ISSUE
164
15 April 2015
FORTNIGHTLY
BIZ E– NEWSLETTER

India Focus

Smt Nirmala Sitharaman

this issue

ECONOMY

RBI pegs economic growth at 7.9% for FY'16

PTI

A survey sponsored by RBI has projected the economic growth rate at 7.9 % for the current fiscal, up from 7.5% in 2014-15.

"In 2015-16, Gross Value Added at basic price (GVA) is expected to increase by 7.9%, led by growth in 'Services' by 10.1 %," said the RBI's Professional Forecasters on Macroeconomic Indicators.

The forecasters expect real GVA (refers to economic growth) at to increase by 7.5% in 2014-15.

The government expects the economy to grow by 8-8.5% in the current fiscal.

"Gross Domestic Saving rate is projected at 30% of GDP in 2014-15 and is expected to improve to 31% of GDP in 2015-16," the survey said. Bank credit, according to them is expected to expand by 12% in 2014-15 and further by 14% in 2015-16. CAD is projected at 1.2% and 1% of GDP in 2014-15 and 2015-16, respectively.

TOP NEWS

Commerce Ministry releases Foreign Trade Policy 2015-2020

India Infoline News Service | Mumbai | April 01, 2015

Highlighting the challenge to address infrastructure bottlenecks and complex procedures in manufacturing, Ms. Sitharaman said that the focus of FTP is to support services and exports.

The Ministry of Commerce today released Foreign Trade Policy (FTP) for the term 2015-2020.

While commenting upon the various aspects of the FTP, Commerce Minister Nirmala Sitharaman's said that it will promote the "Make in India" and "Digital India" programmes as envisioned by the Prime Minister Narendra Modi.

"The focus of the policy is to promote exports of value-added and labour intensive manufacturing as well as services. High-tech exports too will be encouraged," Sitharaman said. Highlighting the challenge to address infrastructure bottlenecks and complex procedures in manufacturing, Ms. Sitharaman said that the focus of FTP is to support services and exports. She added that the market diversification issue has been addressed in the FTP. ***Cont on P. 6***

Highlights of RBI monetary policy statement

PTI

RBI Governor Raghuram Rajan kept the benchmark repo rate or the rate at which the central bank lends money to banks, unchanged at 7.5 per cent, in the first bimonthly monetary policy review of 2015-16.

"Transmission of policy rates to lending rates has not taken place so far despite weak credit off take and the front loading of two rate cuts. With little transmission, and the possibility that incoming data will provide more clarity on the balance of risks on inflation, the Reserve Bank will maintain status quo in its monetary policy stance in this review," RBI said in a statement. ***Cont on P. 6***

ECONOMY

Moody's says it's 'positive' on India

TNN | Apr 10, 2015, 12.10AM IST

Global ratings agency Moody's on Thursday raised India's rating outlook to positive from stable, citing recent steps taken by policymakers which are expected to enhance the country's economic and financial strength.

"The driver for the rating outlook change is Moody's view that India's policymakers are establishing a framework that will likely allow India's growth to continue to outperform that of its peers over the medium-term; and improve India's macro-economic, infrastructure and institutional profile," the agency said in a statement. It came hours before Modi left for a trip to Europe and Canada, where he is expected to pitch India as an attractive investment destination.

Moody's Investor Service has a Baa3 rating on India, which is investment grade, a notch above the junk bond status.

"Moody's believes that recent measures to address inflation, keep external balances in check, simplify the regulatory regime for investors, increase foreign direct investment, and facilitate infrastructure development will reduce some of India's sovereign credit constraints," it said. It said that many of these measures are at a relatively early stage of design and have yet to be implemented. According to Moody's, the ability of policymakers to strengthen India's sovereign credit profile to a level consistent with a higher rating will become apparent over the next 12-18 months.

The sensex and the nifty rose on the news of the upgrade. The BSE sensex closed at 28,885, up 177.46 points.

Acknowledging the rating agency's move, finance minister Arun Jaitley tweeted, "Moody's has changed rating outlook to positive from stable and affirms Baa3 rating. The upgrade in outlook is significant, but we've to do more".

Chief economic adviser Arvind Subramanian tweeted, "Moody's India upgrade validates: government's reform thrust; better growth, macro outlook; budget strategy of public investment + fiscal discipline."

India has grown faster than similarly rated peers over the last decade due to favourable demographics, economic diversity, as well as high savings and investment rates, the agency said. "Moody's expects these structural advantages, supported by relatively benign global commodity prices and liquidity conditions, will keep India's growth higher than that of its peers over the rating horizon," it said.

Recurrent inflationary pressures, occasional balance of payments pressures and an uncertain regulatory environment have contributed to periods of volatility in growth, and have exposed India to external and financial shocks, constraining its credit profile, the agency explained. And, sovereign credit improvements over the next 12-18 months, it added, will depend on the extent to which growth, policies and buffers can contain the risks associated with rising leverage.

Evidence over the coming months that policymakers are likely to be successful in their efforts to introduce growth-enhancing and growth-stabilizing economic and institutional reforms would lead to the rating being considered for an upgrade, it said.

On the other hand, the rating outlook would be revised to stable if economic, fiscal and institutional strengthening appeared unlikely, or banking system metrics remained weak or balance of payments risks rose, the agency said. Experts cheered the move and said a ratings upgrade was possible if the reform momentum was sustained.

"While India remains at the last rung of investment grade by all agencies, Moody's is the first rating agency that has given India a positive outlook. Going forward, we believe that ongoing structural reforms, including the imminent implementation of GST, could catalyze an upgrade in sovereign ratings over the next 12-18 months," said Rohini Malkani, economist at Citigroup India.

India to clock 7.5% growth in 2015-16, overtake China: IMF

PTI | Apr 14, 2015, 07.17PM IST

WASHINGTON: India will overtake China as the fastest growing emerging economy in 2015-16 by clocking a growth rate of 7.5 per cent on back of recent policy initiatives, pick-up in investments and lower oil prices, International Monetary Fund (IMF) said on Tuesday.

While India's growth rate is expected to improve from 7.2 per cent in last fiscal to 7.5 per cent this year and next fiscal, China will witness a deceleration with growth rate sliding from 7.4 per cent in 2014 to 6.8 per cent in 2015 and 6.3 per cent a year after.

IMF's growth projection, however, is lower than the estimates of the finance ministry and the RBI. The finance ministry expects GDP growth to be 8-8.5 per cent in 2015-16, while RBI has estimated it at 7.8 per cent.

"India's growth is expected to strengthen from 7.2 per cent last year to 7.5 per cent this year and next. Growth will benefit from recent policy reforms, a consequent pick-up in investment, and lower oil prices," said the IMF's World Economic Outlook released ahead of the IMF-World Bank meetings beginning April 17. India would be represented by finance minister Arun Jaitley, RBI governor Raghuram Rajan and other officials in the meetings.

In its 2015 World Economic Outlook, the IMF has improved India's growth prospects for the current fiscal as well as next fiscal by 1.2 per cent and 1 per cent over its January projection.

The upward projection for India by IMF comes at a time when other economies are not likely to show improvement in economic performance. Global growth, the IMF report said, will remain moderate, with uneven prospects across the main countries and regions. The global growth rate for 2015 is projected at 3.5 per cent.

"Relative to last year, the outlook for advanced economies is improving, while growth in emerging market and developing economies is projected to be lower, primarily reflecting weaker prospects for some large emerging market economies and oil-exporting countries," it said.

IMF managing director Christine Lagarde had last month described India as a 'growth bright spot'.

"Forecasts for most emerging and developing economies are slightly worse than last year...(but) India is a growth bright spot," she had said during her visit to the country.

China is slowing, Brazil is stagnating, many parts of the Middle East are beset with political and economic turmoil and Russia is experiencing economic difficulties, she added.

As regards the inflation, the IMF report said lower oil prices will raise the real disposable incomes, particularly among poorer households, and help drive down inflation.

It has projected a retail inflation of 6.1 per cent in 2015-16 and 5.7 per cent in 2016-17 for India.

Referring to the structural reforms, the IMF said, India should endeavour to remove infrastructure bottlenecks in the power sector and implement education, labour and product markets reforms to raise competitiveness and productivity. "In India, the post election recovery of confidence and lower oil prices offer an opportunity to pursue such structural reforms," it said.

On the Current Account Deficit (CAD), the report said, it would improve to 1.3 per cent in current fiscal from 1.4 per cent a year ago. However, it may worsen to 1.6 per cent in 2016-17.

Fitch retains India's credit outlook at 'stable'

PTI | Apr 9, 2015, 05.46PM IST

NEW DELHI: Global rating agency Fitch on Thursday retained India's credit outlook at 'stable' saying although "dynamism" is back in the economy translation of reforms into higher growth would depend upon actual implementation.

The agency also raised its forecasts for real GDP growth to 8 per cent for current financial year and further to 8.3 per cent in 2016-17, compared with 7.4 per cent GDP growth in 2014-15.

The latest forecast is calculated on the new base year for GDP calculation. Although US-based Moody's today upgraded credit outlook to positive from stable, another global firm Fitch decided to retain the stable outlook for its 'BBB-' rating. The rating agency took note of ongoing structural reform agenda of the government, but said "translation of the reforms into higher real GDP growth depends on actual implementation".

Referring to the policy initiatives of the Narendra Modi- government, Fitch said the reform agenda has brought "dynamism back to the Indian economy, after a couple of years of limited progress on the structural front". India's relatively "weak business environment and standards of governance", as well as widespread infrastructure bottlenecks will not change overnight, it said, adding, "there is ample room for improvement". Fitch said the new GDP growth levels and the pick-up in GDP from mid-2013 are "difficult to reconcile with indicators" and anecdotal evidence that show low investment levels, weak corporate balance sheets and a rise in banks' non-performing loans.

The stable outlook reflects Fitch's view that upside and downside risks to the ratings are balanced, it said. Fitch further said that implementation of the structural reform agenda and lower inflation would improve the sovereign credit profile.

Govt approves regulator for realty sector

***Livemint** : April 08, 2015*

Bengaluru: The Union government has finally approved the setting up of a regulator to protect homebuyers and improve the credibility of the real estate sector in a move towards ridding India of the tag of being one of the world's least transparent property markets.

The cabinet on Tuesday approved the amendments to the Real Estate (Regulation and Development) bill, 2013, to create a uniform regulatory mechanism across the country.

The bill seeks to ensure accountability and transparency to enable the real estate sector to access financial markets essential for its long-term growth. In essence, more disclosures have been demanded from developers and there are penalties attached in cases of violations.

"On becoming an Act, the Real Estate (Regulation and Development) legislation is expected to give a boost to the 'Housing for All by 2022' mission by enabling increased flow of investments through enhanced transparency, accountability and standardization," the ministry of housing and urban poverty alleviation said in a statement.

The cabinet has extended the applicability of the bill to commercial real estate as well. In order to ensure that customer advances are used only for project construction, promoters will also be required to deposit 50% of the amount collected from homebuyers in a separate account with a scheduled bank within a period of 15 days.

Ongoing projects that have not received completion certificates have been brought under the purview of the bill, and such projects will need to be registered with the regulator within three months.

Promoters will not be allowed to change plans and structural designs of a project without the consent of two-thirds of consumers.

"It's a great move, one that will bring in transparency and governance, though it is a little ironical that government agencies, which are significant stakeholders in the real estate ecosystem, haven't been named as being accountable for severe delays caused to projects, often due to government approvals," said Anuj Puri, chairman and country head at property advisory JLL India.

This will also curb the practice of setting unrealistic targets by developers and make them more reasonable in terms of project execution and delivery.According to JLL's global transparency index, India figures somewhere in the middle, around the 44th position in a survey of 90 countries, said Puri.While India has been inching up the rankings, China which was behind, has now moved ahead to the 35th position.

Among the other new stipulations approved by

the cabinet, states have to make rules within one year and put in place a web-based online system for submitting applications for registration of projects, and the regulator has to decide cases within 60 days.

Real estate developers, both in the residential and commercial sectors, will be required to register their projects with the regulatory authority. Promoters will have to disclose all information regarding ownership, project plan and layout, development schedule, land status, status of statutory approvals, proforma agreements, names and addresses of real estate agents, contractors, architects, structural engineers and so on.

"The bill should bring in more investors, both from individuals and institutions, as it assures protection as well as overall regulation. However, the approach has to be balanced and shouldn't pose a hurdle instead of helping real estate development," said Anshuman Magazine, chairman and managing director, CBRE South Asia Pvt. Ltd.

Penal provisions include payment of 10% of project cost for non-registration and payment of another 10% of project cost or three years of imprisonment or both if still not complied with. For wrong disclosure of information or for failing to comply with the disclosure norms and requirements, a penalty equal to 5% of the project cost will be imposed. Regulatory authorities can also cancel registration in case of persistent violations. Real estate agents will also be punished for non-compliance of the orders of the regulatory authority and appellate tribunals to be set under the proposed law.

For fast-track dispute settlement, one or more adjudicating officers will be appointed to settle disputes and impose compensation and interest.

On Tuesday, the cabinet also approved an additional instalment of dearness allowance (DA) to central government employees and dearness relief (DR) to pensioners, with effect from 1 January 2015, at the rate of 6% increase over the existing rate of 107%.

The combined impact on the exchequer on account of DA and DR would be of the order of Rs.6,762.24 crore per annum and Rs.7,889.34 crore in 2015-16 (i.e. for a period of 14 months from January 2015 to February 2016).

The cabinet committee on economic affairs, chaired by Prime Minister Narendra Modi, approved two significant foreign investments in the pharmaceutical sector. Aurobindo Pharma Ltd won approval for qualified institutional buyers to infuse fresh equity of up to 7%, amounting to about Rs.2,165 crore, into the company. The existing foreign institutional investment shareholding in the company is 27.32%. This will enable the company to expand its operations in the areas of anti-infective, cardiovascular and central nervous system-related ingredients. Regarding Glenmark Pharmaceuticals Ltd, the cabinet has increased the investment limit by foreign institutional investors from 35.07% to 49%. This will result in an inflow of about Rs.2,022 crore.

India's Feb industrial output grows at 5%, fastest in 9 months

Reuters | Apr 10, 2015, 05.53PM IST

India's industrial output growth accelerated to 5.0 per cent in February, its fastest pace in nine months, mainly driven by growth in capital goods and consumer goods sectors, government data showed on Friday.

Analysts polled by Reuters were expecting the output to grow 2.4 per cent compared with a upwardly revised 2.8 per cent growth in January.

India plans to release industrial output data based on a new methodology and use a different base year for calculating the index in the next few months, a senior government official at the statistics ministry told Reuters on Thursday. The industrial output data with 2004/05 as base year has become less relevant now after the government changed the methodology as well as the base year for GDP calculations in February. The revised base year for GDP is 2011/12.

Highlights of RBI monetary policy statement.. *Cont from P. 1*

RBI has already reduced the repo rate by 50 basis points (bps) so far this year, in two unscheduled actions outside of its policy meetings. However, this has not resulted in banks passing on the benefits to customers. Banks were hoping for a cut in cash reserve ratio to cut interest rates.

Following are the highlights of RBI's first bi-monthly monetary policy statement, 2015-16:

- Short-term lending rate (repo) unchanged at 7.5%
- Cash Reserve Ratio unchanged at 4%.
- Retains Statutory Liquidity Ratio at 21.5%.
- Estimates GDP growth at 7.8% in FY'16, up from 7.5% in FY'15 .
- Forecasts CPI inflation at 5.8 pc by March 2016.
- 100% CPI inflation to dip to 4% in August 2015.
- Hailstorms in March affected 17% of the rabi crop sown area .
- Future rate cuts will depend on interest rate reduction by banks.
- India better prepared to deal with volatility post US Federal Reserve rate action.
- State cooperative banks to be allowed to set up off-site/ mobile ATMs without prior approval from RBI.

Commerce Ministry releases Foreign Trade Policy 2015-2020.. *Cont from P. 1*

Some salient points which the commerce minister made in her speech are as follows:

- e-Commerce Exports Eligible For Services Exports From India Scheme
- Commerce Minister announced two new schemes in Foreign Trade Policy 2015-2020
- Two New Schemes announced in FTP Are MEIS & SEIS
- Need to ensure local products & services are globally competitive
- Focused on improving ease of doing business in new foreign trade policy

The government has done away with five export promotion schemes and has introduced MEIS or Merchandise Export from India Scheme. Products with domestic content will get higher MEIS support.

For services, all schemes have been replaced by a 'Services Export from India Scheme', which will benefit all services exporters in India. e-Commerce exports up to Rs.25000 per consignment will get SFIS benefits.

With a view to boost the Special Economic Zones, Government has decided to extend both the incentive schemes for export of goods and services to units in SEZs.

India's GIFT: Arun Jaitley unveils norms for finance SEZs

By: fe Bureau | Gandhinagar | April 11, 2015

Paving the way for the country's first finance SEZ, the Gujarat International Finance Tec-City (GIFT), to commence operations, finance minister Arun Jaitley at a function here on Friday unveiled the composite regulatory framework for financial-sector players expected to set up shop there, but shied away from announcing the tax sops that would eventually help it to give a credible competition to entrenched counterparts in Dubai and Singapore.

Over a period of time, GIFT will likely get back much of the business of financial services — currency derivatives and reinsurance businesses, for instance — that India is losing out to Singapore, Dubai and London now, the minister said.

The exclusive regulations for international financial services centre (IFSC) would allow domestic and foreign firms to open offshore banking as well as insurance and capital market intermediaries at GIFT.

Among others, the special dispensation will allow companies incorporated outside India to raise money in foreign currency by issuing and listing their shares on stock exchanges within the IFSC, where individual and institutional investors from India and abroad, including NRIs, would be allowed to trade.

Indian as well as foreign companies will also be able to underwrite insurance/reinsurance business of foreign jurisdictions and allow banks, stock exchanges, depositories and clearing corporations to do business with a relatively low level of capital. Among the regulators, the Reserve Bank of India, Securities and Exchange Board of India and Insurance Regulatory Authority of India

have already issued the relaxed norms for IFSCs. The IFSC regulatory regime allows Indian and foreign stock exchanges to set up separate bourses within IFSCs as subsidiaries, while market entities from India and abroad would be allowed to operate there by providing issuance and trading in depository receipts and debt securities of domestic as well as overseas companies. The capital and other requirements have been relaxed for some time for exchanges, clearing corporations and depositories to set up shop in the IFSC.

Speaking at the function, Gujarat chief minister Anandiben Patel said GIFT would help attract investments to the tune of Rs 78,000 crore when it becomes fully operational. Urging other states to emulate the GIFT smart-city model, Jaitley said the IFSC would add to the country's GDP significantly over a period of time.

Financial services secretary Hasmukh Adhia said: "Dubai International Finance Center was conceptualised in year 2004. It's a very small area, but it is contributing to 12 % GDP of Dubai. Similarly 20% of the GDP of Japan comes from financial services." Underlining the potential of IFSCs, IRDA chairman TS Vijayan said reinsurance business worth Rs 7,300 crore went out of India in the past year. India could potentially become a reinsurance hub for the south Asian region, he said. The GIFT city project is being implemented in three phases of which Phase I is nearing completion. The first phase of GIFT City involved development of 10 million sq ft of commercial built-up area, with 7.7 million sq ft being developed by one of the promoter groups, IL&FS. It is strategically located on the Delhi-Mumbai Industrial Corridor and is connected by road with plans for a bus rapid transit system and a Metrolink Express for Gandhinagar and Ahmedabad mass transit rail system in the pipeline.

Boost to foreign investment in Pharma sector as FIIs investments in Aurobindo Pharma Ltd. and Glenmark Pharmaceutical Ltd. Approved

Press Information Bureau : *April 08, 2015*

The Cabinet Committee on Economic Affairs (CCEA), chaired by the Prime Minister Shri Narendra Modi, today approved two significant foreign investments in the pharmaceutical sector. Aurobindo Pharma Ltd. are engaged in manufac turing generic pharmaceuticals and active pharma

ingredients, and approvals have been given for Qualified Institutional Buyers to infuse fresh equity of upto 7 % amounting to about Rs. 2165 crore into the company. The existing FII shareholding is 27.32 % in the company. This will enable the company to expand its operations in the areas of anti infective, cardiovascular and central nervous system related ingredients. Aurobindo Pharma employs more than 9500 professionals from 26 countries.

In Glenmark Pharmaceutical Ltd. the company has increased the foreign investment limit by FIIs from 35.07 % to 49 %. This will result in an inflow of about Rs. 2022 crore. Apart from manufacturing pharmaceuticals, the company is also engaged in Research and Development activities in drugs. Glenmark Pharmaceuticals is a US$ 1 billion Indian pharmaceutical company, with a global presence with manufacturing facilities in India, Europe and South America.

Both companies are promoted by Indian entrepreneurs who have developed a global footprint over the years. The companies are required to continue to produce medicines under the National List of Essential Medicines (NLEM) at the same levels as they had been doing in the past. These companies are also required to maintain R&D expenditure at the maximum levels incurred in the past three years and to provide complete information regarding transfer of technology that has been done. This underscores the importance given by the Government to strengthening healthcare in the country, by ensuring availability of drugs to the people at reasonable prices. These investments show the continued confidence of international investors in the domestic Intellectual Property Regime in the pharmaceutical sector. By investing in Research and Development, these companies have become players in the global pharmaceutical market and exemplify "Make in India" which is being promoted by the Government of India.

France to invest 2 billion euros in India; help in development of three smart cities

***The Economic Times**: April 13, 2015*

New Delhi: Looking to participate in India's growth story, Francois Hollande on Friday announced that France will invest 2 billion Euros in India. "France will help in the development of three smart cities in India, including Pondicherry and Nagpur," France President Hollande said.

India-France signed 17 agreements in sectors such as railways, skill development, science and technology.

Hollande said, "I am very keen on PM Modi's Make in India initiative. France supports the ambitious campaign. "We have role to play in stability and peace, which is why we support India and want it to become a permanent member of the UNSC," he said.

"We also want to share climate change technologies," he said. "We are prepared to welcome more Indian students to France. We are willing to train Indians in France," Hollande said.

"We are honoured to have PM Modi in France. His visit is very important for us," Hollande concluded.

In a potential deal that will give a boost to India's defence capabilities, Prime Minister Narendra Modi on Friday announced that India is looking to buy thirty six Rafale jets in fly away conditions from France as soon as possible.

"I have told President Hollande that India wants the jets as soon as possible. A deal better than the previous one will be worked out by officials of the two countries," PM Modi said.

US to offer smart transport solutions for Allahabad, Ajmer and Visakhapatnam

***Press Information Bureau**: April 10, 2015*

New Delhi: Shri Venkaiah Naidu and US Secretary of Transportation Shri Anthony Foxx discuss cooperation

The US Department of Transportation has agreed to offer sustainable transport solutions for the cities of Allahabad, Ajmer and Visakhapatnam. Bilateral cooperation in the field of transportation was discussed during a meeting between the visiting US Secretary of Transportation Shri Anthony Foxx and Minister of Urban Development Shri M.Venkaiah Naidu here today. Shri Foxx was leading a 9-member delegation including Ms.Susan Kurland, Assistant Secretary for Aviation & International Affairs. Secretary (Urban Development) Shri Madhusudhan Prasad, Secretary(HUPA) Smt.Nandita Chatterjee and other senior officials of the Ministry participated in the discussions.

The two sides focused on cooperation on the transportation elements of smart cities including efficient public transportation systems, Intelligent Transport Systems, Traffic Information and Control, multimodal integration and capacity building and training in the field of urban transportation.

Shri Venkaiah Naidu gave a detailed account of initiatives being taken in the urban sector including building of 100 smart cities, New Urban Rejuvenation Mission for 500 cities, Housing For All, Swachh Bharat Mission etc, with the objective of enhancing the quality of lives of the people in urban areas and enabling cities to drive economic growth. Shri Anthony Foxx, who was earlier Mayor of Charlottee, North Carolina during 2009-13 stressed that efficient urban transportation based on proper planning and execution holds the key to making cities more livable. He said the US Government is focusing on promoting regional transport solutions. He described the initiative of building 100 smart cities in India as 'very exciting'. Shri Venkaiah Naidu suggested to the delegation that Task Forces have been constituted for promotion of Allahabad, Ajmer and Visakhapatnam in association with United States Trade Development Agency and the US Department of Transportation can work with the city-wide teams for promoting sustainable transport solutions.

India receives remittances worth US$ 70 billion in 2014, continues to lead globally

IBEF: April 15, 2015

India continues to be the leading nation in receiving remittances worth US$ 70 billion, from its global migrant workforce, in 2014, as per the World Bank's study of remittance, the money workers and professionals working in foreign lands send back to their native countries.Remittances to the developing world are expected to reach US$ 440 billion ***..Cont on P. 11***

BANKING/FINANCE

PM launches MUDRA Bank to fund small businesses

Business Standard: April 09, 2015

New Delhi: Prime Minister Narendra Modi on Wednesday launched Micro Unit Development and Refinance Agency, or MUDRA to fund and promote microfinance institutions (MFIs), which would in turn provide loans to small and vulnerable sections of the businesses.

Modi said these businesses would provide almost 10 times jobs to what was being generated by big companies.

MUDRA will have an initial corpus of Rs 20,000 crore and a credit guarantee corpus of Rs 3,000 crore. The initial corpus would be provided by banks from their priority sector lending shortfall.

To be an Non-banking financial company (NBFC) and a part of Sidbi, MUDRA will later take the form of a bank through a Bill, which the government will present in Parliament within the next one year, according to financial services secretary Hasmukh Adhia. With this, the long-awaited Bill on MFIs would not come and some of its provisions would be incorporated in the Bill on MUDRA, Adhia added. "It will also put in place entire mechanism as to how much interest rate can be charged for micro sector," he said. The issue had become quite contentious after the MFI sector had faced tough time, particularly in Andhra Pradesh when the state government tightened the noose on MFIs for recovery of loans in the wake of over- indebtedness of the loanees.

On whether MUDRA would regulate the NBFC (MFI), Adhia said, "That decision would be taken when the Bill will be framed." He added the government was yet to take a call on whether MUDRA would be transformed into a universal bank. "The government can decide to make it a policy bank like NHB (National Housing Bank) or it can decide to make it a universal bank," he said. Speaking about the broad contours of the proposed Bill, he said: "It will define what is going to be MFI. What is our definition of MFI. It will try and put in some process of registering new MFIs with MUDRA Bank."

It will also define functioning and objective of MUDRA Bank, Adhia said.

During the launch, the Prime Minister said the MUDRA scheme was aimed at "funding the unfunded". He said India's small entrepreneurs were used to exploitation at the hands of money lenders so far, but MUDRA would instill new confidence in them.

Small businesses can avail loan up to Rs 50,000; businesses that are a little bigger could avail loan of up to Rs 5 lakh; the highest bracket of loans available to the MSME sector would be up to Rs 10 lakh.

For further financing, the MSME sector affiliated entrepreneurs would be given a 'MUDRA card', which could provide further credit of up to Rs 20,000. MUDRA would also partner with state, regional level co-ordinators to provide finance to the last-mile financiers of small and micro business enterprises. The idea of MUDRA Bank was first envisaged in Budget 2015-16.

RBI Eases Foreign Investment Norms for Exchange-Traded Forex Derivatives

Reuters | Updated On: April 01, 2015

The Reserve Bank of India (RBI) relaxed rules for foreign investors in exchange-traded currency derivatives by increasing the trading limits allowed without an underlying exposure for the dollar/rupee pair to $15 million per exchange from $10 million earlier.

The RBI also said that foreign portfolio investors can take long or short positions of up to $5 million in euro/rupee, pound/rupee, Japanese yen/rupee pairs in exchange traded derivatives.

The apex bank also permitted importers to hedge up to 100 per cent of their eligible limit in the exchange-traded market compared with 50 per cent earlier.

RBI allows companies to issue rupee bonds abroad

***Business Standard** : April 08, 2015*

Allowing companies to issue rupee-denominated

bonds abroad will address both pricing and currency risks, while opening a window for rupee-denominated instruments to trade abroad.

The move follows robust demand for rupee-denominated bonds issued by the International Finance Corporation (IFC) and the Asian Development Bank (ADB).

"It will bring more liquidity and since these are raised in the rupee, no hedging volatility is involved," said Rajeev Talwar, executive director of real estate major DLF.

Even large companies struggle to raise funds from the local debt market, mainly due to the short tenure of bonds (up to three years) and big investors like Life Insurance Corporation of India insisting on triple-A ratings. "There is no depth in the local debt markets," said Seshagiri Rao, joint managing director, JSW Group. "The equity markets get many tax incentives and India should extend these to the debt market. It's important for infrastructure and companies setting up large projects to have access to long-tenure loans; a thriving bond market will help companies."

Analysts say many foreign investors have shown interest in high-yielding Indian debt. The enthusiastic response to IFC and ADB's offshore bonds has now encouraged RBI to push companies into tapping the rupee bond market abroad. In November last year, IFC sold Rs 1,000 crore worth of offshore 10-year Indian currency bonds at nearly two per cent below the benchmark 10-year government bond. In August, ADB raised Rs 300 crore from an offshore rupee-linked bond issue, to be settled in dollars.

By allowing companies to issue rupee debt from abroad, RBI could help contain India's foreign currency-denominated external debt obligation and reduce systemic risks from Indian companies' large unhedged forex exposure.

Analysts say demand for such bonds would depend on hedging options. To spur hedging of forex exposure and enhancing the liquidity of the currency options market, RBI has proposed to permit exporters and importers to write covered options on the basis of actual contracted exposure. Only companies with underlying transactions can write such options. This will also hedge forex exposure automatically.

"The move will also increase the options market liquidity, lacking depth due to lack of counterparty availability. It is also expected that once exporters and importers both start writing options, there will be enough counter-parties to make this voluminous enough to get the critical mass," said Prabal Banerjee, president, international finance, Essar group.

India's forex reserves increase by $1.62 billion

IANS | Apr 11, 2015, 02.11PM IST

India's foreign exchange reserves increased by $1.62 billion to $343 billion for the week ended April 3, Reserve Bank of India (RBI) data showed.

According to analysts, the Indian reserves got a boost during the week under review from an exponential rise in the foreign currency assets, the biggest component of the forex reserves. The foreign currency assets, expressed in US dollar terms, include the effect of appreciation or depreciation of non-US currencies such as the pound sterling, euro and yen held in reserve.

The Indian reserves hold nearly 20-25 percent of the non-dollar currencies.

The reserves are also being build up by the RBI to absorb any future global financial shock like the one witnessed in June 2013.

"The reserves are being build-up to counter any future financial shocks like the one which was witnessed at the time the tapering announcements were made. Apart from that, the reserves will also act as a support to the Indian rupee," Anindya Banerjee, Kotak Securities senior manager, currency derivatives, told IANS.

"The Indian rupee is very stable currently and the reserves will make sure that it will remain so. A healthy reserves will make sure that any other external shocks are taken care of," Banerjee added.

The RBI is cautious about the US Fed's stand that the rate hike might take place in the later part of the year.

With higher interest rates in the US, the foreign portfolio investors (FPIs) are expected to be led away from the emerging markets such as India.

TENDER NOTICES >>>> *INDIA*

Tender invitation for procurement of SS Seamless U Tubes for their Hyderabad Unit in Telangana state in India.

Bharat Heavy Electricals Ltd , URL: www.bhel.com

Closing Date : 21 April, 2015

Tender invitation for Full Opening Safety Valves & Kelly Cocks

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

Closing Date : 21 April, 2015

Tender invitation for procurement of High Throughput SNP Genotyping System

Central Potato Research Institute, Shimla , URL: www.drdo.org

Closing Date : 5 May, 2015

Tender invitation for Supply, Site preparation, Installation, Commissioning and Maintenance of 5 Nos. of X-ray based Full Body Truck Scanning (FBTS) System for Truck/ Trailer Mounted Cargo Containers and other Transport Vehicles

Ministry of Home Affairs , URL: http://mha.nic.in

Closing Date : 12 May, 2015

Tender invitation for Acquisition of High Assurance Separation Kernel

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

Closing Date : 17 June, 2015

India receives remittances worth US$ 70 billion in 2014, continues to lead globally.. *Cont from P. 8*

in 2015, increase of 0.9 per cent over the previous year. Global remittances, including those to high income countries, are projected to grow by 0.4 per cent to touch US$ 586 billion.

The top five migrant destination countries are the United States, Saudi Arabia, Germany, Russia and the United Arab Emirates (UAE), while the top five remittance recipient countries, in terms of value of remittances, are India, China, Philippines, Mexico and Nigeria, highlighted the report.

"Total remittances in 2014 reached US$ 583 billion. This is more than double the ODA in the world. India received US$ 70 billion, China US$ 64 billion, the Philippines US$ 28 billion. With new thinking these mega flows can be leveraged to finance development and infrastructure projects," said Mr Kaushik Basu, Chief Economist and Senior Vice President, World Bank.

"Israel and India have shown how macro liquidity crises can be managed by tapping into the wealth of diaspora communities. Mexican migrants have boosted the construction sector. Tajikistan manages to nearly double its consumption by using remittance money. Migrants and remittances are clearly major players in today's global economy," Mr Basu added.

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

Dr Harsh Vardhan announces imminent drug research break-throughs

PIB: April 13, 2015

Union Minister for Science & Technology and Earth Sciences Dr Harsh Vardhan, announced that the Indian pharmaceuticals sector would soon be showcasing 'candidate drugs' for malaria, osteoporosis and diabetes. He said with further R&D, important breakthroughs could be on the horizon for effective panacea for these conditions.

Speaking after a visit to the Central Drug Research Institute (CDRI) a wing of the Council of Scientific and Industrial Research (CSIR), in Lucknow today, he remarked that Indian R&D efforts in government laboratories have a track record in making drugs for Kala Azar, Filaria, Leprosy and Tuberculosis available at affordable rates to the common man.

The "candidate drugs" are currently undergoing clinical trials. He further announced that simultaneously, CSIR-CDRI is carrying out Investigational New Drug (IND) studies on lead molecules for fracture-healing, cancers, thrombosis, malaria and hyperglycemia.

The Minister said, "I am confident that the drug laboratories under CSIR are capable of backing up the Swasth Bharat Mission. Our scientists are focusing on both infectious and lifestyle diseases.

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. Whether the non-resident, permitted to acquire shares on stock exchange under FDI scheme, can sell those shares?

Ans. Non-Residents were already permitted to sell the shares on the recognised stock exchange in accordance with Regulation 9(2)(iii(b) of Notification FEMA No. 20 dated May 3, 2000.

Yes, the non-resident shall be at liberty to sell those shares as applicable under FDI guidelines. The shares acquired under the present scheme shall be treated as acquisition under FDI scheme and as such all requirement namely, sectoral cap, entry route, pricing, reporting, documentation etc. would have to be complied with.

Thus, non-resident having acquired shares under the scheme can subsequently transfer shares under FDI scheme.

Q. What will be mode of payment for the non-resident permitted to acquire share on stock exchange under FDI scheme?

Ans. The Non-Resident permitted to acquire shares under the scheme can use following mode for payment of shares:

- by way of inward remittance through normal banking channels, or
- by way of debit to the NRE/FCNR account of the person concerned maintained with an authorised dealer/bank;
- by debit to non-interest bearing Escrow account (in Indian Rupees) maintained in India with the AD bank in accordance with Foreign Exchange Management (Deposit) Regulations, 2000;
- the consideration amount may also be paid out of the dividend payable by Indian investee company, in which the said non-resident holds control, provided the right to receive dividend is established and the dividend amount has been credited to specially designated non-interest bearing rupee account for acquisition of shares on the floor of stock exchange.

Source: RBI

For Feedback & Comments, please contact:

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