cooperatives, farmers and self-help groups for construction or renovation of godowns in rural areas. The scheme is expected to help in creation of additional storage capacity for storage of farm produce and strengthening of agricultural marketing infrastructure in the country.

### **Cabinet approves grant for drug R&D**

THE Cabinet Committee on Economic Affairs (CCEA) gave its approval for extending grants-in-aid to pharmaceutical companies for developing new drugs for neglected diseases, such as tuberculosis, malaria, kala-azar, and filariasis. The proposal was mooted under the Drugs & Pharmaceuticals Research Programme of the Department of Science & Technology (S&T). Department of S&T has been implementing the Drugs & Pharmaceuticals Research Programme (DRPR) since 1994-95 as a Plan Programme to support institutional collaborative R&D projects and infrastructure development in the pharmaceutical sector.

### **RBI raises lending rate**

RESERVE Bank of India (RBI) raised its key lending rate and increased the ratio of deposits banks should keep with it by 50 basis points. This is the second increase in the lending rate, known as the repo rate, this month. It rises to 8.5% with immediate effect. The cash reserve ratio (CRR) increases to 8.75% from 8.25% and will take effect in two stages on July 5 and July 19, 2008.

### **Signing & ratification of International Coffee Agreement , 2007**

THE Government gave its approval for signing and ratification of the International Coffee Agreement (ICA), 2007 which aims to strengthen global co-operation in coffee trade. ICA is a United Nations pact establishing the International Coffee Organisation. It is designed to help stabilise coffee prices globally. India has significant interest in export of coffee. It would immensely benefit from the membership of ICA.

## **INDUSTRY WATCH**

- **Laptops sporting bright colours**
- **Real estate FDI inflow up nearly five-fold**
- **Mobile growth continues, 8.62 million new users added in May, 2008**
- **Indian digital cable TV market to rank 2nd in Asia**
- **Garment sector aiming for 10% growth in FY'09**

### **Laptops sporting bright colours**

THE laptops earlier appeared mostly in austere grey or black, but are now coming in bright colours as manufacturers are adding dollops of colour to liven up the staid image of the machine. While efficiency and reliability are still the key buying factors, the new trend is being set to meet the demands of a growing class of consumers who see notebooks as an extension of their personalities. Leading Personal Computer (PC) makers such as HP, Dell, Lenovo, Acer and Sony are placing greater emphasis on style, colour and design, resulting in notebooks covering the spectrum from violet to red. Design, too, is getting an increased share of attention, a premium is placed on ergonomics and finish to draw in the discerning consumer.

### **Real estate FDI inflow up nearly five-fold**

THE real estate and housing space emerged as the most preferred option for foreign investors in 2007-08, clinching Foreign Direct Investment (FDI) equity inflows of about Rs 87.49 billion, a near five-fold increase over FY'07. The investors have seen that the real estate potential in India is huge. The returns are quite attractive. In fact, the trend is seen picking up even further this year as the prices are getting more attractive for investors. Late last year, DLF Ltd had sold 49% stake in eight residential project Special Purpose Vehicles (SPVs) to private equity investors for a total consideration of Rs 16.75 billion. A Merrill Lynch & Co entity had bought 49% equity in seven

residential projects in Chennai, Bangalore, Kochi and Indore for Rs 14.81 billion. According to data released by the Government, the real estate sector, thrown open in 2004-05, saw the FDI picking up significantly between FY05 and FY08; it was Rs 1.71 billion in 2005-06 surging to Rs 21.21 billion in 2006-07.

### **Mobile growth continues, 8.62 million new users added in May, 2008**

**GROWTH** momentum continued in the world's fastest-growing and second-largest mobile telephony market as over 8.5 million wireless subscribers were added in May 2008, taking the total telecom user base to 316.97 million. The total wireless subscribers (GSM, CDMA & WLL (F)) base stood at 277.92 million at the end of May 2008. A total of 8.62 million wireless subscribers have been added during the month of May 2008 as against 8.21 million wireless subscribers added during the month last year. Cheap call rates and rising purchasing power have resulted in the mobile boom in the country. Country's GSM operators added 6.28 million users in May and the largest operator Bharti Airtel had signed up 2.46 million new users in May to take its total user base to 66.8 million.

### **Indian digital cable TV market to rank 2nd in Asia**

**IN** four years time, India is likely to overtake Japan and three other countries – Australia, Hong Kong and South Korea – to emerge as the second largest digital cable TV home market (after China) in the Asia-Pacific region. The total digital cable subscribers will grow to 154 million by 2012 in the region and to 209 million by 2017. This implies that close to 60% of the region's cable homes will have at least one Set-top-box by 2017. Digital cable home volumes is expected to expand in India to over 12 million in 2012 (almost double the number of subscribers in Japan).

### **Garment sector aiming for 10% growth in FY'09**

**THE** garment industry is aiming for a 10% growth in FY'09. The industry has maintained a 15% overall growth rate in FY'08. Exports stood at \$9.1 billion in FY'08. India mainly exports garments to the US and EU countries. To improve export margins manufacturers are moving to more non-dollar countries, alongwith offering high-value products and increasing the range of services to overseas buyers.

## **CORPORATE HIGHLIGHTS**

- CCEA nod for OVL to invest \$437 million abroad
- Axis Bank buys 2.5% in HCC arm Lavasa
- SBI, Union Bank hike lending rate by 50 bps
- BHEL bags Rs 5.06 billion ONGC order
- Neo Corp buys Euro Plast for \$2.5 million
- Tata Steel's net rises 196% at Rs 123.22 billion
- GMR acquires 50% stake in US power company Intergen
- Tata Power net profit rises 25% in 2007-08
- Tech Mahindra in \$24 million deal with New Zealand company
- United Bank, Kotak Mahindra tie up
- TCS gets \$11.5 million Uganda deal
- Apollo Hospital's turnover crosses Rs 10 billion mark

### **CCEA nod for OVL to invest \$437 million abroad**

THE CCEA gave its approval to ONGC Videsh (OVL), the overseas investment arm of Oil and Natural Gas Corporation (ONGC), to invest \$437 million in exploring for oil and gas in three blocks in Brazil and Trinidad & Tobago. OVL plans to invest \$155 million in the first phase in a block in Trinidad and Tobago. It will invest another \$281 million in drilling operations in the two blocks in Brazil.

### **Axis Bank buys 2.5% in HCC arm Lavasa**

AXIS Bank has picked up a 2.5% stake in Lavasa Corporation, a subsidiary of Hindustan Construction Company (HCC), for Rs 2.5 billion. Axis Bank has infused the funds in the real estate project in the form of convertible preference shares and convertible debentures. This puts the valuation of Lavasa at Rs 100 billion.

### **SBI, Union Bank hike lending rate by 50 bps**

STATE Bank of India (SBI) and Union Bank of India – have announced an increase in their Prime Lending Rates (PLR) by 50 basis points each. Union Bank also raised deposit rates. SBI's PLR is now 12.75% and Union Bank's PLR is 13.25%.

### **BHEL bags Rs 5.06 billion ONGC order**

BHARAT Heavy Electricals Ltd (BHEL) announced it has bagged a Rs 5.06 billion contract from ONGC for upgradation of drilling rigs. Under the contract, BHEL would upgrade 12 onshore drilling rigs and supply new rig equipment to ONGC. The scope of the order also includes overhauling of rotating and hoisting equipment, revamping electrical systems and site erection and commissioning of these equipment.

### **Neo Corp buys Euro Plast for \$2.5 million**

NEO Corp International Ltd acquired UK-based Euro Plast Ltd for a sum of \$2.5 million. The \$12 million Euro Plast with distribution and warehousing access in Germany and France, will add to 20% to the revenues of Neo Corp. It is also expected to remove the intermediaries in the supply chain and take the company closer to the end consumers.

### **Tata Steel's net rises 196% at Rs 123.22 billion**

TATA Steel has posted a 196% rise in net profit at Rs 123.22 billion for the financial year end March 31, 2008 as compared to Rs 41.66 billion in the corresponding period last year. Total income of the company shot up by 415% to Rs 1,321.1 billion from Rs 256.5 billion. Higher prices of steel in the global market fetched Rs 21.23 billion from exports during FY'08 as compared to 19.58 billion in FY'07.

### **GMR acquires 50% stake in US power company Intergen**

GMR Infrastructure Ltd has acquired 50% stake in Intergen, a power company based at Burlington in the US, for \$ 1.1 billion. The company acquired the stake from AIG Highstar Capital II fund. The acquisition is subject to clearances under the US antitrust laws. The deal is expected to close in Q3 of 2008.

### **Tata Power net profit rises 25% in 2007-08**

TATA Power Company Ltd has posted 25% increase in net profit at Rs 8.69 billion up from Rs 6.96 billion posted in the previous year. The net sales have also increased by 25% for the fiscal at

Rs 59.15 billion (Rs 47.15 billion). The company reported 3.72% growth in its annual sales at 14,959 Million Units (MUs) in FY'08 against 14,422 MUs in FY'07.

#### **Tech Mahindra in \$24 million deal with New Zealand company**

TECH Mahindra has bagged a \$24 million engagement to assist Telecom New Zealand – popularly called Telecom – to overhaul its retail business and offer better customer service at cheaper price points. According to the contours of the 18-month commitment, the Tech Mahindra will be responsible for programme management and end-to-end systems integration of Telecom's Next Generation Telecom (NGT) retail transformation initiative.

#### **United Bank, Kotak Mahindra tie up**

UNITED Bank of India has signed a Memorandum of Understanding (MoU) with Kotak Mahindra Asset Management Company for the distribution of its various mutual fund schemes from its branches. The tie-up would enable the bank to offer financial solutions to suit the needs of its customers. The distribution of mutual fund products would also boost the bank's fee-based income.

#### **TCS gets \$11.5 million Uganda deal**

TATA Consultancy Services (TCS) has won a \$11.5 million transformational deal to design, install and integrate a tax administration system for the Uganda Revenue Authority (URA). The new system will manage all domestic taxes and duties for the URA, including income tax, value-added tax, withholding tax and other excise duties.

#### **Apollo Hospital's turnover crosses Rs 10 billion mark**

APOLLO Hospitals Enterprise Ltd achieved a turnover of Rs 11.5 billion for 2007-08, crossing the Rs 10 billion mark for the first time in its history. Turnover for the year was up 28%, over the previous year's Rs 8.99 billion. Net profit was flat at Rs 1 billion, but the net profit for the previous year included a Rs 320 million profit on the sale of the company's hospital in Sri Lanka.