



Policy Developments

- The Government of India has announced the following measures for minimizing the impact of the global financial crisis on the Indian economy. (i) Additional plan expenditure up to Rs. 20,000 crore (approx \$5 billion) in the current year mainly for critical rural infrastructure and social security schemes such as Pradhan Mantri Gram Sadak Yojana, Jawaharlal Nehru National Urban Renewal Mission, National Rural Employment Guarantee Scheme, Indira Awas Yojana, Accelerated Irrigation Benefit Programme and National Social Assistance Programme. (ii) An across-the-board cut of 4% in ad-valorem Central Value Added Tax rate except for petroleum products. (iii) Several other measures to support exports, housing, Micro, Small & Medium Enterprises and textile sectors. (iv) Authorizing India Infrastructure Finance Company Limited (IIFCL) to raise Rs. 10,000 crore (approx \$ 2.12 billion) to refinance bank lending for infrastructure projects. [More](#)

- With a view to further liberalizing the policy on External Commercial Borrowing (ECB), the Government and the Reserve Bank of India (RBI) have decided that: (a) The 'all-in-cost' ceilings on such borrowing would be removed, under the approval route of RBI; (b) To facilitate access to funds for the housing sector, the 'development of integrated townships' would be permitted as an eligible end-use of the ECB, under the approval route of RBI; (c) Non Banking Financial Companies, dealing exclusively with infrastructure financing, would be permitted to access ECB from multilateral or bilateral financial institutions, under the approval route of RBI. (d) In order to give a boost to the corporate bond market, FII investment limit in rupee denominated corporate bonds in India would be increased from US \$ 6bn to US \$15 bn. [More](#)

- The Reserve Bank has made further reduction in key interest rates with immediate effect on a review of current global and domestic macroeconomic situation. The repo rate under the liquidity adjustment facility (LAF) has been reduced by 100 basis points from 6.5 per cent to 5.5 per cent. The reverse repo rate under the LAF has been reduced by 100 basis points from 5.0 per cent to 4.0 per cent. The cash reserve ratio (CRR)

of scheduled banks has been reduced by 50 basis points from 5.5 per cent to 5.0 per cent from the fortnight beginning January 17, 2009. It is expected that the reduction in the policy interest rates and the CRR will further enable banks to provide credit for productive purposes at appropriate interest rates. [More](#)

- In order to provide liquidity support to the housing sector, and particularly to housing finance companies which have been adversely affected by the recent financial market developments, RBI has also decided to provide a refinance facility of an amount of Rs 4,000 crore (approx \$0.85 billion) to the National Housing Bank. [More](#)

- The Government of India has passed the Limited Liability Partnership (LLP) Bill 2008. LLP is a new corporate form that enables professional expertise and entrepreneurial initiative to combine, organize and operate in an innovative and efficient manner. The Limited Liability Partnership format is an alternative corporate business vehicle that provides the benefits of limited liability of a company but allows its members the flexibility of organizing their internal management on the basis of a mutually arrived agreement, as is the case in a partnership firm. This format would be quite useful for small and medium enterprises in general and for the enterprises in services sector in particular. Internationally, LLPs are the preferred vehicle of business particularly for service industry or for activities involving professionals. [More](#)

- India's Prime Minister, Dr Manmohan Singh recently launched the country's first third generation (3G) mobile services in New Delhi that will provide high speed transfer of voice, data and video. The services will be available in early 2009 in Mumbai and Chennai. [More](#)

- The Insurance Regulatory Development Authority has decided to allow insurance companies to acquire up to 20% debt and equity in an infrastructure related company as compared to 10% earlier. [More](#)

- The Government of India has decided to allow well-run public sector companies to continue investing up to

30% of their surplus cash in stock markets through state-run mutual funds. The decision is an extension of provision introduced in 2007 for these companies to invest in select funds. [More](#)

- The Ministry of Corporate Affairs has removed the requirement of foreign companies/foreign nationals to get consular verification in their country of origin for establishing place of business or setting up a subsidiary in India. This benefit will be available to only the foreign companies which are incorporated in a country that falls outside the Commonwealth but is a party to The Hague Apostille Convention 1961. For such companies, documents certified by the Government official of that convention country would be entitled for recognition in India without any further verification. The purpose of the Hague Apostille Convention 1961 was to abolish the requirement of diplomatic and consular legalization for public documents originating in one convention country and intended for use in another. [More](#)

- The Securities and Exchange Board of India has put in place a framework for a new hybrid product, whereby companies can raise low-cost debt and at the same time, allow investors to detach the equity component from the instrument and trade in it. It has amended its DIP (Disclosure and Investor protection) guidelines to provide for a combined offering of Non-Convertible Debentures (NCDs) with warrants, through the Qualified Institutional Placement mechanism. While NCDs and warrants would be offered together, they can be listed and traded separately. [More](#)

Economic News

- According to global consultancy firm, Ernst & Young, due to a major shift in the distribution of global capital over the next decade, the BRIC nations — Brazil, Russia, India and China — are likely to contribute 40 per cent of global economic growth in the next 10 years. According to the report, around 77 per cent of world reserves, totaling almost US\$ 7 trillion, are held by emerging markets, and cross-border private investment by emerging economies has been rising as well. [More](#)

- India's total external debt stock at end September 2008 stood at US \$ 222.61 billion, which is marginally lower than the level of US \$ 223.81 billion at end June 2008. In terms of components, long term external debt

constituted around 77.5 per cent of the total debt and was US \$ 172.51 billion at end September 2008. [More](#)

- The Directorate General of Hydrocarbons (DGH) of India signed an MOU with the United States Geological Survey (USGS) on 16th December 2008 on development of Gas Hydrate resources in India. The MOU aims at scientific and technical cooperation in the field of gas hydrate research with special emphasis on marine science investigations including resource exploration and assessment; hazard and environmental issues associated with the occurrence of gas hydrates; assessment of energy resource potential of gas hydrates; field studies in support of gas hydrate research and joint research pertaining to exploration and exploitation of gas hydrates. [More](#)

- India's cumulative value of exports for the period April-November, 2008 was US \$119.30 billion (Rs.523879 crore) as against US \$99.91 billion (Rs.404417 crore) registering a growth of 19.4 per cent in dollar terms and 29.5 per cent in rupee terms over the same period last year. The exports during November 2008 however were 9.9% lower than the level of exports in November 2007, in dollar terms. [More](#)

- Ministry of Textiles has set a target of attracting more than \$8 billion foreign direct investment in textile and garments sector over the next five years. It is also aiming at domestic investments of \$20 billion in the sector. [More](#)

- India's total wireless subscriber base stood at 336.08 million at the end of November 2008. A total of 10.35 million wireless subscribers have been added during the month of November 2008. The overall tele-density has reached 32.34% at end November 2008. [More](#)

- Mergers and Acquisition activity in India touched \$32 billion with 433 deals in the first eleven months of 2008. The period also witnessed 295 Private Equity deals with an announced value of \$10.11 billion. [More](#)

- India's Ministry of Human Resource Development has signed an MOU with the World Bank for the second phase of the Technical Education Quality Improvement Programme which will be implemented for another 3 years. The World Bank will provide assistance of \$2.98 billion as per the agreement. [More](#)

- The World Bank has decided to provide US\$ 14 billion over the next three years to India to facilitate its infrastructure development projects and to help in achieving its Millennium Development Goals. [More](#)
- The Delhi, Mumbai and Hyderabad international airports will soon have special infrastructure to handle export and import of medicines. The cities will get pharmaceutical zones that will be equipped with storage and cold-chain facilities, which would preserve the quality of medicines. [More](#)
- The Government of India and the State Governments have agreed not to unilaterally change the tax rate on goods and services, once the Goods and Services Tax (GST) is implemented from April 2010. A dual GST model has been accepted by both the states and the centre. There will be two components under this: central GST and state-level GST. [More](#)

Corporate News

- Blackstone Group has decided to invest \$50 - \$80 million in Hyderabad Based Nuziveedu Seeds Limited. This will be Blackstone's third investment in India since January 2008. [More](#)
- Wipro, India's leading information technology company has agreed to buy Citi Technology Services Ltd for \$127 million in cash and would sign a six-year service agreement worth at least \$500 million. Citi Technology Services is the India-based captive technology services unit of Citigroup. [More](#)
- ONGC Petro-addition— a subsidiary of state-owned Oil & Natural Gas Corp (ONGC) — has awarded a \$1.5 billion contract for its ethylene project to a consortium of Samsung Engineering of South Korea and German engineering firm Linde. [More](#)
- India's Piramal Healthcare has acquired New York-based Minrad International, a manufacturer of generic inhalation anaesthetic drugs for \$40 million (Rs 195 crore), to become one among the top three players in the \$1 billion global inhalation anaesthetics market. [More](#)
- India's National Aluminium Co has entered into a strategic alliance with Canada's Rio Tinto Alcan, a

global supplier of bauxite, alumina and aluminium, in order to ramp up its local as well as global presence. The strategic agreement provides a platform for both the companies to exchange information and identify potential on a reciprocal basis for long-term value creation. [More](#)

- Kotak Mahindra Bank's international asset management arm is planning a \$250 million fund in early 2009 to invest in Indian stocks. It had raised \$300 million in an offshore debt fund in November 2008 and aims to gather more money for fixed income as the firm looks to boost its total assets under management to about \$2.5 billion in 2009. [More](#)
- Power Trading Corporation of India, India's leading electricity trading company plans to set up a \$1 billion offshore fund to finance power projects in India, within the next 6 months. [More](#)