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# India Focus


## this issue



## BILATERAL

### Visit by Sh. P Chidambaram, Finance Minister and Delegation to Singapore

A Government of India delegation led by Finance Minister, Sh. P Chidambaram, and comprising of S/Sh. A Mayaram, Secretary, DEA, Dr Raghuram Rajan, Chief Economic Advisor, Anup Wadhwan, JS, HR Khan, Deputy Governor, RBI and Rajeev K Agarwal, SEBI, visited Singapore on 23rd January, as part of a Roadshow planned to showcase India as an attractive investment destination nd spread awareness among foreign investors.

A General Investor Conference was organized in coordination with DBS and Bank of America, which saw a good turnout of people representing the financial institutions and the corporate sector in Singapore. The Finance Minister and Delegation had meetings with asset management firms like Blackrock and Aberdeen. Other specialized companies in fields like asset management to service retail and institutional clients represented by Halbis..*Cont on P. 12*

## TOP NEWS » ECONOMY

### FM assures the world an investor-friendly India

Indian Finance Minister, Mr. P Chidambaram, visited Singapore as part of his global tour to encourage foreign investors & present India as an investor-friendly country. A determined Mr. Chidambaram said he is certain there will be no downgrade to India's sovereign credit rating, that he will turn the budget around and that the future growth in India is assured. In the morning, Finance Minister Chidambaram addressed a large gathering of institutional investors and corporates from Singapore and spoke on a wide range of issues concerning the economy- this large gathering was hosted by the Development Bank of Singapore (DBS) and Bank of America (ML). Later in the day, he had one- on- one interactions with large funds and corporates and with press persons. The FM underlined the efforts of the Government to put the economy on a faster growth track including measures that have been initiated to address concerns over higher levels of fiscal deficit, "We have laid down the fiscal consolidation path & I have made it absolutely clear that these are thick red lines that will not be crossed. This year we will stay below 5.3%, next year it will be below 4.8% and so on & so forth until we reach 3% in 2016-2017." Ahead of the monetary policy review on January 29, he said contrary to the perception the finance ministry and the Reserve Bank of India worked closely, but the central bank as an autonomous body was doing is job of controlling inflation. Elaborating how the government planned to put its house in order, he said public sector companies which don't meet their investment target by March would be asked to return the surplus money as special dividend to the government, which is a majority shareholder. The government was also counting on savings under the Direct Benefits Transfer scheme. It is expected to reduce leakage in the subsidy scheme as pilot projects indicate a saving of 20-60%. Mr. Chidambaram said a gap was usually seen between planned and actual expenditure in the infrastructure sector, but the government was trying to address the issues through measures such as setting up of the Cabinet Committee on Investments and takeout financing by Infrastructure Debt Funds. CCI will take up projects in oil exploration in its first meeting later this month, followed by coal and other minerals. He tried to allay industry's fears on the Land Acquisition Bill, saying it would add a little to the project cost, but would ensure a better environment for

companies. On the revenue side, the government is also expecting the disinvestment target of Rs 30,000 crore will be met. NTPC is the next company to hit the markets and can raise around $2 billion, said Mr. Chidambaram. He gave timelines for some key legislative reforms. He is hopeful that the Insurance Bill and the Pension Bill would be passed in the Budget session of Parliament. The finance minister admitted that the Goods & Services Tax (GST) was unlikely to be implemented by April 2013, but the legislation might be introduced in the Monsoon session (around August) and passed it in the Winter session (December). He mentioned that "we have restarted the cycle of investments, public sector investments have picked up.… private sectors are dusting off their projects which had been shelved & willing to revive them." A cabinet committee in investments will oversee major projects where the investments are over USD 200 million. The government has taken a number of steps by way of introducing FDI in aviation, FDI in power exchanges, FDI in multi brand retail, introduced some reforms in capital market and enlarged the room for foreign investors in government securities & other securities.

When questioned upon the difficult task of achieving the deficit target, FM said that "The gross tax revenues except in 2 years have over the last 10 years grown on an average by 17-19%. Some years it has grown by even more than 20%. So we assume that gross tax revenues will grow by 17-19%. We have non - tax revenues, we have cracked the whip on our public sector enterprises & told them to invest their huge piles of cash, otherwise they will lose it."

He said that the government is controlling the spending, "… we have crept back on expenditure for the current year, cut backs have been notified to the ministries concerned; we are determined to work together and remain within the revised limits." On the prospects of multinational corporations coming to India, taking over the retail sector and driving the small companies out of business, the finance minister categorically stated that the introduction of FDI in multi brand retail will not be detrimental to the small retailers. He said that "…big business, big business houses are allowed in multi brand retail in India today, the only change we've made is that FDI can come to that business. Big businesses have tie-ups, can access technology, access systems, can hire foreign managers, it is only the equity, FDI can come in the form of equity. Everything that multinational retailer has to offer can be bought or hired by the Indian business houses & they have not driven out the small retailer. It has not happened in China, United States or any other country that I know off." He specifically mentioned that these reforms have been introduced after " a very wide consultative process" and that in no way it will harm the local businesses, in fact in certain cases it has strengthened the small retailers.

He also spoke on Ikea's entry into India and mentioned that FIPB( Foreign Investment Promotion Board) has recently approved Ikea's huge investment and hopes that "…more and more people apply especially in retailing farm produce, fruits, vegetables. These are the ones that will give a better price to the farmer, producers and give a better deal to the consumers." While acknowledging that the possibility of an unstable government, recent scams and controversial taxation proposals had harmed business sentiments but nevertheless "… there are companies which have been in India for over 150 years and made profits, there are companies which are there for over 100 years, 80% of foreign companies have made profits consistently year after year, huge amounts of money is repatriated from India as profits, as royalties, as payments for intellectual property, as dividends…" He said that "…foreign companies know that when you are doing business In India you do it for a long term.…you don't come in on a Monday & leave on Friday, you come in the 19th century and stay into the 21st century. Therefore I don't think the foreign investors are worried about the long term prospects of doing business in India."

He allayed the fears caused by the General Anti Avoidance Rules (GAAR) and said that "…we've put that behind us, I've clarified GAAR and I've held my ground today & everyone who heard me seemed quite satisfied that we have clarified GAAR to their satisfaction."

## ECONOMY

### Efforts to widen tax base, increase revenue to continue: Chidambaram

*PTI, Singapore, January 23, 2013*

Efforts to widen the tax base and increase revenues will continue, Finance Minister

P Chidambaram said on Wednesday.

Wooing over 300 city-based investors on the second leg of his east Asia tour, he said India is poised to grow at over 8 per cent from fiscal 2015-16 onwards. "...efforts to keep on increasing the tax base will continue ... so that the tax revenue to the proportion of the GDP will also remain robust," he was quoted as saying by Sanjiv Bhasin, General Manager and CEO of DBS Bank, India. The government, Minister said, was taking steps to bring down the fiscal deficit to 3 per cent of the Gross Domestic Product (GDP) in the next three to four years. Mr. Chidambaram had on Tuesday told investors in Hong Kong that he was committed to keeping fiscal deficit to 5.3 per cent of the GDP in the current fiscal and reduce it further to 4.8 per cent in 2013-14. As regards growth, the Minister was reported to have told investors that "India has fumbled, but so has most other economies worldwide".

The growth, Mr. Chidambaram had earlier said, was not likely to be below 5.7 per cent in 2012-13 and would improve to about 6-7 per cent in the next fiscal. Indian economy grew by 6.5 per cent in 2012-13. The Minister, according to investors attending the meeting, has said that the Indian government was making efforts to put economy back on track.

## Disinvestment target for FY'14 not less than Rs 30,000 crore: FM P Chidambaram

*22 Jan, 2013, 09.43PM IST, PTI*

The government is likely to fix disinvestment target for the next fiscal at not less than Rs 30,000 crore, the target for the current fiscal, Finance Minister P Chidambaram said today.
"I have not drawn up the size of the next year's programme, but preliminary thoughts, it will not be less than this year. This year we targeted Rs 30,000 crore and it will be not be less than that," Chidambaram, who addressed investors meet, told media here.
The Finance Minister is scheduled to present the Union Budget on February 28 wherein he is likely to announce the disinvestment target for the 2013-14 fiscal.
In the current fiscal, the government has budgeted to raise Rs 30,000 crore through disinvestment of public sector units. So far this fiscal, it has been able to raise over Rs 6,900 crore. (**P.4**)

## IMF says India to grow at 5.9 pc in 2013

***Washington, Jan 23 (PTI)***

IMF today pegged India's economic growth rate in 2013 at 5.9 per cent
The International Monetary Fund (IMF) today pegged India's economic growth rate in 2013 at 5.9 per cent and projected a higher growth of 6.4 per cent next year in line with the gradual strengthening of global expansion.IMF in its update to the World Economic Outlook (WEO) also said the global growth is expected to reach 3.5 per cent this year, higher than the estimated 3.2 per cent.
For China, the IMF report has projected a growth rate of 7.8 per cent in 2012, 8.2 per cent in 2013 and 8.5 per cent in 2014.In 2011, China had achieved a growth rate of 9.3 per cent while India grew by 7.9 per cent in the same year.

"Growth in emerging market and developing economies is on track to build to 5.5 per cent in 2013. Nevertheless, growth is not projected to rebound to the high rates recorded in 201011.
"Supportive policies have underpinned much of the recent acceleration in activity in many economies," the IMF said. "But weakness in advanced economies will weigh on external demand, as well as on the terms of trade of commodity exporters, given the assumption of lower commodity prices in 2013 in this Update, it said.
IMF said the space for further policy easing has diminished, while supply bottlenecks and policy uncertainty have hampered growth in some economies for example, Brazil and India.

Observing that economic conditions improved modestly in the third quarter of 2012, with global growth increasing to about three per cent, the IMF report said the main sources of acceleration were emerging market economies, where activity picked up broadly as expected, and the United States, where growth surprised on the upside.

*Cont from P. 3*.."There is no privatisation. We are committed to maintain the public sector. Government will continue to hold 51 percent of the equity. But even with that there is ample head room for disinvestment and we are going ahead with it," he said.

The government has already identified 10 PSUs, including Oil India, NTPC, Bhel and SAIL for selling minority stake.

Chidambaram said he has got Cabinet approval to continue disinvestment programme for the next few years.

"The only change we made (is that) the disinvestment will go into fund which will be used to capitalise our public sector banks and any other capital expenditure requirements," he said.

On challenges to the growth, he said the biggest challenge is to "walk the talk and staying on the course" of reforms.

"There will be difficulties and opposition. If we are convinced as we are that we should stay on this course, the challenge is to remain in course," he said.

## Govt authorises National Investment Fund to buy shares of PSUs

*PTI : New Delhi, Thu Jan 17 2013, 15:44 hrs*

Carrying its disinvestment policy forward, the government today authorised the National Investment Fund (NIF) to buy shares of public sector enterprises, including banks and insurance companies.

The NIF will also be used to recapitalise PSU banks and public sector insurance companies, an official release said.

The Cabinet Committee on Economic Affairs (CCEA) chaired by Prime Minister Manmohan Singh decided to align the NIF operation to enhance the "disinvestment policy".

The disinvestment proceeds from next fiscal onward will be credited to the existing public account under the head NIF and would remain in the NIF until withdrawn or invested for the approved purposes, the release said.

"The NIF will be used for ... subscribing to the shares being issued by the Central Public Sector Enterprise (CPSE) including Public Sector Banks (PSBs) and Public Sector Insurance Companies, on rights basis so as to ensure that 51 per cent ownership of the government is not diluted," it said.

Also, the fund will be used for preferential allotment of shares of the CPSE to promoters so that government holding does not go down below 51 per cent, in all cases where the CPSE is going to raise fresh equity to meet its capex programme.

The release further said that the fund managers presently managing the NIF will stand discharged of their responsibility from the date the funds and the interest income are transferred to the fund.

NIF, set up in 2005, is being managed by three fund managers -- UTI Asset Management Company, SBI Funds Management Company and LIC Mutual Fund Asset Management Company.

As much as 75 per cent of the income from NIF is used to finance selected social sector schemes, while the rest is utilised to meet the capital investment requirements of profitable and revivable central PSU.

However, because of the difficult economic situation caused by global slowdown, the government in November 2009 decided to utilise proceeds from disinvestment only for social sector spending.

This exemption is applicable till March this year.

As on August 31, 2012 the corpus in the NIF was Rs 1,814.45 crore, comprising the disinvestment proceeds of Power Grid Corporation of India and the Rural Electrification Corporation Ltd done during 2007-08.

## Consensus over key issues of GST

*The Hindu, Mobile Edition*

States have agreed to the compensation formula suggested by the Centre for their CST (Central Sales Tax) revenue loss for implementing the Goods and Services Tax (GST), said Sushil Kumar Modi, Chairman of the Empowered Committee of State Finance Ministers, and Deputy Chief Minister of Bihar, here on Monday.

“States will be given 100 per cent compensation of their claims for 2010-11, 75 per cent for 2011-12 and 50 per cent for 2012-13. The compensation formula has been prepared on the basis of the August 22, 2008, guideline,” Mr. Modi said.

He said, “States are not responsible for the delay in introduction of GST. They have lost heavily on account of gradual cut in the Central Sales Tax (CST). GST was scheduled to be launched on April 1, 2010. The Parliamentary Standing Committee has not given its views on the 115th Constitutional Amendment Bill, 2011.”

**Payment schedule:** “According to initial estimates, the total compensation which the States

will receive, comes to around Rs.34,000 crore. The provision for CST compensation could be reflected in the forthcoming budget," Mr. Modi said.

The Empowered Committee has asked the Centre to prepare a payment schedule. Some States are of the view that they should revert to the earlier 4 per cent CST to make up for the huge losses in case there is a delay in introduction of GST beyond April 1, 2014.

States having manufacturing base and mineral export are the worst sufferers. States that have lost more than Rs.1000 crore due to gradual cut in CST include Gujarat, Andhra Pradesh, West Bengal, Tamil Nadu, Odisha and Haryana.

**Critical finances**

For the year 2010, States had demanded a compensation of Rs.19,000 crore-, but the Centre could pay only Rs.6,000 crore owing to the critical financial position.

Mr. Modi said States would continue to lose even after rolling out of GST. "States are afraid of incurring heavy losses in the initial years of the GST regime. We have asked the Centre to evolve a mechanism to compensate States for subsequent five years as was done in the case of value added tax."

Mr. Modi said all the States were in favour of introducing GST. The Empowered Committee would discuss the GST design on Tuesday.

## Govt imposes 2.5 per cent import duty on crude edible oil

*PTI, New Delhi, January 17, 2013*

The government on Thursday, imposed 2.5 per cent import duty on crude edible oil to protect domestic farmers, but kept duties unchanged on refined cooking oil fearing a hike in retail prices.
The decision was taken at the meeting of Cabinet Committee on Economic Affairs (CCEA) held here, a source said.
At present, crude edible oil attracts no import duty but there is 7.5 per cent duty on refined edible oil.
India imports about half of total domestic requirement of cooking oil. In 2011-12 oil year (November-October), the total import of vegetables oils (edible and non-edible oil) was an all-time high of 10.19 million tonnes. In the first two months of the current oil year, imports are up by 5 per cent.
The Agriculture Ministry had proposed an increase in the duty on crude edible oil to protect the interest of palm growers, particularly from Andhra Pradesh.
Earlier this week, Agriculture Minister Sharad Pawar, Finance Minister Pranab Mukherjee and Food Minister K.V.Thomas reviewed the edible oil imports and discussed the issue of raising the duty on edible oil.
Agriculture Ministry wanted to an import duty crude edible oil to be 7.5 per cent, 15 per cent on refined oil. But during the inter-ministerial meeting, the finance ministry felt such a sharp rise would lead to rise in inflation.

## Import duty hiked on gold, platinum

*New Delhi, January 21, 2013*

To curb runaway rise in imports, Centre also clubs gold ETFs with gold deposit schemes

The government on Monday hiked the import duty on gold and platinum from 4 to 6 per cent with immediate effect in an urgent bid to curb imports of the precious metals and contain the widening current account deficit (CAD).

In a twin-policy remedial package aimed at checking the runaway rise in gold imports, which has been adversely impacting the CAD since last fiscal, the government also announced its decision to link the Gold ETFs (Exchange Traded Funds) with Gold Deposit schemes as a measure to increase the supply of physical gold in the market without resorting to imports.

"The government has decided to increase import duty on gold and platinum from 4 per cent to 6 per cent with immediate effect," Department of Economic Affairs Secretary Arvind Mayaram said here. The government, Dr. Mayaram said, would effect consequential changes in the additional customs duty and excise duty on gold 'dore' bars, gold ores and refined gold.

"The duties will be reviewed after some time if there is a moderation in the quantity of gold that is imported...," he said. Even as it will take some time to assess whether the bitter pill has yielded the desired results, the immediate fallout was an increase in the price of gold by Rs. 315 at Rs. 31,250 per 10 grams.

## RBI cuts interest rates for first time in 9 months

*PTI, Mumbai, January 29, 2013*

*RBI Governor D. Subbarao (L) at the central bank's third quarter monetary policy review meeting in Mumbai*

Shedding its 9-month long hawkish monetary policy stance, the Reserve Bank of India on Tuesday slashed its key interest rates by 0.25 per cent and released Rs 18,000 crore additional liquidity into the system to perk up growth through reduced cost of borrowing.

RBI Governor D. Subbarao in the third quarter monetary policy review surprised the market by cutting repo rate by 0.25 % to 7.75 % and cash reserve ratio (CRR) by similar margin to 4 per cent. While repo rate cut will reduce the cost of borrowing for individuals and corporates, the reduction in CRR, which is the portion of deposits that banks have to park with RBI, would improve the availability of funds.

"The stance of monetary policy in this review is intended to provide an appropriate interest rate environment to support growth as inflation risks moderate," Mr. Subbarao said.

The RBI, however, has reduced the growth projections for the current financial year to 5.5 % from its earlier estimate of 5.8 %.

On inflation, it moderated the rate to 6.8 % for March-end from earlier projection of 7.5 %. "The moderation in inflation conditions provides the opportunity for monetary policy to act in conjunction with fiscal and other measures to stem growth risks," Mr. Subbarao said. He praised government's recent reform measures including liberalisation of FDI in retail, deferment of GAAR and progressive deregulation of fuel prices.

## Govt approves 4 FDI proposals worth Rs 280 cr

*Press Trust of India / New Delhi Jan 28, 2013, 21:46 IST*

The government today said it has approved four foreign direct investment (FDI) proposals, including that of IT giant Wipro, totalling Rs 280 crore.

ding Wipro sought transfer of shareThe proposal regars by way of swap consequent to a demerger of non-IT activities.

Besides, IvyCap Ventures Trust has been allowed NRI investment of Rs 200 crore through normal banking channels in compliance with Foreign Exchange Management Act (FEMA) Regulations and the extant FDI Policy.

The Foreign Investment Promotion Board (FIPB) has also cleared the Rs 80 crore proposal of Spanco Power Distribution Ltd to act as an investing company and make downstream investments in power distribution sector.

As per the statement issued by the Finance Ministry, the only other proposal cleared by FIPB is GPX India Pvt Ltd. It had sought permission to issue equity shares to the foreign collaborator against import of machinery equipment for setting up a domestic Other Service Provider Data Centre.

However, FIPB deferred the proposal of Yalamanchili Software Export Ltd for conversion of non-repatriable equity held by majority shareholder to repatriable equity and share swap of this holding to shares of a foreign company.

Last week, the nodal agency for approving FDI proposals had cleared Rs 10,000 crore investment proposal of Swedish furniture major IKEA to set up retail stores in the country with cafeterias.

The FIPB had earlier permitted IKEA to invest Rs 4,200 crore for opening single-brand retail stores.

## Reserve Bank eases rules for FII investment in debt

*The Hindu, Mumbai, January 24, 2013*

The Reserve Bank of India (RBI), on Thursday, notified the enhanced limit of investing in government securities (G-Secs) by foreign institutional investors (FIIs) and long-term investors by $5 billion to $25 billion from $20 billion.

It also hiked the investment limit in corporate bonds by these entities by $5 billion $50 billion

from $45 billion.

Long-term investors include SEBI-registered sovereign wealth funds (SWFs), multilateral agencies, endowment funds, insurance funds, pension funds and foreign central banks.

The RBI also relaxed some investment rules by removing the maturity restrictions for first time foreign investors on dated G-Secs. Earlier it was mandated that the first time foreign investors of G-Secs must buy securities with at least three-year residual maturity. "But such investments will not be allowed in short-term paper like Treasury Bills," the RBI added.

Further, the central bank has also restricted foreign investors from buying certificates of deposits and commercial paper.

In the total corporate debt limit of $50 billion, the RBI stipulated a sub-limit of $25 billion each for infrastructure and other than infrastructure sector bonds. In addition, qualified foreign investors (QFIs) would continue to be eligible to invest in corporate debt securities (without any lock-in or residual maturity clause) and mutual fund debt schemes, subject to a total overall ceiling of $1 billion.

"This limit of $1 billion shall continue to be over and above the revised limit of $50 billion for investment in corporate debt," the RBI added.

As a measure of further relaxation, it has been decided to dispense with the condition of one year lock-in period for the limit of $22 billion (comprising the limits of infrastructure bonds of $12 billion and $10 billion for non-resident investment in IDFs) within the overall limit of $25 billion for foreign investment in infrastructure corporate bond.

The residual maturity period (at the time of first purchase) requirement for the entire limit of $22 billion for foreign investment in the infrastructure sector has been uniformly kept at 15 months. The five-year residual maturity requirement for investments by QFIs within the $3 billion limit has been modified to three years original maturity.

Maturity restrictions for first time foreign investors on dated G-Secs removed

Removal of rules requiring FIIs to hold infrastructure debt for at least one year

## MARKETS

### Govt may reduce withholding tax for FIIs in infra bonds

*The Indian Express, New Delhi, Tue Jan 22 2013, 09:06 hrs*

The government is planning to reduce withholding tax for foreign institutional investors (FIIs) investing in government securities and corporate bonds. Also, it is working on bringing in clarity in taxation policy for securitised debt. An official source told The Indian Express that the proposals are being considered as a part of the Finance Bill, 2013.

"We are preparing procedural mechanism for availing of concessional withholding tax for rupee denominated long-term infra bonds. Currently, investment in debt instruments is unviable for FIIs as the tax rates are very high, especially when you include the cost involved in hedging the exchange risk," the official said.

Simultaneously, the finance ministry along with the RBI and Sebi is also working on bringing in clarity in taxation policy for securitised debt.

The department of economic affairs is working on framework for registering and recognising the trusts constituted as special purpose vehicles as per securitisation guidelines. "The ministry is thinking of granting pass-through status to these trusts under the I-T Act," the official said.

The banking and capital market regulator are working on preparing guidelines so that the structure of such SPVs could be determined. The guidelines would also throw light on the tax treatment. Both the issues are being examined by the CBDT, the official said.

Debt investments by FIIs are subject to a withholding tax deduction, between 20.6 per cent and 21.012 per cent depending on the nature and net taxable income of the FII.

The steps are likely to help develop a vibrant corporate debt market in the country, the size of which is estimated at 11.8 per cent of GDP, lower than the average for emerging East Asia at 17.2 per cent. For Japan the percentage is even higher at 19.8 per cent.

However, experts say that even after addressing the tax concerns, the government may not be able to get the FIIs invest as much as it wants because of several pending issues including stamp duty and regulatory overlaps.

"FIIs are though aggressive in G-sec, they are not that keen in corporate bond market as it is not liquid. It is a big challenge.

For instance there is the issue of stamp duty and several overlaps between Sebi and RBI as regard to who will be the guiding authority. These need to be addressed first," Jagannadham Thunuguntla, equity head, SMC capital, said.

Higher stamp duty and the existing arbitrage due to inter-state variations increases the cost of issuing such papers.

As such, the finance ministry is working on host of other measures to jump-start activity in the corporate bond market for ultimately benefiting India Inc. Apart from asking banks to cut their exposure to top listed companies by 10 per cent of their current levels, it is also planning to allow full reinvestment of debt papers of FIIs.

## Sebi creates separate debt segment on stock exchanges

*PTI : Chennai, Fri Jan 18 2013, 20:41 hrs*


With an aim to develop corporate debt market in the country, Sebi today decided to create a separate debt segment on stock exchanges, wherein banks would also be allowed to become trading members of the bourses and trade in this market.

"...this will help in the development of debt market on the Indian stock exchange. This will bring in more volumes and liquidity," Sebi Chairman UK Sinha told reporters here after the board meeting.

"I personally feel that its a very positive decision and what RBI has done and today we are in Sebi trying to implement. We are implementing what RBI has done," he said. In another decision, Sebi also decided to amend the regulations to enable two-way frangibility of Indian Depository Receipts of foreign firms listed in India, pursuant to which the investors can benefit from leveraging between the Indian and foreign securities of the concerned company.

Besides, Sebi board also approved various amendments to its regulations governing Infrastructure Debt Funds (IDFs), including allowing the tenure of such funds to be extended by up to two years with the consent of two-third investors.

With regard to the new debt segment on stock exchanges, Sebi said it will provide for trading, reporting, membership, clearing and settlement rules, risk management framework and other necessary provisions. The move would facilitate Scheduled Commercial Banks to become members of recognised bourses for the purpose of undertaking proprietary transactions in the corporate bond market.

Besides, in order to enable direct membership of banks and other institutional participants in the debt segment, the regulator has approved some amendments related to its rules governing stock-brokers and sub-brokers. The regulator has included debt, derivatives and currency derivatives segment in the definition of clearing members, self clearing members and trading members.

Sebi has also introduced the definition of "proprietary trading member" to permit institutions such as scheduled commercial banks, primary dealers, pension funds, provident funds, insurance companies and mutual funds for trading in the debt segment.

Regarding, IDF, Sebi said an IDF scheme would be allowed to invest upto 30 per cent of its Assets Under Management (AUM) in assets from the current ceiling of 20 per cent.

The new investment limit is subject to the condition that the sponsor/associate retains at least 30 per cent of the assets sold to the IDF till the assets are held in the IDF portfolio.

"The overall demand environment has not changed much over the last three months. We see momentum in certain areas and certain other areas continue to remain challenged," Wipro Chief Financial Officer Suresh Senapaty said. However, reports by research firm Gartner forecast global IT services spending to increase 5.2 per cent to USD 927 billion this year, compared with growth of 1.8 per cent in 2012.

TCS, Infosys and HCL Technologies, which have announced their quarterly earnings over the last two weeks, have also indicated that IT budgets are likely to be flat or slightly higher this year.

## Foreign investors profess their love for Indian market again by adopting an innovative put-call strategy

*23 Jan, 2013, 07.00AM IST, ET Bureau*

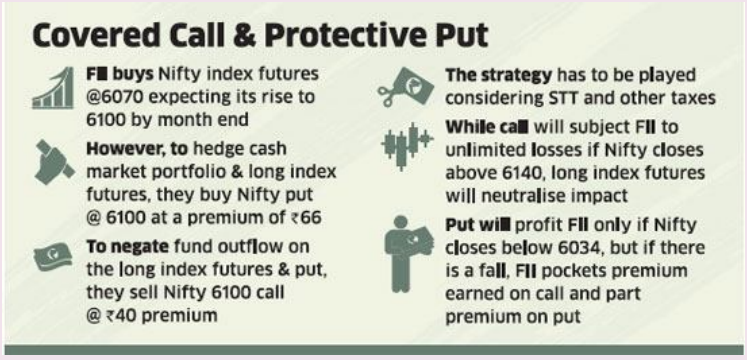
MUMBAI: A complex strategy being adopted by foreign institutional investors (FIIs) shows their renewed bullishness towards India despite the Nifty having crossed two-year highs recently. FIIs began playing an interesting derivatives strategy called 'covered call and protective put' last week. They initiated the strategy when Nifty futures traded around 6050-6070, hoping the index would rise to 6100 or slightly above that level till the RBI's policy declaration on January 29. The markets have priced in a 25-basis points cut, but analysts say indices could correct by 5-7% if the central bank does not cut rates.

The three-pronged strategy involves buying index futures first to profit from a rise in markets and to maximise their cash holdings. On the second leg, FIIs purchase index put options giving them a right to sell the Nifty index if the market falls below a certain level called the strike price. On the last leg, they sell index call options to negate the outflows from the purchase of index futures and index put options.

The strategy is complex, but can be simplified. Based on last Friday's levels, an FII, which owns shares comprising Nifty 50, purchases Nifty index futures around Friday's closing levels of 6070 for Rs6,070 as it feels the index could rise to 6100 following a postponement of anti-tax avoidance rules and partial decontrol of diesel prices, which would increase foreign inflows and narrow the fiscal deficit.

However, to protect itself from an unexpected fall, the FII also buys a Nifty put option of 6100 by paying a premium of Rs66 to ensure that if the index falls from the current levels, the gain on the put will partly offset the loss on long index futures.

The expense of Rs6,136 (6070 on the futures plus 66 on the call) is partly negated by the FII selling a call option of 6100 strike - the price at which Nifty can be purchased even if the index exceeds that level - for Rs40. Thus, the FII's outflow is reduced to Rs6,096 (6136-40 premium received).




If the Nifty rises to 6100 by January end or earlier, the FII's profit, excluding STT and other taxes, will be Rs4 (40 premium on call plus 30 rise of index futures minus 66 loss of premium on put), apart from an notional gain of Rs30 on its cash market holdings of Nifty shares. This is because the rise in the Nifty will be reflected in Nifty constituents. However, instead of rising by 30 points to 6100, if the Nifty falls by 30 points from Friday's level of 6070 to 6040, the FII will still be left with a profit, ex-taxes, of Rs4 --(40 plus 30 which was received on put position) minus 66 (fall in index futures and part loss on put).

There will, of course, be an unrealised loss of Rs30 on their cash portfolios, but FIIs have initiated this strategy because they are bullish, say derivatives analysts. As on January 17, FIIs cumulative index future longs stood at 205,900 contracts, while their index futures shorts stood at 33,753 contracts, indicating their preference on the long side of the markets for the current expiry," added HSBC InvestDirect's Mutha. The brokerage's data for last Thursday shows FIIs had a cumulative long position in puts of 746,598 contracts, signifying hedges for long Index and underlying cash market positions. Further, they have written index call options to the extent of 339,026 contracts, mostly beyond the 6100 strike, to negate the premium outflow on long puts.

Various other market experts hold a positive view on stocks. Motilal Oswal, chairman & MD, has a positive view in the medium term. "FIIs continue to remain bullish on markets while retail investors have begun investing once again, thanks to the government's recent reform push," said Oswal. "Only domestic institutions, facing redemptions, continue to be the sellers."

## Anand Sharma Launches eBiz Portal

*Press Information Bureau: January 29, 2013*


New Delhi: The Union Minister for Commerce, Industry & Textiles Shri Anand Sharma launched an eBiz portal at the CII Partnership Summit in Agra today. The portal is India's Government-to-Business (G2B) portal developed by Infosys in a Public Private Partnership (PPP) Model. "This Mission Mode Project will mark a paradigm shift in the Government's approach to providing Government-to-Business (G2B) services for India's investor and business communities," said Shri Sharma while launching the portal.

In order to enable businesses and investors to save time and costs and in order to improve the business environment in the country, an online single window was conceptualised in the form of the eBiz Mission Mode Project under the National eGovernance Plan. Shri Sharma said that the "project aims to create a business and investor friendly ecosystem in India by making all business and investment related regulatory services across Central, State and local governments available on a single portal, thereby obviating the need for an investor or a business to visit multiple offices or a plethora of websites."

Shri Sharma further said that the core value of the transformational project lies in a shift in the Governments' service delivery approach from being department-centric to customer-centric. "eBiz will create a 24x7 facility for information and services and will also offer joined-up services where a single application submitted by a customer, for a number of permissions, clearances, approvals and registrations, will be routed automatically across multiple governmental agencies in a logical manner." "An inbuilt payment gateway will also add value by allowing all payments to be collected at one point and then apportioned, split and routed to the respective heads of account of Central / State / Para-statal agencies along with generation of challans and MIS reports. This payment gateway is the first of its kind designed in India and can become a universal payment gateway for all eGovernance applications," added Shri Sharma.

The Department of Industrial Promotion & Policy, Ministry of Commerce & Industry, Government of India, is the Nodal Government Agency responsible for the implementation of the eBiz Project. Infosys Technologies Ltd. has been selected as the Concessionaire/ Project Implementation Partner and is responsible for the design, development, implementation and maintenance of the eBiz Solution.

Shri Sharma said that the government is "firmly committed to wide-ranging initiatives aimed at fostering the business environment in the country in a holistic manner. Our approach includes leveraging technology to bring transparency, improve efficiency and promote convenience. eBiz is an important step in this direction and we are pleased to work in partnership with Infosys on this project, which we hope will become a benchmark for successful Public Private Partnerships (PPPs) in the country."

Speaking on the occasion, Shri Saurabh Chandra, Secretary, Department of Industrial Policy and Promotion, Ministry of Commerce and Industry observed that "the eBiz Project is the first of its kind ever implemented in the country. It marks the highest level of maturity in web-based eGovernance applications as it strives to achieve horizontal integration across various verticals of Central government, State governments and Para-statal agencies".

The first phase of the project, which was being launched today, provides an interactive tool that helps investors assess the Licenses and Permits requirements while setting up and operating a business in India. The License & Permit Information wizard will provide authentic information 24X7 to investors and businesses by providing answers to questions in an interview style format.

## Changi, Zurich airports keen to operate new terminal at Kolkata

*The Hindu Business Line: January 21, 2013*

Kolkata: Singapore's Changi Airport and Zurich International Airport of Switzerland have evinced interest to carry out the operations and maintenance of the modernised terminal of the Netaji Subhas Chandra Bose International Airport, Kolkata.

The Rs 2,300-crore new integrated terminal will be inaugurated by President Pranab Mukherjee today .

"We are open to roping in a private company for operations and the maintenance of the modernised Kolkata airport. Changi and Zurich airports have shown interest. We are working out and exploring the merits. In a broader conceptual way, Kolkata and Chennai could be test case(s)," V. P. Agrawal, Chairman, Airports Authority of India (AAI), told reporters here.

According to him, it is likely to be a tie-up with a private company for qualitative service.

With a capacity to handle 20 million passengers a year, the modern terminal has been developed by the joint venture of ITD Cementation India Ltd and its parent company Italian-Thai Development Public Co Ltd, Thailand (ITD). A Kolkata-Delhi-New York flight will be the first service from the facility on January 23. According to Agrawal, with the modernisation, the Kolkata and Chennai airports have the potential to become the hubs for South East Asia.

"Centre for Asia Pacific Aviation has already conducted a study on Chennai airport. AAI is planning to carry out a similar study at the Kolkata airport," he said.

He urged both Tamil Nadu and the West Bengal Governments to reduce the tax on aviation turbine fuel so as to attract more airlines to these two airports.

## Boeing delivers first C-17 to IAF for flight tests

**IANS | 24-Jan 01:45 AM**

Washington: The first of 10 C-17 Globemaster III airlifters for the Indian Air Force (IAF) is all set to enter a US Air Force flight test programme at Edwards Base in Palmdale, California.

Boeing delivered India's first C-17 on Tuesday at its facility in Long Beach, California, and is on track to deliver four more C-17s to the IAF in 2013 and five in 2014, the company said in a media release.

"The C-17 met the stipulated airlift requirements of the Indian Air Force when it flew field evaluation trials in India during June 2010," said Air Commodore Sanjay Nimesh, Air Attache at the Embassy of India.

"It was exciting to see the C-17 fly again, this time with Indian Air Force markings, as the airlifter completed its first-flight milestone on Jan 11. We look forward to the day that the first IAF C-17 flies over India."

"The C-17's ability to operate in extremely hot and cold climates; transport large payloads across vast ranges; and land on short, austere runways makes it ideal for India's airlift needs," said Nan Bouchard, Boeing vice president and C-17 programme manager.

"We value our continued partnership with India and the US government and will provide dedicated support as India's first C-17 enters flight testing."

India signed an agreement with the US government on June 15, 2011, to acquire 10 C-17 airlifters, making India the largest C-17 customer outside the US.

Boeing will support the IAF C-17 fleet through the Globemaster III Integrated Sustainment Programme (GISP) Performance-Based Logistics contract, Boeing said.
The GISP "virtual fleet" arrangement ensures mission readiness by providing all C-17 customers access to an extensive support network for worldwide parts availability and economies of scale, it said.

## Visit by Sh. P Chidambaram, Finance Minister and Delegation to Singapore..*Cont from P.1*

and Eastspring also met the delegation. The delegation had a luncheon meeting with the Deputy Prime Minister of Singapore, Sh. Tharman Shanmugaratnam, also attended by a host of other Singapore Government officials and financial institutions/investors like Temasek Holdings, GIV, DBS, Citi Bank Asia Pacific and Standard Chartered Bank Global. Separate one – on – one meetings were planned during post lunch period with companies like GIC, Temasek, ASCENDAS and Sembcorp. The visit was well covered by the local and international media.

## Pharmaceutical sector meet held in Singapore

A 19 member delegation led by Ms. Mridul Jain, Joint Secretary, Ministry of Commerce & Industry, India, and Mr. Abhay Kumar Sinha, Regional Director, Pharmexcil, visited Singapore from 16-20 January, 2013, to interact with Singaporean pharmaceutical firms & explore collaborative opportunities existing in this sector. The delegation which was put together under the auspices of PHARMEXCIL (the pharmaceutical export promotion council) under the Ministry of Commerce & Industry, India, comprised pharmaceutical manufacturing companies.

An "Interactive Meet-Collaborating for Mutual Growth in the Pharmaceutical sector" was jointly organized by the Indian High Commission, Bio Singapore and the Pharmaceutical Export Promotion Council of India on 17th January, 2013, for members of the visiting delegation, Singaporean pharmaceutical firms,

business & investment community.

The event presented an overview of the Pharmaceutical Sector in India & focussed on the collaborative opportunities for Indian & Singaporean companies. India's High Commissioner to Singapore, Dr TCA Raghavan, gave the opening remarks. The keynote address was delivered by Ms Mridul Jain, Joint Secretary, Ministry of Commerce & Industry. A presentation titled 'Building Relationship in Pharmaceutical and Healthcare Sector' was delivered by Mr Abhay Kumar Sinha of Pharmexcil highlighting

- The International Pharma Trade Scenario
- The Indian Pharma Industry: The Flag Bearer
- Region-wise Exports of India's Drugs, Pharmaceuticals & fine chemicals (figs. in US$ mn.) (2010-11)
- TOP 25 Destinations of Export
- Strengths of Indian Pharmaceuticals


It also provided details of iPhex 2013 (International Exhibition for Pharma & Healthcare) due to be held in Mumbai from 24 -26 April 2013. This was followed by the presentation of Dr Eric Chan Wing Aun,

Regulatory Consultant, Health Sciences Authority of Singapore. His presentation titled "Overview of Generic Product Registration under CECA" gave

1. An overview of the registration process
2. Generic drug application
3. GDA verification route-CECA.

The event also had a Panel Discussion moderated by BioSingapore Chairman Mr Simranjit Singh on collaborative opportunities in the pharmaceuticals sector between Indian & Singaporean companies/entities. The panellists were:-

1. Dr John Dangerfield, COO, SG Austria (a Singapore based biotech doing Phase I/II clinical trials)
2. Mr Salman Bokhari, CEO, Sidrapex (Considerable experience is setting up pharma companies in Singapore & registration of products)
3. Mr Theodore Tan, CEO, BioFactory (Lifesciences incubator in Singapore)

Mr. Abhay Kumar Sinha, Regional Director, Pharmexcil


The discussion was followed by a robust Q & A session. The Pharma meet concluded with a Vote of Thanks by Mr. Abhay Kumar Sinha of Pharmexcil in which he thanked all the participants and guests.

## Visit of Delegation led by Secretary, Ministry of Steel

A high level delegation from India led by Shri D.R.S. Chaudhary, Secretary, Ministry of Steel, Government of India consisting of Mr U.P.Singh Joint Secretary, Ministry of Steel, Mr A.P.Chowdhary CMD RINL, Mr Kundergi CMD MOIL, Mr Anil Chaudhary Director (Finance) SAIL, Mr Thyagarajan Director ( Finance) NMDC, the leading Public Sector Undertakings of Government of India and Mr Sandip Biswas Group Head Corporate Finance Tata Steel visited Singapore from 16th Jan to 18th Jan 2013.

The delegation had a series of interactions with corporates/ institution's in Singapore.

## 64th Republic Day Celebrations

A flag unfurling ceremony was held in the High Commission Chancery premises on Grange Road. At 9 am, the Indian tricolor was unfurled and the assembled guests sang the national anthem. The High Commissioner then read out the Republic Day message from the President of India, which was followed by patriotic songs and dances by school children and light refreshments.


## BlackBerry 10 to feature new apps developed by Kerala student entrepreneurs

***Harsimran Julka, ET Bureau Jan 29, 2013, 06.50AM IST***

KOCHI: BlackBerry, whose smart phones have for long been used by the professional class, is adding a dash of spice to attract younger users. Its latest phones, to be released on Wednesday, will feature applications developed by 57 companies housed within Kochi's Startup Village, an incubation centre backed by the Kerala government.

Students employed by these companies have developed nearly 150 apps on the BlackBerry platform, ranging from algorithms for guessing your mood to those that help start and accelerate a car.

These apps reflect an image makeover for the device maker, Research in Motion (RIM) - the maker of BlackBerry phones - which is trying to eat into the market share of larger rivals Apple and Samsung. BlackBerry was until recently offering users about 1,05,000 apps, compared with 7,00,000 for Android phones and 7,75,000 for Apple.

RIM will also pay developers $10,000 (Rs 5.4 lakh) for every app successfully ported on the BB 10 platform. The company expects to have 70,000 apps globally with its new BB 10 devices being launched this week.

Arjun R Pillai, 24, who quit Infosys last year to team up with his college mates and launch Profoundis, has developed about 12 apps for the BlackBerry platform.

His company's apps 'Sense' and 'Emotion' use search algorithms to analyse the mood of a blog or predict whether a movie can be a hit or flop. His other apps 'Yoga' and 'Cook Book' are also being ported to the new platform.

# Notifications

## Press Information Bureau

***Global crude oil price of Indian Basket Rise on 28.01.2013 to US$ 110.63/bbl***

Details available at : http://pib.nic.in/newsite/erelease.aspx?relid=91879

## Reserve Bank of India

***Memorandum of Instructions for Opening and Maintenance of Rupee / Foreign Currency Vostro Accounts of Non-resident Exchange Houses***

Details available at : http://www.rbi.org.in/scripts/NotificationUser.aspx?Id=7826&Mode=0

***Foreign investment in India by SEBI registered FIIs in Government securities and corporate debt***

Details available at : http://www.rbi.org.in/scripts/NotificationUser.aspx?Id=7823&Mode=0

## Central Board of Excise and Customs

***I. Notification regarding increase in basic custom duty on all types of crude edible oil***

Details available at :

http://www.cbec.gov.in/customs/cs-act/notifications/notfns-2013/cs-tarr2013/cs02-2013.htm

***II. Notification regarding imposition of definitive anti-dumping duty on imports of digital offset printing plates***

http://www.cbec.gov.in/customs/cs-act/notifications/notfns-2012/cs-add2012/csadd-51-2012_eng.htm

***III. Notification seeking to impose customs duty on skimmed milk powder by amending notification No. 12/12- Cus dt 17/3/2012***

Details available at :

http://www.cbec.gov.in/customs/cs-act/notifications/notfns-2012/cs-tarr2012/cs59-2012.htm

***IV. Notification seeking to provide duty exemption to ASTRA by amending notification No. 39/96 -cus dt. 23/7/1996***

Details available at :

http://www.cbec.gov.in/customs/cs-act/notifications/notfns-2012/cs-tarr2012/cs58-2012.htm

## FORTHCOMING EVENTS >>>> *SINGAPORE*

***Performance by the Musical Troupe 'Rhythms of Manipur' at the Singapore Flyer***

**Co-hosted by the High Commission of India, Singapore and the Singapore Flyer**
**Date & Time : 5th February, 2013 at 6.30 pm**

**Venue: The Greek Theatre at the Singapore Flyer, 30 Raffles Avenue, Singapore - 039803.**

*Rhythms of Manipur, founded in 1985, is a rare Manipuri performing group specializing in traditional as well as in fusion arts. An important centre for Manipuri dance and music, over the last twenty six years it has undertaken extensive concert tours and research to revive rare performing art forms of the region. So far the group successfully performed at Kolkata, Guwahati, Mysore, Bhopal, Shillong, Kohima, New Delhi and other places in connection with important festivals.*


## TENDER NOTICES >>>> *INDIA*

**Tender invitation for Trinocular Advanced Research microscope for working in polarized light both under transmitted & reflected light, with Digital Camera attachment with necessary accessories-1 Set.**

**Mineral Exploration Corporation Limited, URL :** www.mecl.gov.in

**Closing Date : 7th February, 2013**

**Tender invitation for appointment of GSAs of Air India and RA"s of Air India Express in various countries.**

**Air India, URL :** http://mmd.airindia.co.in/aimmd/tendersai.jsp

**Closing Date : 8th February, 2013**

**Tender invitation for CNC Barrel Straightning Machine - 01 Nos**

**Indian Ordnance Factories, Ministry of Defense, URL :** http://ofbeproc.gov.in

**Closing Date : 15th February, 2013**

## *India's 5-year steel output second highest in the world*

*PTI, New Delhi, Jan 25, 2013*

India's 33 per cent growth in steel production in the last five years was second only to China among the top-five producing nations.
China's production grew by 39 per cent during 2008-2012, the latest World Steel Association (WSA) data has revealed.
India's production grew constantly in the last five years from 57.8 MT in 2008 to 63.5 MT in 2009, 69 MT in 2010, 73.6 MT in 2011 and 76.7 MT in 2012.
China, which produces nearly half of world's steel, had output of 512.3 MT in 2008, 577.1 MT in 2009, 638.7 MT in 2010, 694.8 MT in 2011 and 716.5 MT in 2012.
World's steel production grew to 1,548 MT in 2012, up from 1,341 MT in 2008, recording a growth of 15 per cent.

India is projected to grab the second slot in the world of steel production within a year or two on new capacity expansions, mainly through the brown field route.

The government expects the country's installed steel production capacity to go up to 200 MT by 2020 from around 90 MT now.

## Useful Links:

| | |
|---|---|
| Government of India's website | www.india.gov.in |
| Ministry of External Affairs (ITP Division) | www.indiainbusiness.nic.in |
| High Commission of India | www.hcisingapore.gov.in |
| Investment Commission of India | http://investmentcommission.in |
| Department of Industrial Policy & Promotion | http://dipp.nic.in |
| Reserve Bank of India | www.*rbi*.org.in |
| Ministry of Corporate Affairs | www.mca.gov.in |
| Ministry of Commerce & Industry | http://commerce.nic.in |
| Ministry of Finance | http://finmin.nic.in |
| Matters relating to Excise & Customs | www.cbec.gov.in |
| Matters relating to Income tax | http://incometaxindia.gov.in |
| Directorate General of Foreign Trade | http://dgft.delhi.nic.in |
| National Centre for Trade Information | www.ncti-india.com |
| India Brand Equity Foundation | www.ibef.org |
| **Industry/Trade Organizations** | |
| Trade related Exhibition & Events | www.indiatradefair.com |
| Confederation of Indian Industry | www.cii.in |
| Federation of Indian Chambers of Commerce & Industry | www.ficci.com |
| Federation of Indian Export Organizations | www.fieo.com |
| EEPC India (Export Promotion Council) | www.eepcindia.org |
| **Sourcing of Products** | |
| www.indiamart.com | |
| www.indianyellowpages.com | |
| www.indianexporters.com | |
| www.tradeindia.com | |

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