

<p>CRUDE OIL London Brent falls 50 cents Price: \$ 57.82 a barrel</p>	<p>MUTUAL FUNDS Funds with FMCG focus outperform 90-day return: 8.4%</p>	<p>FOREX Euro hovers near 9-month lows Euro: \$1.2135</p>	<p>GOLD Spot gold at \$434.8/oz Prev close: \$438.5/oz</p>	<p>PLUS </p>	<p>CREATIVE BUSINESS THE NUMBERS GAME Star is scaling up KBC II ON PAGE 24</p>
--	---	--	---	---	---

Business Standard

FT In association with **FINANCIAL TIMES**

NEWS IN BRIEF

TCS to hire 13,500
Tata Consultancy Services Ltd (TCS) will recruit 13,500 people during 2005-06, including 2,000 from abroad. "The company will recruit 13,500 personnel during the year against 10,000 last year."

Videocon oil fields
Videocon Industries Ltd is set to sign a preliminary agreement for developing four oil fields in Jordan, Chairman Venugopal Dhoot said. Dhoot said he will sign the MoU in Jordan on Wednesday.



Nissan CEO Carlos Ghosn poses with a shareholder during a roundtable gathering after Nissan's 106th general meeting of shareholders in Yokohama in Tokyo on Tuesday. Reuters

Kopran, Merck deal
Pharma company Kopran Ltd has announced transfer of its three brands, Vent, Tini and Bid, and the design for inhalers to Merck Specialities Pvt Ltd for Rs 20 crore.

PM on food stocks
Prime Minister Manmohan Singh on Tuesday took stock of the food grain position and the impact of delayed monsoon over the kharif crop. The meeting was attended by Agriculture Minister Sharad Pawar and Finance Minister P Chidambaram.

Plan panel
Resource constraints have forced the Planning Commission to scale down investments by 12.5 per cent in crucial areas including agriculture, power and manufacturing.

Airbus on row
Airbus has put a lid on the controversy following its demand for a CVC probe into Air-India's decision to buy aircraft from its competitor Boeing, saying it was not going to revisit the past.

DoT on spectrum
Ahead of finalising the spectrum policy, the department of telecom has sought the finance ministry's views on Trai's recommendation for reducing spectrum charges from 6 to 4 per cent.

IOC investment
Indian Oil Corp (IOC) plans to invest more than Rs 23,000 crore over the next five years in adding new capacities at the existing refineries and building a new refinery at Paradip in Orissa.

Divestment Act
The government has decided to amend the Act under which it had acquired two sick companies to create the Tyre Corporation of India Ltd, before going ahead with its divestment.

Airport spruce-up
The group of ministers will take up the modernisation plans of Delhi and Mumbai airports on Wednesday.

BS specials

From rich to poor
The primary function of the G8 summit is to socialise the neo-cons in Washington, writes Nitin Desai
OPINION: PAGE 11

10 BS DEBATE
More talk
Will Onelndia help the spread of telephony?

BROAD-BASED RALLY TAKES MARKET TO 7,076 POINTS

Sensex not out of steam above 7,000

OUR MARKETS BUREAU
Mumbai, 21 June

Led by a rally in index heavyweights Reliance Industries and Oil and Natural Gas Corporation, the 30-share Bombay Stock Exchange index scaled the 7,000-point peak today and stayed put there to close at 7,076.52, for the first time in its 130-year history. The 50-scrip National Stock Exchange index too closed at a historic high of 2,170 points. Against the overall perception that the markets might correct after breaching the 7,000 mark yesterday, the Sensex touched an intraday high of 7,083.58, gaining 98 points. The rally was broad-based, triggered by Reliance, ONGC and news of the good progress of monsoon. Reliance Industries the second biggest constituent of the index, rose 2.46 per cent to close at a new high of Rs 645.90 and ONGC 2.5 per cent to close at Rs 944.95.

The market capitalisation of BSE today rose to Rs 18,20,000 crore but was still below its all-time high of Rs 18,31,000 crore recorded on June 15. Despite the rally, the losers continued to outnumber the gainers by a wide margin for the third successive day today with 1,134 stocks advancing and 1,358 stocks declining. However, among the 30 share Sensex basket, there were more gainers than losers. Against the yesterday's ratio of 14:16, today 24 stocks ended in positive territory while six scrips ended lower. The volumes were moderate with both the exchanges ac-

CORPORATE EARNINGS PROP UP MARKET FUNDAMENTALS

OUR SMART INVESTOR TEAM
Mumbai, 21 June

Fundamentally, stock markets are on a firm footing with corporate earnings growth expected to be in the range of 20 per cent in fiscal 2005-06. Over the past two years, Sensex earnings (earnings of all Sensex companies combined in accordance with their weights in the index) have grown about 29 per cent per annum. This year could be a bit lower, yet good enough to justify current equity prices. According to Mihir Vora, head of equities at ABN Amro mutual fund, markets as a whole still looks attractive. "There are specific stocks and sectors which appear overvalued at this point in time, but they will be counter balanced by others which are still undervalued," says Vora.

As per consensus among research houses, sectors which are likely to see the maximum growth (EPS) in FY06 is telecom at 77 per cent. Technology and metals comes next, both of which are expected to grow by more than 30 per cent, followed by power and engineering companies at 29 per cent. Among those expected to post least growth include media (1 per cent), banking (8 per cent) and chemicals at 9 per cent.

As for the Sensex, the index valuations for fiscal 2004-05 were actually cheaper at 15 times as compared to 19 times for FY04. And according to consensus estimates, the valuations are going to be still cheaper go-

ing forward. The estimates for Sensex valuations for FY06 are at 13-14 times.

"Considering the Sensex valuations going forward, it cannot be called overvalued. Especially since corporate earnings are expected to grow by 12-16 per cent in FY06," notes Vora.

Adds Bobby Surendranath, Vice President, Investments, Standard Chartered Mutual Fund, "Markets are reasonable at current levels. Given the current valuations, stocks are not expensive."

Based on trailing earnings to the Sensex is actually cheaper than last year, reflecting the relatively lower earnings growth expected this fiscal.

The constituents of the Sensex, i.e; the stocks that make up the Sensex themselves are thought to be getting cheaper as far as valuations for FY06 are concerned. Consider Infosys. The technology bellwether is currently trading at a trailing 12-month P/E of 34 times. The consensus estimates for FY06 stands at 23 times. Similarly for TCS, the stock is presently going at a P/E of 27 times, while the outlook for FY06 is 20 times. The valuations for the stocks which are expected to make the biggest contribution to Sensex earnings, ONGC and Reliance Industries are also below their FY05 levels.

Thus, the overall market health, heavily dependent on the corporate earnings growth is thus bound to be good, goes the reasoning.

counting for Rs 8190.91 crore trading, ONGC, HLL, Cipla, Gujarat Ambuja and ICICI Bank pushed the Sensex to a new high forcing the traders who were short in the futures and options (F&O) segment to square off their position, brokers said. Deven Choksey, managing director, KR Choksey Securities, said: "If the Sensex sustains the current level, it

may head towards 7200. Smart moneys are chasing large cap stocks and amid inter-mediate corrections the frontline stocks will drive the market up." However, Ved Prakash Chaturvedi, managing director, Tata Mutual Fund, cautioned the investors saying there could be a correction as rising crude prices could come into play now. Mukesh Ambani's com-

panies were in the limelight today with Reliance Industries rising 2.46 per cent IPCL ending about one per cent higher at Rs 169.10. Reliance Energy scriped marginally lower at Rs 655.30 and Reliance Capital lost 1.61 per cent lower at Rs 289.45. The big gainers were Cipla (up 7.08 per cent to Rs 304.75), Gujarat Ambuja (up 5.99 per cent to Rs 62.85).

Anil makes open offer for Rel Cap at Rs 231 a share

OUR CORPORATE BUREAU
Mumbai, 21 June

Anil Ambani today announced an open offer for 20 per cent paid-up equity of Reliance Capital Ltd (RCL), the financial services company now under the Anil Dhirubhai Ambani Enterprises group. The open offer has been made at Rs 231 a share, nearly 25 per cent lower than today's closing of Rs 289 on the Bombay Stock Exchange, but Rs 3 per share more than what he had committed to invest in the company on Sunday.

Anil will spend Rs 1,188 crore for the open offer if it is fully subscribed. This is over and above his commitment to invest Rs 2,000 crore in preferential shares of the company.

The offer, to open on August 11, is not subject to any minimum acceptance level. It will close on August 30.

The offer follows the RCL board's decision on Sunday to allot 60 million preferential shares of Rs 10 each and 41 million warrants, attaching rights to convert them to equity shares, to Anil for Rs 228 a share. The RCL board had also decided to issue up to 29 million equity shares to financial institutions.

Market sources said the open offer price might be revised, considering its difference with the ruling market price. However, merchant banking sources said a decision on price revision would be taken seven days before the closure of the offer.

The acquirers — Anil and his newly-floated AAA Enterprises — will have maximum 32.03 per cent or minimum 27.74 per cent of the voting rights of RCL after the preferential issue, depending on the number of shares issued to the financial investors. On full subscription of the proposed open

All in the open



Anil Ambani

- Offer opens on August 11 and closes on August 30
- Anil will spend Rs 1,188 crore if it is fully subscribed
- This is over and above his commitment to invest Rs 2,000 crore in preferential shares

offer, Anil's stake will go up by 20 per cent.

As of today, Anil and his wife, Tina, hold a combined 0.28 per cent stake in RCL. AAA Enterprises, which has Anil and Tina as directors, is yet to commence operations.

RCL promoter Reliance Industries' holding in the company will come down from 32 to 27 per cent, depending on the subscriptions of the investors following the issue of preferential shares. This holding will ultimately be transferred to AAA Enterprises, in line with the settlement reached between the Ambani brothers last week. On Sunday, Anil had announced that RCL would be repositioned as a full spectrum financial services powerhouse.

Tyre fiasco hits F1's N America prospects

FINANCIAL TIMES
21 June

Formula One's commercial prospects in North America lay in ruins on Monday as US broadcasters, television rights holders, sponsors and advertisers contemplated Sunday's Grand Prix fiasco at Indianapolis.

Only six of the 20 cars took part, to the fury of 120,000 racegoers and a few million American TV viewers, after concerns about the safety of tyres supplied by Michelin escalated into a dispute between teams and motor sport's governing body. Seven of the 10 teams abandoned the race before it started.

Neither of the two US media groups which have contracts to cover F1 — CBS and Speed — made public comment on Monday night. But both were understood to be dismayed at the likely impact on advertisers and sponsors by images of disgruntled fans hurling beer bottles and other debris on to the track, in a debacle acknowledged even by F1 team owners as likely to have done irreparable damage to the sport's already lacklustre image in the US.

While the specialist motor sports channel Speed has held a contract to cover F1 for several years, CBS has been only recently persuaded to start covering the sport. It had taken out a one-year trial contract to cover four grands prix with the California-based DIC Entertainment group, which acquired the US rights in a deal with promoter Bernie Ecclestone.

Dozens of F1's sponsors, some of whom have been drawn into F1 recently specifically because of the lure of F1's fledgling re-entry into North America, after a gap of around a decade, are also expected to launch critical reviews of their marketing strategies.

Industrial unrest here again

SUVEEN K SINHA & S KALYANA RAMANATHAN
New Delhi, 21 June

Industrial unrest is rearing its head again, even as companies prosper. The last few months have seen a spate of labour-related issues cropping up in corporate India with more in the pipeline.

The Limda plant of Apollo Tyres near Baroda witnessed a strike in the first week of this month. Workers have been on strike at SKumars Nationwide Ltd's worst fabric

plant at Thandavapura near Mysore since May 31. The contract transporters of Tata Motors struck work on June 7. A strike was avoided at Toyota Kirloskar Motors recently by the a wage hike given by the management. Hyundai Motors India Ltd, in a seemingly pre-emptive move has agreed to a wage revisions every three years. Workers of Maharashtra and Gujarat electricity boards have been threatening strikes. And Coal India Ltd's union has declared a strike from July 18 this year unless

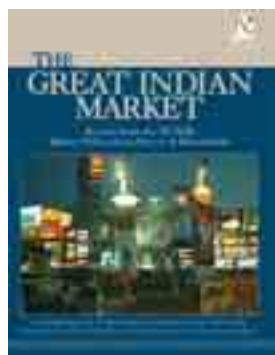
wages get revised. The indications were there last year only, with the Economic Survey showing a rise in mandays lost due to strikes to 3.20 million in the first nine months of 2004 from 3.20 million in the whole of 2003.

Admittedly, things are not as bad as the depths plunged in 2000, which saw 11.96 million man days lost and a violent protests at Tata Engineering in Lucknow the day Ratan Tata received Padma Vibhushan for corporate excellence in New Delhi.

However, the striking features this time are that companies have shown excellent financial performances, as opposed to bleak ones in 2000. Secondly, labour trouble is no longer confined to their historical bastions of jute mills and small units. Big companies including multinationals too are having to grapple with industrial relations issues. It could be because wages and salary increments have not kept pace with the growth in profits or sales of corporate India.

Bharat forges ahead

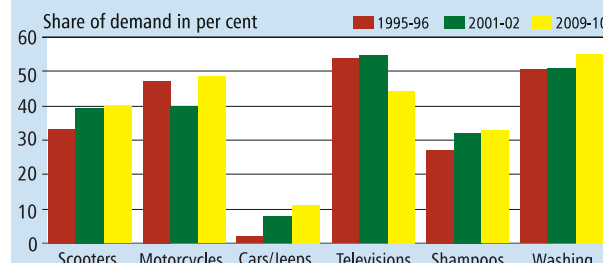
By the end of the decade, 11% of car demand will come from rural areas



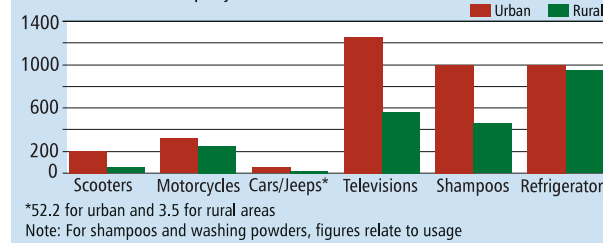
SUNIL JAIN

Thanks to the rapid rise projected in rural incomes over the next few years, especially in the upper income groups, the share of demand from the rural areas is projected to rise steadily — by the end of the decade, roughly 11 per cent of the country's demand for cars/jeeps will come from rural areas. While some part of this is clearly due to the fact that rural areas are home to the majority of the coun-

Rural consumers to the fore
Rural share of markets is projected to rise



Though usage will continue to remain low
Ownership per 1000 households for households earning between Rs 90,000-135,000 per year in 2009-10



try's population, the gap between rural and urban usage patterns is also projected to decline significantly, according to the National Council of Applied Eco-

nomics Research (NCAER) latest 'The Great Indian Market, based on its all-India sample survey of over 300,000 households.

At the aggregate level, nearly a tenth of all urban households owned a car/jeep in 2001-02 compared to a mere 0.3 per cent in rural areas. By the end of the decade, while urban usage will grow to 26 per cent, rural usage will increase to 1.2 per cent. That is, in 2001-02, urban usage was nearly 34 times as large as rural usage but by the end of the decade, this will fall to under 22.

In the case of scooters, this difference is projected to fall from 5.9 to 4.7, from 2.5 to 1.8 in the case of motorcycles and from 3.4 to 2.5 in the case of mopeds.

● Continued on Page 9

Matrix PBX and KTS connect

over 10,000,000 calls everyday!

Matrix offers a diverse range of telecom products that enable millions of users to communicate effectively. With more than 40 telecom products suiting exactly to your needs, Matrix provides the most comprehensive communication solutions. They include Digital PBX, Digital ISDN KTS, Voice Messaging Solutions, PLCC Applications, GSM/FCT Routers...the list goes on.

Growing at over 800 line units per day, no wonder Matrix is the choice of corporates all across the country. Amongst these include American Express, Bajaj Auto, Bharat Petroleum, Du-Pont, Garnier Laboratories, Grasim Industries, HDFC Bank, Hindustan Lever, Hutch, Indian Oil Corporation, ISRO, Larsen & Toubro, L'Oreal India, Pepsi, PriceWaterCoopers, Sahara India, Samsung and Zee News.

It is quite possible, the next call you make or receive might be routed through a Matrix product!

MATRIX TELECOM SOLUTIONS
PRODUCTIVITY MULTIPLIED

MATRIX TELECOM PVT. LTD.
394-GIDC, Makarpura, Vadodra-390010, India.
Ph: +91 265 2630555, Fax: +91 265 2636598
Email: Info@MatrixTeleSol.com, www.MatrixTeleSol.com

Delhi - 09313074302, Kolkata - 09316774305, Mumbai - 09322074302, Chennai - 09349264704
Ahmedabad - 09327274302, Bangalore - 09349227228, Hyderabad - 09346809557