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# India Focus

## this issue



## Residency certificate a must for foreign investors to get tax benefit

*The Hindu, September 26, 2012*

The government has mandated that from April 1, 2013, all foreign investors desirous of claiming benefits under the double taxation avoidance agreements (DTAAs) will have to produce tax residency certificates (TRC) of their base country in which they are located.

According to a notification issued by the Central Board of Direct Taxes on September 17, 2012, the amendments to the Income Tax Act, 1961, will take effect from April 1, 2013, and apply in relation to assessment year 2013-14 and subsequent years. The notification, in effect, amends Section 90 and Section 90A of the I-T Act dealing with taxation of foreign investment and tax benefits under DTAAs. Till date, India has inked DTAAs with 84 countries. Under Section 90 (4) of the Act, as inserted by the Finance Act, 2013, with effect from April 1, 2012, it is provided that an assessee, not being a resident, to whom an agreement referred to in sub-section (1) of Section 90 applies, shall not be entitled to claim any relief under a DTAA unless a certificate, containing such particulars as may be prescribed, of his being a resident in any country or specified territory outside India *Cont on P. 15*

## INDIAN PM : Time for big-bang reforms has come

*IBEF News, New Delhi, 14th September 2012*

The Indian government made a slew of policy announcements that will have far reaching effect on the Indian economy both from macro and micro perspectives. In addition to the announcements on the FDI norms for multi-brand retail, single-brand retail, broadcasting and aviation sector, the government has also placed four public sector firms on the block for disinvestment. For the record, these bold and positive measures come after a bullish 12 per cent hike in the price of diesel on Thursday. Prime Minister Dr. Manmohan Singh has rallied the nation to echo the fact that the time for big-bang reforms has come. Chairing a meeting of the Cabinet Committee on Economic Affairs, Prime Minister decided to take the bull by its horns and pave the way for big ticket reforms on Friday. It is clear that the government is attempting to change the landscape of the business environment in the country with these major policy changes. In the aviation sector, as per the new FII norms, foreign airline companies will now be able to acquire up to 49 % stake in local Indian carriers. It is a move which is expected to infuse liquidity in the industry. In another bold move, the government announced policy measures to open up FDI in multi-brand retail and single-brand retail.

As per the new guidelines, multinational retailers will be able to invest up to 51% in the multi-brand retail stores, whereas 100 per cent FDI is permitted in single-brand retail stores.. Similarly, the Cabinet Committee on Economic Affairs also hiked the cap on FDI in the broadcast sector to 74%. Significantly, the government approved the disinvestment in five Public Sector Units, namely, Oil India at 10 per cent disinvestment target, Rites at 10% Nalco at 12.15%, Hindustan Copper at 9.59 % and MMTC at 9.3 % disinvestment target. Further, the proposal of disinvestment in companies like Nalco and MMTC will be done through Offer for Sale (OFS) route. Of the five entities, it may be noted here that the government has a target to raise Rs 15,000 crores via the share sales in the state run companies during fiscal 2012-13.

The policy measures announced by the government are aimed at putting the economy in top gear and are expected to revive the investor sentiment in the economy. In fact, many experts have labelled this period as the second round of reforms for the country with the first one being announced way back in 1991 by the then finance minister Dr. Manmohan Singh, currently Prime Minister of India.

## 51% FDI in multi-brand retail approved as Government pushes major reforms agenda

The Indian Express, New Delhi, Fri Sep 14 2012, 18:07 hrs

After battling stiff opposition, government today allowed 51 per cent foreign investment in multi-brand retail but left it to the states to permit global retailers open stores. It has also tweaked the sourcing norms for FDI exceeding 50 per cent in single brand retail, requiring foreign firms, which want a relaxation of the 30 per cent procurement norms, to set up manufacturing facilities in the country. After considering various aspects and discussions with various stakeholders and states, it has been decided to go ahead with the decision to allow 51 per cent FDI in multi-brand retail, Commerce and Industry Minister Anand Sharma told reporters after the Cabinet meeting chaired by Prime Minister Manmohan Singh. "The response has been a mixed one but the UPA had tried to evolve a consensus," he said. The cabinet had in November last year approved 51 per cent FDI in multi-brand retail but had to put it on hold due to opposition from political parties, including UPA ally Trinamool Congress. Sharma also reiterated that foreign retailers planning to enter the multi-brand segment would have to invest a minimum of USD 100 million with 50 per cent of it in rural areas.
The Minister said the firms will also have to source 30 per cent of their products from Micro and Small & Medium Enterprises where FDI is 51 per cent and above.
Under the norms, 50 per cent of total investment will have to be invested in 'backend infrastructure' within three years of the induction of FDI.
"As far as the urban areas are concerned, they will be allowed to open stores only in cities with a population of more than one million, while in the case of hilly states, it will be up to the respective state governments," Sharma added. For single brand, the Cabinet decided that any firm seeking waiver of the mandatory 30 per cent local sourcing norms would have to set up a manufacturing facility in the country, the minister added. This will help, in particular, foreign watch makers and textile manufacturers who want to enter India on their own, he added. Swedish retailer IKEA, which planned to invest Rs 10,500 crore in India, had sought relaxations in clauses related to the 30 per cent sourcing norms from small and medium units. In November last year the government approved 51 per cent FDI in multi-brand but was put on hold. The notification for implementation of the decision is expected by the end of this month.

The decision paves way for global retail giants WalMart, Carrefour and Tesco to open retail stores in India under their own brands. At present WalMart has a 50:50 cash and carry joint venture with Bharti Group, while Carrefour runs wholesale stores. Tesco, on the other hand has a tie-up with the Tata group and supports the Indian firm in the running of Star Bazaar chain of retail outlets. Welcoming the development, Future Group founder and CEO Kishore Biyani said: "FDI in multi brand retail is a welcome step. It will help in creation of more job. People will realise it is a win-win for all". Expressing similar views, Bharti Enterprises Vice Chairman and Managing Director Rajan Bharti Mittal said: "This is a landmark decision in India's economic reforms process.Development of organised retail in India will bring immense benefits to stakeholders across the value chain - from farmers to small manufacturers and above all to consumer". Ernst & Young Partner Paresh Parekh said the move is one of the boldest steps and both global and domestic retailers will be going back to drawing boards to explore joint ventures.

## Indian government relaxes FDI norms in Aviation sector

IBEF, New Delhi, September 14, 2012: In a major step aimed at boosting the Indian civil aviation sector, the Cabinet Committee of Economic Affairs relaxed the Foreign Direct Investment (FDI) norms in aviation which will allow foreign aviation companies to invest in Indian aviation companies.

So far, foreign investors were allowed to have up to 49 per cent stake in domestic airline companies subject to the fact that the investor is in no way related to the aviation business. However, after the decision announced today foreign carriers can pick up to 49 per cent stake in domestic Indian aviation companies.

The new FDI norms are expected to provide the much-needed cash flow to domestic carriers. At the same time, it is expected that this policy will result in improvement in technology on both fronts – ground handling and flight operations. Experts are also of the view that international players will bring best international management practices in the domestic sector. While competition in the industry will increase due to this policy in the coming times, it will result in making the sector more competitive and proactive in terms of consumer service. Passengers can expect better international connectivity and far better service at competitive fares in times to come. In other words, the new FDI norms in the aviation sector provide more power to the consumer. As far as the domestic airlines are concerned, it is expected that the foreign airlines will create access to capital. With India being a very lucrative market for most of the foreign airlines, it is believed that this policy will revolutionise the sector in the long run. For the record, India is still an under-served market as far as the aviation sector is concerned and there are huge opportunities available for growth in terms of air traffic in the country.

The Foreign carriers have welcomed the move. It is worth mentioning here that the policy announcements in the areas of aviation, retail and broadcasting follow after the hike in diesel prices was announced on Thursday. Strategic reforms by the government are expected to boost the investor sentiment in the economy.

## India announces policy allowing 74 per cent FDI in Broadcast sector

IBEF, New Delhi, September 14, 2012: The Cabinet Committee on Economic Affairs (CCEA) today announced its decision to liberalise the broadcast sector. As per the new guidelines, Foreign Direct Investment (FDI) of up to 74 per cent will be permitted in various services of the sector.

The new guidelines will apply to segments like broadcast carriage services providers, including Direct-to-Home, Multi-Service Operators (MSOs) and Cable TV in order to bring uniformity in the segment. So far, Cable TV and DTH were only allowed 49 per cent FDI. The new guidelines will not apply to the TV news channels and FM radio where the cap of 26 per cent has been left unchanged.

The government also allowed 74 per cent FDI in the Mobile TV segment which has a high potential for future growth of the Indian economy. Mr Anand Sharma, Minister for Commerce, Industry and Textiles said that out of the 74 per cent, 49 per cent will be via the automatic route and the rest will be allowed through government route, implying Foreign Investment Promotion Board (FIPB) clearance.

It is estimated that India has close to 106 million households with cable and satellite TVs. Out of the total number, close to 26 million have installed DTH and over 80 million get feed from the cable network.

The decision to open up the broadcast sector follows the decision to relax FDI norms for civil aviation and retail sectors. In fact, the big ticket announcements made by the government on Friday are expected to drive growth of the Indian economy over a long run.

## FDI in retail will create quality jobs: Montek Singh Ahluwalia

*Karan Thapar, CNN-IBN*

Planning Commission Deputy Chairman Montek Singh Ahluwalia has sought to justify opening up the Indian retail sector to foreign direct investment (FDI) saying it will create better quality jobs. Speaking to Karan Thapar on Devil's Advocate, Ahluwalia said that it was a complete misreading of reports that the FDI in retail would lead to job losses. It would instead lead to GDP growth and create more jobs in other sectors, he said. Below is an edited transcript of the excerpt from the interview. **Karan Thapar:** *Retail is the second biggest employer in India. It generates 44 million jobs. Business Line has published a study which says that if international retailers acquire 20 per cent of the Indian market which they easily can do, 8 million jobs will be lost.*

**Montek Singh Ahluwalia:** This is complete misreading because you need to look at whether you want the modernisation of the retail sector or not. If you want modernisation of the retail sector, you want an upward pressure in the quality of employment. Modern retail produces better quality jobs than traditional.

**Karan Thapar:** *But far fewer jobs. That's the problem.* **Montek Singh Ahluwalia:** My point is that if labour growth is going down to 1 % and GDP is growing at 8-9 %, jobs will be created in many different sectors.

**Karan Thapar:** *Except for the fact that you have a population where the demands for jobs is increasing like something like 10 million a year. Second biggest employer, the retail sector, is actually shrinking in terms of the jobs you can provide. You are creating a problem in terms of the availability of the jobs.* **Montek Singh Ahluwalia:** Let me be very clear about one thing. Please look at studies at what is the quality of the jobs in the traditional retail... particularly those employed as opposed to the self-employed. The quality of those jobs is very low. The young people with education who are joining the labour force are probably quite happy working in modern retail than being employed in traditional retail, that's the problem.

## India Inc euphoric, FDI in multi-brand retail comes into effect

*PTI | Sep 20, 2012, 09.04PM IST*

Hailing the Centre's decision to implement FDI in multi-brand retail, the industry today said this will give a strong message to investors that the government means business and stands firm on its initiatives. Industry body Assocham complimented the government on its firm decision on economic reforms. "This will give a strong message to investors inside as well as outside the country that the government means business," Assocham secretary general D S Rawat said. The politicians must distinguish between politics and economics in the interest of the country. Though not much investments will be flowing from investors immediately but the message it carried is huge, he added. The government today notified FDI in multi-brand retail operationalizing the Cabinet decision. The Department of Industrial Policy and Promotion also operationalized September 14 Cabinet decisions to relax the sourcing norms for foreign retailers investing beyond 51 per cent in single-brand retail and allow 49 per cent FDI by foreign airlines in the domestic carriers. Besides, the decisions on permitting 49 per cent FDI in power exchanges and increase in foreign equity cap from 49 per cent to 74 per cent in the service providers like DTH in broadcasting sector have also been notified. ***Cont on P. 6***

## Government gets going on disinvestment

*BS Reporter / New Delhi September 15, 2012, 1:00 IST*

The government on Friday cleared stake sale in Nalco, MMTC, Hindustan Copper (HCL) and Oil India. The Cabinet approved divestment of 12.15 per cent government stake in Nalco, 9.33 per cent in MMTC, 9.59 per cent in HCL and 10 per cent in Oil India.

The department of disinvestment had started the process of offer for sale through stock exchanges in Nalco, NMDC and Neyvile Lignite Corporation. At current stock prices, these companies would fetch the government around Rs 10,000 crore. Preparations for disinvestment in SAIL, BHEL and Rashtriya Ispat Nigam Limited are already on. The RINL initial public offering, which was postponed twice, is slated to be the first to be rolled out. Though the government had failed to disinvest in the current financial year, DoD officials are confident that with these companies now lined up, the target of Rs 30,000 crore for the year would be achieved.

**Disinvestment Push**

**New on the block:** Cabinet has approved stake sale in four PSUs:

- Hindustan Copper: 9.59%
- Nalco: 12.15%
- Oil India: 10%
- MMTC: 9.33%

**In the works**

- RINL, NMDC, SAIL, BHEL, NLC already in pipeline
- Govt preparing for offer-for-sale route for Nalco, NMDC and NLC
- ETF and buyback of shares by CPSEs being looked at

Besides the market route, the government is also considering exchange-traded funds (ETFs) and buyback of shares by the cash-rich public sector companies for meeting the target. The ETF route would allow the government to pool shares of companies in which it wants to sell stake, to create a fund. This would then be divided into smaller units, which would be listed on stock exchanges. Finance Minister P Chidambaram had met the public sector companies this week to ascertain their investment plans. With markets again looking up due to stimulus plans in the US and Europe, and the government action on policy front, officials said disinvestment was also expected to get a boost.

## Power exchanges to get foreign boosters

*The Hindu, NEW DELHI, September 15, 2012*

The Cabinet Committee on Economic Affairs (CCEA), on Friday, approved 49 per cent foreign direct investment (FDI) in power trading exchanges. The CCEA, headed by Prime Minister Manmohan Singh, approved the proposal to permit FDI up to 49 per cent in power trading exchanges in compliance with SEBI Regulations; Central Electricity Regulatory Commission (Power Market) Regulations, 2010. Addressing reporters here, Commerce and Industry Minister Anand Sharma said of the total 49%, the FDI should not exceed 26 per cent, while investment by foreign institutional investors (FII) should be restricted to 23 % of the paid-up capital. At present, there are two exchanges in the country, namely Power Exchange India and Indian Energy Exchange."FII would be permitted under the automatic route and FDI would be permitted under the government approval route," he said.

This is subject to the conditions that FII purchases shall be restricted to secondary market only, and no non-resident investor or entity, including persons acting in concert, holding more than 5 per cent of the equity in these companies. The approval is expected to strengthen the power trading exchanges, enhance the availability of power and improve its distribution for inclusive development. Mr. Sharma said in view of the functions they perform these exchanges need to be promoted through greater investment. Introduction of global practices, concomitant with the induction of FDI, was expected to lead to higher service standards , he added.

As per existing policy, FDI up to 100 per cent, under the automatic route, is permitted in the power sector (except atomic energy). This includes generation, transmission and distribution of electricity as well as power trading, subject to the provisions of the Electricity Act, 2003.

## Full Plan Commission clears 12th Plan document, seeks 8.2% growth

*PTI The Hindu Business Line, 2012*

Full Planning Commission chaired by Prime Minister Manmohan Singh on Saturday approved 12th Five Year Plan (2012-17) document that proposes to lower annual average economic growth rate target during the period to 8.2 per cent from 9 per cent envisaged earlier in view of fragile recovery."The Full Planning Commission approved the draft 12th Five Year Plan document, subject to certain suggestions made in the meeting," Planning Commission Deputy Chairman Montek Singh Ahluwalia told reporters. While approving the document, he said, "the full Commission endorsed the revised growth target of 8.2 per cent for the 12th Plan, which is necessary to achieve the inclusive growth". The draft document will now be vetted by Cabinet and thereafter placed before the National Development Council (NDC) for final approval.The meeting of the full Plan panel was attended by its members and key ministers including Finance Minister P Chidambaram and Agriculture Minister Sharad Pawar. Railways Minister Mukul Roy, who represents Trinamool Congress, did not attend the meeting.

The 12th Plan seeks to raise the economic growth rate to 8.2 per cent from 7.9 per cent recorded in the previous Plan. This, however, is lower than the 9 per cent target envisaged last year. In view of the global problems, Ahluwalia said, 8.2 per cent "is actually a realistic target" for the 12th Plan.He further said the 12th Plan strategy seeks to provide flexibility to states to utilise funds provided under various centrally sponsored scheme and allow them to make state specific guidelines under these programmes for incurring expenditure.As regards rationalisation of subsidies, Ahluwalia said, the Commission would take follow-up action on the suggestion of Chidambaram on cash transfers food, fuel and fertiliser subsidies.

This exercise of cash transfer of subsidies, he hoped, would be completed by March 2017, the end of the 12th Plan period.On concerns expressed by Chidambaram on reduction of subsidy burden to 1.2 per cent of the GDP by 2016-17 from 1.9 per cent in the budget estimates for 2012-13, Ahluwalia said, "I agree that these are all ambitious targets. Plan is all about ambition."Referring to sectoral allocations, he said, the Plan seeks to put emphasis on expenditure on social sector schemes, especially in health and education.Ahluwalia further said that states would be given more flexibility in utilising funds under centrally sponsored schemes. The centre would encourage them to spend funds for the specific purpose under the scheme in more innovative manner, he added.

## India Inc euphoric, FDI in multi-brand retail comes into effect ...*Cont from P. 3*

The development comes on a day when a nation-wide bandh was called by BJP, Left parties and UPA's outside supporter SP to protest diesel price hike and FDI in multi-brand retail evoked mixed response with life and trade being disrupted in some states.

CII said it is important to stay on track on reforms. "The entire decision on multi-brand retail will go a long-way in capital infusion in the country and also leads to strengthening of linkages including benefits to farmers," CII director general Chandrajit Banerjee said. This is an important reform for India for both growth and development, he added

## RBI cuts CRR by 0.25%, releases Rs 17,000 cr liquidity

***PTI | Sep 17, 2012, 11.42AM IST***

Taking a cautious stance, the Reserve Bank on Monday cut CRR by 0.25 per cent - the percentage of deposits banks keep with central bank - but refrained from reducing lending rates in view of high inflation. The RBI decision, which comes days after a slew of measures taken by the government to push growth, will release Rs 17,000 crore of primary liquidity into the system. The liquidity infusion, RBI said, would ensure adequate flow of credit to productive sectors of the economy. Following the cut, CRR will come down to 4.5 per cent while the repo rate, at which the central bank lends to the banks, would remain unchanged at 8 per cent.

The reverse repo, at which it absorbs excess liquidity through borrowings from banks, remains at 7 per cent. "As inflationary tendencies have persisted, the primary focus of monetary policy remains the containment of inflation and anchoring of inflation expectations," RBI governor D Subbarao said while announcing the mid-quarter review of the monetary policy.

The wholesale price-based inflation for August moved up to 7.55 per cent from 6.87 per cent in the previous month. The RBI said the CRR cut would be effective from September 22. The moderation in CRR rate is likely to goad banks to bring down their lending rates, which will improve investments and help growth. Commenting on RBI's action, State Bank of India (SBI) chairman Pratip Chaudhuri said the bank will review its rates in the light of policy action. The asset liability committee of the bank is expected to meet soon to take a view on rate revision. "It is a very positive move, as a mid-term policy it is very significant. I think the RBI has given a clear signal that they are willing to respond and that they have taken note of the signs of deceleration in economy," Chaudhuri said. Noting that growth continues to be weak amidst a negative investment climate, the RBI policy review said that the recent reform measures undertaken by the government have started to reverse sentiments.

Among other decisions, government hiked the regulated diesel prices by over Rs 5 per litre, which satisfies the RBI's long standing demand for containing fiscal deficit while also liberalising foreign holding norms in a string of sectors. RBI said the measures on diesel prices and LPG usage will hurt inflation in the short term, but the steps are a "significant achievement" as they will strengthen macroeconomic fundamentals. It also noted, with concern, that the rationalisation of cooking gas prices will not have much impact on subsidies as the pass-through to administered prices remains incomplete.

## More policy measures on the anvil: FM

*The Hindu, NEW DELHI, September 17, 2012*

The Reserve Bank move is a small step, but a welcome step'

Lauding the Reserve Bank of India's proactive step in easing the Cash Reserve Ratio (CRR) to release Rs.17,000 crore in additional funds into the banking system, Finance Minister P. Chidambaram, on Monday, indicated that the government would, in the next one-and-half months, put in place a number of policy measures aimed at reviving growth.

Commenting on the apex bank's decision to lower the CRR by 25 basis points to 4.5 per cent, Mr. Chidambaram said: "I am confident that between now and October 30, the government is expected to take a number of additional policy measures, and also lay out a plan of fiscal consolidation. The response of RBI on October 30 will be far more supportive of growth."With the RBI's second quarter monetary review slated for October 30, the Finance Minister's hint, ostensibly, was towards a likely easing of the repo (short-term lending) rate by the central bank, a measure that India Inc had been looking forward to this time round even in the wake the diesel price hike, but were disappointed as the key policy rate was left unchanged at 8 per cent. Giving a clearer indication to journalists of better days ahead by way of lower interest rates, in sync with the government action on the policy reforms front, Mr. Chidambaram said: "It [reduction in CRR] is a small step, but a welcome step. I am not disappointed with the RBI policy. Mid-quarter review by the RBI is encouraging and supportive. ***Cont on P. 8***

"The RBI is slated to take more decisions."

Planning Commission Deputy Chairman Montek Singh Ahluwalia maintained that the reduction in the CRR will have a positive impact on the system and boost confidence in the economy.

**Positive impact**

"..what RBI has done is that they have acted in the market by releasing resources. It is the release of resources that will make an impact on the rest of the system. It is a step in the right direction," Mr. Ahluwalia said while commenting on RBI's policy action in its mid -quarter review.

Meanwhile, in an interaction with a private TV channel, Prime Minister's Economic Advisory Council pointed out that the RBI move to infuse liquidity in the system through a cut in CRR is "more potent" than a cut in interest rate. "I said that CRR is a more potent instrument only because CRR acts on the liquidity base of the commercial banks and therefore, even if an announcement is made on the policy rates the Reserve Bank of India will have to take actions either through Open Market Operations or through other mechanisms to provide liquidity," Dr. Rangarajan said.

## National IT Policy okayed; aims to make 1 per family e-literate

***18 Sep, 2012, 1759 hrs IST, PTI***

*J. Satyanarayana, Secretary of Department of Electronics and Information Technology, Govt of India*

**National Policy on IT aims to make at least one individual in every household e-literate among other objectives.**

The government has approved the National Policy on Information Technology, which aims to make at least one individual in every household e-literate among other objectives, DEITy Secretary J Satyanarayana said today.

"The IT policy has been cleared by the Government of India recently and the Policy addresses number of issues regarding the development of the ICT sector and using it for the growth of the country, not only from the point of exports…"...but an equal emphasis on the domestic sector as well," Department of Electronics and IT (DEITy) Secretary J Satyanarayana told PTI at the sidelines of the Skoch Summit here. He added the industry's goal is to reach USD 100 billion turnover and USD 200 billion of exports by 2020.

The Policy envisions strengthening India's position as the global IT hub and using technology as an engine for rapid, inclusive and sustainable growth of the national economy. The policy aims to help increase revenues of the Indian IT and ITeS industry from USD 88 billion to USD 300 billion by 2020 and ramp up exports from USD 59 billion to USD 200 billion by 2020.

The policy will also promote innovation and R&D in cutting edge technologies and development of applications and solutions in areas like localisation, location-based services, mobile-value

mobile-value added services, cloud computing, social media and utility models. It will provide fiscal benefits to small and medium enterprises and startups in key industrial sectors for adoption of IT in value creation, besides, aiming to create a pool of 10 million additional skilled manpower in Information and Communication technologies and make at least one individual in every household e-literate.The Policy is also expected to provide for mandatory delivery of and affordable access to all public services in electronic mode to enhance transparency and accountability. It also aims to strengthen the regulatory and security framework for ensuring a secure cyberspace ecosystem.

## Tax breaks for first-time investors in shares, mutual funds

*TNN | Sep 22, 2012, 01.00AM IST*


NEW DELHI: The government on Friday allowed first-time investors in top shares, equity mutual funds and exchange traded funds to avail of tax breaks in a move aimed at encouraging individuals to move from gold and real estate to financial assets and also expand the investor base. In the last budget, the government had announced the sops for investment in stocks but while notifying the rules, had extended the benefit to mutual funds and ETFs.

The announcement may please the middle-class, which is now increasingly looking at new investment options. Besides, it may offset the negative perception generated by the sharp increase in diesel price and the cap on subsidized cooking gas cylinders. "It will act as an alternative financial instrument and encourage more people to invest in this instrument rather than gold, which is a dead instrument," finance minister P Chidambaram told reporters.

The flip side is that you can only claim the benefit once. "It's a one-time deduction," a partner at consulting firm Ernst & Young said. So, from Monday, those who have a PAN and a demat account with no trades so far will be able to avail of the benefit provided that their taxable income is up to Rs 10 lakh. In addition, the maximum permitted investment is Rs 50,000 a year, and a 50% deduction available under the Income Tax Act will translate into a net gain of Rs 25,000 for someone who makes full use of the Rajiv Gandhi Equity Savings Scheme.

There are, however, a few riders. One, the investment has to be in the top 100 stocks on the Bombay Stock Exchange or the National Stock Exchange. In addition, it could be in one of the top public sector companies - Maharatnas, Navratnas and Miniratnas which are not part of the BSE 100 or CNX 100. Even PSUs with a turnover of under Rs 4,000 crore that are getting listed would be eligible, a move aimed at generating more interest in disinvestment. In case of mutual funds and ETFs, the investment pattern of the scheme has to be in these stocks.

Two, there is a three-year lock-in for those availing of the tax breaks. In fact, investors would not even be allowed to trade in the first year and in the remaining two years have to maintain the level of investment.

The announcement went down well with market players. "This is an excellent initiative by the government to encourage small investors to participate in the capital markets. The penetration of investment in equities is very low in India, this initiative will help overcome this," said Sanjiv Shah, co-CEO at Goldman Sachs Asset Management (India).

## Government looking at relaxing *Navratna* norms for PSUs

*PTI Sep 24, 2012, 05.13PM IST*

NEW DELHI: The government is working on a proposal to relax guidelines for granting the coveted Navratna status to public sector undertakings (PSUs). This is aimed at enhancing the valuation of such companies and help the government obtain better price at the time of any stake sale."The Department of Public Enterprises (DPE) has formed a panel to relook into the current parameters which a PSU needs to fulfill to be considered for grant of the Navratna status," an official said.

The committee has already met several times and is soon likely to finalise the guidelines, he said, adding, relaxation of norms is desirable to enable more PSUs to obtain the tag. "The Department of Disinvestment (DoD) has made a case that one of the parameters to qualify for Navratna status is earning per share (EPS)and this needs to be modified as it is a disincentive for PSUs," the official said.The department is also of the same view as the DoD on EPS. ***(Cont on P. 10)***

***Cont from P. 9...***"To avoid any conflict, we are planning to bring in a substitute for EPS," the official said. To qualify for the Navratna status, a CPSE having a Miniratna Category-1 status should have a composite score of 60 or above out of 100 marks based on its performance during the last three years on the six identified parameters. These parameters include net profit to net worth (25 marks), earnings per share (10 marks), manpower cost to cost of production or services (15 marks) and gross profit out of turnover (15 marks). On getting the Navratna status, the concerned CPSE board would not be required to take the government's permission for investments up to Rs 1,000 crore in a joint venture project or wholly-owned subsidiary. Further, the official said, the move would also help the government to get a better price at the time of its stake sale in any CPSE.

Last month, Finance Minister P Chidambaram had asked officials to expedite the process of disinvestment to enable state-owned companies hit stock markets in time and help government achieve the target of Rs 30,000 crore in 2012-13.

On September 14, the Cabinet Committee on Economic Affairs (CCEA) approved the minority stake sale in four PSUs -- NALCO, MMTC, Hindustan Copper, NMDC -- which is likely to fetch around Rs 15,000 crore to the exchequer.

## HP launches huge skills initiative in India

*TNN | Sep 26, 2012, 05.58AM IST*

Hewlett-Packard plans to train 500,000 engineering graduates across the world and make them employment-ready over the next five years. Of these, 65,000 will be in India. HP, through what it calls HP Institute, will rope in 350 universities in India to take this initiative forward. The programme offers four accredited technical associate certifications covering industry-standard technologies , courseware, practice tests, hands-on remote labs and certification exams. The syllabus will cover connected devices, networks, servers, storage and cloud computing . Brian Beneda, manager of academic programmes, global certification and learning at HP, said there was a business shift happening in technology. "More companies want to focus on newer and emerging technologies. But they are facing an acute shortage of readily employable talent that understand business terms and not just geeky terms," he said. Prior to launching this programme in India on Tuesday , HP had conducted pilots in 86 countries in association with over 1,200 academic institutes . Eventually, the programme will also become a talent sourcing point for HP globally.

A World Bank policy research paper says that about 65% of employers in India are not satisfied with the skillsets of fresh engineering graduates. "Some 92% of graduating engineers do not have the required programming and algorithm skills required by IT companies, whereas 56% show lack of soft-skills and cognitive skills," says a report by training and employment assessment company Aspiring Minds.

`There is a passing need across the IT ecosystem to ensure that entry-level hires are better equipped with the precise skills and experience they need to handle today's technical and business challenges," said Neelam Dhawan, country manager, HP India. The skill-gap issue is a common issue across developed and emerging geographies .

Ray Kelly, CEO of Certiport , a provider of IT skills training and certification programmes and with which HP will be associated, said, "Skill gap is a serious issue in the 50 countries I have traveled in the last year. Everywhere there is mismatch between what academic institutes produce and what's actually required by the industry ."

India produces over three million graduates, and even though many companies have internal training programmes , and many independent finishing schools have emerged, Nasscom says by next year the country would face a shortage of 500,000 billable graduates. B V Naidu, co-chairman of Karnataka's ICT Group, said the ***Cont on P. 11***

***Cont from P. 10...***skill gap had been impacting the growth of all businesses . "The government, academia, industry, training outfits and fresh graduates need to work in partnership to solve this issue," he said.

*Bilateral News*

## Singapore's Arisaig Partners bets big on Indian FMCG companies

*17 Sep, 2012, 06.00AM IST, ET Bureau*

The consumer is king, the cliche goes. For one foreign institutional investor (FII), the consumer is also the cornerstone of an investment philosophy, setting it apart from its ilk in India. In line with this philosophy, Arisaig Partners has directed all its investments in India -valued at about Rs 5,500 crore, or $1 billion, as of September, 2012 - into 11 companies in the consumer space.

Even globally, Arisaig is a rare, if not the only, FII of a significant size focused on just one sector: anything you eat, drink or wear, or shop in, or wash with, can catch their attention. Besides investing only in consumer stocks, what sets this Singapore-headquartered FII apart is that it takes big bites of dominant, brand-owning companies in the emerging markets of Asia, Africa and Latin America via its three region-specific funds that currently manage about $3.5 billion of institutional money. Over a third of its $2.6 billion Asian exposure is in India alone, higher than even China or Hong Kong, with the biggest holding in value terms in Nestle IndiaBSE -1.33 % and the largest stake in Pantaloon RetailBSE 6.92 % (See table). Promoters and managements like Arisaig for its long-term investment philosophy and proactive engagement that comes without any demands for a board seat. "They are a financial investor with a strategic intent," says Harsh Mariwala, founder and CMD, Marico, a company in which Arisaig has been invested since March 2002. Peers like Oppenheimer, Blackrock, Capital International or even Aberdeen are also overweight on the consumer space, but they have a much diversified investment philosophy. Comparisons with activist-investor Nelson Peltz's Trian Fund Management are also inevitable, but again Peltz's picks have largely been US- and Europe-centric, and he is not exclusive to just one sector. "They (Arisaig) are a super specialised lot. And that's why they are so unique globally," says Vishal Kampani, head of JM Financial's institutional securities business. "A troika of senior fund managers started the fund, but many of the partners have worked in FMCG companies themselves. And they are big on India," According to Arisaig's newsletter, last month, the fund's India director Naren Gorthy met large distributors to gauge market sentiment, intelligence on slowdown and also the impact of an erratic monsoon on rural consumption.

**Eyes on Consumers**

| COMPANY | ENTRY DATE | VALUE (₹ CR) | 1-YEAR RETURN (%) | ARISAIG STAKE (%) |
|---|---|---|---|---|
| Godrej Consumer Products | Mar-02 | 612.7 | 85.9 | 2.7 |
| Marico | Mar-02 | 700.0 | 25.0 | 5.5 |
| Trent* | Jun-02 | 240.5 | NA | 8.1 |
| United Breweries | Dec-02 | 530.9 | 47.9 | 3.3 |
| Pantaloon Retail | Jun-03 | 317.4 | 157.8 | 9.3 |
| Britannia Industries | Jun-06 | 522.2 | 23.7 | 8.9 |
| Colgate-Palmolive | Mar-09 | 599.0 | 25.7 | 3.5 |
| GlaxoSmithkline Consumer | Jun-09 | 647.8 | 34.3 | 5.0 |
| Nestle India | Jun-09 | 821.9 | 4.5 | 1.9 |
| Jubilant Foodworks | Mar-10 | 434.9 | 43.9 | 5.4 |
| Shoppers Stop | Mar-12 | 95.4 | NA | 3.2 |
| Portfolio | | 5,522.6 | 43.8 | |
| BSE FMCG | | | 36.8 | |
| BSE Sensex | | | 11.9 | |

*Exited in September 2005, re-entry on March 2012; Value and return as of September 14; Stake as of June 30; Companies arranged in order of entry date

Source: ETIG Database

The key takeaway: down-trading has begun even though volumes of branded staples still remain less vulnerable to any cutback in spending. Colgate-Palmolive, for example, is seeing more traction for its cheaper Cibaca variant, while P&G has become significantly less aggressive, perhaps also led by a shift in its global strategy. The stock-picking strategy of Arisaig, which has been around for 16 years, has been similar: move in when valuations are low and shore up. "They enter and straightaway corner 1-2%. On an average, they'll own up to 5-10% ..***Cont on P. 12***

in a company," points out an FMCG analyst with a Mumbai-based brokerage, who did not wish to be quoted. "That's why perhaps they have so far stayed away from the two consumer ultra-large caps, Hindustan Unilever and ITC, even though they have been the recent best performers in the pack," he adds. Ten years ago, when Arisaig started buying into Godrej Consumer, its share price was around Rs 15. Today, it's Rs 659 per share. Similarly, Marico was quoting at Rs 7 in 2002, when Arisaig picked up an initial 2% stake. A decade later, after adjusting for stock splits and bonuses, it closed on Friday at 198 per share.

Arisaig declined to participate in the story, saying it does not interact with the media. Emails sent to the office of Lindsay Cooper - one of the firm's founders and portfolio manager for the Asia fund - also went unanswered. Arisaig's investments are ultra-long - in some cases for over 10 years - as it feels the rise of the local consumer is a multi-decade event, a trend no different in both developed and developing markets. "They focus on long-term prospects and really dig deep," says Adi Godrej, chairman, Godrej Group. "They also pro-actively engage with the management and have very strong views on corporate governance, social and environmental responsibilities of companies." Its sharper investment focus means Arisaig is tracking a smaller pool of companies than similar-sized peers. According to its website, Arisaig fund managers closely track 95-100 companies in three continents and, at any given time, own about 50 stocks.

It also means 1,000 meetings with various managements in a year in 30 countries. "Their field trips are really exhaustive," says the CEO of one of India's largest retailing company on the condition of anonymity. "They have visited our warehouses, suppliers, distributors. Every operational detail is put under the scanner."Over the past year, Arisaig has been bullish on Indian retail, despite concerns over over-leveraged balance sheets, byzantine corporate structures and the absence of clarity on foreign direct investment ( FDI) in multi-brand retail. In calendar 2012, its stake in India's largest retailer Pantaloon has crept to 9.34% - tantalisingly close to the 10% limit for a single FII in a stock. In the same period, they re-entered Tata Group-owned TrentBSE 3.47 %, and upped their stake to 8.11% over three months.

Despite large holdings, Arisaig does not insist on board seats or management rights. "Unlike PE players, they leave the operations to the management," points out Hari Bhartia, co-promoter of Jubilant Foodworks, which runs Domino's Pizza in India and in which Arisaig has been invested for the last two years. "But all good investors stay engaged even on operational aspects." At times, that engagement has translated into something more. "They opened doors for us and recommended a packaging company in the UK with whom we have engaged. They have a huge network spanning geographies," says Mariwala of Marico. "They track everything, including the personal details of a promoter. When they first met me, they were trying to understand my entrepreneurial mindset," he adds. But will a single sector emphasis increase the fund's risk profile? "Theoretically maybe," feels Samir Arora of Helios Capital. "But they have chosen a more stable theme. Investors too will give them proportionate money as it will have a smaller weightage in a global investor's portfolio."

## Schroder Singapore acquires 25 per cent stake in Axis AMC

*18 Sep, 2012, 2040 hrs IST, PTI*

Private sector Axis Bank today said Schroder Singapore Holding has acquired 25 per cent stake in its subsidiary, Axis Asset Management Company.The transaction provides Axis AMC access to Schroders' global distribution network and to advise overseas funds invested in Indian securities, Axis Bank said in a statement. The bank, however, did not disclose the deal value. Further, it enables Schroders to participate in the growth opportunity represented by the Indian mutual fund market through a strategic relationship with a leading private sector bank, it said.

Longer term, in addition to distributing Axis AMC's funds internationally, ***Cont on P. 13***

there will be an opportunity to distribute Schroders funds in India through Axis AMC's distribution network, it added. Schroder Singapore Holding Private Ltd is a wholly owned subsidiary of Schroders, which is UK's largest asset management company. It has operations in 26 countries.

## IFR-India's ILFS plans up to US$406m Singapore trust IPO

***Reuters,*** *Wed Sep 26, 2012 5:36pm IST*

SINGAPORE, Sept 26 (IFR) - India's Infrastructure Leasing and Financial Services plans to list its wind power business through an roughly S$400m-$500m (US$325m-$406m) business trust IPO in Singapore.

The IPO is likely in early 2013 and the company has mandated Deutsche Bank, JP Morgan and Nomura as the bankers, a source said. "The issue size is unclear because the company is yet to decide which projects will be part of the trust." The company's website shows it owns wind power projects totalling around 50MW. ILFS is an infrastructure development and finance company. State-owned Life Insurance Corporation of India owns a 25.94% stake in ILFS, Japan's Orix Corp 23.59%, Abu Dhabi Investment Authority 11.35% and Housing Development Finance Corp 10.74%. The rest of the stake is owned by other banks and mutual funds. At present, Ascendas India Trust and Indiabulls Properties are listed as business trusts in Singapore. India's Religare Health Trust is currently pre-marketing its US$400m Singapore business trust IPO at an indicative 8.5%-9% yield. Earlier this year, Reliance Communications was unable to sell its US$1bn trust IPO in Singapore despite offering a 9.5%-11.50% yield.

## Bharti Infratel files IPO papers to divest 10%

*ET Bureau Sep 15, 2012, 06.18AM IST*

Bharti Infratel, the mobile phone tower arm of Bharti Airtel, has filed papers for an initial public offering to raise about 5,000 crore, which will make it the country's largest IPO in two years. According to papers filed with market regulator Sebi on Friday, Bharti Airtel plans to dilute 10% equity through the proposed share issue, which will mark Bharti Group's return to the capital market after a gap of 10 years. The company plans to sell 188.9 million shares, which will include fresh issue of 146.23 million shares and sale of 42.67 million shares by four private equity investors, namely, Temasek Holding, Goldman Sachs, Anadale and Nomura.

Bharti Infratel would retain a little over three-fourths of the issue proceeds while one-fourth will be distributed among the PEs. ET had reported the news early this week."The company plans to complete the entire process by December-end," a person familiar with the process said.

Bharti Airtel, which currently owns 86.09% stake in the tower arm, will not participate in the equity sale, the company said in a statement. After the completion of the IPO, Bharti Airtel's holding will come down to 79.42% while PE firms will own 10.58% shares in Bharti Infratel, down from 13.91%.

The draft red herring prospectus filed with Sebi states that the company has a fund requirement of 2,994 crore. Besides general corporate expenses, the company has earmarked investments of 1,086.56 crore for new towers, 1,214.08 crore to upgrade and replace existing towers and 693.36 crore for green initiatives at tower sites.

Bharti Infratel had raised $1.25 billion in 2007-08 (approx 5,000 crore then) from a clutch of PE investors. The effective price for these investors was 220 per share. In case the company manages to mop up between 4,500 and 5,000 crore through its IPO, then the price band for the proposed share sale would be 240-270 per share.

## FORTHCOMING EVENTS >>>> *INDIA*

### Chemical Meet 2012 (12th Reverse Buyer Seller Meet)

**Date:** 4-6 October, 2012
**Venue:** Bombay Exhibition Centre, Goregaon, Mumbai, India
**Organizer:** CHEMEXCIL
**Contact Person:**
Ms. Smita Samant (Executive Director)
CHEMEXCIL
Email: balani.lic@chemexcil.gov.in
**Details:** the Council would like to invite two/three member delegation from Singapore in respect of the following products for the Chemical Meet: Dyes & Dye Intermediate, Inorganic & Organic Chemicals Industry, Specialty Chemicals viz., Leather Chemicals, Oil Field , Chemicals Industry, Construction Chemicals & Textile Auxiliaries.The Council would be extending to and fro air fare by economy class as well as complete local hospitality (excluding liquor, laundry services, telephone calls and other expenditure) for the delegates visiting the Reverse Buyer Seller Meet.

### Auto Ancillary Show

**Date:** 18-21 October, 2012
**Venue:** Bombay Exhibition Centre, Goregaon, Mumbai, India
**Organizer:** India Trade Promotion Organisation (ITPO)
**Contact Person:**
Mr. D.K. Nangia (Regional Manager)
Email: itpo@itpomumbai.com Website: www.autoancillaryshow.com

**Details:** The show, along with its accompanying activities, is a cost – effective opportunity for component manufacturers & technology suppliers to showcase new products / technologies, interact with & understand the new requirements of clients, network with automobile manufacturers / vendors, meet new clients and buyers, enter into technology tie-ups, joint ventures etc.

### India Engineering Sourcing Show (IESS 2013)

**Date:** 14-16 March, 2013
**Venue:** Mumbai, India
**Organizer:** EEPC-India (set up by Ministry of Commerce, Govt of India)
**Contact Person:**
Mr. R. Maitra ( Executive Director- EEPC India)

Tel. # + 91 11 2371 6071 / 2335 3353
Fax.# + 91 11 2331 0920 / 2373 6480
Email: ed@eepcindia.net Website: http://www.iesshow.in/

**Details:** "India Engineering Sourcing Show" is part of "India Show" and the main objective is to provide a platform for Indian organizations to showcase their strengths and capabilities to the global audience. The 1st edition of the India Engineering Sourcing Show was successfully organized during March 22-24, 2012, at Mumbai. 260 companies including foreign entities participated in IESS 2012 and 7000 professionals visited the show.

**The focus sectors for IESS 2013 are as follows:**

INDUSTRIAL MACHINERY & MACHINE TOOLS
INDUSTRIAL SUPPLY
INFRASTRUCTURE & PROJECTS
AUTOMOBILES & COMPONENTS
DEFENCE
ENERGY
INNOVATION

## TENDER NOTICES >>>> *INDIA*

**Tender invitation for purchase of Kelly Spinners and Hydraulic Power casing tong & Hyd. Power Unit (Electric driven)**

**Oil and Natural Gas Corporation limited (ONGC), URL :** www.etender.ongc.co.in

**Closing Date : 8th October, 2012**

**Tender invitation for**

- **Supply, Installation & Commissioning of Micro Milling Machine**
- **Supply, Erection, Commissioning and prove out of Cementing Station for Cementing of Curved Optical Components**
- **Supply, Installation and Commissioning Manufacturing Defect Analyser**

**Opto Electronics Factory, Ministry of Defence, URL :** www.tenders.gov.in

**Closing Date : 15th October, 2012**

**Tender invitation for Supply, Installation & Commissioning of Truck Mounted Wireline Winches**

**Oil and Natural Gas Corporation limited (ONGC), URL :** www.etender.ongc.co.in

**Closing Date : 19th October, 2012**

**Tender invitation for Supply of CNC Universal Milling Machine –01 nos**

**The Ordnance Equipment Factory, Ministry of Defence, URL :** http://ofbeproc.gov.in

**Closing Date : 15th November, 2012**

**Residency certificate a must for foreign investors to get tax benefit..***Cont from P.1*

is obtained by him from the government of that country or specified territory. A similar provision has been inserted in sub-Section (4) of Section 90A of the Act and pursuant thereto, the CBDT notification seeks to insert Rule 21BA and Forms 10FA and 10FB specifying the manner in which the TRC should be obtained. Accordingly, the TRC to be obtained by an assessee for availing himself of tax benefits shall contain the name of the assessee along with status — whether it is an individual or a company — the nationality (in case of individual) and the country wherein the company or firm is registered or incorporated. This apart, the TRC should have the tax identification number (TIN) of the assessee, its residential status for the purposes of tax, the period for which the TRC is applicable and the address of the assessee for that period. Also, the certificate shall be duly verified by the government of the country or the specified territory of which the assessee claims to be a resident for the purposes of tax. A clause in the various DTAAs that India has entered into, the assessee can take the advantage of paying capital gains tax in either of the two nations, wherever the rate of the levy is lower. Thus, the interplay of treaty and domestic legislation ensures that a taxpayer, who is resident of one of the contracting countries to the treaty, is entitled to claim applicability of beneficial provisions either of treaty or of the domestic law.

## Supply of Aakash - 2 to IIT Bombay has started; launch in October: Datawind

*PTI Sep 23, 2012, 05.18PM IST*

Maker of low cost Aakash tablet, Datawind, today said it has started supplying the new version of the tablet to IIT Bombay and it is likely to be launched in October. "Supplies are on to IIT Bombay. In the next few weeks, it should be launched. I do not have the exact date, but HRD Minister ( Kapil Sibal) has said he wants to launch on the anniversary date which is October 5," Datawind CEO Sunit Singh Tuli told PTI.

The launch will depend on the Minister's schedule, but it is not very far from now, he added. Tuli said Datawind has started supplying the next version of the low cost tablet, Aakash 2, to IIT Bombay since the last one month and a half. However, he refused to disclose other details.

Sibal had earlier said that new version of Aakash tablet would have a better battery with a three-hour battery backup, a capacitive touch screen among other new features at the same price. Datawind had won the tender for making and supplying Aakash tablets for price of around $49 per unit.

## 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 | |

**For Feedback & Comments, please contact:**
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