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India Focus

this issue

BUSINESS

Singapore Exchange opens office in India to attract listings

Reuters, MUMBAI, July 22

Singapore Exchange Ltd has opened an office in Mumbai to attract listings and capital raising from India at a time when the Narendra Modi government is also seeking to allow more companies to raise funds abroad.

Indian Finance Minister Arun Jaitley said earlier this month the country would liberalise norms for real estate investment trusts (REITs) and American and global depositary receipts from domestic companies.

"Our India Office will enable us to better support Indian enterprises seeking to raise capital," said Magnus Bocker, CEO of SGX in the statement.

"We look forward to working with partners in India to assist companies in reaching out to the international investment community."

SGX has experienced a sharp drop-off in listings this year, adding to the pain of a penny stock scandal last year and prompting the bourse to arm itself with new incentives to win back companies and investors.

Analysts warn Singapore's stock market is risking becoming a niche player - popular for yield plays such

Cont on P. 9

TOP NEWS » *ECONOMY*

BRICS bank to get going in 2-yrs; India to head for 6 yrs

Jul 16, 2014, 07.49 PM IST | Source: PTI

India's presidency will be followed by Brazil and Russia who will have five years term each under an agreement reached after intense negotiations among the five country-grouping BRICS -Brazil, Russia, India, China and South Africa.

India will have the Presidency of the BRICS' USD 100 billion New Development Bank for six years with headquarters in China that will become operational in about two years, a major step for reshaping the international financial system dominated by the West.

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The announcement about the bank and a USD 100 billion Currency Reserve Arrangement (CRA) that will help countries to deal with short-term liquidity pressures, was made last night at the conclusion of the VIth BRICS Summit here attended by Prime Minister Narendra Modi, Presidents Vladimir Putin of Russia, Xi Jinping of China, Jacob Zuma of South Africa and Dilma Rousseff of Brazil.

Indian officials said a period of six months had been provided for ratification of the agreement by respective Parliaments of the member-nations except in the case of India where no Parliamentary endorsement was required. The member- countries have six months thereafter, to pay the first of the seven instalments.

Given this time frame, the bank is expected to get going in about two years, officials said. For CRA, China will contribute maximum at USD 41 billion followed by India, Russia, Brazil with USD 18 billion each and South Africa with USD five billion to have a positive precautionary effect, help countries forestall short-term liquidity pressures, promote further BRICS cooperation as also strengthen the global financial safety net.

Announcing the setting up of the bank with headquarters in Shanghai, Dilma said, "It will help contain the volatility faced by diverse economies as a result of the tapering of the United States' policy of monetary expansion." "It is a sign of the times, which demand reform of the IMF," she told reporters at the close of the summit.

Seen as first major achievement of the BRICS countries since they got together in 2009 to press for a bigger say in the world monetary order, created by the West and centered on the IMF and the World Bank, the setting up of the bank was prompted to seek coordinated action

following an exodus of capital from emerging markets in view of the global meltdown.
Welcoming the Summit decision, Modi said, "The vision of a New Development Bank, at the Delhi Summit two years ago, has been translated into a reality, in Fortaleza. It will benefit BRICS nations. But will also support other developing nations. And, it will be rooted in our own experiences, as developing countries.
"The BRICS Contingent Reserve Arrangement gives BRICS nations a new instrument for safeguarding their economic stability. This is an important initiative at a time of high volatility in global financial markets," he said.

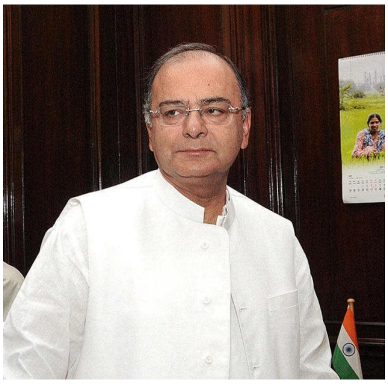
Cabinet clears 49% FDI in insurance with Indian control

PTI, New Delhi, July 24, 2014

The Cabinet approved 49 per cent foreign investment in insurance companies through the FIPB route ensuring management control in the hands of Indian promoters.
"The Cabinet Committee on Economic Affairs has approved raising of FDI cap in insurance sector to 49 per cent from 26 per cent," sources said after a meeting of the CCEA, headed by Prime Minister Narendra Modi.
With the Cabinet approving the amendments to the long pending Insurance Laws (Amendment) Bill, it will now be taken up by Parliament.
In his budget speech, Finance Minister Arun Jaitley had said that the insurance sector is investment starved and there is a need to increase the composite cap in the sector to 49 per cent, with full Indian management and control, through the FIPB route.
The move would help insurance firms to get much needed capital from overseas partners.
The proposal to raise FDI cap has been pending since 2008 when the previous UPA government introduced the Insurance Laws (Amendment) Bill to hike foreign holding in insurance joint ventures to 49 per cent from the existing 26 per cent.
However, the Bill could not be taken up in the Rajya Sabha because of opposition from several political parties, including the BJP.
The insurance sector was opened up for private sector in 2000 after the enactment of the Insurance Regulatory and Development Authority Act, 1999 (IRDA Act, 1999).
This Act permitted foreign shareholding in insurance companies to the extent of 26 per cent with an aim to provide better insurance coverage and to augment the flow of long term resources for financing infrastructure.
The industry has been demanding for long to increase the FDI limit for adequate funds for expansion of the sector.

GDP growth to improve this fiscal: Jaitley

PTI, New Delhi, July 18, 2014



India's economic growth is expected to improve during the current fiscal from 4.7% in 2013-14, helped by a revival in industrial growth, improved fiscal health and external economic situation, Parliament was informed on Friday.
The Economic Survey 2013-14 tabled in the Lok Sabha early this month had projected the country to grow between 5.4-5.9% in the current fiscal.
"The growth rate of the country is expected to increase during 2014-15, compared to 2013-14," Finance Minister Arun Jaitley said in a written reply to the Lok Sabha.
He said factors such as revival of industrial growth, improved external economic situation characterised by a stable current account, benign outlook on oil prices, improved fiscal health and modest revival in global economy can be expected to contribute to the GDP growth in 2014-15. The country has been clocking a sub-5% growth for the past two financial years, mainly on account of slowdown in investments.
In a separate reply to another question, the Minister said slowdown in investment has happened due to a combination of factors such as weak business sentiment, global slowdown, lower export demand, infrastructure bottlenecks and rise in interest costs owing to elevated inflation."The government continuously monitors macro-indicators including sectoral investment pattern in the economy," he said, adding the investment rate declined from 35.5% of GDP in 2011-12 to 34.8 per cent in 2012-13.

Key labour reforms get Central push

The Indian Express, July 31, 2014 1:58 am

In its first major step towards overhauling the country's labour laws, the government on Wednesday cleared long-pending amendments to three critical laws in the sector that would enable a doubling of the overtime limit for workers, exemption for firms employing up to 40 workers from compliance of labour regulations and allow more trades to be included under the Apprenticeship Act.

The Union Cabinet cleared 54 amendments to the archaic Factories' Act, 1948, changes to the Apprenticeship Act, 1961 and the Labour Laws (Exemption from Furnishing Returns and Maintaining Registers by Certain Establishments) Act, 1988. "Proposals to amend all three of these Acts have been cleared. It will be our top priority to table these in Parliament in the ongoing session and hopefully get them enacted," said a source close to the development.

Within weeks of forming the government, the NDA, through the Labour Ministry, had begun consultations towards amending these laws that are seen as a major challenge by companies in doing business in the country. The 54 amendments cleared in the Factories Act include increasing the limit of overtime for workers from 50 hours per quarter to 100 hours per quarter, improving safety of workers and lifting relaxations on night shifts by women in factories. The changes also aim to prohibit pregnant women and persons with disabilities from being assigned to machinery-in-motion and reducing the eligibility for entitlement of annual leave-with-wages to 90 days from the current 240 days.

More importantly, shifting the focus from the states, the Centre would now be empowered to make rules on some of the provisions of the Act.

Similarly, amendments to the Apprenticeship Act are expected to help Prime Minister Narendra Modi fulfill his vision of implementing "Skill India" as 500 new trades, including IT-enabled services, would be included in the scheme, allowing more employers to participate in training and employment of such workers.

Significantly, a draconian provision that called for arrest and imprisonment of employers who did not implement the Apprenticeship Act will now be dropped. Finance Minister Arun Jaitley had in the Union Budget proposed to amend the Apprenticeship Act pointing out that "comparing the size of the Indian economy, the performance of the Apprenticeship Training Scheme is not satisfactory and a large number of training facilities in the industry are unutilised." In fact, of the 4.9 lakh seats available for apprenticeship, just about 2.8 lakh apprentices are trained.

Meanwhile, in what will make it easier for firms to do business, amendments to the Labour Laws (Exemption from Furnishing Returns and Maintaining Registers by Certain Establishments) Act will exempt firms employing up to 40 workers from complying with labour law regulations. These firms will now also be allowed to file a combined compliance report for 16 labour laws, up from the current nine. The Labour Ministry has already signalled its intent towards a more business friendly regime through the notification of a more flexible working system for oil rig workers earlier this month.

But more controversial provisions on retrenchment are expected to be taken up later. The ministry is also in talks with trade unions to make changes in the Industrial Disputes Act for enabling easier hiring and firing of workers in the National Investment and Manufacturing Zones.

India's nuclear capacity could jump threefold by 2023-24: Modi

Business Standard, 30 July, 2014

Modi visits Dhruva reactor at BARC, discusses high temperature reactors programme and AHWR development

During his four-hour visit to BARC, Modi praised the contribution of nuclear scientists in the successful implementation of India's three-stage nuclear programme.

Prime Minister Narendra Modi on Monday said the department of atomic energy (DAE) should strive to meet the target of increasing nuclear capacity threefold from the present level of 5,780 Mw by 2023-24, within the projected cost.

"India's self-reliance in the nuclear fuel cycle and the commercial success of the indigenous reactors demonstrated that with vision, resolve and hard work and India could be a front-ranking country in the most challenging fields," Modi said. During his four-hour visit to the Bhabha Atomic Research Centre at Trombay, Modi praised the contribution of nuclear scientists in the successful implementation of India's three-stage nuclear programme.

He underlined the importance of ensuring that nuclear energy remained commercially viable and competitive with other sources of clean energy in the long run. He also asked DAE to continually upgrade technology, both with regard to the country's long-term plans and international trends. He said the DAE should plan for ensuring adequate availability of skilled human resources in the country.

Modi welcomed India's growing international partnership in nuclear energy and hoped the ongoing projects would be implemented in a timely manner so that they meet the requirements of techno-economic viability and safety standards. Technology transfer to India, he observed, is a vital element of his vision for international partnership in India. The Prime Minister told DAE that nuclear safety and security are of the highest priority for him and asked the department to ensure that India's standards and practices are the most advanced in the world. He also asked the DAE to pay special attention to the local communities in planning and implementing nuclear power projects.

Visit to Dhruva reactorModi visited Dhruva reactor at BARC. Dhruva, which has been declared as the National Facility for Neutron Beam Research to cater to the needs of Indian scientific community, has been a milestone in the development and implementation of indigenous nuclear technology in the country. The 100 MW capacity Dhruva reactor achieved criticality on August 8, 1985.

BARC scientist, who did not want to be quoted, told Business Standard that the Dhruva reactor incorporates various features catering to the requirements of a broad based multidisciplinary user community as also in the production of radioisotopes of high specific activity.

Further, Modi also discussed with the Department of Atomic Energy (DAE) and BARC scientists the implementation of high temperature reactor programme. High temperature reactors have a large potential to provide necessary high temperature process heat for hydrogen production. The high temperature reactor development programme was launched to develop alternate energy carrier to substitute fossil fuel based transport fuel.

Moreover, DAE and BARC scientists also briefed Modi about the development of advanced heavy water reactor (AHWR) designed at BARC to demonstrate commercial utilization of thorium.

Exports continue to grow at double-digit rate in June

***Business Standard**: July 17, 2014*

New Delhi: Merchandise exports grew 10.22 per cent to $26.4 billion in June from $24.02 billion in the same month last year, driven by strong demand for engineering goods, ready-made garments and petroleum products. This was even as the export number for June 2013 was revised upwards from $23.78 billion, thereby increasing the base.

This was a second straight month of double-digit growth in exports, with the rate in May higher at 12.40 per cent, official data released on Wednesday showed.

Exports during the April-June quarter stood at $80.11 billion, up 9.31 per cent from $73.28 billion in the corresponding period last year. However, imports during April-June 2014 contracted 6.92 per cent to $113.19 billion from $121.61 billion during the same period last year. Exports were driven by a 21.57 per cent rise in engineering goods, 38.37 per cent in petroleum products and 14.39 per cent in ready-made garments.

FDI proposals worth Rs.2,327 cr cleared

The Hindu, NEW DELHI, July 16, 2014

The government, on Wednesday, cleared 19 foreign direct investment (FDI) proposals worth Rs.2,326.72 crore. The proposals include those from Walt Disney Company and Reckitt Benckiser India, according to a Finance Ministry release.

The approvals were granted based on the recommendations of the Foreign Investment Promotion Board (FIPB) in its meeting held last Friday.

The government gave its nod to the proposal of Walt Disney Company (Southeast Asia) Pte Ltd, Singapore, to infuse additional capital in UTV Software Communication by way of subscription to equity capital up to Rs.1,100 crore and also make additional investments from time to time.

Reckitt Benckise India received the nod for acquiring 23.72 per cent paid-up share capital of Reckitt Benckiser Healthcare India Limited from its foreign investor, Reckitt Benckiser (Singapore) Pte Ltd, Singapore. This proposal entails an investment of Rs.725 crore.

ADB projects 6.3 % growth for India in 2015-16

PTI

Manila-based Asian Development Bank (ADB) has upgraded India's economic growth forecast to 6.3 per cent in 2015-16 on hopes of speedy reform process.

The multilateral funding agency, however, has retained forecast of 5.5 per cent growth for this year.

"With Parliamentary elections over, India is expected to pursue long-delayed reform. India's growth forecast is maintained at 5.5 per cent in fiscal year 2014-15 but upgraded to 6.3 per cent in 2015-16 as expected reform bears fruit," it said in a release.

Earlier, ADB had projected a 6 per cent growth for India in the financial year.

Pinning hopes on improved outlook for the largest economy (India) in South Asia, it said expansion in the sub-region is expected to reach 5.4 per cent in 2014 and pick up to 6.1 per cent in 2015.

"Developing Asia as a region continues to perform well. The pace of the growth moderation in the People's Republic of China is in line with our expectations while the stage is set for India to pursue reform that could unlock its growth potential," said ADB Deputy Chief Economist Juzhong Zhuang.

It said growth in China was moderating in line with earlier expectations and should achieve the forecast of 7.5 per cent in 2014 and 7.4 per cent in 2015.

"East Asia as a whole is similarly paced to meet growth projections of 6.7 per cent in both 2014 and 2015."

In Southeast Asia, growth softened in the first-half of 2014 largely because of country-specific factors in Indonesia, Thailand, and Vietnam.

"The outlook for the sub-region's five largest economies is revised down to 4.8 per cent in 2014, dragging the sub-regional forecast to 4.7 per cent, but should rebound in 2015 to 5.6 per cent, or 5.4 per cent across Southeast Asia," it said.

BANKING/FINANCE

Fair value norms for share transactions by foreign investors eased

***Business Standard** : July 16, 2014*

To provide more flexibility on foreign direct investment (FDI), the Reserve Bank of India (RBI) has allowed non-residents to issue and transfer shares of unlisted companies on determination of a fair value, in accordance with internationally accepted pricing methods.

The fair value needs to be certified by a chartered accountant or a merchant banker registered with the Securities and Exchange Board of India (Sebi). However, the pricing of the share shall not be less than the fair value for issue and transfer, said RBI.

Earlier, the methodology for share valuation was laid down and had to be done by a Sebi-registered merchant banker or a chartered accountant on the discounted free cash flow method. On issue of shares to non-residents, the price for transfer had to be in line with the pricing guidelines laid down by RBI from time to time, where the issue of shares was by preferential allotment. This provision has been removed.

For issue of shares of listed companies, the price shall be worked out in accordance with Sebi guidelines. When shares are transferred, the price shall not be less than the one at which a preferential allotment can be made under Sebi guidelines, said RBI.

It also said when a transfer of shares is made by non-residents to residents, the price shall not be more than the minimum at which the transfer can be made from a resident to a non-resident.

"The attempt is to attract foreign flows. The flows will also help the rupee. Maybe the government wants these foreign institutional investors to broadbase their investments in even mid-cap stocks and not only large-caps. It will also help to boost foreign exchange reserves of the central bank," said a currency dealer with a state-run bank.

RBI DECISIONS

- RBI allowes non-residents the issue and transfer shares of unlisted companies on determination of a fair value
- The pricing of the share shall not be less than the fair value for issue and transfer
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FII investment sub-limit in G-secs raised by $5 b

PTI

The RBI today said the FII limit for investment in government securities has been increased by $5 billion within the total cap of $30 billion.

The central bank said the limit has been enhanced by reducing the investment limit for long term investors from $10 billion to $5 billion.

"It has been decided to enhance the investment limit in Government securities available to FIIs (Foreign Institutional Investors)/QFIs (Qualified Foreign Investor)/FPIs (Foreign Portfolio Investors) by $5 billion by correspondingly reducing the amount available to long-term investor from $10 billion to $5 billion within the overall limit of $30 billion," an RBI notification said.

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

Earlier this year, the limit for long-term investors for investment in government securities was raised from $5 billion to $10 billion within the total limit of $30 billion available to them. The RBI, however, said the increment investment limit of $5 billion shall be required to be put in government bonds with a minimum residual maturity of three years.

It further said all future investment against the limit vacated, when the current investment by an FII/QFI/FPI runs off either through sale or redemption shall, also be required to be made in Government bonds with a minimum residual maturity of three years.

"There will be no lock-in period and FIIs/QFIs/FPIs shall be free to sell the securities to the domestic investors," the notification said.

RBI to open debt market to short term foreign investors in "measured way"

Reuters, COLOMBO Thu Jul 24, 2014

India will open up its debt markets to short-term foreign investors in a measured way but wants to first build liquidity through long term foreign investments to withstand potential sharp volatilities, Reserve Bank of India Governor Raghuram Rajan said on Thursday.

"We will do it carefully, we will do it in a measured way. In general, the movement is towards more liberalisation rather than away from liberalisation. But we have to do it our own pace," Rajan said at an event, referring to the opening up Indian debt markets to more short-term foreign investors.

India allowed foreign fund managers to hold more government bonds, but also stipulated that they will not be able to hold debt of less than three years, while keeping its overall debt ceiling for all foreign institutional investors intact.

RBI announces new regulatory framework for big banks

***Business Standard**: July 23, 2014*

The Reserve Bank of India (RBI) announced a new framework on Tuesday for identifying and dealing with large banks in the country, termed domestic systemically important banks (D-SIB). Due to their size, cross-jurisdictional activities, complexity, lack of substitutability and interconnectedness, such banks become systemically important. These big lenders, perceived as "too big to fail", will be publicly identified as such by the regulator from August 2015.

The move comes as remedial measures to the problems faced during the global financial crisis of 2008, when certain large and highly interconnected financial institutions hampered the orderly functioning of the financial system, which in turn, negatively impacted the real economy.

RBI said from data it had compiled as of March 31, 2013, four to six domestic banks would qualify under the D-SIB category.

It also said four sub-categories of D-SIB lenders would be created, each with different requirements for additional common equity tier-1 capital requirements that would range from 0.2-0.8 per cent of risk-weighted assets.

"The banks designated as D-SIBs will be subjected to more intensive supervision in the form of higher frequency and higher intensity of on- and offsite monitoring. It is also important that these banks adopt sound corporate governance of risk and risk management culture," it said.

Based on the sample of banks chosen for computation of their systemic importance, a relative composite systemic importance score of the banks will be computed and then RBI will determine a cut-off score beyond which banks will be considered D-SIBs.

The amount of additional capital requirements for D-SIBs is based on a mix of quantitative calibration and consideration of country-specific factors. D-SIBs will also be subjected to differentiated supervisory requirements and a higher intensity of supervision, based on the risks they pose to the financial system.

On foreign banks with a branch presence in India, those with a parent which is not a global-SIB but is a D-SIB in India will have to maintain a D-SIB additional capital surcharge here.

"In case a foreign bank having branch presence in India is both a G-SIB and a DSIB in India, it has to maintain a capital surcharge in India at a rate which is the higher of the two," the central bank added.

RBI lifts curb on FIIs to buy shares in Bank of Baroda

PTI, Jul 22, 2014

The Reserve Bank has lifted ban imposed on foreign investors to buy shares in Bank of Baroda as the foreign shareholding under portfolio investment scheme (PIS) in the bank has gone below prescribed limit.

RBI said aggregate share holdings by Foreign Institutional Investors/Registered Foreign Portfolios Investors/Non-Resident Indian/Persons of Indian origin (PIOs) under PIS in Bank of Baroda have gone below the prescribed threshold caution limit. FIIs held 16.95 percent shares in Bank of Baroda as of quarter ended June 2014, according to BSE data.

"Hence, the restrictions placed on the purchase of shares of the above company are withdrawn with immediate effect. Equity shares of Bank of Baroda can now be purchased through primary market and stock exchanges," RBI said in a release. RBI monitors the ceilings on FII/NRI/PIO investments in Indian companies on a daily basis.

To effectively monitor the limit, RBI has fixed cut-off points two percentage points lower than the actual ceiling.

MARKETS

Foreign investors submit bids worth Rs 4,857 crore for government bonds

PTI Jul 21, 2014

Showing robust interest among foreign investors, an auction of government bonds today attracted bids worth Rs 4,857 crore -- alomst double the amount of such securities on offer at Rs 2,521 crore. The auction was held for overseas investors at NSE's electronic platform for government debt

securities, as per the information provided by the exchange.
With this auction, the total investment cap of close to Rs 1 lakh crore in government debt securities by overseas investors have been reached. Any further investment in this category can take place only after unwinding of positions by the existing investors.

FII inflows hit $5 billion in Jul; cross $25 billion so far this year

PTI, New Delhi, July 27, 2014

Betting big on the government's reforms agenda, overseas investors have poured in more than USD 5 billion in the Indian market so far this month taking the total inflow to over USD 25 billion since January.
Net investments by foreign investors in the equity market were USD 2.2 billion (Rs. 13,166 crore) from July 1-25, while they amounted to USD 3 billion (Rs. 17,829) in the debt market, taking the total to USD 5.2 billion (Rs. 30,995 crore), as per the latest data.
Market analysts maintain that foreign investors have been betting on the Indian market mainly on account of the reforms agenda of the new government at the Centre.
Also, they anticipate that inflows would continue in the coming months on slew of measures announced by the government.
The Cabinet has given go-ahead to hiking the foreign direct investment (FDI) cap in insurance to 49 per cent, paving way for inflow of as much as Rs. 25,000 crore foreign funds.
Besides, the FII limit for investment in government securities has been hiked by USD 5 billion, within the total cap of USD 30 billion.
Also, the government may soon take a decision on easing FDI in railways and defence sectors.
Since the beginning of the year, foreign investors have made a net investment of USD 25.5 billion (Rs. 1.53 lakh crore into the country's securities market. This includes a net investment of Rs. 72,961 crore in equities and Rs. 80,663 crore into debt market.
From the beginning of June, FIIs (Foreign Institutional Investors) along with sub-accounts and qualified foreign investors have been clubbed together by market regulator SEBI to create a new investor category called Foreign Portfolio Investors.
Strong inflows in the recent months have taken the cumulative net investments of foreign investors into India to over USD 196 billion since 1991. In rupee terms, their investments are at Rs. 9.4 lakh crore level.

BUSINESS

Flipkart raises $1 billion funding, largest in Indian e-commerce space

The Hindu, Bangalore, July 29, 2014

India's leading e-commerce retailer Flipkart announced on Tuesday that it has raised funds worth $1 billion (over Rs.6,000 crore), the largest -ever by an Indian Internet company.
In a tightly competitive market, Flipkart has been going aggressive on fund-raising, just having raised $210 million as recently as May this year.
The year 2014 is punctuated with milestones for the Bangalore-based e-tailer which crossed $1 billion in gross merchandise value in March and then went on to acquire competitor Myntra.com in one of the biggest deals in the sector.
The current funding round, the seventh till date, is led by existing investors Tiger Global and Naspers, with GIC, Singapore's sovereign wealth fund, participating for the first time. Analyst sources speculate that with this the company is valuated between $6 billion and $7 billion.
Co-founder Sachin Bansal, who described the deal inked last week as a milestone for the Indian Internet as a whole, said that the company hoped to become one of India's first $100 billion company. He said that the company wanted to get there in the next five years or more; a task that was "very tough" but one that he felt confident of aiming for given the current level of funding.
When asked about going public, Mr. Bansal's reply was emphatic. "We are at a stage where we are not thinking of an IPO at all," he said, saying that it was a consideration for later,

when the company's business model would be more stable.
Going ahead, co-founder Binny Bansal said the company would look at acquisitions and in deepening existing investments. Mobile commerce, payments and improving customer and seller experience would be key focus areas, he said.

Amazon to invest $2 bln more in India as e-commerce race heats up

*Reuters, **MUMBAI** Wed Jul 30, 2014*

Amazon.com Inc on Wednesday said it will invest a further $2 billion in India just a day after the country's largest e-tailer Flipkart attracted $1

billion of fresh funds, raising the stakes in a nascent but fast-growing e-commerce sector.
Amazon, which opened its Indian website in June last year, has drawn up the battle lines by slashing prices, launching same-day delivery, adding new product categories and embarking on a high-voltage advertisement campaign.
Amazon and Flipkart are joined in India's $13 billion e-commerce sector by marketplace Snapdeal, fashion e-tailer Jabong, and U.S. auctioneer eBay Inc.
"With this additional investment of $2 billion, our team can continue to think big, innovate, and raise the bar for customers in India," Chief Executive Jeff Bezos said in a statement. "At current scale and growth rates, India is on track to be our fastest country ever to a billion dollars in gross sales."
Amazon had not previously disclosed Indian investment plans. But on Monday, the U.S. company said it will raise its presence in the country by opening five more warehouses, almost doubling storage capacity to half a million square feet.
"It's all about who builds up scale faster and remains relevant for the next few decades," said Harminder Sahani, managing director of retail consultancy Wazir Advisors.
Amazon makes its money in India by charging third-party suppliers to use its website to sell 17 million different products including books, electronics and clothing.
The government is considering allowing foreign retailers to sell directly to customers. It recently took a step in that direction by allowing retailers to sell online products manufactured in India.
Indian e-commerce is expanding at a compound annual growth rate of 34 percent, according to a joint report by consultants Digital–Commerce, the Internet Mobile Association of India and the Indian Market Research Bureau. That rate, however, is slower than in some other emerging nations such as China.
Of the $13 billion market, travel services account for about 70% , according to consultancy Technopak. The type of goods sold through Amazon made up $1.6 billion of the total last year, according to researcher Forrester, and Technopak expects that figure to swell to $76 billion by 2021.

Volkswagen plans Rs1,500 crore investment in India

Livemint,30 July 2014

German car maker Volkswagen AG plans to spend Rs.1,500 crore in India over the next five to six years, a senior company executive told reporters on Tuesday. The company on Tuesday launched a facelift of its Polo hatchback.Mahesh Kodumudi, president and managing director of Volkswagen India Pvt. Ltd, also said the company could increase its India plant capacity to 200,000 cars a year from 130,000.Volkswagen is also evaluating manufacture of engines in India, Kodumudi said.

Singapore Exchange opens office in India to attract listings.. *Cont from P. 1*

as REITs and business trusts, as well as the mineral, oil and gas sector - but not too much else.
Singapore has been a popular listing venue for Indian offshore bond issuers and has six listings from India, including Religare Health Trust and Indiabulls Properties Investment Trust.

Temasek bets big on Indian e-commerce

LIVEMINT, THU, JUL 31 2014.

Unlike several foreign equity investors who have been struggling to exit from India investments, Temasek Holdings Pvt. Ltd, the investment arm of the Singapore government, is focusing on new investments in the country's e-commerce sector.

In India, Temasek has investments in traditional firms such as Bharti Airtel Ltd, GMR Energy Ltd, Tata Teleservices Ltd and National Stock Exchange Ltd.

After investing an undisclosed amount in *Snapdeal.com* in May, the firm is ready to stay invested in the e-commerce sector in India for the long term even as several firms jostle for the top slot. Snapdeal raised about $100 million from Premji Invest, Temasek and BlackRock Inc.

Snapdeal, promoted by New Delhi-based Jasper Infotech Pvt. Ltd, started in 2010 as a daily deals platform, selling coupons to groups of customers (similar to the Groupon model), but converted to a marketplace in late 2011, first offering services and then adding a wide range of products including clothes, books and electronics through merchants. The firm has raised over $233 million from investors so far this year.

"We like e-commerce a lot. We believe in offline to online conversion that is taking place. Market-wise, India is at a different level of development as compared to China and the US. The e-commerce market is still evolving…the story has just begun," Rohit Sipahimalani, co-head, investment group head, India, Temasek, said in an interview on Wednesday.

Flipkart, Snapdeal and Amazon are some of the firms that have been competing to grab market share and funding from private equity (PE) investors. On Tuesday, Bangalore-based Flipkart raised $1 billion from existing investors including Tiger Global, Naspers and Government of Singapore Investment Corp., the city-state's sovereign wealth fund. The latest round of funding, the largest-ever by an Indian start-up and among the largest-ever by any Internet start-up globally, values the firm at $7 billion, according to two people close to the development. So far, Flipkart has raised $1.78 billion.

On Wednesday, Amazon that launched its India online marketplace in June 2013, announced it will be investing an additional $2 billion to support the firm's growth in the country. It did not give a time frame of the investment, but a spokesperson said it would be a "continuous flow allowing us to aggressively invest in growing our business and enhancing customer and seller experience".

Even as the war for market share continues, Temasek is confident about its investment in Snapdeal. There is place for multiple firms to operate as the market is big enough, said Ravi Lambah, senior managing director, investment.

To be sure, firms such as Flipkart and Snapdeal are yet to break even.

Nomura in a 23 July report said it expects the Indian e-commerce market to quadruple from $10 billion in 2013 to $43 billion by 2018, backed by growth of online retail, which it expects will increase from $2 billion in 2013 to $23 billion five years later.

"People are looking at revenues now. Investors are making judgments. There is unlikely to be one winner. It is a fairly long runway. But investors look at it," Lambah said.

The Singapore sovereign wealth fund has an exposure of about 4% of its $223 billion portfolio in India. Its direct investments in the country total $4 billion, about 2% of the total portfolio.

Sipahimalani of Temasek said in 2014, the firm will focus on investing in unlisted firms across consumption-driven sectors such as financial services, e-commerce, healthcare and agricultural services among others.

"Our medium- to long-term outlook on India is positive and we are not that focused on exits right now but on investments," he said. "We remain in a sweet situation as we are long-term investors."

The firm, however, exited its investment in Bangalore-based pharmaceutical firm Medreich Ltd in June after it was acquired by Japan's Meiji Holdings Co. Ltd for Rs.1,720 crore. Temasek had invested Rs.109 crore in Medreich in 2005 for a 25% stake.

RBI Initiatives

√ RBI announces Timelines for Regulatory Approvals and Citizens' Charter for Delivery of Services as part of implementation of the non-legislative recommendations of the Financial Sector Legislative Reforms Commission (FSLRC). The details of timelines of various regulatory approvals etc can be seen from the following link-(http://rbi.org.in/scripts/BS_PressReleaseDisplay.aspx?prid=31467)

√ Exim Bank's Line of Credit of USD 46 million to the Government of the Republic of Mauritius-The details are available on the following link-(http://rbi.org.in/scripts/NotificationUser.aspx?Id=8917&Mode=0)

√ The limit under remittance scheme for resident Indians have been increased from USD 75000 to USD 125000-(http://rbi.org.in/scripts/NotificationUser.aspx?Id=8918&Mode=0)

√ RBI has allowed the non-resident to pledge their shares in listed company with NBFC. The loans raised has to be utilized for corporate purposes. The details are available on the following link-(http://rbi.org.in/scripts/NotificationUser.aspx?Id=8930&Mode=0)

√ The RBI has eased the process of transfer of assets of LO/BO/PO of foreign entity either to its wholly owned subsidiaries/joint ventures and others in India. The details are available in the following link-(http://rbi.org.in/scripts/NotificationUser.aspx?Id=8939&Mode=0)

√ RBI revises the form for annual return on foreign liabilities and assets reporting by an Indian company. The details are available on the following link-(http://rbi.org.in/scripts/NotificationUser.aspx?Id=8945&Mode=0)

√ RBI eases norms for foreign investors in currency derivatives: The Reserve Bank of India (RBI) has allowed foreign investors to participate in the domestic exchange-traded currency derivatives. With a view to improving the depth and liquidity in the domestic foreign exchange market, it has been decided to allow foreign portfolio investors to participate in the domestic exchange-traded currency derivatives market to the extent of their underlying exposures plus an additional USD 10 million. It has also been decided to allow domestic entities similar access to the exchange-traded currency derivatives market.

INVESTMENT RELATED DEVELOPMENTS FOR JUNE 2014

Investment Related Developments:

√ DIPP releases press note on list of defence items requiring industrial license. Any items not included in the list would not require industrial license for defence purposes. (http://dipp.nic.in/English/acts_rules/Press_Notes/pn3_2014.pdf)

√ DIPP switches over from NIC 1987 to 2008 for purpose of classification of activities in respect of industrial license/IEM proposal-(http://dipp.nic.in/English/acts_rules/Press_Notes/pn4_2014.pdf)

√ Labour ministry okays new scheme for inspection: The Union labour ministry has approved a more liberal inspection scheme aimed at simplifying business regulations and bringing "transparency and accountability" in the system. For this purpose, a Central Analysis and Intelligence Unit (CAIU) will be set up to analyse and collect field data "for a transparent and accountable labour inspection system". The scheme will be brought into effect from October 1 for the Employees Provident Fund Organisation (EPFO) and Employees State Insurance Corporation (ESIC), inspections under the ambit of the Chief Labour Commissioner (CLC) and the Directorate General of Mines Safety (DGMS).

√ Online environment clearance: Environmental clearances: On June 5, the government initiated online environment clearances for industrial and infrastructure projects that have for long been stuck because of the slow pace of green approvals. The government is expected to announce the time limits for entire approve and stage-wise approvals soon. The Centre is also looking to working with state governments on clearing projects within 60 days. Penalties will be levied for any unexplained delays in granting clearances, and forest- and mining-related clearances are also expected to go online soon.

√ Now, MHA has made another favourable move by introducing additional changes to the employment, business and project visa guidelines which include certain relaxations and grant of additional powers to the jurisdictional Foreigners' Registration Office. The details are available on the following link-(http://mha1.nic.in/foreigDiv/OverviewVisa.html)

√ Government clears seven projects worth USD 3.50 billion: GOVERNMENT has cleared seven investment projects worth USD 3.50 billion. This includes a project planned over 30 years back for setting up a 235 kilometer railway line that is critical to tap Chhattisgarh's second largest iron ore reserves and critical for the continued operations of Bhilai Steel Plant. Another forest clearance for USD 0.18 billion railway line between Dallirajhra and Jagdalpur in the Naxal-affected Bastar district has now been approved. Apart from these other projects approved include a 120-kilometre six-lane highway in Karnataka, a four million tonne iron ore processing plantin Chhattisgarh and three major power projects that could raise India's electricity generation capacity by over 3,500 MW.

√ In a major achievement, India becomes permanent Signatory to Washington Accord. Ministry of petroleum releases report on Auto Fuel Vision and Policy. The details policy can be downloaded from the following link-(http://petroleum.nic.in/autopol.pdf)

√ The government of India announces soaps for sugar industry. The measures include a) extending export soaps till September b) increase ethanol blending to 10% and c) increase in basic rate of duty on import of sugar to 40%

√ Commerce minister writes to State Governments to Ease Boiler Inspections (http://pib.nic.in/newsite/PrintRelease.aspx?relid=105335)

√ The last budget of excise duty cuts on auto sector is extended till December 31, 2014.

√ The state government of Rajasthan initiates steps on labor reforms.

Companies Act, 2013

√ Ministry of Corporate Affairs issues clarification related to foreign nationals/ companies:

√ Clarification No.1 Related pan requirements of foreign national at the time of company incorporation. The details can be seen from the following link-(http://www.mca.gov.in/Ministry/pdf/Circular_16_2014.pdf) and (http://www.mca.gov.in/Ministry/pdf/General%20circular%20no12-2014.pdf)

√ Clarification No.2 Clarification relating to incorporation of a company i.e. company Incorporated outside India (http://www.mca.gov.in/Ministry/pdf/General_Circular_23_2014.pdf)

√ Clarification No.3 Clarification on applicability of requirement for resident director-(http://www.mca.gov.in/Ministry/pdf/General_Circular_25_2014.pdf)

Notifications

Securities and Exchange Board of India

Change in Government Debt Investment Limits

http://www.sebi.gov.in/cms/sebi_data/attachdocs/1406122737412.pdf

SEBI (Foreign Portfolio Investors) Regulations, 2014

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

Ministry of Corporate Affairs

Clarification on applicability of requirement for resident director

http://www.mca.gov.in/Ministry/pdf/General_Circular_25_2014.pdf

Mapping of e forms prescribed under the Companies Act, 2013 with e forms prescribed under Companies Act , 1956

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

Reserve Bank of India

Foreign Direct Investment (FDI) in India - Issue/Transfer of Shares or Convertible Debentures - Revised pricing guidelines

http://www.rbi.org.in/scripts/NotificationUser.aspx?Id=9106&Mode=0&utm_source=Bulletin+20140724&utm_campaign=BizJournalJuly2414&utm_medium=email

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

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

Ministry of Finance

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

'Mygov' portal to help people participate in governance

TNN | Jul 27, 2014, 04.06AM I

NEW DELHI: Prime Minister Narendra Modi on Saturday launched Mygov, an interactive website that seeks to foster participatory governance but which also aims to keep lakhs of volunteers who enrolled for the Modi campaign engaged.

The site looks to engage ordinary people as well as experts through "discuss" platform while providing for more hands on engagement through a "do" window.

Modi said the initiative intends to keep voters connected with government during the period between elections. Often a big gap opens up when a government assumes office and people's participation ends with voting. This will encourage citizens to contribute to governance.

The platform is, however, not intended to be a grievance redressal mechanism, but an initiative that the government hopes will encourage purposeful engagement.

TENDER NOTICES >>>> *INDIA*

Tender invitation for:

Procurement of GC-HS with liquid auto sampler

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

Closing Date : 12 August, 2014

Tender invitation for:

Supply of Slim-Hole Digital Geophysical Logging System along with all necessary surface modules, Down-hole tools and accessories

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

Closing Date : 21 August, 2014

Tender invitation for:

Supply ,Installation, Commissioning and Satisfactory Demonstration & Support of Dry Room Facility for Assembling Lithium Ion batteries

Central Electrochemical Research Institute , URL: www.cecri.res.in

Closing Date : 19 August, 2014

FORTHCOMING EVENTS >>>> *SINGAPORE*

I. Celebration of Independence Day 2014

Date: 15 August, 2014

Venue: High Commission of India, 31 Grange Road, Singapore 239702

Contact: Email : admin@hcisingapore.org

Details: The Unfurling Of The National Flag On The Occasion Of India's 68th Independence Day Will Take Place At 0900 Hrs On 15 August, 2014 (Friday) At The High Commission Of India 31 Grange Road, Singapore 239702. All Indian Nationals And Friends Of India Are Cordially Invited To Attend The Ceremony.

FORTHCOMING EVENTS >>>> *INDIA*

I. Green Building Congress 2014

Date: 4-6 September, 2014

Venue: Hyderabad International Convention Centre (HICC), India

Organizer: CII-Indian Green Building Council (IGBC)

Contact: (i) Mr. Prasanna Pagoti (prasanna.pagoti@cii.in) ;(ii) Mr. K Raman (k.raman@cii.in) ;(iii) Ms. Sumbul Saleem (sumbul.saleem@cii.in)

Details: The event will feature three days of multiple conferences and a parallel exhibition showcasing Green Building Technologies, Products & Services. India would be hosting a Workshop and B2B Meeting for ASEM countries on *"Energy Efficiency Technologies in the Building Sector"* on September 5, 2014 at HICC as part of the *"Green Building Congress 2014"*. The Member countries could choose to participate at the Green Building Congress in the following ways:

1. Delegation:- An opportunity to attend the conference and visit the exhibition.
2. Exhibition:- Organizations may exhibit their products in the stalls. Layout with respective charges is also enclosed
3. Workshop & B2B Meetings

II. India International Road & Transportation Fair (IIRTF)

Date: 17-19 September, 2014

Venue: Pragati Maidan, New Delhi, India

Organizer: CSIR-Central Road Research Institute along with India Trade Promotion Organization

Contact : http://www.iirtf.in/

Details: IIRTF is planned to introduce the road & transportation fraternity to the latest advancements and to embrace the technological growth at the global level.

India helps crack wheat genetic code

The Hindu BusinessLine : July 21, 2014

Agricultural scientists from three Indian institutes have collaborated with the International Wheat Genome Sequencing Consortium (IWGSC) to decipher the genetic blueprint of wheat. This is expected to help breeders produce better quality cereal.

Scientists from the National Research Centre on Plant Biotechnology, New Delhi; Punjab Agricultural University, Ludhiana, and Delhi University South Campus, in collaboration with IWGSC, have published a chromosome-based draft sequence of the 'bread wheat genome, the Indian Council of Agricultural Research said in a statement.

With this, wheat breeders will have high quality tools at their disposal to accelerate breeding programmes and to identify how genes control complex traits such as yield, grain quality, disease and pest resistance, and tolerance to drought, heat and salt stress.

The Indian initiative was financially supported by the Department of Biotechnology at a total cost of Rs 35 crore.

Earlier, Indian scientists had helped crack the genetic code of rice and tomato as part of international consortia and also succeeded in decoding of pigeonpea (Arhar) and chickpea (chana) genomes entirely on their own.

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 are the guidelines for transfer of existing shares from non-residents to residents or residents to non-residents?

Ans. The term 'transfer' is defined under FEMA as including "sale, purchase, acquisition, mortgage, pledge, gift, loan or any other form of transfer of right, possession or lien" {Section 2 (ze) of FEMA, 1999}.

The following share transfers are allowed without the prior approval of the Reserve Bank of India

A. Transfer of shares from a Non Resident to Resident under the FDI scheme where the pricing guidelines under FEMA, 1999 are not met provided that :-

i. The original and resultant investment are in line with the extant FDI policy and FEMA regulations in terms of sectoral caps, conditionalities (such as minimum capitalization, etc.), reporting requirements, documentation, etc.;

ii. The pricing for the transaction is compliant with the specific/explicit, extant and relevant SEBI regulations / guidelines (such as IPO, Book building, block deals, delisting, exit, open offer/ substantial acquisition / SEBI SAST, buy back); and

iii. Chartered Accountants Certificate to the effect that compliance with the relevant SEBI regulations / guidelines as indicated above is attached to the form FC-TRS to be filed with the AD bank. *[to continue in next issue]*

Source:RBI

For Feedback & Comments, please contact:
Mr. Pradyumn Tripathi, First Secretary (Commerce)
Trade Wing
High Commission of India
31 Grange Road, Singapore- 239702 Email : ma@hcisingapore.org
fscom@hcisingapore.org; hcoffice@hcisingapore.org URL : www.hcisingapore.gov.in