

- **SEBI SIMPLIFIES STREET PLAY FOR FOREIGNERS:-**

A bloated oil import bill, weakening rupee, and huge FII outflows (\$3 billion so far this year) have forced the government to give individuals and corporates easier access to the Indian stock market. Listed foreign Companies with an asset base of not less than \$2 billion and a profitability record, and foreign individuals with a minimum net worth of \$50 million can now trade in local stocks. They can operate as sub-accounts, where FIIs registered in India manage the investments. Sections in the market, however, feel that the \$2billion floor may be a little too high.

The changes introduced by capital market regulator Sebi on would also enable more overseas entities to invest as sub-accounts of FIIs, foreign portfolio managers take exposure to collective investment scheme like art funds and FIIs to issue participatory notes (PNs) to entities like some hedge funds. PNs are derivative instruments issued by FIIs to overseas investors who have no access to the Indian market.

Till now, sub-accounts, on whose behalf investments are made in India by FIIs, had to be primarily broad based. This meant sub-account had to have at least 20 investors and no one could hold over 10% stakes. Now, a sub account investor can have as much as 49% stake, which would make it possible for just three investors to form a sub-account-two with 49% stake each and one with 2%.

Significantly, the new regulations will also allow NRIs to set up their own advisory company and get the fund registered as FIIs with SEBI. Here the NRI fund as the fund manager while the investors are foreign nationals and corporates. Sebi has received several applications from such entities.

The changes reflect a softening of SEBI's stance since its clampdown on PNs in October. Sebi had not only barred issuance/renewal of PNs where the underlying investments are stock opinions and futures, it has also put a cap on total PN issuance by an FII

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- **FDI IN MULTIBRAND GEMS AND JEWELLERY RETAIL LIKELY:**

NEW DELHI: NCAER is in favour of allowing FDI in multi-brand retail step-by-step. The government may consider 49% foreign Direct Investment (FDI) in segments such as gems and jewellery and apparel after the National Council of Applied Economic Research (NCAER), which has been mandated to study the effects of

multibrand retail in India, submits its report next month. The government does not allow FDI in multibrand retail now. Only 51% is permitted in single brand retail.

“Last year, we had commissioned NCAER to study the consequence of opening of multibrand retails in India. After the think-tank submits its report, we will be able to consider whether FDI can be opened up in multi-brand retail,” a Government official said.

At present, the government is of the view that foreign players should not be given majority shareholding in retail companies. According to the sources in the government, NCEAR also holds the view that the role of foreign players in the sector should be limited. Several safeguard measures may be made mandatory when FDI retail is cleared.

If the proposal passes muster among various ministries and left parties, giants like Wal-Mart, Metro and Carrefour will be able to enter the Indian market through joint ventures for multi-brand stores. As of now, Wal-Mart and metro are involved in cash-&-carry wholesale trade, in which 100% FDI is permitted.

The Indian retail market, which is the fifth largest globally, is estimated to grow from \$330 million in 2007 to \$427 billion by 2010 and \$637 billion by 2015. Organized retail, which at present accounts for 4% of the total market, is likely to increase its share to 22% by 2010.

• THE FUTURE OF ALLIANCES:-

NEW DELHI: When Mr. Ambani was escaping for a change from his daily, routine he was invited on dinner by none other than Mr. Phutuma Freedom Nhleko, the president of MTN Group, South Africa's leading telecom player. However, the purpose of this dinner was not any business relationship and it doesn't actually lead to any business relationship then, but as soon as the proposed merger between MTN and Bharti Airtel collapsed following disagreement on sharing structure, RCOM taken over and now negotiating with a possible merger. Predicting about the future of this merger the experts claim that it will make the two entities one of the sixth largest mobile phone operators with more than 130 million subscribers.

MTN is Africa's biggest phone firm with network in 21 Countries spanning South Africa to Nigeria to Iran where Reliance is India's 2nd biggest telecom operator. MTN and Reliance have been skillful at generating profit from customers who typically spend very little for mobile service-less than \$20 a month at MTN and less than \$9 at Reliance based on their latest quarterly reports Reliance earned a profit of \$1.4 billion on \$4.8 billion in sales in the year that ended in March 31st. MTN had a profit of \$1.6 billion in 2007 on sales of

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\$9.7 billion.

In Africa, there are few landlines and potential growth in mobile lines. Through its subsidiary Reliance FLAG, RCOM is investing \$1.5 billion to lay a submarine fiber optic cable to Africa. In the month of February, the company bought a small Ugandan telecommunication company Anupam Global Soft. It plans to invest about \$500 million along with eWave World, a British telco it owns, to build and acquire WiMAX networks in emerging markets including Africa. Reliance is also building a 9,000-kilometer undersea cable from Egypt to South Africa. And now May 26th, Reliance acquired Vanco (VAN.L.), a British enterprise network service provider for \$77million.

Reliance is known for making dramatic announcements but this time Reliance could be serious says analysts. Reliance interest in MTN has been longstanding; many believing that Mr. A. D. Ambani must have discussed possible partnership at Nhleko's dinner a year ago. This time around, Reliance cannot be seen to propose and then not go through with this marriage of alliances.

- **TIMES GROUP BUYS UK'S VIRGIN RADIO FOR 448CR:-**

In its first-ever overseas acquisition in the media space, The Times Group has acquired Virgin Radio Holdings LTD. And its subsidiaries in the UK from SMG Plc for a consideration of £53.2 million (Around Rs.448.4 crore).

Virgin Radio, a music channel which operates under an FM license in London and an AM license in the rest of the UK, was acquired by TIML Golden Square LTD, a wholly-owned subsidiary of Bennett Coleman & Company Ltd. (BCCL), owners of leading media brands in India.

Virgin Radio, after a period of transition, will not retail the Virgin Brand-giving it the freedom to develop its own mix of music and entertainment, without branding parameters outlined by Virgin Enterprises.

TIML, which will manage the station along with Irish Company Absolute Radio, will invest £15 million in developing and re-launching the brand over the next few months. Virgin Enterprises will retain the brand for its own global radio strategy. The acquisition is being seen as a key entry point into the vibrant British radio market as the new owner have closed the deal at almost a quarter of what SMG paid in 2000-£225 million- to acquire the radio station. This decision was arrived at collectively only after we all collectively only after we all carefully considered the various options. I wish TIML all the best with their new radio brand," said Richard Branson of the Virgin Group.

"I believe that £53.2 million represents a sound price for Virgin Radio and a good deal for SMG shareholders. I would like to wish the management and all the employees of Virgin Radio the best of luck for the future and I am sure the business will continue to prosper under TIML's ownership" said Rob Woodward, Chief executive of SMG Plc.

By autumn this year, the new owners will develop working with Absolute Radio, a new music and entertainment brand, building on the work already achieved by the award winning team at Golden Square.

- Times goes for first ever overseas acquisition in media space.
- Acquires Virgin Radio and its arm in UK from SMG Plc for ZRs.448 crore
- Virgin Radio has FM license in London and AM license in rest of UK.
- TIML to manage the station along with Irish company Absolute Radio
- To invest £15million in developing and re-launching the brand.

“Now it is a great period to be entering the UK market. We are pleased to be working with a great team of UK based radio experts, Absolute Radio,” said AP Parigi, Chief Executive of TIML.

The BCCL group is India’s leading market conglomerate and owns a bouquet of media brands, with a large presence in radio, television, internet and entertainment.

- **SUPREME COURT OF INDIA ALLOWS KHODAY TO USE WORD ‘SCOT’**

NEW DELHI: The Supreme Court of India on Tuesday 27th of May 2008 allowed the Khoday group to use the word ‘Scot’ on its premium whisky brand Peter Scot. A bench comprising Justice SB Sinha and LS Panta rejected the contention of the Scotch Whisky Association, an industry body of manufactures and exporters of Scotch Whisky that the domestic whisky makers should be restrained from using words ‘Scot’ or ‘Scotch’ on their products. Setting aside the Madras HC verdict, this allegedly had the effect of restraining the Khoday Group from using words ‘Scot’ or ‘Scotch’ on its brands, the court said that the association had taken action against a few companies, which not only use the word scotch but also but also used the word Highland, Chief, Terrier etc.

According to the court: “the nature and the kind of the customers should be looked at and the class of buyers who will buy such whisky would be aware of what they are buying”

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