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India Focus

Finance Minister Mr Arun Jaitley

this issue

BILATERAL

Former Singapore Foreign Minister George Yeo to be new chancellor of Nalanda University

PTI| Updated: May 31, 2015

Former Foreign Minister of Singapore George Yeo will be the new Chancellor of the Nalanda University, the External Affairs Ministry announced on Saturday. The announcement came over two months after Nobel laureate Amartya Sen withdrew his candidature to the post for a second term.

60-year-old Yeo, who was conferred Padma Bhushan in 2012, is currently serving as a member of the governing board of the prestigious university at Rajgir area of Bihar.

"George Yeo, former FM of Singapore is to be the new Chancellor of Nalanda University," External Affairs Ministry Spokesperson Vikas Swarup said.

The former Singapore Foreign Minister has been playing a key role in reviving the the ancient seat of learning and has been praised for his contribution in the field of "public affairs".

TOP NEWS

Fiscal deficit at 4% in FY15

TIMES NEWS NETWORK


IN CONTROL

- Revenue deficit at the end of 2014-15 is ₹3.6 lakh crore, which is 99% of the projected figure in the RE for 2014-15 & is 2.8% of the GDP as against the RE of 2.9%
- Gross tax collections have grown 9% to ₹ 12.5 lakh crore in 2014-15
- The govt has set a target of keeping fiscal deficit at 3.9% of GDP for current fiscal year

As a result of prudent policies and commitment to fiscal consolidation, the fiscal deficit at the end of 2014-15 stands at ₹5 lakh crore, which is 98% of the projected figure in RE for 2014-15," a finance ministry statement said

The NDA government has been able to rein in the fiscal deficit for 2014-15 at 4% of gross domestic product, lower than the target of 4.1% against the backdrop of a challenging revenue situation and skepticism about the ability to meet the tough target.

Finance minister Arun Jaitley had accepted the target set by his predecessor despite the fact that it was a "daunting" task. The government had taken several measures, including a close watch on spending as well as better revenue mop-up. "As a result of prudent policies and commitment to fiscal consolidation, the fiscal deficit at the end of 2014-15 stands at Rs 5 lakh crore, which is 98% of the projected figure in RE (revised estimated) 2014 -15," a finance minis try statement said. **..Cont on P. 4**

India clocks 7.5% growth in January-March quarter, becomes world's fastest growing economy

Friday, 29 May 2015 - 11:20pm IST | Place: New Delhi | Agency: PTI

India has overtaken China to become the world's fastest growing economy by clocking 7.5% GDP for the March quarter, prompting Finance Minister Arun Jaitley to say that the economy is clearly on "a recovery path".

The economic growth rate on sequential basis improved from 6.6% in the third quarter (October-December) of the financial year 2014-15. For the fiscal as a whole, the GDP grew by 7.3%, up from 6.9% a year ago, mainly due to improvement in services and manufacturing sectors. The fourth quarter GDP data, Jaitley said, "gives us a broad idea of how the Indian economy is moving. It is absolutely clear that the economy is in a recovery mode". The performance of manufacturing and services indicates that "we have a potential to grow at 8-9% and beyond", the Minister added. While manufacturing sector output grew by 8.4% in the fourth quarter of last fiscal ended March 31, 2015, services sector including trade, hotels, transport and communications clocked a robust growth rate of 14.1%. **..Cont on P. 4**

ECONOMY

Cabinet Approves Amendments to FDI Policy on Investments by NRIs

Press Trust of India | Updated On: May 21, 2015

The government today decided to liberalise foreign direct investment norms for NRIs and overseas citizens of India (OCI) as it aims to increase capital flows into the country.

A decision in this regard was taken by the Cabinet Committee on Economic Affairs, headed by Prime Minister Narendra Modi.
The Cabinet "approved amendments to FDI policy on investments by NRIs, PIOs & OCIs. This will give PIOs & OCIs parity with NRIs in eco & edu (economy and education)," an official spokesperson said.
"The amendment in FDI for OCIs , NRIs & PIOs will lead to greater forex remittances & investment," he added.
As per the DIPP's proposal any investment made by NRIs. OCIs and PIOs from their rupee account in India, will not be treated as foreign investment.
An official said that the non-repatriable NRI funds would be treatad as domestic investments.
The government wants to channelise the funds of NRIs, who now have set up large businesses abroad, by treating non-repatriable investments by NRIs as domestic investment.
NRI is defined as a person who is residing outside India but has Indian citizenship.
The Narendra Modi-led government, which has liberalised the FDI policy for sectors such as defence, railways, construction development, medical devices and insurance, is keen to tap NRIs, OCIs and PIOs.
During the April-February period of the previous fiscal, FDI rose by 39 per cent to $28.81 billion as against $20.76 billion in the same period last fiscal.

No RBI approval required for FDI

UNI, Monday, May 25, 2015,

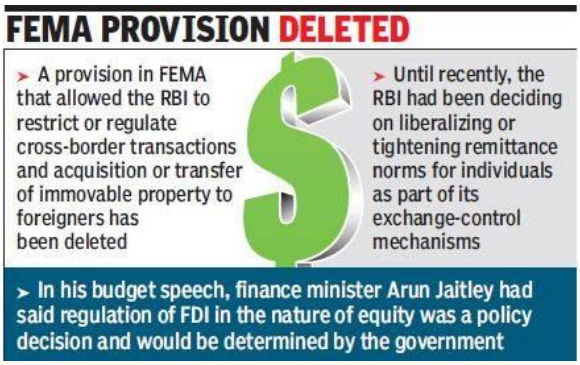
The Reserve Bank of India (RBI) today made clear that an Indian company receiving funds through the foreign direct investment (FDI) route would not need its prior approval.
“It was recently reported in a section of the press that the amendment to Foreign Exchange Management Act (FEMA), 1999 introduced to the Finance Act, 2015 will do away with the need for the Reserve Bank of India’s approval for foreign direct investments (FDI) in India,” the apex bank said in a statement.
The central bank said FDI could come in through two routes the automatic route, where no prior approval from any authority is needed for an Indian company to receive investments, and the approval route, where the company receiving FDI requires prior FIPB approval.
It is only required to report the capital inflow and subsequently the issue of shares to the RBI in a prescribed format, the bank said.

Govt plans single-window FDI nod

TNN | May 19, 2015, 01.24AM IST

MUMBAI: The finance ministry is putting in place a single-window system for clearance of foreign direct investment proposals - a job it is taking over from the Reserve Bank of India - in a bid to speed up the process. With the setting up of the new office the government is also expected to take a call on RBI's move to double foreign exchange remittance for purchase of immovable property to $2.5 lakh - a proposal that has been hanging fire since February for want of government clearance.
Regulations on purchasing immovable property overseas by Indians and foreigners in India, which was the domain of the Reserve Bank of India (RBI), will now be notified by the government. The government would also regulate the norms pertaining to foreign individuals and firms purchasing property in India. Until recently, the RBI had been deciding on liberalizing or tightening remittance norms for individuals as part of its exchange-control mechanisms. During times of heavy capital inflows, the central bank would relax the investment limit and tighten these caps when the rupee came under pressure.
In his budget speech this year, finance minister Arun Jaitley had said that regulation of foreign direct investment in the nature of equity was a policy decision and henceforth would be determined by the government. Debt inflows would continue to be regulated by the central government.
Following the passage of the budget, a provision in the Foreign Exchange Management Act (FEMA) that allowed the RBI to restrict or regulate cross-border transactions and acquisition

or transfer of immovable property to foreigners has been deleted.



Sources said that while the government would seek to hasten clearance of approvals by having a 'single-window' approach, there would also be scrutiny to ensure that the inflows were indeed equity. "For instance, an equity investment with assured returns to the investors would be more in the nature of debt," the source said.

Govt. clears 21 FDI proposals worth Rs. 281 crore

PTI

"The government has approved 21 proposals of foreign direct investment (FDI) amounting to Rs 280.70 crore," a finance ministry statement said on Monday.

FDI proposals under approval route are cleared by the Foreign Investment Promotion Board (FIPB). However, those proposals involving investment of more than Rs 3,000 crore are given final clearance by the Cabinet Committee on Economic Affairs (CCEA).

The proposal of pharma firm La Renon Healthcare to invest Rs. 100 crore in a brownfield project was cleared by the FIPB in its meeting on April 30.

The inter-governmental panel, chaired by Economic Affairs Secretary, also cleared Blue Dart Express's proposal to acquire shares in Blue Dart Aviation Ltd. and hike shareholding to 74 per cent from 49 per cent. This would entail investment between Rs. 52.8 crore to Rs. 69 crore.

The proposal of Quickjet Cargo Airlines to increase foreign shareholding in the company to 74 per cent from 62.34 per cent has also been cleared. The deal will entail FDI worth Rs. 14.40 crore.

Forever Living Imports (India) Pvt Ltd's Rs 18.30-crore proposal to undertake single brand retailing of 'Forever' brand products in India has also been approved by the board.

FDI in automobile sector up 89% in April-February FY'15

PTI May 25, 2015, 10.20PM IST

The Indian automobile sector, which is recovering from a slowdown, saw 89 per cent growth in foreign direct investment (FDI) to $2.42 billion during the 11 month period of the last fiscal.

It had received $1.28 billion FDI in the April-February period of 2013-14, as per the Department of Industrial Policy and Promotion (DIPP) data.

According to industry experts, more FDI is coming into the sector because a lot of carmakers are utilising their Indian operations to fulfil global ambitions.

"It has become costly to manufacture cars in Japan and South Korea. Now automakers are looking for locations with cheap manufacturing and India has now become a hub for small car exports. Various companies like Hyundai, Nissan, Volkswagen and Ford are manufacturing vehicles here for their export markets," said Abdul Majeed, Partner, Price Waterhouse.

As per the Society of Indian Automobile Manufacturers (SIAM) data, car sales rose by 4.99 per cent in 2014-15 after falling for two consecutive fiscals, as lower fuel prices and softening of interest rates led to reduction in the overall cost of ownership.In April, the first month of the current fiscal 2015-16, car sales rose by 18.14 per cent in April, the fastest rate of growth in 30 months, as the auto industry continued its journey on the road to recovery riding on improved consumer sentiments, new models **..Cont on P. 7**

Fiscal deficit at 4% in FY15 .. Cont from P. 1

“Fiscal deficit as a percentage of GDP is 4% as against the RE of 4.1% (4.4% for the previous year 2013-14),“ the statement said. It said the government is firmly committed to the path of fiscal consolidation and this was a step forward. The government has signalled its commitment to repairing the government finances and has set a target of keeping the fiscal deficit at 3.9% of GDP for the current fiscal year and has relaxed the target of bringing it down to 3% of GDP by a year to help spur public investment in infrastructure. A tight control over the fiscal deficit, which is the gap between the government's revenues and spending, augurs well for the financial markets. A lower fiscal deficit means reduced government borrowings and would help the central bank to reduce interest rates. The news of a better fiscal picture should also please the rating agencies that have been keeping a hawk eye on the country's public finances. Gross tax collections have grown 9% to Rs 12.45 lakh crore in 2014-15 compared to 2013-14. The revenue deficit at the end of 2014-15 is Rs 3.58 lakh crore, which is 99% of the projected figure in the RE of 2014-15 and is 2.8% of the GDP as against the RE of 2.9% (3.2% for the 2013-14). Devolution of tax collections to states at the end of 201415 is Rs 3.38 lakh crore, which is higher by Rs 19,578 crore over the previous year 2013-14 and non-tax revenue stands at Rs 1.97 lakh crore (90% of revised estimate), according to the provisional figures.

India clocks 7.5% growth in January-March quarter, becomes world's fastest growing economy.. Cont from P. 1

The fourth quarter GDP growth rate of 7.5% was better than China's 7.4% making India the fastest growing economy in the world.

Jaitley dismissed former Prime Minister Manmohan Singh's comments on the state of the Indian economy saying that an economy growing at fastest pace in the world cannot be 'fragile'. "In a global slowdown situation, to have the fastest growth rate in the world certainly does not make Indian economy fragile," he said.

Industry chambers hailed the uptick in growth data but underlined the need for more initiatives on the ground level to improve investor sentiment and realise the true potential of the Indian economy. Finance Secretary Rajiv Mehrishi said improvement in the manufacturing sector growth shows that jobs are being created.

Industry chambers, meanwhile, made a case for further rate cut by the Reserve Bank at its monetary policy on June 2 in view of declining inflation. "Inflation, which was a major concern factor, has been on downward trajectory. We hope that Reserve Bank will cut the repo rate by 50 bps," said Ficci.

Industry body CII said the figure indicates that policy and reform initiatives taken by the government are bearing results on the ground. "We expect further improvement of the key levers of the economy, going forward, as the government steps up public investment which in the process crowds in private investment to rekindle a new demand cycle in the economy," it said.

The CSO data has also revised the figures for three quarters of the last financial year. The GDP for the first quarter was revised to 6.7%, from 6.5%; for Q2 to 8.4%, from 8.2 and for Q3 to 6.6% from 7.5%. It further said that Gross Value Added (GVA), a new concept introduced by CSO to measure economic activity, rose by 7.2% in 2014-15, compared to 6.6% in the previous fiscal.

The economic growth rate measured in terms of GVA for the January-March quarter improved to 6.1% as against 5.3% a year ago. The manufacturing sector recorded a growth rate of 8.4% during the last quarter of the last fiscal, up from 4.4% a year ago. The services sector too witnessed marked improved during the quarter.

However, agriculture and mining and quarrying sectors remained laggards in the January-March quarter. The data showed that farm output during the quarter declined by 1.4% as compared to a growth of 4.4% in the corresponding quarter of the previous fiscal. The output of mining and quarrying sector decelerated to 2.3% in the fourth quarter of the last fiscal as compared to a growth of 11.5% during the same period in 2013-14. CSO further said that per capita income at current prices during 2014-15 rose by 9.2% to Rs 87,748 as against Rs 80,388 in the previous fiscal. It was Rs 64,316 in 2011-12 and Rs 71,593 in 2012-13.

Rupee Return Seen Best in Emerging Markets as Growth Beats China

http://www.bloomberg.com/news/articles/2015-05-26/rupee-return-seen-best-in-emerging-markets-as-growth-beats-china

The rupee's retreat this quarter hasn't dented forecasts for returns in the high-yielding currency as India overtakes China as the world's fastest-growing economy.

Investing dollars in rupees will earn 5.2 percent this year, including interest, according to predictions by 32 strategists compiled by Bloomberg. That's the highest total return among 23 emerging markets and compares with gains of 3.5 percent for Mexico's peso and 2.1 percent for China's yuan. India's currency has lost 2.5 percent since March 31, wiping out the first quarter's 0.9 percent advance.

Growth looks set to accelerate as Prime Minister Narendra Modi opens more industries to foreign investment and central bank Governor Raghuram Rajan cuts borrowing costs. India's sovereign bonds offer the second-highest yield in Asia and rupee swings have declined from a one-year high as rising currency reserves shield the nation from the risk of outflows as the Federal Reserve prepares to raise interest rates.

"Among emerging-market currencies, India still looks relatively attractive," said Mitul Kotecha, head of Asia-Pacific currency strategy at Barclays Plc in Singapore. "The rupee's high yield, and India's improving economic and political fundamentals are likely to remain attractions for longer-term investors."

Bond Returns

Indian government bonds have handed investors the best gains in Asia in the past six months in local-currency terms. Rupee-denominated debt returned 5.8 percent compared with 3.1 percent on Chinese notes and 2 percent on Indonesian securities, indexes compiled by Bloomberg show. Indian 10-year notes pay 553 basis points more than similar-maturity U.S. Treasuries.

Investors borrowing in dollars to purchase rupee fixed-income assets earned 1.4 percent this year, the third-best carry-trade return in Asia. Global funds have increased their holdings of Indian government and corporate debt by $6 billion this year after a record $26 billion of inflows in 2014. The rupee has climbed 7 percent from a record low of 68.8450 a dollar in August 2013, as the nation reduced current-account and budget deficits and lower oil prices cooled inflation.

"The complete picture is one of relatively strong growth, improvement in the current-account and fiscal deficits and the Modi government putting India on a higher growth trajectory," said Kotecha from Barclays. "If we look at the carry and risk-adjusted returns, the rupee comes out top among Asian currencies."

Growth Forecast

Asia's third-largest economy expanded 7.5 percent in the three months to December, compared with 7.3 percent growth in China. The International Monetary Fund predicts India's gross domestic product will increase 7.5 percent in 2015, the most in five years, while China's expansion will slow to 6.8 percent from 7.4 percent in 2014.

Modi's government has increased foreign investment limits in businesses such as insurance, defense and railways, deregulated fuel prices and pledged to cut red tape in a nation ranked 142 out of 189 countries by the World Bank in the ease of doing business.

"The Indian story is in better shape than back in 2013," said Jonathan Cavenagh, a currency strategist at Westpac Banking Corp. in Singapore. "India's reserves position looks exceptionally strong. Rajan has done an excellent job to mitigate those risks."

Record Reserves

Foreign reserves rose to a record $353 billion as of May 15. That along with faster growth and reduced twin deficits provide India with layers of defense to tackle any volatility in fund flows, Reserve Bank of India's Rajan said May 22.

New government boosted confidence, improved India's perception: DBS

PTI May 22, 2015, 10.56AM IST

SINGAPORE: The new Indian government has boosted confidence and provided and improved perception towards the country, lending it an "open-for-business" image, according to a report by a leading Singapore banking group.
In its report 'India: Time to Deliver' released yesterday DBS Bank, however, has put in a note of caution, saying, "But sustaining that optimism will not be easy."

The Gross Domestic Product growth should rise but not as quickly as many expect and or hope. In fact, some of the reform measures, including subsidy rationalisation, smaller hikes in support prices and a clampdown on black money could crimp growth in the short-term, the report said.
Any return to 9-10 per cent (economic) growth is probably some years away.
Much groundwork for reform has been laid but the implementation still lies ahead, it said. DBS group, which also operates banks in India, rated it as one of the leading markets.
"Execution risks loom large but we are optimistic. Reform takes time, to be sure," it said. The economy is in better shape now than a year ago.
The government is facing growing pressure to deliver on growth and reform. "Improvement in the perception towards India and renewed confidence are the most notable changes over the past 12 months,"
"From broad mistrust, markets have drawn confidence from the new administration", it said.
Prime Minister Modi's efforts to forge stronger ties with strategic global partners have also provided an "open-for- business" image, noted DBS.
While policy makers get some of the credit, favourable externals - low commodity prices and ample liquidity - have also helped.
Domestic reforms have been broad-based and incremental. Crucial areas were identified, including urbanisation, financial inclusion (broader public access to banking facilities), infrastructure and a bigger role for manufacturing.
While things are headed in the right direction, a mismatch between initial expectation and outcome has led to disappointment, the DBS said.
The improvement in confidence brought $42 billion of foreign capital inflows into Indian asset markets in 2014.

Cont from P. 3..and favourable fuel prices.
Domestic passenger car sales in April stood at 1,59,548 units compared with 1,35,054 in the same month of 2014.
Passenger car exports from India declined 1.66 per cent to 5,42,082 units in 2014-15 due to challenges in traditional overseas markets like Europe, Sri Lanka and Algeria.
Healthy FDI growth in the automobile sector has helped to push the overall growth in the foreign investment in the country.
During April-February 2014-15, FDI in India has increased by 39 per cent to $28.81 billion.
The other sectors where foreign direct inflows have recorded growth include telecommunication, computer software and hardware and pharmaceuticals during the period.
To attract foreign investments, the government is taking several steps, including improving ease of doing business in the country and relaxing FDI policy.

Net FDI inflows touch record high of $34.9 bn in 2014-15

Livemint: May 27, 2015

New Delhi: While foreign portfolio investments to India are slowing, net foreign direct investment (FDI) inflows, which are far more stable, have touched a record high of $34.9 billion in 2014-15, as made clear by the chart, compiled by Nomura Global Markets Research. In fact, net FDI inflows touched 1.7% of gross domestic product (GDP) in the just-ended fiscal year, up from 1.1% of GDP the previous year. The reason: more inbound FDI due to growing investor confidence in India and lower outbound FDI as global growth remains anaemic, said Nomura in a note on Tuesday. Foreign investment inflows to India are predominantly to infrastructure, mainly telecom, oil and gas, mining sectors, as well as the services sector.
In fact, FDI in manufacturing has remained lacklustre, although there were some inflows into the auto sector.
Higher FDI flows are good for India's current account deficit and also help drive domestic investments. With the government opening up various sectors such as insurance and defence, these stable flows may continue this year as well.

BANKING/FINANCE

Central bank eases norms for infrastructure debt funds

LIVEMINT, FRI, MAY 15 2015. 12 48 AM IST

The Reserve Bank of India (RBI) on Thursday allowed infrastructure debt funds (IDFs) to invest in sectors where there are no project authorities, amending earlier rules where IDFs were required to sign three-way agreements that included the project authority as one of the parties.
In a notification issued on Thursday, RBI said IDFs, which are functioning, either as non-banking finance companies (NBFCs) or trusts, will be allowed to undertake investments in projects without a project authority. These include both PPP (public-private partnership) and non-PPP projects.
"....it has been decided to allow IDF-NBFCs to undertake investments in non-PPP projects and PPP projects without a Project Authority, in sectors where there is no Project Authority," said RBI, while adding the caveat that these projects must have completed at least one year of satisfactory commercial operations.
IDFs are investment vehicles, which can be set up as trusts or as NBFCs, and are used for investments in infrastructure projects. Foreign and domestic institutional investors, typically long term in nature, can invest in IDFs through units or bonds issued by them. The IDFs in turn invest in infrastructure projects.
There are currently three NBFC-IDFs in India and one trust-based IDF.
The revision of the rules will likely expand the scope of investment for IDFs to sectors such as logistics, special economic zones and townships.
IDFs were so far restricted to sectors where there was some form of government oversight, including roads, power and ports, according to Vinayak Chatterjee, chairman of infrastructure consulting firm Feedback Infrastructure Services. While the government was not a direct party to contracts, the involvement of a government project authorities was seen as an implicit sovereign backing for the projects.
Now RBI has widened the scope, allowing IDFs to invest even in purely private infrastructure projects. "Earlier the regulator was guarded about what projects IDFs could invest in and the presence of a project authority was seen as some kind of government oversight. Now they have

expanded the scope which should allow a wider gamut of projects to tap into IDFs," said Chatterjee.

However, RBI said that investments in projects where there is no project authority shall be governed by credit concentration norms that are applicable to systemically important NBFC. These rules say that credit exposure to a single borrower cannot exceed 15% of capital funds of the financial institution. An additional exposure of 5 percentage points is allowed in the case of infrastructure projects.

The credit concentration norms continue to be more relaxed for cases where there is a project authority. In such cases, an IDF-NBFC can take a maximum exposure of up to 50% of its total capital funds, said the RBI notification.

India emerges as 2nd biggest shareholder in new Asian Infrastructure Bank

***The Times of India**: May 25, 2015*

India has emerged as the second biggest stakeholder in the 57-nation Asian Infrastructure Investment Bank after a meeting of its chief negotiators in Singapore. China, which sponsored the bank, will have 30.85 per cent share followed by India with 10.85 percent.

Three other countries—Indonesia, Germany, South Korea—follow India with shares ranging between 3.93 per cent and 3.99 per cent, sources said. The allocation is based on the principal that 75 per cent shares will be reserved for Asia, and allocation within Asian countries will be based on their respect gross domestic product.

As the second biggest stakeholder, India will command a major influence in shaping infrastructure funding decisions in Asia, observers said. India also happens to be one of the major recipients of loans from World Bank and Asian Development Bank, which the new bank will compete with.

India is expected to allocate nearly $11 billion towards the share capital of the $100 bank, which will fund infrastructure projects across the world. The actual funding by AIIB might exceed its capital strength within the first few years because other banks like the China Development Bank are expected to participate in joint funding efforts.

China demonstrated a major climb down from its earlier stance, and agreed to accept less than one-third stakes in the upcoming bank. It had asked for about 50 per cent share when it first proposed the idea during a meeting addressed by president Xi Jinping in Indonesia in October 2013.

But members from Europe including United Kingdom, France and Germany, who recently joined the bank, prevailed upon China to reduce its overwhelming influence in order to give the bank a more independent character rather be seen as a Beijing controlled entity, sources said.

China has also agreed to a request that it should have no veto power in the new bank, according to informed sources.

"Founding members of AIIB have made some compromise and finally reached the agreement this time," Henry Gao, Associate Professor of Law with Singapore Management University, was quoted by Xinhua news agency as saying.

Explaining why non-Asian members got lower stakes in the bank, Chen Kang, professor of Lee Kuan Yew School of Public Policy in Singapore, said, "AIIB would have lost its Asian characteristic if allocation was strictly followed the only standard of GDP. Firstly differentiate Asian countries and countries outside the region, then allocates on the basis of GDP. This practice sounds more reasonable, as countries out the region are developed countries in Europe".

MARKETS

SEBI notifies norms for MFs managing offshore money

PTI

Simplifying norms for domestic funds to manage offshore pooled assets, the Securities and Exchange Board of India (SEBI) has dropped '20-25 rule', which required a minimum of 20 investors and a cap of 25 per cent on investment by an individual, for funds from low-risk foreign investors.

As per the existing norms, a fund manager who is managing a domestic scheme, is allowed to manage an offshore fund, subject to three specific conditions.

The first requires the investment objective and asset allocation of the domestic scheme and of the offshore fund to be the same. The second condition requires at least 70 per cent of the portfolio to be replicated across both the domestic scheme and the offshore fund.

The third condition, which was being considered as the most stringent by the industry, requires that the offshore fund should be broad-based with at

least 20 investors with no single investor holding more than 25 per cent of the fund corpus.

Otherwise, a separate fund manager is required to be appointed for managing an offshore fund.

In a notification uploaded on SEBI's website on Wednesday, the regulator said these restrictions would not apply "if the funds managed are of Category I foreign portfolio investors (FPIs) and/ or Category II foreign portfolio investors which are appropriately regulated broad based funds."

Private equity buyouts surge past $1 billion mark this year

***Livemint**: May 22, 2015*

Mumbai: Private equity (PE) buyouts in the first five months of 2015 have already exceeded the value of such transactions for all of last year, mirroring investor confidence in acquiring large stakes in Indian companies as economic growth accelerates.

In 2014, PE funds completed 15 buyout transactions worth $648 million. Year to date, six buyout deals worth $1.08 billion have already taken place, according to data from PriceWaterhouse-Coopers Pvt. Ltd. In 2013, PE funds were involved in 21 buyouts worth $2 billion.

The increased buyouts, which entail the acquisition of controlling stakes by PE funds, are partly a reflection of the attraction Indian assets hold for PE funds as the economy expands at a faster pace. India is projected to become the world's fastest-growing major economy by 2016-17 with a growth rate of 6.5%, topping China's 6.3%, the International Monetary Fund said last month.

Global investors that have raised large Asia-specific funds over the past two years are also deploying the money, and possibly channelling a larger portion to India. Baring Private Equity Asia expects to invest at least $1 billion in India from its Baring Asia 6 fund, which closed in February with commitments of $3.98 billion, founding partner and chief executive Jean Salata said in a March interview.

"The buyout activity is definitely on the uptick and more is likely to occur in the next couple of years," said Sanjay Nayar, member and CEO of Kohlberg Kravis Roberts and Co. India. "This is primarily driven by willing promoters and influenced by factors such as the need to de-leverage, sharper capital allocation, succession issues and an increasing interest from private capital and strategics."

In May, Baring Private Equity Asia completed its acquisition of CMS Info Systems Ltd from Blackstone Group Lp in a deal worth $440 million.

Last month, Advent International and Singapore's Temasek Holdings Pte. Ltd jointly acquired a 34.37% stake in the consumer products business of Crompton Greaves Ltd for $315 million.

Advent and Temasek are to make an open offer for additional shares in compliance with takeover rules.

Interestingly, out of $5.7 billion worth of PE and venture capital deals in 2015, the contribution of buyout deals stands at 18% compared with 5% last year ($648 million from $12.4 billion worth of deals).

"It goes to show increasing level of comfort financial sponsors are having towards India. We expect with the new government policies aimed at improving overall business environment, ease of doing business, improvement in overall level and the level of buyout activity should increase," said Pramod Kumar, managing director of Barclays Capital India.

Other large buyouts include the possible sale of the India business process outsourcing (BPO) business of Serco. On 30 April, Business Standard reported that Blackstone and Filipino BPO firm SPi Global are in race to acquire the unit in a deal worth $400 million.

On 29 April, Reuters reported that Advent International was in talks with Carlyle Group and three separate healthcare providers to sell its 72% stake in CARE Hospitals for $250-300 million.

"Large PE funds are ready to pump in money if they get a controlling stake," the India head of a US-based PE fund said on condition of anonymity. "In buyouts through secondary transactions, where a PE firm sells a company to another PE, the buyer will be more comfortable with numbers as well as the management."

Two large secondary transactions have taken place in 2015. New Silk Route Partners Llc sold its stake in Destimoney Enterprises Pvt. Ltd for over Rs.1,200 crore to Carlyle Group in February and Blackstone sold CMS Info Systems to Baring Private Equity Asia.

"Buyouts are mainly caused by divestment of businesses, succession issues or stress while another major reason is that first-generation promoters today are more amenable to ceding control than the older generations," said Sanjeev Krishan, executive director and leader of the private equity and transaction services practice at PricewaterhouseCoopers.

BILATERAL

Amaravathi, new Andhra Pradesh capital to be shaped by Singapore companies

ET Bureau May 26, 2015, 03.20PM IST

HYDERABAD: Singapore companies are keen to take up the developer role for Andhra Pradesh's greenfield capital city, coming up on an area of over 270 sq km on Krishna river bank, said Singapore's Second minister for Trade & Industry, S Iswaran.

He was addressing journalists after handing over his government's detailed master plan for Andhra's new capital to Chief Minister Chandrababu Naidu.

Amaravathi, the new capital, will come up on Krishna banks between Vijayawada and Guntur.

It will accommodate at least 1.3 crore people over the years, according to the master plan by the Singapore government. It will have a green area of 79 sq km and a water network of 11.5 sq km while a cricket stadium and a golf course are built apart from island resorts, waterfront residential areas and island theme parks, all connected through expressways and metro rail network.

The vaasthu-compliant city will also leverage the religious tourism circuit connecting Amaravathi, Kanakadurga temple, Mangalagiri temple, Kondapalli fort, Neerukonda and Undavalli caves. Naidu said his government was also looking at integrating the capital city plan with ports of Machilipatnam, Vodarevu and Nizampatnam.

The government will ensure that the farmers who had surrendered 33,000 acres of their farmlands are compensated adequately by allotting them developed commercial and residential plots, said Naidu.

While planning rail and road transportation networks, the master plan will also promote the use of public transport and non-motorised transport choices using an extensive network of walkways, cycle tracks and waterways, he said.

Visiting Members of India-Singapore Strategic Dialogue call on PM

***Source; pmindia**.gov.in/en/*

The visiting members of the India-Singapore Strategic Dialogue, led by Co-Chairman Prof. Tommy Koh, called on the Prime Minister Shri Narendra Modi today.

Interacting with the delegation, the Prime Minister said India would like to benefit from Singapore's expertise in the fields of urban management, urban development and urban administration. He also sought Singapore's support in capacity-building in human resources for urban management and urban administration.

The members appreciated the Union Government's Smart Cities initiative.

Temasek-owned Fullerton India to establish home finance arm

DealStreet Asia, 29 th May 2015

Singapore-state fund Temasek-owned Fullerton India Credit Co. Ltd, a non-banking financial company is planning to establish a home finance company in India, a report said.

Buoyed by recent success in retail lending, Fullerton aims at granting loans to people in the affordable housing segment, according to a report in Indian publication Mint, which quoted Shantanu Mitra, the firm's managing director and chief executive

The report quoted the Fullerton India chief executive as saying, "So far, we have kept away from housing finance because competition was tough and we could not compete with the banks on pricing. But now, with the network we have built, we think we can compete on pricing and also take advantage of the high returns this sector offers."

Mitra further added, "These are the new opportunities coming up through which we can utilize our distribution network at a time when the macroeconomic environment in India is improving."

Fullerton India has applied to the National Housing Bank for a licence to establish a subsidiary with an initial investment of Rs.100 crore ($ 15.68 million). The firms plans to lend to individuals seeking to purchase houses in both rural and urban areas.

Noting that their initial strategy would focus on smaller towns where Fullerton India has a branch network present, Mitra stated: "We will do a ticket size of Rs 25-40 lakh in urban areas, while in rural areas the ticket size could be Rs 5-10 lakh."

Fullerton India will add 40 more branches across India over the next year. Currently, it has 443 branches in India, with a loan book consisting of loans against property, loans to small companies and entrepreneurs, personal loans and rural loans.

Profit increased 100-fold from just $470,000 in FY 2010-11 to $47.2 million in FY 2014-15, as the company tightened credit standards and reduced non-performing assets (NPAs).

NPAs have dropped to 2 per cent of the total loans, from a peak of 11.25 per cent in the fiscal year 2010. That year saw Fullerton India loose $112.46 million, writing off bad loans.

Interest income increased 24 per cent to $236.65 million in the year ended March 2015 from $190 million in the year ended March 2014.

Besides home loans, Fullerton India will also focus on lending to small and medium enterprises (SMEs) and micro-corporations, particularly in rural areas. Mitra explained: "There are something like 60 million units in India employing about 100 million people and contributing 8 per cent of the GDP (gross domestic product). The credit needs of this segment is fulfilled by only 10 percent. So it's a large opportunity for us."

This segment constitutes 30 per cent of Fullerton India's 1.359 billion crore loan book. There are plans to increase its share to 40-45 per cent of the loan book over the next few years.

Temasek last infused $23.5 million into Fullerton India in September 2012. According to official statements, the Fullerton Indian's capital adequacy ratio is maintained at 19.6 per cent.

Temasek has been extremely active in India off late, although the country accounts for only about 4% of its investments. It had recently picked up a 3.83% stake in Glenmark Pharmaceuticals Ltd for $151 million, in what was one of the largest private equity deals in a listed Indian pharma company this year, and the deal made the Singapore fund the single largest institutional investor in Glenmark Pharmaceuticals.

Fullerton India apart, the Singapore fund already owns a finance vehicle in India. It had recently completed the acquisition of SVB India Finance Private Limited, the specialty lending arm of Silicon Valley Bank, for $45 million, and rebranded it as InnoVen Capital India.

In a recent interaction, Rohit Sipahimalani, co-head, investment group; co-head, portfolio and strategy group; and head, India, at Temasek had said the company had no plans to merge SVB India Finance (now InnoVen Capital) with Fullerton India Credit Co. Ltd (FICCL).

Siphaimalani said "Both are very different. If you look at Silicon Valley Bank, it looks at very early stage companies that may not necessarily even have sustainable cash flows to repay."

He added "You are looking at the background of the VCs, you are looking at the business model and their ability to raise equity to repay you – these are companies that don't have free cash flow, and it is therefore a very different risk profile and also very different stages that the company is in. Fullerton is like an NBFC which

does typical lending evaluation in terms of credit scoring for retail and small businesses. They are in different segments."

West Bengal airport, partly owned by Singapore's Changi, to open

http://www.dealstreetasia.com/stories/west-bengal-airport-partly-owned-by-singapores-changi-to-open-6461/

The state of West Bengal in India will soon see the opening of Kazi Nazrul Islam Airport, which is partially owned by Changi Airports International (CAI),marking a major milestone in the Singapore company's plans capitalise on the surge in airport developments across the Asia Pacific (APAC).

Kazi Nazrul Islam Airport is partially owned by CAI through a 36 percent stake in Bengal Aerotropolis Projects Limited (BAPL). A domestic airport, it is designed to handle a million passengers a year, with room for expansion as it scales. It is part of a much larger development that includes industrial, commercial and residential facilities. CAI co-owns part of this project.

Prior to this venture, CAI tended to limit foreign forays to helping airport planing and development, in addition to operating existing and new facilities. For instance, CAI currently manages the operations of four Russian airports. Demand for air travel in APAC nations is set to grow, fuelled by the growth of China and India and the emerging middle classes.

This will see more aerospace infrastructure being built, as new opportunities emerge for CAI and industry players to co-own, operate or otherwise help manage the infrastructure that will emerge. Other competitors keen to enter this space are Malaysia Airports, the German Fraport, Schiphol in the Netherlands and Turkey's TAV.

All are keen to capitalise on the growth within this market segment, with significant airport expansion and development projects worldwide. The industry is forecast to reach $520 billion this year, according to Subhranshu Sekhar Das, an aviation analyst at industry consultancy Frost & Sullivan.

China and India, both of which possess significant populations at least four times larger than the US, have approximately 400 airports each. By comparison, the US has more than 5000 airports serving its domestic market. This indicates the extent to which the infrastructure has to grow to keep up with growing demand.

CAI spokesperson See Ngee Muoy said that domestic air travel in India surged by 14.8 per cent in February 2015, compared with the same period last year. "This affirms our belief that the prospects for domestic air travel in India remain promising," SEE added.

BAPL's managing director, Partha Ghosh, said that the Singapore airport is a valuable partner. "We are tapping their experience across many functional areas such as masterplanning and terminal design, capacity improvement, traffic development, airport operations and management, and commercial development," he said.

Global diamond mines allowed to sell in India in special zones

***Business Standard** : May 29, 2015*

Mumbai: The government has finally allowed international mines to sell rough diamonds in India, which otherwise Indian merchants had to earlier purchase from Antwerp.

The Special Notified Zone (SNZ) to allow import and sale of rough diamond directly by global miners like De Beers, Rio Tinto, BHP Billiton and Al Rosa is set to become operational by July 1.

While plans to set up the SNZ were announced at the Bharat Diamond Bourse in December 2014, the government had not issued any operational guidelines in consultation with the Central Excise and Customs. Therefore, despite the announcement, global miners were apprehensive over setting up of India offices to bring rough diamond and conduct auctions here.

De Beers' Chief Executive Officer Philippe Mellier on his recent India visit had said his company was ready to set up offices in India, provided conducive trading regulations were put in place."With operational guidelines in place, global miners will be able to set up offices in India which will reduce travelling time for Indian diamantaires, and also cost of rough diamond procurement," said Sabyasachi Ray, Executive Director, GJEPC.

The decision assumes significance especially for Indian diamantaires who currently travel to major trading centres like Dubai, Johannesburg and Antwerp once for inspection of the lot of rough diamond and again for participating in auctions. India process 11 out of every 13 rough diamond mined globally.

"This is first of its kind of revolutionary idea which the government of Israel and others

want to replicate. We were pursing with the government for several years for this. The guidelines will transform India into the world class trading center not only for rough diamond but also for other commodities, in case the same is adopted," said Ray.

Meanwhile, the government has set up a special purpose vehicle —India Diamond Trading Centre (IDTC) — to handle import of rough diamond for auctions and sale here. The government proposed BDB to outsource the handling of rough diamond, imported for auctions or sales to ITDC to be constituted jointly by GJEPC and BDB. Also, the government asked BDB to identify and submit floor plan including security related features.

"Trading by global miners in India was not allowed in India. Global miners are allowed now to bring even run-of-the-mines goods. For them, we have identified 4000 sq ft with 10-12 rooms which global miners would hire and conduct trading. The unsold quantity may always be taken back," said Anoop Mehta, President, BDB.

The government has identified BDB as a custodian of rough diamond import and export for which the Precious Cargo Customs Clearance Centre at BKC has been notified as a nodal agency. The import of rough diamonds will be permitted through air cargo mode only. No import of hand carriage or express courier service mode will be permitted.

Sanjay Kothari, an industry veteran, said, "We are in talks with global diamond miners to bring them for trading of rough diamonds in India. As of now, individual traders, sightholders or processors were importing goods on their personal capacity. With this, however, Indian diamond processors will be at an advantage."

TENDER NOTICES >>>> *INDIA*

Expression of Interest for Development & Operation of Coal Mining Projects

NTPC Ltd (A Govt of India Enterprise) , URL: www.ntpctender.com

Open House scheduled for : 6th June, 2015

Expression of Interest for Appointment of Marketing Consultants

Dredging Corporation of India Limited , URL: www.tenders.gov.in

Closing Date : 4th June, 2015

Tender invitation for Acquisition of High Assurance Separation Kernel

Centre for Artificial Intelligence And Robotics, DRDO, URL: www.drdo.org

Closing Date : 17th June, 2015

Tender invitation for Supply of Choke & Kill Manifolds

ONGC, Baroda , URL: http://etender.ongc.co.in

Closing Date : 26th June, 2015

Government of India

National Mission for Clean Ganga (NMCG)

Ministry of Water Resources, River Development & Ganga Rejuvenation

'Nirmal Ganga Bhagidaari'

Join Us in Cleaning Ganga

Call 1-800-11-2838

Call for proposals from Organizations/Donors/Overseas Indians

Pollution in River Ganga is mainly on two accounts: nallahs/drains carrying municipal and/or industrial effluents into the River Ganga and river surface pollution such as pious refuse, solid waste, disposal of dead bodies, etc. The focus of National Mission for Clean Ganga (NMCG) so far has been on creation of treatment capacities (Sewage Treatment Plants) and related infrastructure for abatement of pollution caused by domestic/industrial sewage.

Ongoing Projects in 50 towns on the banks of River Ganga

- Sanctioned Cost: Rs. 5909 Crores
- Treatment capacity sanctioned: approximately 1000 Million Liters per Day (MLD)
- Sewerage network sanctioned: approximately 4000 km
- Further New Projects to be sanctioned in May 2015: Rs. 1700 Crores

Projects in Pipeline

- Targeted Additional Treatment Capacity: 3000 MLD
- Priority Towns: 118
- Coverage of Rural Sanitation: 1649 Gram Panchayats

Treatment Plant, Kanpur

Treatment Plant, Varanasi

Treatment Plant, Allahabad

Treatment Plant, Haridwar

Now, NMCG intends to expand its footprint to tackle river surface pollution and other areas. The projects are expected to start from June, 2015.

- River Surface Cleaning Equipment(e.g. Trash Skimmers, Trash Booms, Ro-BOAT, etc)
- Spargers/Aerators
- Boats with aeration mechanism
- Electric crematorium
- Improved wood based crematorium
- Outreach activities/community awareness
- Biodiversity conservation
- Skill development - eco-friendly livelihoods for those dependent on River Ganga (Boatmen, Dhobis, Fishermen, etc)
- Waste /litter collection, segregation, and management
- Heavy duty vacuum cleaners for Ghats
- Pious refuse - collection, recycling and management
- Toilets /bio-toilets on Ghats
- Solid waste collection from drains
- Dumpers to transfer of waste to landfill/recycling sites.
- Fencing of drains
- High efficiency Clarifiers on drains
- Innovative wastewater treatment technologies
- Any other relevant areas.

Proposals are invited from Organizations/Donors/Investors from India & Abroad/Overseas Indians to join hands in this endeavour.

Intending Implementing Organizations (Government bodies, NGOs, Academic institutions/others) may prepare a project on any of the above areas and submit them to NMCG.

Donors/Sponsors may pick up specific projects/Implementing Organizations. They may also propose/ contribute to projects in remembrance of their ancestors or an event. A commemorative plaque may be placed as per approved guidelines.

Overseas Indians may partner with India Development Foundation for Overseas Indians (IDF-OI) and Overseas Indians Facilitation Centre (OIFC) for collaborating with/contributing to such projects

The proposals submitted by organizations should include the budget and timelines required for completion. Documentary proof with respect to legal status, registration details including FCRA status, financial status, performance, and relevant experience shall be enclosed along with the proposal. A committee comprising representatives from relevant government departments will scrutinize all eligible entries. Projects recommended by the Committee will be proposed to prospective donors/investors/CSR funding/philanthropic donations by Overseas Indians as the case may be. The proposals will be considered on a rolling basis throughout the year.

Philanthropic donations by Overseas Indians will be routed through the India Development Foundation for Overseas Indian (www.idfoi.org), a not-for-profit Trust set-up by the Ministry of Overseas Indian Affairs, Government of India, to channelize the philanthropic propensities of Overseas Indians into the country's social development projects.

Overseas Indians interested in, investing in projects in the areas listed, and/or, any other form of economic engagement may connect with Overseas Indian Facilitation Centre (OIFC), a partnership between Ministry of Overseas Indian Affairs and Confederation of Indian Industry (CII) (www.oifc.in)

National Mission for Clean Ganga

Ministry of Water Resources, River Development & Ganga Rejuvenation
3rd Floor, Rear Wing, MDSS, 9-CGO Complex, Lodhi Road, New Delhi - 110003

Contact us at:
Toll Free Number: 1800-11-2838
www.nmcg.nic.in
Contact Person: **1.Madhava Kumar** (madhavakumar@nmcg.nic.in)
2. Bhawna Sharma (bhawnasharma@nmcg.nic.in)

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Notifications

Securities and Exchange Board of India

Mechanism for acquisition of shares through Stock Exchange pursuant to Tender-Offers under Takeovers, Buy Back and Delisting

http://www.sebi.gov.in/cms/sebi_data/attachdocs/1428927142167.pdf

Change in investment conditions for FPI investments in Government Debt Securities

http://www.sebi.gov.in/cms/sebi_data/attachdocs/1423136829975.pdf

Facilitating transaction in Mutual Fund schemes through the Stock Exchange Infrastructure.

http://www.sebi.gov.in/cms/sebi_data/attachdocs/1418184464337.pdf

Ministry of Corporate Affairs

The Companies (Central Government's) General Rules and Forms Amendment Rules, 2014.

http://www.mca.gov.in/Ministry/notification/pdf/CCINotificationGSR815.pdf

Reserve Bank of India

Export of Goods and Services – Project Exports

https://www.rbi.org.in/scripts/NotificationUser.aspx?Id=9635&Mode=0

Foreign Exchange Management Act, 1999 – Import of Goods into India

http://www.rbi.org.in/scripts/NotificationUser.aspx?Id=9567&Mode=0

Overseas Investments by Alternative Investment Funds (AIF)

http://www.rbi.org.in/scripts/NotificationUser.aspx?Id=9396&Mode=0

Ministry of Finance

Auction for Sale (re-issue) of Government Stock Dated 15th December, 2014(295 KB)

http://finmin.nic.in/press_room/2014/AuctionSale15122014.pdf

Clarification regarding Acquisition & Transfer of Immovable Property in India by Foreign Nationals

http://finmin.nic.in/press_room/2014/clarification_Acquist_Transfer_Property_foreignnationals.pdf

Eight Indian startups in global $1bn club

TNN | May 16, 2015

With venture capital funding pouring in thick and fast, eight Indian companies are among the 107 global firms which entered the 'unicorn' club with valuations topping $1 billion or more, said New York-based venture capital tracker CB Insights.

Eight Indian companies are now in this elite club. E-commerce biggie Flipkart, which raised nearly $2 billion last year, is at the top of the Indian pecking order valued at $11 billion, followed by e-tailer Snapdeal at $2.5 billion and taxi-hailing app Ola valued at $2.4 billion. Alibaba-backed mobile marketplace One97 Communications that runs digital wallet service Paytm has touched $2 billion in valuation, the report said..Other companies which joined the list include data analytics firm MuSigma, online classifieds service Quikr and mobile advertisement platform InMobi recording valuations of $1 billion each. "Globally, the number of unicorns has increased significantly. With private equity and hedge funds showing interest, many startups want to remain private without worrying about the pressures of delivering quarterly profits," said Parag Dhol, managing director, Inventus Capital Partners.

FAQs on Foreign Investments In India

The fortnightly FAQs will broadly cover the following areas

- ***I. Foreign Direct Investment***
- ***II. Foreign Technology Collaboration Agreement***
- ***III. Foreign Portfolio Investment***
- ***IV. Investment in Government Securities and Corporate debt***
- ***V. Foreign Venture Capital Investment***
- ***VI. Investment by QFIs***

I. Foreign Direct Investment (FDI)

Q. What is the meaning of 'resident owned' Indian Company?

Ans: An Indian company be treated as 'Owned by resident Indian citizens' if more than 50% of the capital in it is beneficially owned by resident Indian citizens and/or Indian companies, which are ultimately owned and controlled by resident Indian citizens. Thus, computation of such percentage would require ascertaining shareholding by 'resident Indian citizens' and if the shareholding of such company is held by another Indian companies each of such Indian companies are ultimately owned and controlled by resident Indian citizens. It is clarified that such Indian owners are not only resident within meaning of Section 2 (v) of FEMA, 1999 but are also citizens of India. The shareholding of a foreign citizen who has become resident within meaning of Section 2(v) ibid will not be aggregated for the benchmark of 50% and above.

Further, for Information & Broadcasting and defence sector if a declaration is made by persons as per section 187C of the Indian Companies Act about a beneficial interest being held by a non-resident entity, then even though the investment may be made by a resident Indian citizen, the same shall be counted as foreign investment.

Q. What is meaning of 'control'?

Ans: 'Control' shall include the right to appoint a majority of the directors or to control the management or policy decisions including by virtue of their shareholding or management rights or shareholders agreements or voting agreements. For ascertaining control by resident Indian citizens the above norms shall be applied.

Source: RBI

For Feedback & Comments, please contact:

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