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FORTNIGHTLY BIZ E– NEWSLETTER

India Focus

this issue

Dr. Raghuram Rajan, RBI Governor

BILATERAL

Tata-Singapore Airlines venture gets Aviation Ministry nod

PTI, April 3, 2014

The Tata's joint venture (JV) with Singapore Airlines has got the nod from the Aviation Ministry.

In a late evening development on Wednesday, the Civil Aviation ministry granted a no-objection certificate to the Tata-SIA joint venture, which will enable the company to approach the Directorate General of Civil Aviation (DGCA) for securing an air operator's permit.

While confirming the development, a Tata-SIA spokesperson said they are yet to receive an official communication from the Ministry on the issue.

The JV has already reportedly received the mandatory security clearance for its three directors from the Union Home Ministry, a major prerequisite for getting a NOC from the Aviation Ministry.

The JV has 51 per cent stake from Tata Sons while the rest is held by... ***Cont on P. 8***

TOP NEWS » ECONOMY

RBI adopts new CPI as key measure of inflation

The Hindu, April 2, 2014

The Reserve Bank of India (RBI) Governor, Raghuram Rajan, on Tuesday, said that the central bank had adopted the new Consumer Price Index (CPI) (combined) as the key measure of inflation.

Earlier, RBI had given more weightage to Wholesale Price Index (WPI) than CPI as the key measure of inflation for all policy purposes. "Some recommendations of Urjit R. Patel Committee report have been implemented, including adoption of the new CPI (combined) as the key measure of inflation," said Dr. Rajan, while addressing a press conference here to announce the first bi-monthly monetary policy for 2014-15.

This also includes explicit recognition of the glide path for disinflation, transition to a bi-monthly monetary policy cycle, progressive reduction in access to overnight liquidity at the fixed repo rate, and a corresponding increase in access to liquidity through term repos, and introduction of longer-tenor term repos as well as, going forward, term reverse repos.

Following on the recommendations of the high-level advisory committee chaired by Bimal Jalan, and after consulting the Election Commission, the RBI will announce in-principle approval for new bank licences. "Immediately after, and using the learning from the licensing exercise as well as building on its

World Bank projects 5.7 % growth for India

***PTI,** WASHINGTON, April 10, 2014*

The World Bank on Wednesday projected an economic growth rate of 5.7 per cent in fiscal year 2014 for India on the back of a more competitive exchange rate and many large investments going forward.

"The region's largest economy, India, would see growth rise to 5.7 per cent in fiscal year 2014 from 4.8 per cent last fiscal year with activity receiving a boost from a more competitive exchange rate and many large investment projects going ahead," the World Bank said in its latest edition of 'South Asia Economic Focus.' Another multilateral agency IMF had on Tuesday forecast that Indian economy would recover from 4.4 per cent growth in 2013 to 5.4 per cent in 2014.

The World Bank report said in India the problem was the banking sector's growing exposure to company debt.

The fear was that this could ultimately affect the government's finances through its ownership of state banks and the need to prop up distressed but systemically important banks, it added.

previously-released discussion paper on banking structure, the Reserve Bank will work to giving licences more regularly, that is virtually “on-tap”. It will also set out categories of differentiated bank licences that will allow a wider pool of entrants into banking,” Dr. Rajan added.

Inflation Indexed Bonds

To expand investor demand for inflation-indexed bonds, Dr. Rajan said, “design changes, improving their attractiveness to the general public are being worked out.”

In order to expand the market for corporate bonds, banks would be allowed to offer partial credit enhancements to them. He also said that the feasibility of limited re-repo/re-hypothecation of “repoed” government securities was being explored. The RBI, he said, would continue to work to ease entry costs for foreign investors. It would also strive to reduce risk for investors and the volatility of flows. Towards this end, the RBI Governor said that modalities for allowing foreign portfolio investors (FPIs) to hedge their currency risks through exchange-traded currency futures were being worked out in consultation with the Securities and Exchange Board of India (SEBI). Further, he said that FPIs would be allowed to hedge
their coupon receipts falling due during the next 12 months.

To encourage longer-term flows and reduce volatility, FPI investments in G-Secs would, henceforth, be permitted only in dated securities of maturity of one-year and above, and existing investment in T-bills would be allowed to taper off on maturity/sale. Any investment limits vacated at the shorter end would be available at longer maturities, “so that overall FPI limits will not be diminished.”

Inclusion and customer protection

To enlarge the banking correspondent (BC) base, Dr. Rajan said that the inclusion of new entities, as well as a relaxation of existing distance restrictions, was being considered.

The RBI Governor further said that banks should not levy penal charges for non-maintenance of minimum balance in ordinary savings bank account and inoperative accounts, “but instead curtail the services accorded to those accounts until the balance is restored.”

He said that the RBI would frame comprehensive consumer protection regulations based on domestic experience and global best practices. In the interest of their consumers, banks should consider allowing their borrowers the possibility of pre-paying floating rate term-loans without any penalty. “Banks should also not take undue advantage of customer difficulty or inattention.”

To tackle distress in the system, Dr. Rajan said that the comprehensive framework to help banks reduce their non-performing assets (NPAs) even while putting distressed projects back on track would be effective from Tuesday. “We will monitor progress, and make any needed adjustments to ensure it operates smoothly.”

Ban on FIIs in defence may be partially lifted; announcement likely in annual review meeting on FDI

ET Bureau | 7 Apr, 2014

NEW DELHI: India is set to partially lift a ban on foreign portfolio investment in the defence sector during the annual review of the foreign direct investment policy, a government official with knowledge of the matter said.

The move is likely aimed at allowing foreign institutional investors (FIIs) who hold shares of local defence manufacturers to keep their holdings. This is expected to clear confusion triggered by a sudden ban on investment by FIIs.

The Department of Industrial Policy and Promotion (DIPP) has received the Election Commission's approval to carry out minor tweaks in the FDI policy, including the rules on airlines, the official said. Any policy steps taken after the announcement of poll dates need to be cleared by the election watchdog.

"Some (defence) companies had portfolio investment before the ban came into effect," said the official who is privy to the discussions on a consolidated FDI circular. These companies, however, will not be able to raise portfolio investment further if it falls from the August 22, 2013 level when the new policy was announced.

In August, the government allowed up to 26 per cent FDI in defence companies through the automatic approval route. Any investment of more than 26 per cent would require the approval of the cabinet committee on security.

Foreign investment in defence production had earlier been allowed on a case-by-case basis, but it was not a formally stated policy. However, a subsequent press note issued by the DIPP's administrative in-charge of FDI policy said investment by FIIs through the portfolio route is not permitted in the sector. The sudden ban on portfolio investments created uncertainty and confusion for a number of manufacturers, including Larsen & Toubro and Pipavav DefenceBSE 0.27 %. Confusion intensified as provisions under the Foreign Exchange Management Act were not modified in line with the FDI policy to explicitly state that such investments were prohibited.

The finance ministry, which is the administrative in-charge for investments through the portfolio route, took up the issue with the defence ministry and the DIPP following several industry representations.

The issue of future investment through this route will not be touched for now due to the elections and the new circular will mainly clarify the stance on existing players, the official said.

Experts say the principle of grandfathering is well established under the FDI policy. In the civil aviation sector, DIPP has proposed to explicitly state that nonresident Indians, who are allowed to hold up to 100 per cent stake in both scheduled and non-scheduled operators, can invest in a domestic company along with a foreign airliner. "The policy always intended this, but it is being reworded now to put it explicitly," said the official.

Agri exports outpace other commodities'

***Business Standard**: April 04, 2014*

Mumbai: Growth in India's agricultural exports has exceeded the rise in exports of other products. Through the past few years, these products have consistently seen a rise in their share in the export basket, primarily due to the huge stocks resulting from bumper output, as well as favourable government policies.
According to data from the commerce ministry, in 2010-11, agricultural exports stood at $17.35 billion, in 2011-12 $27.43 billion, in 2012-13 $31.86 billion and in the first 11 months of 2013-14, it stood at $29.3 billion.
During this four-year period, overall exports recorded 93 per cent growth. The share of agricultural commodities in India's overall export basked rose to 10.66 per cent in 2012-13 from 7.06 per cent in 2009-10.
"Agricultural exports growth will continue in the future, too, with improved prospects and favourable long-term policy support," Commerce Minister Anand Sharma had said on the sidelines of a Business Standard awards function here on Saturday.
Sharma said from now, basmati rice would incorporate the new Pusa 1121 variety. Various promotional efforts in major importing countries made the Pusa 1121 variety a preferred choice. Also, the Centre had signed free trade agreements with a number of agricultural product-deficient countries. The government also allowed exports of foodgrains and other agricultural commodities on a quota basis, with a positive response.
Recently, India had allowed limited exports of pulses to Maldives. It has already been announced subsidy for sugar had resulted in a spurt in exports.
Buffalo meat and guar gum are other major products seeing significant growth in the export basket. Though guar gum prices have fallen in the past year, its exports have risen in volume terms.
“The growth momentum in India’s agricultural exports is expected to continue in the next few years, with an increased share of processed food, including mango pulp, dried and preserved vegetables, meat and poultry items. Factors such as reduced transaction costs, time, better port gate management and fiscal incentives contributed to this upward trend. With continued focus on issues such as food safety and compliance with international standards, we can surely reach new heights,” said Piruz Khambatta, chairman and managing director, Rasna, and chairman, Confederation of Indian Industry’s national committee on food processing. According to the World

Trade Organization, global export and import of agricultural and food products stands at $1.66 trillion and $1.82 trillion, respectively, of which India's shares are 2.07 per cent and 1.24 per cent', respectively. This indicates India is a net exporter of agricultural products. The country ranks 10th in terms of global agricultural and food exports.

In recent years, the government's policy impetus has provided stability to agricultural exports. Given sufficient stocks of foodgrains in the central pool, the government has allowed exports of wheat. Also, efforts have been taken to promote horticulture exports. "Though these measures are in the right direction, a consistent long-term trade policy, with tariff in a narrow band, might be required to acquire international presence in commodities, wherein it has comparative advantage," Economic Survey 2012-13 had stated.

Sharma said the government was working on a long-term policy for sustainable growth in agricultural commodities. Currently, India is the world's largest rice exporter and second, in terms of wheat exports. Horticulture exports have also seen good growth. To achieve the desired growth, "India needs to change the cropping pattern, with a larger focus on north India", Sharma had said.

R S Rawat, secretary-general, Associated Chambers of Commerce and Industry of India, said, “The government must take policy reforms to support growth in agricultural commodities. To achieve the $70-billion export target for 2017 will not be too ambitious, with the possibility of policy implementation increasing productivity and promoting diversity of crops and specialised items to meet specific demands abroad.”

Among agricultural commodities, exports of basmati rice have risen 46 per cent to $3.47 billion in the first nine months of this financial year, compared with $2.37 billion in the year-ago period. Exports of non-basmati rice rose seven per cent to $2.13 billion in the April-December 2013 period from $1.99 billion in the year-ago period.

RBI relaxes rough diamond import norms

***Business Standard**: April 02 , 2014*

In a further liberalising of the norms for rough diamond imports, the Reserve Bank of India (RBI) has lifted restrictions on a number of mines abroad, to which advance remittances can be extended for such import of roughs.

Banks may use their own discretion to extend advance remittance to Indian importers in favour of global miners. Based on recommendations from the Gems & Jewellery Export Promotion Council (GJEPC), RBI had in 2007 notified five global miners of roughs — including Diamond Trading Company, UK; Rio Tinto, UK and BHP Billiton, Australia — to which an importer was allowed to make advance remittance without any limit and without a bank guarantee or standby letter of credit for import of roughs. The number was later extended to nine, including Al Rosa and Gokharan from Russia and Endiama EP from Angola.

“Henceforth, we will not notify the names of overseas mining companies from whom an importer may import rough diamonds into India, by way of advance payments, without any limit or bank guarantee or standby letter of credit,” RBI stated on Monday. At present, banks extend remittances to foreign miners on behalf of importers before the dispatch of consignments.

“RBI’s move will help the industry, as we will be able to procure rough diamonds from anywhere. Our hands will be free now,” said Shreyas Doshi, chairman, Shrenuj & Co.

Banks are now permitted to decide on the foreign mining companies to which an importer can make advance payments, without any limit or bank guarantee or standby letter of credit, the circular clarified. RBI cautioned that mining company in question should have recommendations from GJEPC and importers, be a recognised processor of roughs and have a good record.

The advance payment should be transferred directly to the account of the company concerned, not through numbered accounts or otherwise. The regulator has ,however, restricted remittances to any mining company without certification from the Kimberly Process Certification Scheme, established in 2003 by the United Nations to prevent diamond sales from financing war or human rights abuses.

For public sector undertakings, banks may permit the advance remittance with a specific waiver of bank guarantee from the ministry of finance, where the advance payment is equivalent to or exceeds $100,000.

India’s forex reserves soar to $303.67 billion

IANS, Mumbai, April 5, 2014

India’s foreign exchange (forex) reserves soared by $5.03 billion to $303.67 billion for the week ended March 28, Reserve Bank of India (RBI) data showed.

The forex reserves have soared past $300 billion mark for the first time since December 2011.

This is the fifth consecutive week of increase in the country's forex reserves as overseas investors poured in money in local bonds and stock markets. The forex reserves had risen by $1.34 billion and $1.83 billion in the previous two weeks.

The government's stake sale in Axis Bank, a large part of which was bought by foreign funds, is among the major reasons for such a sharp jump in the forex reserves kitty. The government divested 9 percent of its stake in Axis Bank during the week under review.

According to the RBI's weekly statistical supplement, foreign currency assets, the biggest component of the forex reserves, rose by $5.01 billion to $276.40 billion.

Foreign currency assets, expressed in US dollar terms, include the effect of appreciation or depreciation of non-US currencies held in reserve such as the Pound sterling, Euro and Yen.

India's reserve position with the International Monetary Fund (IMF) rose by $30 million to $1.83 billion.

However, the value of special drawing rights (SDRs) fell by $3.6 million to $4.45 billion, while the value of gold reserves remained unchanged at $20.97 billion.

BANKING/FINANCE

FPIs can't buy G-secs with maturity of less than 1 year: RBI

PTI, April 1, 2014

To encourage long-term foreign fund flows, the Reserve Bank on Tuesday prohibited foreign investors from buying government securities having maturity of less than one year.

"Investments by FPIs in G-Secs shall henceforth be permitted only in dated securities of residual maturity of one year and above, and existing investment in Treasury Bills will be allowed to taper off on maturity/sale," the Reserve Bank of India (RBI) said in its monetary policy document.

The RBI has been rationalising and expanding limits for foreign portfolio investor (FPI) investments in debt markets.

To encourage longer maturity flows, investment limits in Treasury Bills were capped at $ 5.5 billion in April, 2013.

Later in June, the limit for long-term investors was increased by $ 5 billion.

FPI is a new umbrella class for foreign institutional investors (FIIs), sub account and qualified foreign investors.

The overall limit for FPI investment in G-Secs will, however, remain unchanged at $ 30 billion so the investment limits vacated at shorter end will be available at longer maturities, the RBI said.

The central bank also proposed simplifying know-your-customer (KYC) procedures for opening bank accounts by FPIs.

On foreign direct investment (FDI), the RBI has decided to withdraw all existing guidelines relating to valuation in case of acquisition or sale of shares and accordingly such transactions will henceforth be based on acceptable market practices.

Operating guidelines will be notified separately, it added.

RBI further said it will continue to work to ease entry while reducing risk from the volatility of flows.

"The modalities for allowing FIIs to hedge their currency risk by using exchange traded currency futures in the domestic exchanges are being finalised in consultation with the Securities and Exchange Board of India (SEBI)," it said.

In order to enhance hedging facilities for foreign investors in debt instruments, it is proposed to allow them to hedge the coupon receipts falling due during next 12 months.

Rebooking of cancelled contracts in case of contracted exposures has been fully restored.

It is further proposed, RBI said, to allow all resident individuals, firms and companies with actual foreign exchange exposures to book foreign exchange derivative contracts up to $ 250,000 on declaration.

Large foreign banks need to be responsive to local norms: RBI

PTI

Sending a strong signal that large foreign banks will have to operate as wholly-owned units for better regulatory control, Governor Raghuram Rajan on Tuesday asked them to be responsive to local regulations and warned that if "carrot does not work," it will have to wield the stick.

"At some time this (wholly-owned subsidiary route) will have to become a regulatory issue and to ensure the banking sector stability, we need our large foreign entities to be responsive to the regulations here," Dr Rajan told reporters at the customary post-policy meeting in Mumbai.

"And, therefore at some point in time if the carrot does not work, we may need to push a little harder, as some of the jurisdictions across the world have done," he said.

Last November, the RBI had released a framework for large foreign banks with over 20 branches to convert into wholly-owned subsidiaries and had set a cut off period of August 2010 under which those banks entering the country after this date would have to become subsidiaries and not branches.

The framework said all foreign banks which move to a wholly-owned subsidiary route will be treated nearly on par with nationalised banks apart from capital gains tax and stamp duty benefits.

"But unlike some of our commentators who feel that we were giving away the house by allowing this, the foreign banks don't see it as appetising," Dr Rajan said.

The framework had set the priority sector lending norms for such branches at 40 per cent like domestic scheduled commercial banks.

"Some of them are worried about the greater priority sector obligations. Going forward we will have to take a view at some time," the RBI governor said.

Dr Rajan said before making it mandatory for foreign banks to convert into wholly-owned subsidiary, there are some issues which need to be resolved.

"But before that let us first address some of the concerns that people have, not just the foreign banks, but the people elsewhere and see if this becomes a more attractive monetary move," Dr Rajan said.

He said some foreign banks have informed the RBI that they are some distance along the way in making up their mind on conversion to wholly-owned subsidiary.

He also said there is no deadline being set so far for foreign banks to meet the wholly-owned subsidiary norms.

As per the new criteria, only Standard Chartered, HSBC and Citi Bank out of the over 45 foreign banks have to mandatorily become subsidiaries. The troubled British lender RBS also had to follow but it has decided to exit from retail banking in India.

BUSINESS

Walmart to launch 50 stores in big India push

ENS Economic Bureau | New Delhi | April 9, 2014

US retail major Walmart said that it will open 50 cash-and carry-stores in the country in the next 4-5 years, a move that will strengthen the presence of the retail major in the wholesale segment.

With this development, Walmart has tried to skirt the speculations on its entry into the retail segment, which was opened for foreign investors in 2012 and has received only one application so far – from UK-based Tesco. It was widely speculated that the company, which broke off its joint venture with Indian partner Bharti Enterprise last year, would be the first foreign retailer to apply for bringing in FDI in the sector.

However, the company has refrained from entering the sector, citing stringent conditions related to mandatory 30% local sourcing.

Given that 100% FDI is allowed in the cash and carry segment, this sector presents an opportunity to the company to make in-roads in the vast Indian market.

In a statement, Walmart also said that it will launch business-to-business (B2B) e-commerce platform for members of its cash and carry 'Best Price Modern Wholesale Stores'.

"Walmart is committed to India and we are excited about our growth plans. We will continue to focus on the cash and carry format as we are very happy with the way it has shaped up in the last few years. The format is also poised to grow in India and we would like to serve the growing customer base by opening 50 new cash and carry stores over the next four-five years and extend the e-commerce platform to our cash and carry members with a virtual shopping opportunity,"

The retailer currently has 20 Best Price Modern Wholesale Stores in the country. The first store opened in Amritsar in May 2009.Currently, 100% FDI is allowed in single brand retail, and 51% is allowed in the multi-brand retail sector.

Also, 100 per cent FDI is allowed in B2B e-commerce, but not in B2C e-commerce.
Price also said that the company will take “a number of important steps to strengthen compliance so that we do the right thing everyday”.

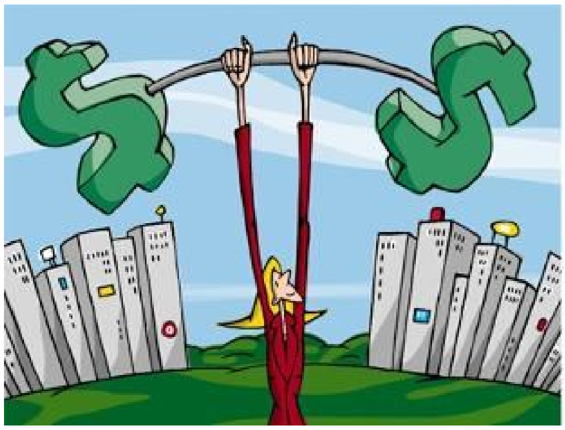
Adani power becomes India's largest private power producer with 8620 MW capacity

The Times of India: *April 04, 2014*

Mumbai: Adani Power, a part of the infrastructure major Adani Group, on Thursday commissioned fourth unit of 660 megawatts (MW) at its power plant at Tiroda in Maharashtra, making it the largest private power producer in India with an overall installed capacity of 8,620 MW, ahead of its peers Tata Power and Reliance Power.
Adani Power has added 2,640 MW in the last financial year, accounting for nearly 15% of the overall capacity addition of about 17,000 MW in the country. The company has commissioned two 660 MW units in the first quarter, one 660 MW unit in third quarter and one 660 MW unit in fourth quarter of FY14, two each at Tiroda in Maharashtra and at Kawai in Rajasthan.
"It is a proud event and a momentous occasion for everyone at Adani Power, as we are now the largest private power producer in India. This achievement is a testimony to our efforts in increasing electricity generation in the country, and only reflects our commitment towards nation building. It is a significant milestone in the path to achieve Adani Power's target of generating 20,000 MW by 2020," said Gautam Adani, chairman, Adani Group.
Post commissioning of Unit 4 at Adani Power's Tiroda power plant in Maharashtra, the company added 660 MW to its existing installed thermal capacity of 7920 MW.
"The company's project management team has acquired and assimilated expertise that enables speedy and reliable execution of large power generation projects. This has allowed us to add capacity at the given pace, and address the nation's electricity demand." said Vneet Jaain, CEO, Adani Power Ltd.
Apart from this, the Adani Group has also installed a 40 MW Solar power plant in Kutch district, Gujarat, taking the overall installed capacity to 8,620 MW - the highest amongst private sector producers, across all fuels.
Adani Power shares on BSE closed up 3% at Rs 51.65 in a volatile Mumbai market on Thursday.

Better business environment ups India ECB borrowings at $4.3 bn in February

By PTI | 9 Apr, 2014



MUMBAI: Showing signs of uptick and confidence in Indian business environment, external commercial borrowing (ECB) by Indian companies rose to $4.3 billion in February 2014. The borrowing by Indian firms via this route were at $1.79 billion in the previous month. According to data provided by the Reserve Bank today, the borrowings by domestic companies through ECB or Foreign Currency Convertible Bonds (FCCB) for the month of February were a combination of automatic and approval route. "It is clearly a reflection that global investment confidence is getting accepted into the Indian businesses," said Jagannadham Thunuguntla, Chief Strategist and Head of Research of SMC Global Securities Limited.
As per the data, as much as $3.64 billion was raised through approval route during the month, while $661.76 million was raised by the way of automatic route.
Through the approval route, Videsh Limited in two separate tranches raised $1.76 billion and $725 million for overseas acquisitions.
Among others who mobilised funds during February through this route, Indian Railway Finance Corporation Limited borrowed $500 million through this route for railways work, while mortgage lender HDFC Ltd raised $300 million for on-lending to low-cost housing projects.
HPCL-Mittal Energy Limited borrowed a total $274.69 million in three separate tranches for refinancing of earlier ECB. In the automatic route category, state-owned Bharat Petroleum Corporation Limited raised $300 million for working capital requirement and Lulu Convention and

and Exhibition Centre Private Limited raised $98 million for its new project.

Among others, Panama Wind Energy Godawari Private Limited raised $72 million for power requirements, Birla Corp $70 million for refinancing of earlier ECB and Renault India $27 million for its new project.

JSW Steel Limited raised a total of $21.25 million in two separate tranches for import of capital goods, Claris Lifesciences raised $15 million for modernisation and Honda Cars India $10 million for rupee expenditure.

India's ECB till Feb in fiscal 2013-14 stood at $29.67 billion.

BILATERAL

Tata-Singapore Airlines venture gets Aviation Ministry nod.. *Cont from P. 1*

Singapore Airlines.

As per the MoU inked between Tata Sons and Singapore Airlines on September 19 last year, the board of the proposed JV would initially comprise three directors. While two of them — Prasad Menon (chairman) and Mukund Rajan (Tata Group brand custodian and chief ethics officer) — would be nominated by the Tatas, Mak Swee Wah is the director nominated by SIA.

The joint venture received approval from the Foreign Investment Promotion Board last October.

The board, which would be headed by Mr. Menon, would be subsequently expanded to include six directors.

Larsen & Toubro Tests Market for $800 Million Singapore IPO

The Wall Street Journal ;April 7, 2014

SINGAPORE-- Larsen & Toubro Ltd. has started testing investor appetite for an up to US$800 million initial public offering in Singapore of its India toll-road assets, people with knowledge of the deal said Monday, as the Indian construction firm moves to tap investor interest on a revival in valuations in the subcontinent.

Larsen & Toubro, which has business interests ranging from infrastructure to shipbuilding, has been looking to list its toll-road assets through a business trust in Singapore since last year, but delayed the plans due to weak market conditions. Now, however, Indian stock markets are up over 8% in the past month. Singapore too is among the region's most buoyant stock markets in the past month, chalking up gains of over 4%.

Amid historically low interest rates, investors had flocked to Singapore listings of real-estate investment trusts and business trusts, which had been offering attractive yields. But the Fed's decision to scale back its stimulus program as the economy improves has led to the prospect of rising interest rates there and elsewhere, leading investors to return to the relative safety of developed markets or demand higher yields elsewhere.

Such sentiment has already hurt some planned listings in Singapore. Last month, South Korean shopping mall operator Lotte Shopping Co. delayed its near US$1 billion trust IPO as investors sought higher yields that the company wasn't willing to pay.

Larsen & Toubro, listed in Mumbai with a market value of nearly US$20 billion, is planning for its toll-road business trust to pay an initial yield at "low double digits," said one of the people with knowledge of the deal. The pre-marketing exercise will go on for two weeks, the people said.

Bankers during the pre-marketing phase gauge investors' interest in the IPO and start taking orders depending on demand. If demand is met and the company goes ahead with the offering, the business trust may list on the Singapore Exchange by late May or early June, one of the people said.

If successful, Larsen & Toubro's IPO would be the largest in Singapore since a US$1.1 billion deal in May by Asian Pay Television Trust, an investment vehicle for one of Taiwan's largest pay-TV operators. The listing would also be the third in Singapore by an Indian company, after Indiabulls Properties Investment Trust's 353.3 million Singapore dollar (about US$280 million) IPO in 2009 and Religare Health Trust's roughly S$510.7 million flotation in 2012.

Bankers say a successful IPO could also boost other trust IPOs that are being planned in the city-state. Deals worth close to US$1 billion are in progress including a US$500 million deal by Singapore conglomerate Keppel Corp., which is looking to list its data centers.

Singapore, home to nearly 50 trusts with a combined market capitalization of around US$65 billion, dominated Asia's market for trust listings last year. REITs now offer yields close to 7%, higher than the 6% to 6.5% in previous years, while business trusts offer yields over 7%.

NEW

INVESTMENT RELATED DEVELOPMENTS FOR MARCH 2014

1. **CBDT clarifies on tax withholding obligation in respect of payments made to non-residents.** Conclusion is that tax needs to be deducted only on the amount subject to tax and not on the whole amount. (http://www.slideshare.net/kpmgindia/cbdt-clarifies-on-tax-withholding-obligation-in-respect-of-payments-made-to-nonresident)

2. **The president of India give assent to the bill for reorganization of Andhra Pradesh state government**-(http://pib.nic.in/newsite/PrintRelease.aspx?relid=104454). India will now have 29 states. The state of AP will be divided into two states 1) Seemandhra 2) Telangana

3. **Government announces fresh sops for exports-**Government has announced fresh sops to exporters of a number of labour intensive items such as leather, textiles, and chemicals. The additional incentives provided under the 'market-linked focus product scheme' is in the form of a duty credit scrip worth two per cent of what a firm exports. The scrip can either be used to import goods at lower interest rates equivalent to its value or sold by the exporter to other importers in the market. The move has come as a big relief to exporters of textiles, chemicals and leather as all these items have regulated out of the European Union's special incentive scheme called the Generalized System of Preferences (GSP) this year. (http://dgft.gov.in/exim/2000/NOT/NOT13/not7113.htm)

4. **RBI puts framework for Foreign Portfolio Investment Scheme**-(http://www.rbi.org.in/scripts/NotificationUser.aspx?Id=8787&Mode=0)

5. **RBI revises Money Transfer Service Scheme-**To facilitate receipt of foreign inward remittances directly into the bank accounts of beneficiaries, the Reserve Bank of India (RBI) allows such remittances to be transferred to the know-your-customer (KYC) compliant beneficiary bank accounts through electronic mode. The details can be seen from the following link-(http://www.rbi.org.in/scripts/NotificationUser.aspx?Id=8763&Mode=0)

6. **The gas price hike which was scheduled to kick in from April 01, 2014 stands deferred.**

7. **The Ministry of corporate affairs notifies rules** in relation to most of the sections of Companies Act, 2013. Most of the sections will be applicable from April 01, 2014.

Notifications

Securities and Exchange Board of India

SEBI (Foreign Portfolio Investors) Regulations, 2014

http://www.sebi.gov.in/cms/sebi_data/attachdocs/1389083605384.pdf

Ministry of Corporate Affairs

Notification relating to effective date of provisions of Section 135 and Schedule VII of Companies Act, 2013

http://www.mca.gov.in/Ministry/pdf/CompaniesActNotification1_2014.pdf

Companies (Corporate Social Responsibility Policies) Rules, 2014

http://www.mca.gov.in/Ministry/pdf/CompaniesActNotification2_2014.pdf

Reserve Bank of India

Foreign Portfolio Investor - investment under Portfolio Investment Scheme, Government and Corporate debt

http://www.rbi.org.in/scripts/NotificationUser.aspx?Id=8787&Mode=0

Foreign investment in India - participation by SEBI registered FIIs, QFIs and SEBI registered long term investors in credit enhanced bonds

http://www.rbi.org.in/scripts/NotificationUser.aspx?Id=8563&Mode=0

Notification governing money changing activities – Location of Forex Counters in International Airports in India

http://www.rbi.org.in/scripts/NotificationUser.aspx?Id=8417&Mode=0

Central Board of Excise and Customs

Notification seeking to levy definitive anti-dumping duty on imports of 'Vitamin A Palmitate ', originating in, or exported from, Switzerland and People's Republic of China for a further period of five years

http://www.cbec.gov.in/customs/cs-act/notifications/notfns-2013/cs-add2013/csadd-30-2013.htm

Notification seeking to levy definitive antidumping duty on resin or other organic substances bonded fibre boards etc

http://www.cbec.gov.in/customs/cs-act/notifications/notfns-2013/cs-add2013/csadd-18-2013.htm

Circular regarding import of pets as baggage

http://www.cbec.gov.in/customs/cs-circulars/cs-circ13/circ15-2013-cs.htm

FORTHCOMING EVENTS >>>> *INDIA*

India Market Days 2014

Date: 24-25 April, 2014

Venue: Apparel House, Gurgaon, India

Organizer: Apparel Export Promotion Council (APEC)

Contact: Shri Vijay Mathur, Secretary General (Addl) - AEPC ;Tel: +91-124-2708034, Fax: +91-124-2708004-5 Email: dsg@aepcindia.com

Details: the Council proposes to invite at least 1 garment/accessories buyer from Singapore to attend this event. The Ministry of Commerce, Government of India, has approved this project under MAI assistance scheme and thereby the Council is willing to reimburse the cost of the economy class air ticket and two night's hotel stay for the selected buyers subject to ceiling prescribed by Ministry of Commerce.

TENDER NOTICES >>>> *INDIA*

Tender invitation for :

Supply, Installation & Training of Global Positioning System

National Centre for Antarctic & Ocean Research , URL : http://www.ncaor.gov.in

Closing Date : 29th April, 2014

Tender invitation for supply of the following:

Crawler mounted/Truck mounted Hydrostatic Core Drill having capacity to drill 1000m (Minimum) in NQ size (75.7mm) - Crawler mounted-01unit & Truck mounted-04 units

Mineral Exploration Corporation Limited , URL : http://ofbeproc.gov.in

Closing Date : 22nd May, 2014

Tender invitation for :

Supply, Installation & Commissioning of Skid Mounted LN2 Tank

Oil and Natural Gas Corporation limited , URL : https://etender.ongc.co.in

Closing Date : 4 June, 2014

India's first Mars mission crosses halfway mark

ANI | Johannesburg Apr 10, 2014

Pic Courtesy: The Hindu

India's first mission to Mars has successfully crossed the half-way mark, four months after leaving on an voyage to the Red Planet which is scheduled to take 11 months.The Indian Space Research Organisation (ISRO) made the announcement on Wednesday in a statement from the southern city of Bangalore, News 24 reported.It said that the spacecraft and its five scientific instruments are in good health.The gold-coloured probe, the size of a small car, will aim to detect methane in the Martian atmosphere, which could provide evidence of some sort of life form on the Red Planet.The country has never before attempted inter-planetary travel, and more than half of all missions to Mars have ended in failure, including China's in 2011 and Japan's in 2003.The low-cost Mars Orbiter Mission, known as "Mangalyaan" in India, was revealed in August 2012 by Prime Minister Manmohan Singh, shortly after China's attempt flopped.

FAQs on Foreign Investments In India

The fortnightly FAQs will broadly cover the following areas

I. Foreign Direct Investment

II. Foreign Technology Collaboration Agreement

III. Foreign Portfolio Investment

IV. Investment in Government Securities and Corporate debt

V. Foreign Venture Capital Investment

VI. Investment by QFIs

I. Foreign Direct Investment (FDI)

Q. 1. What are the forms in which business can be conducted by a foreign company in India?

Ans. A foreign company planning to set up business operations in India may:

- Incorporate a company under the Companies Act, 1956, as a Joint Venture or a Wholly Owned Subsidiary.
- Set up a Liaison Office / Representative Office or a Project Office or a Branch Office of the foreign company which can undertake activities permitted under the Foreign Exchange Management (Establishment in India of Branch Office or Other Place of Business) Regulations, 2000.

Source: RBI

For Feedback & Comments, please contact:
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