



**MARKET MOVEMENT**

Major Indices	May 23, 2008	May 30, 2008	% Change	Change
BSE Sensex	16,649.64	16,415.57	(1.40)	
NSE Nifty	4,946.55	4,870.10	(1.54)	

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

- **Infrastructure firms can now borrow \$100 million abroad**
- **India hikes overseas borrowing rules for companies**
- **SEBI eases registration norms of FIIs and sub account**
- **Government clears 14 FDI proposals worth Rs 8.26 billion**
- **RBI revises capital adequacy norms**
- **Government reduces CST to 2%**

**Infrastructure firms can now borrow \$100 million abroad**

**THE Government allowed infrastructure companies to raise up to \$100 million through External Commercial Borrowings (ECBs) for rupee expenditure under the approval route.** The move is expected to boost investments in airports, ports and power projects. The infrastructure sector requires \$500 billion worth of investment during the 11th Five-Year Plan (2007-12), of which \$30 billion is expected to come through the ECB route.

**India hikes overseas borrowing rules for companies**

**THE Government hiked overseas borrowing limits for Indian companies to \$50 million under the approval route.** The earlier limit of \$20 million had been imposed on August, 2007. However, the existing \$500 million annual borrowing limit for individual companies through the automatic route has been left unchanged.

**SEBI eases registration norms of FIIs and sub account**

**THE Securities and Exchange Board of India (SEBI) simplified norms for registration of Foreign Institutional Investors (FIIs) and Sub-Accounts.** In addition, it decided to accord FII status to Asset Management Companies (AMCs) promoted by Non-Resident Indians (NRIs) provided they do not invest in “proprietary funds”. Investment managers, advisors or institutional portfolio managers in the NRI category would also be eligible to be registered as FIIs under similar conditions.

**Government clears 14 FDI proposals worth Rs 8.26 billion**

**THE Government has cleared 14 Foreign Direct Investment (FDI) proposals that will bring in Rs 8.26 billion,** including Rs 2.78 billion by Havells India Ltd. The Ministry of Finance (MoF), on the recommendation of Foreign Investment Promotion Board (FIPB), also cleared Mumbai-based Fox

Star Studios' plan for induction of foreign equity up to 100% in a domestic company for production of movies. This proposal would bring in foreign investment of Rs 99 million.

### **RBI revises capital adequacy norms**

**THE Reserve Bank of India (RBI) revised the capital adequacy norms for investment by banks in their associates or subsidiaries and vice-versa, to adhere to Basel II norms.** RBI defines associates as entities in which the parent bank has more than 30% but less than 50% stake. Indian banks with overseas branches and foreign banks in India met Basel II requirements by March 2008, which aimed to match capital reserve requirements to the risks faced by banks.

### **Government reduces CST to 2%**

**THE Government reduced the Central Sales Tax (CST), a levy on inter-state sale of goods, from 3% to 2% effective from June 1, 2008.** CST was proposed to be reduced to 2% from the beginning of 2008-09, but it could not be done as there were differences between the Centre and States over a compensation package for States for revenue loss due to the cut. Being a levy on inter-state sale of goods, CST creates distortion in the way of common Indian market.

## **INDUSTRY WATCH**

- **Electric scooter market to touch 240,000 units by FY'09**
- **Retailers adopt unique models to differentiate**
- **General insurance industry eyes 23% growth in 2008-09**
- **Indian Bluetooth headset market in for high pitch**
- **Durable companies eye new categories to tap retail, realty growth**

### **Electric scooter market to touch 240,000 units by FY'09**

**THE electric scooter market is expected to touch 240,000 units in FY'09 as compared with 110,000 in FY'08.** The Rising petrol prices, environmental concerns and on growing competition between two-wheeler makers are likely to double sales of electric scooters in India. Sales may also be helped by competition between two of the biggest rivals in the segment, including Hero Electric, a subsidiary of the Hero Group, and the Ultra Motor Company of the UK, which have announced aggressive product launches and marketing campaigns.

### **Retailers adopt unique models to differentiate**

**ORGANISED retail chains in the country have adopted unique business strategies to distinguish themselves from each other in a bid to grow in the fast growing modern retail market.** Subhiksha has used a low-price, high volume strategy, by keeping no fancy frills front-end and by becoming an intermediary at the back end. The Subhiksha model revolved around small-sized stores of 1,000-1,500 sq ft, situated in close proximity and locating in high population area. On the other hand, Spencer's, promoted by RPG group, has used a "duck and duckling" strategy wherein it has destination stores such as Spencer's Hyper and Super in one or two places and many convenience stores such as Spencer's Daily and Fresh in neighbourhood areas. Trent, owned by Tatas, has used single-brand strategy which focuses on high margin private labels and targets consumers in the socio-economic class B and C.

### **General insurance industry eyes 23% growth in 2008-09**

THE General Insurance industry is slated to touch Rs 500 billion premium income in the next five years against Rs 281.30 billion achieved in 2007-08. **In 2008-09, the state-owned general insurance companies are targeting a total premium income of about Rs 200 billion, a 23% growth, against Rs 162.59 billion achieved in 2007-08.** New India Assurance, the largest general insurer, expects a 10% growth to about Rs 58 billion in 2008-09, while United India Insurance has pegged it at Rs 42 billion against Rs 37.39 billion achieved in 2007-08. Both National Insurance and Oriental Insurance are hoping to garner a total premium income of Rs 45 billion each in 2008-09 against Rs 40.32 billion in the previous fiscal.

### **Indian Bluetooth headset market in for high pitch**

**THE hands-free mobile revolution seems to be revolutionising the use of Bluetooth-enabled headsets in the country, as the category is now coming out of the clutches of the accessories market and establishing a niche of its own.** Established branded mobile handset players are today actively looking at making headsets part of their package offering to customers. India is a major Information Technology (IT) hub and it comes as no surprise that the Indian Bluetooth headset market is expected to grow at a Compound Annual Growth Rate (CAGR) of 74% as against 48% of China. One of the key drivers of headset market growth is the explosive growth in the Indian mobile telecommunications industry, with around 8-10 million new subscribers being added each month.

### **Durable companies eye new categories to tap retail, realty growth**

**WITH an eye on the burgeoning real estate, retail and hospitality segment, Korean, Chinese and even domestic firms in the consumer durables segment are introducing products in several new categories this year.** The Indian durables market has been consistently growing at the rate of 10% - 12% every year, but the new growth segments will accord it a much-needed push. LG Electronics India is planning to introduce built-in-kitchens, air purifiers and beer sellers into India under the LG umbrella brand by this year-end. Samsung India will soon foray into digital photo frames here in the first phase with an 8-inch category, followed by 7 and 10 inch segments in the near future. Haier will be sourcing commercial ACs, freezers and water heaters from China and sell them in India under the Haier brand. Meanwhile, Mirc Electronics – of Onida fame – is all set to foray into mobile phones market under Onida brand in India.

## **CORPORATE HIGHLIGHTS**

- **Ashok Leyland and Nissan form three JV companies**
- **Eicher and Volvo sign definitive agreements to formalise JV**
- **US Private Equity firm buys 20% in Idea unit for US\$ 640 million**
- **Lanco Q4 net up by 354% to Rs 1.1 billion**
- **Educomp forms JVs with Raffles Education**
- **Infosys signs pact with BBVA for banking solution**
- **Minda Industries secures orders from Volkswagen**
- **Tata Communications in pact with Etisalat**
- **TCS bags \$100 million contract from NXP Semiconductors of Europe**
- **BHEL bags Rs 11.5 billion power contract**
- **Emami buys 27.51% Zandu stake for Rs 1.7 billion**
- **Colgate Palmolive Q4 net up 10% at Rs 556.2 million**
- **Tata Tea profit doubles to Rs 1.13 billion**

### **Ashok Leyland and Nissan form three JV companies**

ASHOK Leyland and Nissan Motor Co. Ltd announced the legal formation of the three Joint Venture (JV) companies for the Light Commercial Vehicle (LCV) business in India for vehicle manufacturing, powertrain manufacturing and technology development. This follows the signing of the Master Co-Operation Agreement between the two companies in October 2007. The aggregate investment in all three companies will be around Rs. 23 billion (approx. US\$ 575 million). The enterprise will involve a capacity of 100,000 vehicles in the first phase, to be scaled up subsequently.

### **Eicher and Volvo sign definitive agreements to formalise JV**

EICHER Motors Limited (EML) and AB Volvo (Volvo) have formalised their JV partnership, with the signing of definitive agreements. The JV comprises Eicher Motors' entire truck and bus operations and the Volvo Group's Indian truck sales and service operations. Besides commercial vehicles the JV also encompasses the components and engineering design services businesses of EML. However, Royal Enfield Motorcycles will remain outside the purview of the JV and continue to operate under the aegis of EML.

### **US Private Equity firm buys 20% in Idea unit for US\$ 640 million**

ADITYA Birla Telecom Ltd (ABTL), a wholly-owned subsidiary of Idea Cellular, will offload 20% to Providence Equity Partners, a US buyout firm, for US\$ 640 million (Rs 25.6 billion). This takes Providence's total investment in Idea Cellular to \$1.04 billion, which is the largest Private Equity (PE) investment in an Indian telecom service provider. The deal values ABTL at Rs 128 billion.

### **Lanco Q4 net up by 354% to Rs 1.1 billion**

LANCO Infratech has posted a net profit of Rs 1.1 billion for the quarter ended March 31, 2008, 354% higher than the Rs 242 million for the quarter ended March 31, 2007. Total Income is higher by 203% at Rs 6.69 billion for the quarter ended March 31, 2008 where as the same was at Rs 2.2 billion for the quarter ended March 31, 2007.

### **Educomp forms JVs with Raffles Education**

Educomp Solutions has formed two 50:50 JV with Raffles Education, the largest private education group in the Asia-Pacific region. Raffles Education Corporation (Group) had a market capitalisation of \$2.78 billion (around Rs 110 billion) as on May 26, 2008. The JV in India is expected to bring in the entire suite of the group's professional development programmes and courses to the country, providing Educomp's large student population with meaningful alternatives when they graduate from high school.

### **Infosys signs pact with BBVA for banking solution**

INFOSYS Technologies Ltd has informed that BBVA, one of the leading global banks, will implement Infosys' Finacle Universal Banking Solution. The bank, which has signed a global agreement with Finacle, will start the transformation exercise in BBVA Banco (Paraguay) employing Finacle solution. The bank will implement Finacle's core banking, Customer Relationship Management (CRM), treasury and wealth management solutions.

### **Minda Industries secures orders from Volkswagen**

MINDA Industries Ltd (MIL) has informed that it has bagged orders to the tune of Rs 500 million from Volkswagen for the supply of headlamps and rear lamps for its upcoming models in India.

The orders also include supply of rear combination lamps for the global model being manufactured in Russia. The company will supply them from its existing facility at Chakan, Pune.

#### **Tata Communications in pact with Etisalat**

TATA Communications has entered into a Memorandum of Understanding (MoU) with UAE-based Etisalat to provide enterprise grade network services in UAE. The two companies would provide Ethernet services, a protocol necessary for controlling data transmission over a Local Area Network (LAN), and other connectivity.

#### **TCS bags \$100 million contract from NXP Semiconductors of Europe**

TATA Consultancy Services (TCS) announced that it has bagged a US\$100 million, five-year contract to deliver global IT application services to NXP Semiconductors. Founded by Philips, NXP creates semiconductors, system solutions and software for better sensory experiences in mobile phones, TVs, set-top boxes and other such electronic gadgets. TCS said the contract would provide high-end consulting services as well as application management, development and support services across NXP's supply chain operations.

#### **BHEL bags Rs 11.5 billion power contract**

BHARAT Heavy Electricals Ltd (BHEL) announced it has bagged a Rs 11.5 billion turnkey contract for setting up an energy-efficient 153-MW captive power plant at Bhatinda in Punjab. The Rs 11.5 billion order has been placed on the company by HMEL, a JV of Hindustan Petroleum Corporation Ltd (HPCL) and Mittal Energy Ltd. The designing, engineering, manufacturing, supply, erection and commissioning work of the captive power plant in addition to complete civil works would be done by BHEL.

#### **Emami buys 27.51% Zandu stake for Rs 1.7 billion**

EMAMI Ltd buys Zandu Pharmaceuticals by picking up a 27.51% stake in the latter for Rs 1.7 billion. Emami acquired 102,000 shares of Mumbai-based Zandu through an off-market deal with the Vaidyas (one of the co-promoters of Zandu), corresponding to a 12.7% holding. Zandu is jointly controlled by the Vaidya and Parikh families. Prior to the present deal, Emami used to hold 14.81% in Zandu, which too had been bought from the Vaidyas earlier.

#### **Colgate Palmolive Q4 net up 10% at Rs 556.2 million**

COLGATE-Palmolive India announced a net profit of Rs 556.2 million for the quarter ended March 31, 2008, a 10% growth over the corresponding period a year-ago. The company had a net profit of Rs 505.9 million in the fourth quarter of FY'07. The total revenue rose to Rs 4.13 billion for the latest quarter from Rs 3.6 billion in the same period a year-ago.

#### **Tata Tea profit doubles to Rs 1.13 billion**

TATA Tea has more than doubled its consolidated net profit for the fourth quarter ended March 2008 to Rs 1.13 billion against Rs 520 million during the corresponding period of the previous year. Income from operations rose by a mere 1.5% to Rs 11.77 billion. Excluding the effect of one-time gains, the pure operational profits have registered an increase of 211% to Rs 808 million.