

# Weekly Newsletter

Power of Knowledge

Volume 1

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Date : 10 April 2009

BRITANNIA INDUSTRIES PERFORMANCE				
	Year ended	Quarter ended		
	Mar-08	Jun-08	Sep-08	Dec-08
Net sales	2584.11	693.3	838.54	818.28
PAT	191.01	40.3	53.3	46.15

Standalone figure in Rs crore

## HOW THE COOKIE CRUMBLERD (The Wadia group and Danone tussle)

**JUNE 2006:** Danone registers the Tiger trademark in over 70 countries without prior consent. Britannia demands royalty from Danone for use of Tiger brand in Asia. Danone also asks Britannia for royalties for using its trademark recipes and brands such as Little Hearts

**OCTOBER 2006:** Danone invests in a Bangalore-based bio nutrition company Avesthagen in October 2006 in violation of the government's Press Note 1, 2005, which requires a foreign company to obtain the consent of its Indian joint venture partner before pursuing an independent business in a similar area

**JANUARY 2007:** Britannia opposes Danone's plans to go solo in India for its dairy and foods business by pressing for its rights of first refusal

**SEPTEMBER 2007:** The Foreign Investment Promotion Board of India rejected Danone's claims that it does not need a non-compete waiver from the Wadias.

## BLOW TO BONANZA

\* 55 firms declared bonus shares in FY09

\* It was 71 in 2007-2008...

\* ...And 86 in 2006-07

\* Of the 55 firms this year, 9 were from the financial sector

\* 4 each are from IT and realty sectors

## WHEN ARE BONUS SHARES ISSUED?

Bonus shares are issued to existing shareholders by converting free reserves or share premium account to equity capital without taking any consideration from the investors

News for the week ended 10 April 2009

### Special points of interest:

- Credit offtake up 17.28% in '08-09.
- AS-11 breather will bring limited relief for companies.
- Inflation slips to 0.26%.

- Industrial production shrinks by 1.2% in Feb.
- Banks park Rs 1,22,000 crore with RBI .
- PowerGrid to borrow \$2 bn from World Bank, ADB.
- NTPC FY09 PAT up 5.56% at Rs 7,827 cr.



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## Market Outlook

The Sensex hit its highest levels in more than five months led by buying in Realty, Capital Goods, FMCG and IT stocks. The market started the day on a negative note on account of negative global cues and data showing fall in domestic exports for the sixth month in a row in March 2009. Weakness in global markets was triggered by profit taking after the steep rally in the past few weeks. The BSE Sensex and NSE Nifty were up 2.0% closed at 10803 points and 2.7% at 3343 points respectively while the BSE Mid and Small-Cap Indices gained 3.1% and 4.5% respectively. Among the front-liners, JP Associates, NTPC, Tata Motors, HUL and ITC gained between 5-9% whereas M&M, Hindalco, RCOM and HDFC Bank lost between 1.0-3.6%. In the Mid-cap segment, Jai Corp, Jet Airways, Triveni Engg, State Trading Corp and United Breweries were up by 20-21%, whereas EIH Ltd, Educomp, Onmobile, Akruiti City and Chennai Petroleum lost between 4-6%. The inflation ended near zero and the weak IIP will raise the expectation of the further easing of the monetary policy of RBI.

## Economy Highlights

### Credit offtake up 17.28% in '08-09

Bank loans have gone up by Rs 79,499 crore in the two weeks ended March 27, taking outstanding advances to Rs 27,70,012 crore, according to the data released by the Reserve Bank of India (RBI). Credit rose 17.28%, or by Rs 4,08,099 crore, in the 12 months through March 27, while total bank deposits have risen by 19.81%, or Rs 6,33,382 crore, in the same period to Rs 38,30,321 crore. On a year-on-year basis, credit growth has fallen sharply. During the year upto March 13, loans disbursed by scheduled commercial banks (SCBs) was estimated to have grown by 18.13% to Rs 26,90,513 crore, as against 21.6% during the corresponding period last year. At the same time, banks have recorded a year-on-year growth rate of 21.2% as of March 13. Aggregate deposits amounted to Rs 37,32,500 crore as on April 1, down Rs 3,362 crore over the previous fortnight's level.

### Credit swaps 'big bang' loosens bank grip as Pimco, Primus gain

JPMorgan Chase & Co, Goldman Sachs Group Inc and the eight other banks that have dominated the credit-default swaps market for a decade are now ceding some power to their clients as regulators push for transparency. Pacific Investment Management Co, Elliott Management Corp and three other investment firms will join 10 dealers this week on a committee that will make binding decisions for the first time on how contracts are settled. Such decisions have influenced payouts and, at times, had the potential to almost double the amount investors made or lost. The committee may help boost confidence in the \$28 trillion market, where banks, hedge funds, insurance companies and investors speculate on the creditworthiness of borrowers or hedge against losses on debt.

### AIG aircraft unit seeks \$5-bn Federal Reserve credit line'

American International Group Inc's aircraft leasing unit is in talks over a \$5 billion credit line from the New York Federal Reserve that could be used to facilitate its sale. Discussions between International Lease Fin-

### Inside the issue.....

- **Danone to exit Britannia.**
- **Colgate Palmolive raises prices of some brands by at least 4%.**
- **Bonus share issues fall 22% in FY09.**
- **Unitech plans \$250mn QIP issue to part-pay debt.**
- **MFs lose Rs 1 lakh cr in March.**
- **PE investments in India dip to \$210 m in March.**
- **SBI, Macquarie launch infra fund, hope to raise \$2-3 billion.**
- **India among top five deal makers in Asia-Pacific.**
- **51% STAKE - Spice interested in bidding if Satyam opts for open auction.**
- **3 pharma majors eye Wockhardt's Irish unit .**

**(For capital Market and Macro Economic indicators information? Kindly check page 3 and page 9)**

## Global indices (D o D)

Indices	▲/▼	Chg %	Close
NASDAQ	▲	3.81	1652.5
HANG SENG	▲	2.95	14901
SHANGHAI	▲	2.70	2444.4
NIKKEI	▲	.54	8964.1
STRAITS TIMES	▲	-	1828.5

## Domestic indices (D o D)

Indices	▲/▼	Chg %	Close
BSE	▲	.57	10803
Nifty	▼	-.03	3342
Bankex	▲	2.35	4584
Auto	▼	-.87	3323
BSE IT	▼	-.04	2498

## FII (8 April) (CRORES)

Rs (cr)	Purch	Sales	Net
Equity	3797	3313	484
Debt	545	688	-144

## Macro Indicators

GDP %	7.1%
WPI (Inflation)	.26%
PLR	12.75%-13.25%
Repo Rate	5%
Bank CRR	5%
Saving Bank Rate	3.5%
Reverse Repo Rate	3.5%
Forex Reserve	Rs.247.3bn

## Bullion

Bullion	10 April	chg
Gold	Rs14450	▼Rs.200
Silver	Rs20750	▼Rs.150

ance Corp (ILFC), AIG and the New York Fed were still ongoing and no decision had yet been taken on whether the facility would be provided or how big it would be. The credit line from the Fed would come from the billions of dollars worth of loans the monetary authorities have already extended to troubled insurer AIG, the paper said, citing people close to the situation.

### Bank tests could put Treasury in tough spot

With a checkup on the health of top US banks closing by month's end, the Obama administration may soon be in the uncomfortable position of going hat in hand to a hostile Congress for more financial rescue funds. Treasury secretary Timothy Geithner estimates the government still has \$135 billion left in the \$700 billion bailout kitty approved by Congress last fall. But \$135 billion can go fast in a banking crisis. If the regulatory "stress tests" of the 19 largest banks finds significant capital shortfalls, Geithner could soon find himself knocking on the door of a bailout-weary Congress. Asked on April 5 if Treasury would be asking for more money, Geithner told CBS News that he "can't make that judgment at this time. Again, our first priority now is just to move on the programmes Congress has passed and to put those in place as quickly as possible.

### Banks see 50-bp PLR cut soon

RBI governor D Subbarao appears to have finally prevailed upon bankers to pare lending rates. Subbarao, who met bankers on Wednesday in the run-up to the central bank's annual credit and monetary policy announcement, was assured by the banking fraternity that lending rates would soon be reduced by another 50 basis points. Earlier this week, the RBI governor had lamented the fact that lending rates had not fallen in line with recent reductions in policy rates. Bank of India CMD TS Narayanasami, who is also Indian Banks' Association chairman, said, "There is scope for a cut in deposit rates by 50-75 basis points over a period of one month, which could lead to a cut in lending rates by 50 basis points thereafter. We are also endeavouring to bring down our cost of funds so that we can pass it on in the form of lending rate cuts. As a banker, I would expect interest rates to come down in an economy poised for a sharper downturn."

### AS-11 breather will bring limited relief for companies

Cos will not be able to write back all kinds of exchange losses. The AS-11 breather will bring limited relief for companies as they will be able to write back only foreign exchange losses on the capital account. They will have to continue to provide for exchange losses on the revenue account on foreign currency liabilities of less than 12 months in their profit and loss (P&L) account. For instance, nearly 65 per cent of the Rs 815 crore exchange loss of JSW Steel for the nine months ended December 2008 is in the revenue account (the company imports coal, which has to be paid for in six months), which will have to be continued to be accounted for in the P&L account. 'MTM losses on forex liabilities up to 12 months have to be provided for in the forex fluctuation reserve account. If the tenure of the forex liability exceeds 12 months, you can debit it to the capital account directly,' said JSW Group CFO Seshagiri Rao.

### March exports fall a record 30 per cent

Overall exports in 2008-09 grow at slowest pace in 7 yrs. The continued contraction in exports over the past five months is set to worsen in March, as quick estimates available with the commerce

ministry reveal that overseas sale of Indian goods dipped about 30 per cent and stood at \$12 billion. The contraction this March has been attributed to weak demand from the United States and Europe, which account for 35 per cent of India's exports. Moreover, overseas sale of Indian goods had expanded by 34.14 per cent in the year-ago month and stood at \$17.25 billion, resulting in a high base.

### **Banks park Rs 1,22,000 crore with RBI**

With low credit demand, the system is flush with liquidity with banks parking close to Rs 1,22,000 crore with the Reserve Bank of India through the reverse repo window. During the two liquidity adjustment facility operations conducted by the central bank On Monday, banks did not tap the repo window to raise resources. Instead, they parked Rs 33,915 crore in the morning and another Rs 87,995 crore in the afternoon. These funds earn them 3.5 per cent interest. On Thursday, banks had parked nearly Rs 70,000 crore through the four-day reverse repo and there were no repo borrowings. In the call market, rates hovered between 2.1 per cent and 3.90 per cent on easy liquidity, with the weighted average estimated at 3.53 per cent, according to data on the Clearing Corporation of India.

### **Make transition to LLPs tax-free: MCA**

As part of efforts to encourage companies to embrace the new corporate form, the corporate affairs ministry has suggested that a firm should be exempt from paying tax while converting to a new limited liability structure. Existing firms can now convert into limited liability partnerships (LLPs), a new corporate structure that came into effect from 1 April. Under the new business structure, there is no limit on the number of partners, and the liabilities will be in proportion to the stakes held by them in the entity. The ministry of corporate affairs has written to the finance ministry requesting that the firms should be exempt from capital gains tax for the purpose of conversion.

### **Chicago Mercantile eyes India entry**

World's largest exchange in talks with Indian players to buy stake. The Chicago Mercantile Exchange (CME), the world's biggest exchange, is looking at entering India. It is in talks with several Indian exchanges to explore the possibility of picking up equity stake. Sources familiar with the developments said CME was in talks with the Multi Commodities Exchange (MCX), some of the overseas investors in the National Commodity and Derivatives Exchange (NCDEX) and also with the just-born United Stock Exchange of India (USE), promoted by various banks, Metals and Minerals Trading Corporation and Jaypee Capital Market Services. CME has two major exchanges in its fold, C-Bot and Nymex, and trades in derivatives instruments across markets such as interest rates, commodities, currencies and equities. Though CME prefers a dominant role in the exchanges where it has equity investment, this would not be possible in India. The government allows a foreign entity only 5 per cent stake in exchanges. Goldman Sachs, a leading investment bank, holds 7 per cent stake in NCDEX while the New York Stock Exchange-listed Intercontinental Exchange (ICE), a leading player in energy derivatives, holds 8 per cent. While Fidelity holds a little over 9 per cent in the Financial Technologies group-promoted MCX.

### **Industrial production shrinks by 1.2% in Feb**

This is the biggest monthly contraction since April 1993, when the new IIP series was introduced. India's industrial output posted a record contraction of 1.2 per cent in February 2009, against 9.5 per cent growth seen in the year-ago month, due to a combination of factors like weak domestic demand and fewer working days, as well as a high base in the same month of the previous year. Economists expect the index to remain weak in the coming months, but recover from the lows seen at the moment. This is the sharpest monthly contraction in the index since April 1993, when the new IIP series was introduced.

### **Inflation slips to 0.26%**

The inflation rate saw a marginal decrease to 0.26 per cent for the week ended March 28 this year. This is primarily because of the decrease in prices of primary articles. It was 7.8 per cent in the corresponding week last year and 0.31 per cent in the previous week ended March 21. With headline inflation as measured by the wholesale price index (WPI) hovering around zero rate, experts predict the rate to fall into negative territory soon because of high base effect, as oil and food prices rose sharply in the same period last year. However, the inflation rate for items consumed by the common man continues to be high. For example, sugar inflation is still at 16.99 per cent in the reported week, compared with 19.69 per cent in the previous week. Cereal and pulses inflation rates also saw a fall of around 2 percentage points to 9.61 per cent and 8.29 per cent, respectively. Low inflation, economists say, provide an opportunity for the RBI to cut key interest rates and stimulate the slacking consumption levels. "High commodity prices would then again fuel inflation in India. Therefore, India is not expected to experience deflation," said Sherman Chan, an economist with Moody's Economy.com.

## Markets Highlights

### **PE investments in India dip to \$210 m in Mar**

The plight of the private equity (PE) industry in the country continues, despite claims that it is bouncing back slowly. PE investment in the country dipped to \$210 million in 15 deals in March 2009, against \$1.3 billion in 22 deals in March 2008. PE players had invested \$291 million in 18 deals in February 2009. The average deal size has also hit a low, compared to year-ago levels. While it was \$62 million in March 2008, it dipped to \$16 million in March 2009. Deal size remained flat when compared to February 2009 levels. According to the latest analysis by JM Financial, the total amount invested year-to-date March 2009 was \$553 million in 44 deals. Incidentally, 23 deals were announced in February 2008, with an investment of \$1.8 billion.

### **Standard Chartered still in race for RBS Asian business**

Standard Chartered has expressed interest in buying the Asian assets of part-nationalised Royal Bank of Scotland Group (RBS), which is looking to sell non-core business after it suffered £24.1 billion loss in 2008. RBS had said in February it would sell non-core business in 36 countries, two-thirds of its international presence, after the bank suffered losses of £24.1 billion for 2008 fiscal. For assets in Asia, including India, RBS had invited bids by April 1. It could receive \$2 billion the sale of businesses in Asia.

### **FIs storm back to help sustain market rally**

Indian equity markets bucked the downward trend of their Asian peers to close at a record five-month high after preliminary estimates showed factory output in February had grown, albeit marginally, after two consecutive months of contraction. Domestic stock markets were among the strongest gainers worldwide, continuing a three-week rally. On the BSE, 2,021 stocks advanced compared with 468 stocks that declined. At the NSE, volumes touched Rs 17,000 crore, the highest in the last six months. Markets also responded to NTPC posting an annual net profit rise of 5.5%, better than in 2007-08. Even though this was lower than market forecasts, NTPC shares closed up 6.7%, its highest close in 11 months.

### **Exporters may have to pay more for quality checks**

If enacted into law, Food and Drug Administration (FDA) Globalization Act, 2009, introduced by three Democrats in the US Congress, will put in place a more rigorous inspection procedure that will increase the cost burden on Indian drug exporters and subject them to severe punitive fines for violations.

### **Regulators, govt to tighten supervision of financial advisors**

The government and financial sector regulators have decided to work out a policy for regulating financial intermediaries to reduce the scope of mis-selling of products and improve investor education. A panel, headed by Pension Fund Regulatory & Development Authority (PFRDA) Chairman D Swarup, has been set up as some of the regulators believed that investors were unable to make an informed decision due to the fragmented nature of various segments of the financial sector. While an earlier panel headed by the then Insurance Regulatory & Development Authority (Irda) Chairman C S Rao had concluded that investor advice being rendered was more-or-less fine, some of the regulatory agencies were learnt to have raised concerns.

### **MFs lose Rs 1 lakh cr in March**

Managers expect a large part to be invested back by April 10. The mutual fund industry has suffered an erosion of a whopping Rs 1 lakh crore during the month of March alone due to huge redemptions from banks and institutional investors in liquid and money market funds. The total investments of the fund industry in debt papers like certificate of deposits (CDs), commercial papers (CPs) and collateralised borrowing and lending obligations (CBLOs) stood at around Rs 1,84,000 crore at the end of February. Industry experts said that, by March-end, this corpus had depleted by over 50 per cent. "The industry would have lost around Rs 1 lakh crore as banks and institutions redeemed their investments during the last week of March," said Jaideep Bhattacharya, chief marketing officer, UTI Asset Management Company.

### **India among top five deal makers in Asia-Pacific**

India, along with Japan and China, is among the top five countries in the Asia-Pacific region with the highest number of merger and acquisition deals in the first three months of this year, even as the economic downturn has impacted the overall M&A activity in the region. Overall, the mergers and acquisition (M&A) activity in Asia Pacific region dropped nearly 30 per cent to \$160 billion in the first quarter of 2009 as against \$223.21 billion in the same period a year-ago, according to data compiled by global deal tracking firm Zephyr. India is among the top five countries in the region in terms of the number of M&A activities in the

first three months of 2009 with 331 deals, even as the deals saw a 72 per cent decline from the same period a year ago.

## **The return of risk appetite**

Money is returning to emerging markets. A look at the MSCI in dices shows that, despite all the hoo-ha about the great performance of stock markets across the world in recent weeks, the MSCI World Index was, as on 2 April, down 5.89% from the beginning of the year. The G-7 Index of stock markets in the world's most wealthy countries is lower by 6.38% this year. The MSCI US Index is down 7.08%.

## **SBI, Macquarie launch infra fund, hope to raise \$2-3 billion**

At a time when private equity players are finding it difficult to raise resources, the country's largest bank, State Bank of India (SBI), and the Macquarie Group said that they have tied up over \$1 billion for an infrastructure fund. In fact, both hope to raise the corpus to \$2-3 billion during the course of the year. Macquarie Group is a global provider of banking, financial, advisory, investment and funds management services. While announcing the launch of the Macquarie-SBI Infrastructure Fund (MSIF), a joint statement said that global investors have committed \$887 million to the fund along with a direct co-investment commitment of \$150 million by SBI, bringing the total capital raised to \$1.04 billion. MSIF is managed by the SBI-Macquarie joint venture, along with the International Finance Corporation (IFC), the private sector lending arm of the World Bank. IFC is a minority shareholder and cornerstone investor in MSIF. The MSIF partners have committed to raising \$150 million each, thereby bringing in a total of \$450 million of sponsor commitments, the statement said.

## **Industry Highlights**

### **RIL set to enter fuel retailing in US, Europe**

Anticipates better margins from direct sales. Reliance Industries Ltd (RIL), the largest private sector company in the country, is set to enter fuel retailing in the US and Europe, almost a year after it closed retail operations in India. The company plans to sell petrol directly to retail outlets in the US. After evaluating the US response, it will start selling diesel to bulk consumers in Europe, sources familiar with the developments said. RIL is looking at floating subsidiaries for its operations in the US and European countries such as France, Italy, Germany and Switzerland. The company, which has trading desks in Houston, London, Singapore and Dubai, will set up more desks in the US and Europe. It will also set up separate marketing divisions for each country. RIL is also believed to be in talks with fuel retailers such as Jiffy Lube and Hess Corporation for its US retail operations. Selling petrol directly in the US market could save the company 5 to 10 per cent additional cost as traders' commission, so the company has approached the US authorities for approvals to start direct fuel sales. The company had recently started gasoline (petrol) trading operations in Houston for the US Gulf Coast and New York Harbor markets. Last month, RIL booked 1.3 million barrels of clean product storage in the New York Harbor area, the first time an Indian firm has taken storage in the US to store and trade petroleum products.

### **PowerGrid to borrow \$2 bn from World Bank, ADB**

Central transmission utility PowerGrid Corporation said it would borrow \$2 billion (about Rs 10,000 crore) from the World Bank (WB) and Asian Development Bank (ADB) to part finance the Rs 55,000 crore investment plans till 2012. PowerGrid would get the global apex monetary body's loan of \$1 billion by June, 2009, and that from ADB (\$1 billion) in the next financial year 2010-11. These loans would be utilised for financing the company's projects over a period of 3-4 years. "The World Bank loan would be approved by June this year, it is also the end of their (World Bank) financial year, and this amount would be utilised for projects till the end of the current plan and beginning of next plan (2012-17)," CMD PowerGrid SK Chaturvedi said.

### **Fortis 'open' to buying rivals**

Fortis Healthcare, the New Delhi-based healthcare chain, said it was open to acquiring rivals, including Wockhardt Hospitals, owned by Habil Khorakiwala. Fortis, owned by Shivinder Mohan Singh, on April 2 had sought the Securities and Exchange Board of India's permission to raise Rs 1,000 crore from sale of rights shares. Fortis said the funds to be raised through the rights offer were meant for the expansion plan, which included scaling up the number of hospitals to 40 from 27 by 2012. It plans to spend about Rs 2,500 crore (\$500 million).

### **RIL Q4 profit to surge 15%, refining margins to rise**

Reliance Industries Ltd (RIL), the country's largest private sector conglomerate, is expected to report a 10-15% surge in profits for the fourth quarter of the financial year, compared to the third quarter. The surge in

profits will mainly be facilitated by its petrochemicals business and marginally improved refining margins. RIL had posted a net profit of Rs 3,501 crore for the third quarter of FY09. In February, RIL had said its profits for the third quarter would have been lower by Rs 39 crore had it followed the Accounting Standard 11 (AS 11) as prescribed by the guidelines on 'effects of changes in foreign exchange rates' notified in the Companies Rules (accounting standards) 2006. Analysts believe that RIL's gross refining margins (GRMs) will marginally improve to \$10.5-a-barrel, as against \$10-a-barrel in the third quarter, despite the downturn. RIL's GRM will average around \$3.5-\$3.8 per barrel above the benchmark Singapore complex margins.

### 3 pharma majors eye Wockhardt's Irish unit

<b>PRESCRIPTION FOR LIQUIDITY</b>	
<b>Sale of Pinewood</b>	<b>1,000</b>
<b>24% stake sale of Wockhardt Hospitals</b>	<b>500</b>
<b>Working capital loan from SBI and other banks</b>	<b>175</b>
<b>Sale of veterinary business</b>	<b>250</b>
<b>Total</b>	<b>1,925</b>
<b>(Figures in Rs crore)</b>	

Three leading international pharma companies have started due diligence to acquire Wockhardt Ltd's wholly-owned Irish generic drug company, Pinewood. The company, which has given Swiss bank UBS the mandate for the sale, has been valued at Rs 1,000 crore. The move is part of the financial restructuring plan by the Habil Khorakiwala family, promoters of Wockhardt group, to raise around Rs 1,925 crore by selling Pinewood, part of Wockhardt Hospitals and its veterinary division and from a fresh working capital loan. Last week, the company was forced to opt for corporate debt restructuring (CDR), following a steep 17.25 per cent rise in net debt to Rs 3,400 crore in December 2008 from Rs 2,900 crore a year ago. Khorakiwala is also planning to divest 24 per cent in the super-speciality hospital chain Wockhardt Hospital Ltd, which runs 12 hospitals across the

country. Fortis and Apollo Hospitals were reportedly interested in picking up the stake, but a Wockhardt spokesperson denied that it was in talks with any of them.

***Khorakiwala, however, intends to keep management control of the hospital chain. Wockhardt's promoter-family, which holds 74 per cent in the company, has pledged 79.21 per cent of its shareholding to various banks and institutions.***

### NTPC FY09 PAT up 5.56% at Rs 7,827 cr

State-owned National Thermal Power Corporation (NTPC) today said its profit after tax (PAT) in the financial year ended March 31, 2009, grew 5.56 per cent to Rs 7,827.4 crore compared to the same period the previous year. The company had a profit after tax of Rs 7,414.8 crore in last fiscal, NTPC said here. Net sales of the company rose to Rs 42,182.4 crore in FY09 from Rs 36,946.2 crore a year ago. Shares of NTPC were trading at Rs 187.75, up 1.82 per cent in the afternoon trade on the Bombay Stock Exchange.

### Tata Industries gets I-T demand on round-tripping

Demand on capital gains on Idea share sale by Mauritius subsidiary; Fema and telecom regulation violations also alleged. The income tax (I-T) department has sent a notice to Tata Industries, raising a demand of Rs 298 crore on capital gains on the sale of shares in Idea Cellular, held through a wholly-owned Mauritius-based subsidiary, Apex Investments, to Birla TMT Holdings in India. Although the amount is not large, the notice, which was sent last month, is significant because, I-T department sources said, it was the first discovered case of "round-tripping" or "treaty shopping" and has significance for Indian companies structuring offshore deals.

### Sun slumps after talks with IBM said to collapse

Sun reportedly rejected an offer of about \$9.4 a share as too low. Sun Microsystems Inc slumped as much as 27 per cent in early trading after reports that takeover negotiations with International Business Machines Corp fell apart. Sun's board, led by co-founder Scott McNealy, told Armonk, New York-based IBM on April 4 it was breaking off exclusive talks, according to a person familiar with the situation. Sun, the developer of the Java programming language, rejected an offer of about \$9.40 a share as too low, said the person, who declined to be identified because the talks are private.

### Essar stock zooms on divestment, acquisition reports

Riding high on rumours of delisting and acquisition of a refinery, the shares of Ruias-controlled Essar Oil

shot up 48 per cent on the Bombay Stock Exchange (BSE). The scrip opened at Rs 82.40 and rose to Rs 125 intra-day, before closing at Rs 119.15, its highest closing price in nearly six months. Essar Oil was the best performer on the BSE 200 Index. However, the stock price is still much below its 52-week high of Rs 300 reached on April 25 last year. Denying the delisting rumour, the company spokesperson later said Essar Oil would not like to comment on acquisition of Kenya Petroleum Refinery (KPRL), since it was still discussing the issue with the government of Kenya.

### **Maggi turns 25, Nestle to unveil new campaign**

Nestle India is set to roll out a new marketing drive to mark the 25th anniversary this week of its instant noodles brand, Maggi. Called 'Me & Meri Maggi', the campaign is supposed to celebrate the consumers' bond with brand Maggi. The company plans "360 degree activation" across television, print and the internet, beside on-ground activities.

### **Danone to exit Britannia**

Wadias to buy French firm's 25.5% stake; IPR dispute on Tiger remains unresolved. The Wadia group settled its two-year-long dispute with Groupe Danone SA over control of Britannia Industries. Ending their 15-year-old association, the Wadias and Danone have reached a deal under which the French company will exit Britannia and sell its 25.5 per cent stake. Leila Lands, a Mauritius-based investment firm and a wholly-owned subsidiary of Bombay Burmah Trading Corporation, a Wadia group company, will buy the French firm's indirect stake in Britannia on April 14, according to a statement to the Bombay Stock Exchange. Although both the groups were tightlipped on the details, Wadia group executives, who did not want to be identified, said the acquisition price would be around Rs 750 crore, valuing Britannia at around Rs 3,000 crore. Wadia group sources said a little over 6 million shares were expected to change hands at around Rs 1,200 per share amounting close to Rs 750 crore. Wadia group sources indicate that the reserves for this buyout will be raised outside India. Britannia's standalone turnover was Rs 2,584 crore in the year ended March 2008 and the Wadia group recorded a turnover of Rs 4,176 crore in the same period. Danone and the Wadia group own equal stakes in Associated Biscuits International Holdings, Britannia's controlling shareholder. The acquisition will increase the Wadia group's stake in Britannia to 51 per cent from 25.5 per cent.

### **Colgate Palmolive raises prices of some brands by at least 4%**

At a time when consumer goods makers such as Hindustan Unilever Ltd (HUL) and Procter and Gamble Ltd (P&G) are cutting prices of their products, Colgate Palmolive India Ltd, the leader in the tooth paste segment, has raised prices of some its brands. "We have got new stock of the 'Colgate Strong Teeth' toothpaste priced at Rs56 per 200gm pack. Earlier, the same pack was selling at Rs54," said a New Delhi-based distributor on condition of anonymity. Dealers said the company has increased prices of some brands by at least 4% and more such hikes are in the offing.

### **51% STAKE - Spice interested in bidding if Satyam opts for open auction**

A unit of Spice Group, Spice Innovative Technologies Ltd, is likely to re-enter the bidding contest to acquire a 51% stake in fraud-hit Satyam Computer Services Ltd if the board takes more measures to boost transparency, group chairman B.K. Modi said. Spice Innovative withdrew from the bidding process on 25 March, alleging that it lacked transparency. The company wants an open auction instead of tenders through sealed envelopes and is insisting on the disclosure of the identities of all the shortlisted bidders. Satyam said it had modified the bidding process to introduce a second round open auction to find a new owner if it receives bids that are within 90% of what the highest bidder quotes.

### **Bonus share issues fall 22% in FY09**

The financial year 2008-09 saw only 55 firms declaring bonus shares, compared with 71 a year earlier and 86 in 2006-07. Of the 55, nine firms were from the financial sector, four each from information technology (IT) and real estate sector, and three each from mining and pesticides sector. Not a single company from the auto ancillaries and entertainment sectors declared bonus shares during 2008-09, as against over four firms issuing bonus shares a year earlier. Only three mid- and small-sized IT firms – Kaashyap Technologies, Compucom Software and Jetking Infotrain – issued bonus shares in FY09, down from 13 IT firms in 2008. The engineering sector saw just two companies – Larsen & Toubro and Gujarat Apollo Industries – declaring bonus shares, compared with five in 2008.

### **Unitech plans \$250mn QIP issue to part-pay debt**

Unitech Ltd, the country's second-biggest real estate developer, plans to raise as much as \$250 million (Rs 1,250 crore) through private placement of shares to qualified institutions, company officials said, to repay part of its debt of over Rs 8,000 crore. The New Delhi-based developer plans to raise the funds by the end of

month, a company official, said declining to be identified. The company is planning to reduce Rs 1,000 crore of debt on its books by June this year. Unitech Managing Director Sanjay Chandra and key officials of the company have been in Mumbai over the past couple of days to gauge investor sentiment. The real estate company has hired UBS and IDFC as arrangers for issue. Unitech's move comes after the developer withdrew its application with the Foreign Investment Promotion Board (FIPB) in February to raise Rs 5,000 crore from the sale of securities. A year earlier, the company planned to raise Rs 7,500 crore through a qualified institutional placement or QIP.

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*Please provide your feedback and suggestions for further improvement at [geetikac@icofp.org](mailto:geetikac@icofp.org)*

## Forex rates

<b>Rs/\$</b>	<b>Rs.50.04</b>
<b>Rs/€</b>	<b>Rs.66.27</b>
<b>Rs/£</b>	<b>Rs.73.27</b>

## Crude Oil

<b>Price</b>	<b>Chg</b>
<b>\$52.65</b>	<b>+2.24</b>

## Top Gainers BSE

<b>Company</b>	<b>%</b>	<b>Close</b>
<b>TATASTEEL</b>	<b>7.43</b>	<b>243.05</b>
<b>UNITECH</b>	<b>6.99</b>	<b>39.35</b>
<b>RELINFRA</b>	<b>5.97</b>	<b>618.20</b>
<b>ICICIBANK</b>	<b>5.69</b>	<b>376.40</b>
<b>DLF</b>	<b>5.17</b>	<b>211.70</b>

## Top Losers BSE

<b>Company</b>	<b>%</b>	<b>Close</b>
<b>HINDLVR</b>	<b>-3.44</b>	<b>241.30</b>
<b>WIPRO</b>	<b>-2.80</b>	<b>282.35</b>
<b>M&amp;M</b>	<b>-2.63</b>	<b>448.20</b>
<b>CAIRN</b>	<b>-2.59</b>	<b>204.45</b>
<b>GAIL</b>	<b>-2.53</b>	<b>275.15</b>

Data of capital market 10.4.2009