

<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 FINANCIAL TIMES In association with

NEWS IN BRIEF

i-flex alliance
i-flex on Tuesday announced an alliance with Capco to acquire intellectual property rights for its operational risk tool suite, Ortos. **PAGE 13**

Kopran, Merck deal
Kopran has transferred three of its brands — Vent, Tini and Bid — and the design for inhalers to Merck Specialties Pvt Ltd for Rs 20 crore. **PAGE 13**

Videocon in Jordan
Videocon Industries Ltd will sign a preliminary agreement for developing four oil fields in Jordan on Wednesday. **PAGE 13**



Deputy Chairman of Planning Commission Montek Singh Ahluwalia speaking at a book release function in New Delhi on Tuesday. He said the growth in the economy since the 1990s notwithstanding, there has not been much reduction in poverty levels PTI **REPORT ON PAGE 3**

TCS to hire 13,500
TCS will recruit 13,500 people during 2005-06, including 2,000 people from abroad.

Yes Bank IPO
Yes Bank's IPO, which closed on Tuesday, was subscribed 29 times. The bank received bids aggregating about Rs 9,000 crore against its proposal to raise about Rs 300-350 crore.

Airbus retracts
Airbus has decided not to press its demand for a CVC probe into orders placed on arch rival Boeing by Air-India.

MTNL net down
MTNL reported a 18.38 per cent drop in net profit to Rs 938.97 crore and a 12.19 per cent drop in net income from services to Rs 5,592.38 crore in 2004-05.

IOC refinery
IndianOil plans to invest Rs 23,000 crore over the next five years in new refining capacity. **PAGE 2**

Hyundai in China
Hyundai on Tuesday signed an agreement with China's Guangzhou Motor Group to set up a \$1.24bn commercial vehicle joint venture. **PAGE 8**

Posco MoU
Posco will sign a MoU with Orissa on Wednesday to set up a 12 million tonne steel plant at Paradip. **PAGE 13**

Airports upgrade
A group of ministers will take up the issue of the modernisation and privatisation of Mumbai and Delhi 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 intra-day high of 7,083.58, gaining 98 points. The rally was broad-based, triggered by Reliance, ONGC and news of the good progress of the 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, losers continued to outnumber 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 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 accounting for Rs 81,90.91 crore trading.

● Continued on Page 9

Explaining the rally

- STRENGTHS**
- Sensex company earnings expected to grow 23 per cent in 2005-06
 - Sensex trailing P/E at 15.17
 - Domestic mutual funds collections are buoyant; FII flows strong
- WEAKNESSES**
- Mid-cap valuations appear to be stretched
 - Market breadth indicators are bearish
 - Nifty futures trading at a discount to cash
- OPPORTUNITIES**
- Possible Chinese slowdown could mean diversion of some regional flows to India
 - Valuations are higher in other Asian economies
- THREATS**
- Inflationary pressure from rising oil prices
 - Commodity prices could fall further if China slows down



Top 5 Sensex gainers

Rs/share	Today's close%	Chg
Cipla	304.75	7.08
Guj Amb Cem	62.85	5.99
ICICI Bank	418.45	3.30
HLL	152.60	3.00
Maruti Udyog	453.75	2.58

Earnings prop up 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 now, 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 in next, both of which are expected to grow by more than 30 per cent, fol-

lowed 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 compared to 19 times for FY04. And according to consensus estimates, the valuations are going to be still cheaper going forward. The estimates for Sensex valuations for FY06 are at 13-14 times.

● Continued on Page 9

Anil makes open offer for Rel Cap

Offer 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

Closing in



- 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

shares issued to the financial investors. On full subscription of the proposed open 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.

Business Standard LOCALISING

Last week we gave you more pages. This week we take the process of change another step forward, by giving you more local and regional news. Readers can now look forward to in-depth reportage and analysis of business in their immediate environment in two pages of Accent West, Tuesday to Friday every week. These pages give you more news on Maharashtra and the western states.

For easier navigation, the two Accent pages are in the first section, along with news on the economy, politics and international business; the second section deals once again with corporate and market news.

These changes are in addition to our new, wider coverage of stocks and commodities markets introduced last week. We now have not one but two commodities pages. There is also more for the equities investor in our enlarged and improved stock listings.

The process does not end here, of course. Look out for more changes in Business Standard over the next few weeks that we trust will make the paper even more essential reading for you.

Industrial unrest resurfaces

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

Emboldened by the resurgence of the Left and aware of corporate coffers bursting at their seams, workers have struck work in a number of companies in the last few months. More are expected to do so in the near future. The Limda plant of Apollo Tyres near Baroda witnessed a strike in the first week of this month. Workers have been on strike at S Kumars Nationwide Ltd's worsted fabric plant at

Labour pangs

- TROUBLED:** Apollo Tyres, S Kumars Nationwide Ltd, Tata Motors
TROUBLE BREWING: Coal India, Maharashtra State Electricity Board, Gujarat Electricity Board
TROUBLE AVOIDED: Toyota Kirloskar, Hyundai Motors



Thandavapura near Mysore since May 31. The contract transporters of Tata Motors struck work on June 7. A strike was avoided in May this year at Toyota Kirloskar Motors by a wage hike. Company insiders say the man-

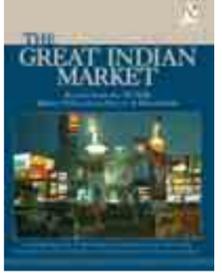
agement is thinking of expanding operations outside Karnataka, possibly to a location in North India, where, they hope, labour would be more manageable. Hyundai Motors India Ltd, in a seemingly pre-

emptive move, has agreed to a wage revision every three years starting next year. Workers of Maharashtra and Gujarat electricity boards have been threatening strikes. And all the unions of Coal India have jointly called a strike from July 18 unless wages are 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 2004-05, as compared to 3.20 million in entire 2003.

● Continued on Page 9

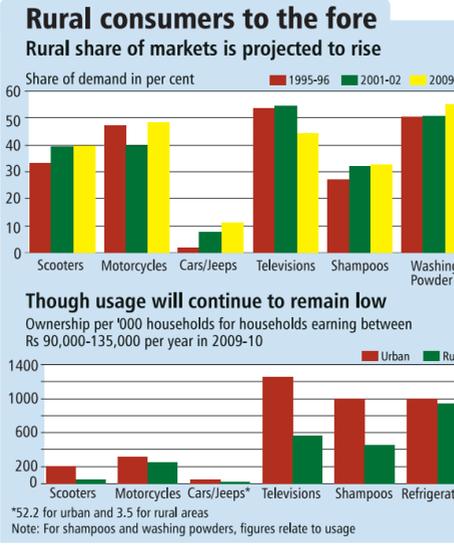
Bharat forges ahead

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 country's population, the gap between rural and urban usage patterns is also projected to decline significantly, according to the National Council of Applied Economic Research's (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.

● 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, Vadodara-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