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From The Editor's Desk

Rural Industrialisation and Employment Generation

Eversince the dawn of political freedom, India has been continuously grappling with the twin problems of unemployment and poverty in the country, which are more pronounced in the rural areas. It has been observed over the past five decades that the problems kept on aggravating with each step taken by the Government to solve them. The underlying objective of the planning process initiated in this country in early ***50s*** was balanced regional growth with decentralized economic development. The country ushered in an era of democratic decentralization with the introduction of Panchayati Raj in 1960. The planned economic development through Five-Years Plans for more than ***45*** years seems to have landed us in serious problems of economic deprivation and social isolation for a large fraction of the population inasmuch as after nine Five Year Plans and introduction of economic reforms in the country, the people below poverty line in rural areas have registered an increase and the unemployment problem has further accentuated. Unemployment and poverty are inextricably linked with each other since poverty stems from absence or lack of purchasing power resulting directly from unemployment or absence of means of production. Contrary to the claims of the successive Governments, unemployment has only increased after economic reforms were launched. The Planning Commission has admitted this in a background paper circulated at the Economic Editors Conference exposing the hollow claims about the benefits of economic reforms resulting in better employment generation.

The **55th** round of the NSS held in 1999-2000 indicated a dramatic decline in the rate of employment generation. The rate of growth of employment declined from ***2.7%*** per year in 1983-1994 to ***1.07%*** per year in 1994-2000. The decline was much sharper in the rural areas; from ***2.4% to 0.67%*** over the period 1994-2000. The economy is on an average generating atleast one million ***'jobless people'*** annually adding to the existing work force of about 30 million. Official numbers show very closely that in the last 15 years there has been a total collapse of employment generation in the economy. The trend growth in employment was one of sharp deceleration, independent of recession or recovery. The rate of growth in organized sector employment has been negative since 1998. In the first four years, it was marginally negative but after 2002, it was close to ***2%*** decline. The employment elasticity (the extent to which additional output creates additional demand for jobs) in the economy has dropped from ***0.68%*** in the period 1993-1998 to just ***0.16%*** between 1993-2000 – A ***76%*** drop over 17 years. This fall was more pronounced in the agricultural sector where the employment elasticity declined from ***0.87% to 0.01%*** over the same period. What it means is that a ***5%*** growth in Agricultural output that would have resulted in a ***4.75%*** employment growth in the eighties will now lead to an employment growth of just ***0.05%***.

Photo of shri K.K. Mudgil

PHOTO

If the end result of our planned economic development over a period of five decades coupled with ushering in of liberalization and economic reforms a decade ago was increase in the level of poverty and unemployment in this country, it is an occasion for the politicians, planners and economists to introspect and identify the reasons for this apathetic situation. I do concede that increase in the population was, to a large extent, responsible for the present state of affairs.

However, it is an accepted fact that nature always maintains a fair equilibrium between population and the natural resources. The crux of the problem in this country, as I have already mentioned in my earlier write-ups, is the lopsided economic development, which tended to benefit a fraction of the population and denied the fruits of economic development to majority of the people, who have been reeling under abject poverty.

The ***Father of the Nation, Mahatama Gandhi***, had expounded the philosophy of *Gram Swaraj* and promotion of *Khadi and Village industries* as far back as 1930s. We find that this philosophy has a greater economic relevance in the present circumstances than ever before. Although the corner-stone of the State Policy has been democratic decentralization with decentralized economic development, but these have remained only in their letters and are devoid of the spirit behind them. Resultantly, the economic development in the country has been without human face and triggered the problem of distributive justice. If we are really serious about solving the problem of poverty and unemployment, particularly in the rural areas, the solution lies in the promotion and development of khadi and village industries based upon the locally available raw-material and skills. A question is often raised as to the economics of village industries in the context of the technological developments taking place in the industrial field. To this, my answer is that all the village industries are as economically viable as any of their counterparts in the large/medium-scale sector. Take the instance of leather flaying and tanning industry, which is a naturally decentralized industry. If the animal carcass is processed in the rural areas with the help of the traditional artisans available in good number in all the villages, the hides and skins processed in the village tannery/ flaying centers can be sold at much lower price than the products of large-scale tanneries. Besides, this will provide employment opportunities to large number of people in the rural areas. Similar is the case with all village industries. The only thing is that the Government must arrange through its extension agencies the marketing of the products of village industries in the urban centers.

The need of the hour is that we should encourage industries employing labour-intensive rather than labour-saving devices. The traditional village industries can be revived by upgrading the productive skills of the hereditary artisans in the villages and providing them financial assistance to settle down on their trades. Besides, efforts should be made to process the agricultural produce in the rural areas to the extent of atleast 50% and the processing units, which are established, would provide ample opportunities to the unemployed in the rural areas. Training programmes already launched by the Government through various schemes should aim at imparting training to the village youth in different trades to enable them to find employment in such processing units. The Government must also set up Industrial Training Institutes/Service-cum-Common Facility Workshops at each District Headquarters to provide training facilities to the people at their door-steps. We must not forget that ***74.3%*** of our population lives in ***5.81 lakh villages***. There is already an over pressure of population on land. The continuous process of sub-division and fragmentation of land-holdings has resulted in steady increase in the number of agricultural labourers who do not have any avenues of alternative employment. These people can be imparted some technical training and provided an opportunity to settle down in the village industries. I am sure that if intermediate technology is applied to the village industries, there is no reason why these industries should not compete with the large-scale and medium-scale industries since they enjoy some inherent advantages. This entire process will ensure flow of wealth from urban to rural areas, which alone could usher in prosperity and remove poverty in due course of time.

❀❀❀

(K.K. MUDGIL)

APPOINTMENTS

- Shri Srikant Kumar Paikray, IAS has been appointed as Managing Director, Orissa State Financial Corporation (OSFC), Cuttack vice Shri Chander Sekhar Kumar.
- Shri M. Dhananjoy Singh has been appointed as Managing Director, Manipur Industrial Development Corporation Ltd., (MANIDCO), Manipur vice Shri R.K. Nimai Singh.

LETTER TO THE EDITOR

June 30, 2005

Dear Editor,

I have just seen your March-April, 2005 Issue of ***"COSIDICI COURIER"***. As usual, feature-studded it is, the Journal gives very interesting reading with Profiles of Member Corporations, their Activities, Economic Scene, the Policy up-dates, the Quotes etc.

The Article on Authentic Leadership is thought-provoking and the Note on SSIs and tips will be very useful; so also the coverage on "Infrastructure" and "All India Institutions which are dealt at length.

Of course, your Editorial on ***"Professionalisation of SFCs"*** stands out and your observations are very correct. There will be something new in every Issue of COSIDICI COURIER and I always look forward to receiving the next issue.

With regards,

Yours sincerely,

Sd/-
{ K.C. JAIN }
Managing Director
Mangalam Cement Limited
[B.K. Birla Group of Companies]

PROFILE OF MEMBER CORPORATIONS

Pondicherry Industrial Promotion Development & Investment Corporation Limited { PIPDIC }

Objectives :

- Industrial Finance
- Development of Industrial Estates
- Equity participation
- Aiding, counseling, protecting and promoting the interests of Industries in Pondicherry

Industrial Policies : STRIAL P

- To Promote sustainable industrialisation in the Union. Territory of Pondicherry.
- To gainfully utilise the human resource of the territory and maximise employment.
- To improve the standard of living and quality of life of people of the Union Territory.
- To conserve the environment of Pondicherry for sustained and rapid industrial growth.
- To participate in the globalisation of the economy with greater exports and imaginative imports.
- To take advantage of the special features of Pondicherry including its heritage and culture.
- To ensure balanced industrial development in all the regions of the Union Territory.

Pondicherry is endowed with excellent infrastructural facilities, on par with the best available in the country.

ROADS:

Pondicherry is situated about 170 km south of Chennai on the East Coast Road and National Highway NH-45A connecting to Chennai and other major cities. A network of all weather metalled roads connecting every village exists in the territory. Pondicherry has a road length of 2398 km (road length per 4.87 sq km), the highest in the country.

RAIL HEADS:

The Union Territory had rail heads at Pondicherry and Mahe. The Pondicherry-Villupuram rail line is being converted into broad gauge. The linking of Chennai with Cuddalore via Pondicherry is in the offing. Efforts are on to link Yanam with Kakinada and Karaikal with Nagapattinam.

Shri A.K. Singh
MD. PIPDIC

WATER RESOURCES:

The policy of the Government is to promote less water intensive industries. Being a coastal area borewells are not allowed within six kms. from high tide line. Hence, desalination and recycling techniques of waste water would be encouraged.

SEA PORT:

Pondicherry is close to several ports like Chennai, Nagapattinam, Tuticorin, Kakinada, Vishakapatnam and Cochin. Pondicherry port will be modernised with container handling facilities and storing infrastructure.

COMMUNICATIONS:

Pondicherry is a part of the Global Information Highway. Good telecom infrastructure including cellular, pager, ISDN, and Internet services are available. Pondicherry has 64 lines per 1000 persons which is highest tele density in the county.

BANKING:

There are 105 branches of various Nationalised and Commercial banks functioning in Pondicherry with a deposit mobilisation of Rs.2018.83 millions. Apart from this, PIPDIC, a state Finance Corporation renders yeoman service for promotion of small and medium scale enterprises. Branches of National financial institutions like SIDBI/NABARD/ NSICalso exist.

SKILLED MANPOWER:

Pondicherry has reputed technical institutions such as the Pondicherry Central University, five Engineering Colleges, four Medical Colleges, Dental, Veterinary, Agriculture and Community Colleges, four Polytechnics

and five Industrial Training Institutions. Pondicherry has a high concentration of highly resourceful, committed and productive Science and Technology Graduates. Apart from English, a considerable number speak French.

RESPONSIVE ADMINISTRATION:

Proactive investment policies, hassle-free environment and an industry-friendly Government have made Pondicherry a heaven for business. The process of clearances and approvals has been rationalised with emphasis on time-bound decisions by Government departments and authorities. The responsive administration solves problems, if any, in the quickest possible time and ensures that the investors realise their dreams.

COSMOPOLITAN CULTURE:

A large number of French, Belgians and Germans have made Pondicherry their second home and have thus promoted its congenial cosmopolitan atmosphere. Pondicherry also provides a good standard of living, quality-housing facilities, standard educational institutions including French schools, adequate health care and recreational facilities. All communities live in peace and harmony. There are a large number of restaurants specialising in French, Italian and American Cusines.

GOOD INDUSTRIAL RELATION:

Pondicherry is known for peace and stability which is a pre-requisite for smooth and fast industrial growth. Labour relations in the Union Territory are excellent with a good track record of industrial harmony allowing you to concentrate on your business. A co-operative, educated, skilled and understanding labour is an asset. Good industrial relations ensure industrial peace. The Labour Department provides concilliatory and mediatory mechanism for resolution of industrial disputes between Management and labour.

NEW INITIATVES:

The Government has taken initiatives to set up new Industrial areas, like the Growth Centre, Information Technology Park, Integrated Infrastructural Development Centre, Export Processing Zone, Special Economic Zone, etc.

INDUSTRIAL ESTATES:

Six Industrial Estates are presently in existence and additional industrial estates are being planned. An Electronic Park at Thirubuvanai, Pondicherry is ready for allotment. A Growth Centre-cum-industrial Estate at Polagam in Karaikal is being finalised by Government of Pondicherry and 74 Plots in Phase IA will be ready for allotment by Dec 2002. Growth Centres in Pondicherry and Yanam regions are also being planned by Government of Pondicherry.

POWER :

As part of the southern-grid, adequate power has been allocated to Union Territory of Pondicherry. Steady supply of power is presently available at rates cheaper than neighbouring states. A gas based power plant is being established at Karaikal.

Special Economic Zone :

- To promote exports, an Export Processing Zone to provide internationally competitive duty free environment and world class infrastructure facilities is proposed. It will be endowed with all major infrastructural facilities like roads, water supply, electricity, communication, buildup factory sheds and other common service facilities. Land to the extent of 102 acres have been identified. Development of the EPZ will involve Rs.250 million.
- It is proposed to conduct the feasibility study for setting up of "Special Economic Zone in a portion of area Electronic Park, Thirubuvanai.

Integrated Infrastructural Development :

- To promote clusters of Small Scale and tiny units with a view to create employment opportunities and develop exports.
- To promote stronger linkages between agriculture and industry.
- To provide common service facilities and technological backup services.
- Creation/upgradation of Infra-structural facilities like water, power, communication etc. in the Industrial areas.
- To be set up in about 76 acres of land
- Number of Industrial units to be set up - 400 Nos.
- Anticipated Capital Investment from Industrial Units - Rs. 30000 lakhs.
- Anticipated Turnover of the industrial units - Rs.150000 lakhs
- Employment to be generated - 16000 Nos

WAYS TO MAKE SEZs PRIVATELY RUN CITIES

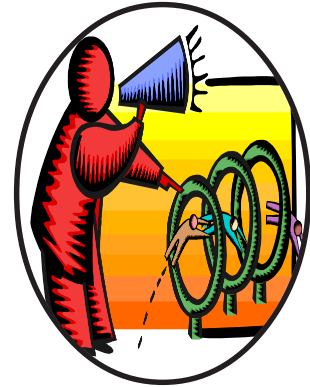
By
Abhishek Mehrotra*

The first National Foreign Trade Policy of India, unveiled on August 31, 2004 replaced the 2002-07 Exim Policy. It aims to double India's percentage share of global merchandise trade by 2009 and spur economic growth with a thrust on employment generation. But, the policy fails to bprovide measures to achieve these ambitious targets.

It was recommended that SEZs should be viewed as a vehicle for introducing policy and institutional reform that are difficult to introduce more generally but could be feasible in these limited areas. Thus, Indian SEZs have been successful in streamlining the customs procedures and keeping corruption levels low. Lack of a single window clearance facilities, centralised governance, stringent labour laws and poor infrastructure result in a relatively poor investment climate in SEZs.

The incomplete success of SEZs can be seen from the fact that the share of these zones in the total exports is just around 4.5% when compared to 64% for Mauritius, 40% for Mexico and 20% each for Bangladesh and Sri Lanka. India could introduce laws allowing private companies to own and manage SEZs as a possible solution. With say, 10 such zones focusing on exports, India could aim to double its exports every five years. SEZs can become privately run cities. China's Shenzen, for example, has become a city with 10 million people in two decades. If India were to start with 10 new privately run SEZs, they could perhaps accommodate 100 million people in two decades.

Indian SEZs have so far seen a lopsided growth in exports, with gems and jewellery being the single largest contributor (as high as 49.87%) of the total exports from Noida SEZ), followed by electronics and software. Heavy manufacturing is absent, given that Indian SEZs have a focus on *"low volume high value"* products. Heavy manufacturing industries are not encouraged to set up their plants in these SEZs because of the relatively small size of these zones. Noida SEZ is spread in an area of 310 acre only, while Hamriyah Free Zone in Sharjah is about 10 million square metre.



The large size of the Chinese SEZ is critically important for bringing greater economies of scale, a diversified activity mix and social infrastructure to the zone, and attracting private entrepreneurs to China. Indian SEZs need to be spread to larger areas.

SEZ units source their supplies from the domestic trade area (DTA) at a duty free rate. These supplies are considered deemed imports, and payments for the same need to be made in foreign currency. This circular method of payment, where the unit gets rupees converted into dollars, makes payment, and the domestic suppliers in turn gets it converted to rupees, is time taking and expensive (*considering that banks get the benefits of the transactions costs at both ends*). Payment process which can be completed in about three days takes about 30 days to complete at a cost to both the supplier and producer. A possible solution is to enable the exporter to pay his suppliers in rupees. Government could decentralise the administrative powers to states and development commissioners (DC) of SEZs. Delegation of powers can simplify the procedures. DC's office can be made a one stop shop for all clearances.

Industrial Dispute Act and Factory Act should be reviewed for the zones. In China, labour contracts are signed between the employer and employees, which regulate the labour relationships, This system provides flexibilities to SEZs in labour retrenchment during a business downturn.

Providing export credit at cheaper interest rates will also help. Chinese SEZs get export credit at about 4%, whereas in India this figure stands at about 14%.

**The author is an MBA student (2004-06 batch), Indian Institute of Foreign Trade, New Delhi*

INFLATION AND GROWTH

By
Kalyan Guha *

There have been upstream discussions recently that the spirals of inflation, presently hovering between 6.5% to almost 7% on point to point estimate on the basis of wholesale price index (WPI), steams out the strength of the economy by putting pressure on pricing adjustment process in respect of essential commodities like basic food products and other consumer articles on a higher scale. This restricts the diversion of excess saving of small and *"moderate"* earning segment of population from purchase of daily essentials to the purchase of items in consumer durable sector which are considered to be essential these days in urban and semi-urban households.

The common middle class which is around 40% of the total population of India including those from the rural areas will ultimately find it harder to invest their scarce money for such "luxury" purchase at the expense of meeting subsistence needs. It will also negate the original assumptions of Keynesian consumption function with a greater than zero intercept on 'X' axis of 'XX' domain of income-consumption chart. Therefore, the growth of GDP is the sacrificial goat in this milieu.

The comparative position of growth and inflation index of a few established economic zones and emerging economies gives a disparate data, questioning complementary roles of these two important parameters to assess the health of an economy as in Table.

Country	WPI	CPI	GDP *Growth*
United States	3.99	3	4.8
Euro Area	2.83	2.3	2
Japan	1.58*	-	4.4
China	6.4	5.3	9.6
India	7.96	3	8.2
South Korea			

** Corporate goods price index*

From the Table, it is evident that the growth wheel generates inflationary steam because of functional adjustment in the production scale and consequential money creation resulting from increased income margin to entrepreneurs and labour force alike. This is a common economic logic. This is more so in respect of emerging economies where starting base was intially smaller compared to that of bigger players in the global development process. For example, the new entrants like China, India and South Korea show a higher growth rate combined with stiffer inflationary challenge because of more money generation by way of higher wage differentials for workmen and greater profit margin for entrepreneurs.

So long as the WPI (including price movement in manufacturing sectors) is a competitive sprinter in the second lane vis-a-vis faster GDP growth rate in the first lane, fear of a sudden gloom in the economy is not immediately foreseen. Moreover, our inflationary index is closely related to certain basic factors like erratic behaviour of weather and global pricing of minerals unlike property appreciation index (real estate, stability of capital intensity factor of manufacturing lines etc.) in the prosperous economic zones. The trajectory of price pressure is to a large extent different in these two economic *'hemispheres'*.

Normally the faster growth rate is expected to take care of excess money supply generated through increasing level of produced goods and rising domestic demand via improved purchasing power. For a stable economy this will, however, not be desirable as higher growth 'leap" for an economy having already a built-up larger economic base is not possible in the short run by way of constraints in the use of available natural/non-renewable energy and factor resources and a level of achieved factor productivity unless sweeping technical innovation takes place in the genre of industrial revolution of 19th century.

The production combine in terms of scale of efficiency mix and volume faces a 'status quo' level of optimisation in the case of the affluent economic zones. Therefore, spectre of excessive inflation is a threat there. It creates many mismatch especially in the field of monetary management and highly monetised (delinked from actual production pipeline very often by way of high trading level instruments in money market) investment

auditorium. Because of milder GDP growth, combined with moderate WPI/CPI, these high economic zones are cooler across their own frontiers.

For the emerging economy high GDP growth is as necessary as a steamy inflationary rate is sufficiently tolerable so long as it is not a very close competitor to the former. This broad assessment is reasonable. There is one advantage in such proposition in as much as these 'emerging' zones are yet to be fully monetised especially in matters of commodity exchange facilities in the vast rural hinterland. There is no denying the fact that the reflection of rural economy as a contributing partner of little other than 30 percent to the total GDP in India is an understatement so long as a fully monetised profile of the primary economy is yet to be assessed correctly for in terms of gross domestic product and consumption.

Therefore, excess money supply released to the economy due to sizeable forex reserves on account of FDI and NRI remittances from abroad can be tackled if domestic production process takes two distinct characters (i) encouragement to export promoting manufacturing and service units (ii) orchestrating a policy orientation for changing packaged food stuff and processed agro products. It requires public and private intervention through intensive awareness programme.

The fertile ground for such intervention is not fully surveyed in rural India though efforts have been already initiated in urban areas. There are some encouraging signs in the economy in the prevailing scenario of high inflation. The growth in exports at end of September 2004 has shown an appreciable increase by 30 percent against the annualised growth at 11 percent in 2003-2004. Inflation has also shown a slide by 1.0 percent from the previous high at 7.5 percent. The trend is an indirect vindication of the points.

If Taiwan can manage a forex reserve of $ 230 bn with a growth rate of 6.3 percent and a CPI of 3.3 percent and WPI of 9.2 (as per latest data available), we need not be worried about the heat of increasing price pressure. Incidentially, Taiwan has a positive trade balance of $ 12.7 bn whereas India is still battling with negative balance. It is felt that the saviour should be through *"greening"* of export zones, ensuring employment generation, assuring positive trade balance, cushion for sudden turbulence in oil prices, and promoting domestic manufacturing sector.

It is believed that the effect of rising inflation will be neutralised through a faster growth rate.

* Mr. Kalyan Guha is with NABARD, Mumbai
Courtesy : Yojana

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MEMBER CORPORATIONS ~ THEIR ACTIVITIES

APSFC

APSFC net up 30% to 13 cr

Andhra Pradesh State Financial Corporation (APSFC) posted a net profit of s.13.15 crore in the fiscal ended March 31, 2005, as compared with Rs.10.10 crore in the previous year, representing a growth of 30 percent. Its operating profit rose by 15 percent to Rs.6.91 crore (Rs.6.01 crore). Shri M. Gopalakrishna, Chairman of APSFC, said the Corporation stood first among all other state SFCs in terms of sanctions, disbursements and recovery percentage. APSFC sanctioned new loans to the tune of Rs.463.99 crore in 2004-05 and made disbursements amounting to Rs.348 crore, which were 102.32 percent and 99.65 percent of the year's target respectively.

MIDC

MIDC to enter gas distribution

Maharashtra Industrial Development Corporation (MIDC) is entering gas transport by procuring it from Gujarat State Petroleum Corporation Limited (GSPCL) for its pilot project at Tarapur.

MIDC has roped in Pricewaterhouse Coopers to conduct a pre-feasibility study for the proposed pipeline which entails laying a 50 km pipeline from Talasari on the Maharashtra-Gujarat border to Tarapur in Thane district, MIDC Chief Executive Officer, Shri Satish Gavai said.

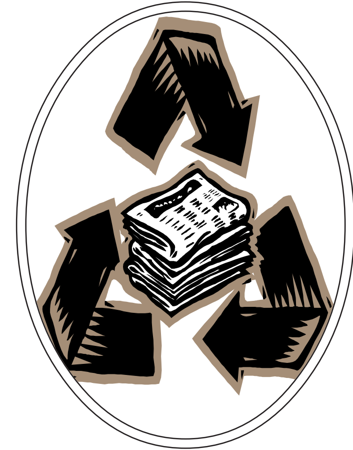
MIDC has initiated preliminary talks with GSPCL, which had committed one million cubic metres for the pipeline and the entire project would entail an investment of about Rs.200 crore. MIDC and GSPL will also look at external funding.

Meanwhile, MIDC has shortlisted Reliance Energy Ltd. to set up 100 mw group captive power plants (GCPP) in the industrial estates of Thane-Belapur and Butibori-Hingna to cater to industrial units.

HSIDC

HSIDC generates Rs.89.51 cr proposals

A business contact programme organised by the Haryana State Industrial Development Corporation for the first time has received an overwhelming response as representatives of 29 leading companies have discussed their financial assistance proposals. A spokesman of the Corporation said that complete term loan proposals worth Rs.89.51 crore besides additional loan enquiries of 19.25 crore were entertained during the meeting. This is the highest term loan business generated by the Corporation in a single business meet, said the spokesman. He said that the Managing Director of the Corporation, Shri Rajeev Arora alongwith senior officers of the Corporation made on the spot decisions. Many prospective entrepreneurs and prominent industrialists discussed their proposals for financial assistance by way of term loans, leasing and equipment finance.



RIICO

A year of outstanding Performance

RIICO exhibited notable performance during the Financial Year 2004-05. All important targets pertaining to both the main activities - developing industrial infrastructure and providing financial assistance - were attained. Healthy performance enabled RIICO to declare an interim dividend of Rs.3 crore for the first time since its inception. This dividend is the highest ever annual dividend paid to the State Government, previous highest being Rs.2.28 crore for the Financial Year 1997-98. Since its inception, RIICO has paid dividend to the Government, on five occasions earlier - Rs.1.13 crore (1992-93), Rs.1.40 crore (1995-96), Rs.2.21 crore (1996-97), Rs.2.28 crore (1997-98) and Rs.2.00 crore (2003-04).

RIICO is poised to earn highest ever profit during 2004-05. Provisionally, it is estimated that the profit for the year will be Rs.36.62 crore. The last time when profit of over Rs.20 crore was achieved was in 1996-1997 when RIICO's profit was Rs.21.49 crore. The Corporation became a debt-free organisation through preponement of repayment of debt amounting to Rs.571.15 crore (Rs.183.10 crore during 2004-05), which also contributed to the improved bottom line. The financial well-being of RIICO would enable it to better serve the cause of industrial development in the new fiscal.

Contribution of the Corporation to industrialisation in the State has been in form of catalyzing of investment of about Rs.2500 crore through its term lending, infrastructure and promotional activities in the year 2004-05.

Another high was achieved in the recovery of infrastructure dues. At Rs.190.34 crore, this recovery exceeds the target by about 20%. During 2004-05, RIICO allotted 1858 plots in various industrial areas against annual target of 1200 plots, 55% in excess of the target. Expenditure on industrial areas was Rs.75.74 crore. While 770 acre industrial land was acquired in 2004-05, 948 acre industrial land was developed. Some of locations where land has been acquired are :

Karni (Bikaner)	:	210.04 acre
Neemrana	:	78.55 acre
Punaita (Pali)	:	162.80 acre
Neemrana Extension	:	270.21 acre
Boranada	:	20.20 acre
Kalanwas (Udaipur)	:	19.94 acre

Land acquisition, to meet future demand of industries, received adequate priority during the year. Notifications under Section (4) of the Land Acquisition Act were issued for about 800 acre of land.

Proposals for more acquisitions are under preparation, particularly, in areas where industrial potential exists and demand for allotment of industrial plots is high.

Some of the main industrial areas developed during the year are :

Newai (Sawai Madhopur)	: 131.06 acre
Agro Food Park, Kota	: 139.80 acre
Agro Food Park, Boranada	: 193.54 acre
Chopanki (Bhiwadi II)	: 368.96 acre
Sangria II (Sriganganagar)	: 58.13 acre
Khatushyamji (Sikar)	: 13.35 acre
Growth Centre, Jhalawar	: 6.60 acre

Term Lending Activity Initiatives Facilitate Target

RIICO sanctioned term loan assistance of Rs.82.72 crore during 2004-05, which is highest in past four years and exceeded the annual target. This term loan assistance is estimaed to catalyse an investment of Rs.107 crore besides generating employment opportunities for 1200 persons. Attainment of target during 2004-05 is significant as this has been achieved inspite of three spells of elections Lok Sabha (May 2004), Local Bodies (October 2004) and Panchayat (January 2005) which partially restrained full-fledge deployment of manpower.

Highlights :

- On quarter-to-quarter basis, there was steep increase in sanction of term loan assistance in the Fourth Quarter (January-March, 2005) to Rs.56.45 crore from Rs.7.41 crore in the Third Quarter. Favourable response to new policy initiatives taken by the Corporation during the last month of the Third Quarter and in the Fourth Quarter was a crucial factor for steep increase.
- RIICO consciously attempted to broadbase its loan portfolio which was hitherto predominantly textile-based. The year witnessed a portfolio mix where sectors such as infrastructure (19.8%), plastics (15.7%) and ceramics (15.4%) emerged dominantly, though the textile sector remains the major assisted sector. Sanctions to the textile sector dropped from 83.05% in 2003-04 to 37.60% in 2004-05.
- Out of the sanction of Rs.31.08 crore to textile projects, an amount of Rs.18.38 crore (59.13%) was sanctioned to projects covered under the Technological Fund Upgradation Scheme of the Government of India.
- The sanctions, during the year, were locationally spread across various parts of Rajasthan. Bhilwara, Jaipur and Jodhpur districts accounted for 75% of total sanctions.
- Resurgence of confidence of existing clients was evident when in comparision to 51% in 2003-04, the expansion cases contributed 62% of total sanctions. This is a healthy sign and demonstrates RIICO's competitive package and services.
- The response to Incentive Scheme for Good Borrowers (Modified) was overwhelming and Rs.41.10 crore were sanctioned under this Scheme, representing about 50% of the sanctions.
- The direct correlation between sanctions and competitive interest rates/other client-friendly policies is visible during 2004-05. Around 68% of the sanctions were achieved after taking initiatives to make interest rates competitive and adopting client-friendly policies.

Initiatives :

RIICO has geared itself to meet the challenges of the external competition. Initiatives taken were :

- Modification in the Incentive Scheme for Good Borrowers. Under the Scheme, RIICO now extends term loan to good borrowers :
  - √ having net worth and turnover of atleast Rs.1.50 crore and Rs.5.00 crore respectively at an effective interest rate of 9% per annum (9.5% per annum for cases under TUFS).
  - √ having net worth and turnover of atleast Rs.50 Lacs and Rs.1 crore respectively at an effective interest rate of 10% per annum (10.5% per annum for cases under TUFS).
- Introduction of the Graded Interest Rebate Scheme to motivate the entrepreneurs to make timely repayment of their dues. Under this Scheme, rebate on interest of 1%, over a period of three years, in phased manner, to the existing standard category as well as new borrowers who maintain good repayment behaviour, is admissible.
- Introduction of the Short Term Loan Scheme to meet the working capital requirements as well as other financial requirements of good borrowers. Under this Scheme, short term loan with overall repayment period of 18 months is available at an interest rate of 10% per annum.
- Modification in the Credit Scheme for Builders/ Commercial/Residential Complexes. Under this Scheme, now loan upto 80% of value of land purchased in auction of local authority, is admissible.
- Reduction in Service Charges and Upfront Fee.
- Disbursement norms have been made easier for Good Borrowers.
- Decentralisation of some of the lending-related functions to RIICO's 26 Regional Unit offices. The Regional Unit Offices have been associated with the receipt of loan applications and in the appraisal exercise.
- Procedural changes through constitution of two Committees - Initial Project Clearance Committee (IPCC) under Chairmanship of ED and Financial Assistance Approval Committee (FAC) under Chairmanship of CMD - for consideration of appraisal memorandum and for making recommendations to sanctioning authority. This has been done with a view to reduce the time taken in approvals.

Technology Meet on Scientific Instruments

RIICO, in association with Central Scientific Instrument Organisation (CSIO), a laboratory of the Council of Scientific and Industrial Research (CSIR), Government of India organised a One-day Technology Meet on Scientific Instruments on February 10, 2005 at Jaipur. The main thrust of the meet was on testing and quality control equipment developed by CSIO for Agro Food Processing and Gem and Jewellery manufacturing sectors. In his inaugural speech, as Chief Guest, Dr. Rakesh Hooja, CMD, RIICO said that RIICO is committed to support development of Gem & Jewellery and Agro Food Processing Industries in the State. He informed that RIICO has promoted Special Economic Zone for Gem & Jewellery in Jaipur and Agro Food Parks in Kota, Jodhpur and Sri Ganganagar. He mentioned that association with CSIO in developing test laboratories, a missing link so far in the State, in Kota, Jodhpur and Sri Ganganagar, will go a long way in improving quality of products manufactured by agro food industries in these districts. Dr. Hooja also informed that the Corporation endeavours to play a catalytic role in transformation / upgradation of technology in the State. In past, RIICO has encouraged such technology Meets and has contributed to technology upgradation in textile, marble granite, steel rolling, and ceramic sectors. RIICO has already planned one technology meet on dimensional stones in December, 2005.

SIDCUL

SIDCUL to improve employment scenario

The State Industrial Development Corporation of Uttaranchal Ltd. (SIDCUL) and Naukari.com, the Indian Industries Association (IIA) Uttaranchal on June 26, 2005 joined hands to improve the employment scenario in the state of Uttaranchal. The Memorandum of Understanding (MOU) was signed in the presence of the state Chief Minister, Shri N.D. Tiwari.

With the help of experts, an easy format bio-data has been prepared. SIDCUL will utilise its directorate for circulating the bio-data to all polytechnic and engineering institutes of the state. The students can get the bio-data through their institutional heads and return the filled up forms to SIDCUL. SIDCUL will pass on the bio-data forms electronically to Naukari.Com, which will put them on its sought website.

With industrial investments getting tremendous response in the state, IIA would encourage industrialists to provide jobs to local youths with the first preference being given to those enrolled with the Naukari.Com website, said IIA Uttaranchal President, Shri Punkaj Gupta.

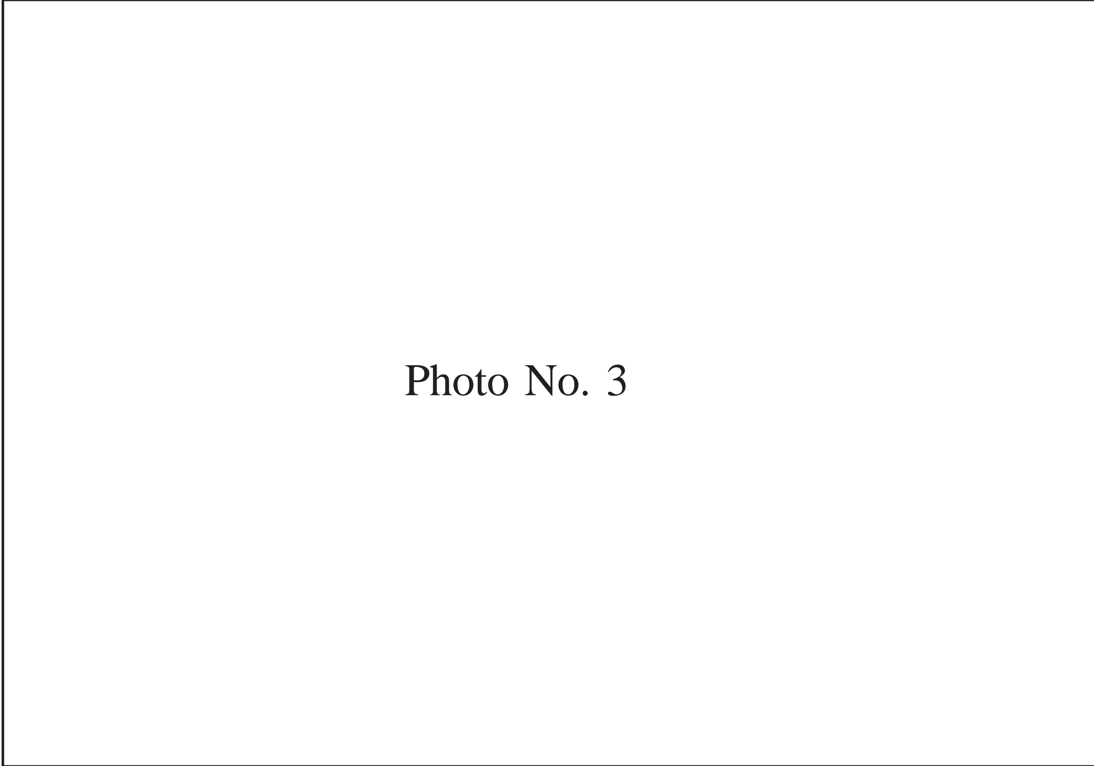
Advertisment Page

GLIMPSES OF EXECUTIVE COMMITTEE MEETING

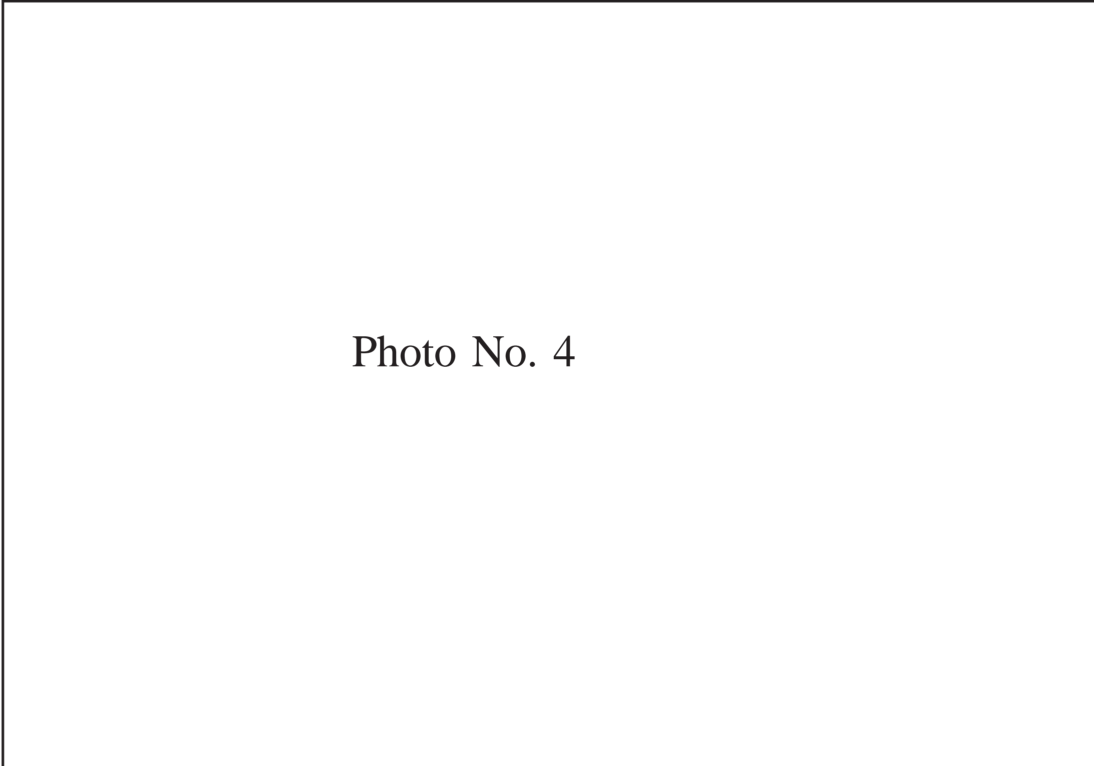
Shri T.R. Srinivasan, IAS President COSIDICI welcoming the delegates at the E.C. Meeting held in New Delhi. On his right is Shri K.K. Mudgil, Secretary General, COSIDICI, New Delhi.

Shri K.K. Mudgil, Secretary General, COSIDICI addressing the delegates during E.C.M. On his left are Shri T.R. Srinivasan, IAS, President COSIDICI & CMD, Sipcot, Chennai; Shri N. Balasubramanian, CMD, SIDBI, Lucknow; and Ms. Neeru Nanda, IAS, Vice-President COSIDIC & CMD, DFC, Delhi.

OF COSIDICI HELD ON MAY 16, 2005 IN NEW DELHI



An overall view of the E.C. Meeting in progress.



A group photo of Members of the Executive Committee at New Delhi.

SUCCESS STORY OF AN ASSISTED UNIT OF KSFC

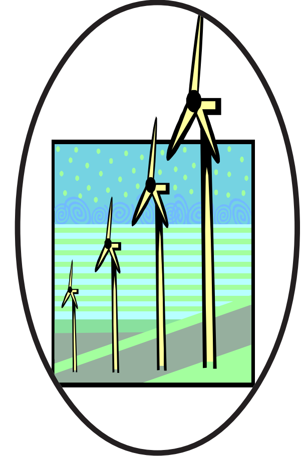
M/s VIJAY INDUSTRIES
Peenya Industrial Area, Bangalore-560058

Joy Industries was established in 1974 by Shri P.V. Kurian, a first generation entrepreneur, as an ancillary to M/s ITI Limited, Bangalore for manufacturing precision sheet metal components, press metal components. The unit was started by availing 100% loan under Self Employed Scheme from a commercial bank. The unit functioned as an ancillary to ITI limited nearly for 15 years. When there was major recession in the telecom products, the units work load shifted to Centre for Development of Telematics (C-Dot), who were manufacturing Electronic Exchanges for the country.

The unit was supplying almost all the necessary mechanical items required for electronic exchanges.

Shri Kurian thought it appropriate to modernise his unit by importing a CNC Turret punch press from Japan costing more than a crore. The unit was financed by KSFC for procuring this CNC turret punch press. Subsequently, again with the help of KSFC, the unit imported CNC Bending machine from Japan. The units major customers like Ace Designers Limited supply the raw-materials and also order with specifications for punching and bending. The unit is functioning three shifts in order to meet the increasing demands of customers.

The promoter recalls the labour unrest in his unit during 1989 and which was finally settled in labour commissioner's office. The promoter calls this incidence as a turning point for his unit and the production started increasing and the unit delivered items well in time and the turnover also started increasing.



The unit during 2004, has approached KSFC for acquiring a third CNC machine, a laser cutting machine form M/s Amada, Japan to avail financial assistance under Technical Upgradation Fund Scheme at a concession rate of interest of 7.5% p.a.

Shri P.V. Kurian is glad to be associating with KSFC which according to him, has been a continuous source of inspiration, encouragement and timely assistance which prompted his unit to a ladder of success. Karnataka State Financial Corporation is also proud to be associated with this unit and wishes the promoter and his team great success in all his future endeavours.

The same beam of light can illuminate two objects and produce two different effects, depending on how much light each object absorbs and reflects. Likewise, a single experience can affect two lives in different ways.

SUCCESS STORY OF KSFC ASSISTED UNIT

M/s VIJAY TYRES PVT. LTD.
N.H.-13, Byepass Road, Hanchanal Village, Bijapur

M/s Vijay Tyres Pvt. Ltd. Hanchnal Village, Bijapur is a group concern of Toshniwal and brothers. This Tyre re-moulding industry under ELGI franchise was started in 1985 with financial assistance of Rs.7 Lacs from KSFC and has grown over the years making a name in the field of automobiles and automotive tyres industry in the Northern Districts of Karnataka. Shri Ghanshyam Toshniwal is the main promoter behind the success of this unit in highly competitive industry. While the tyre re-moulding unit was flourishing, the Toshniwal brothers also diversified into manufacturing water storage tanks by installing latest Digital controlled environmental friendly tank moulding plant. The unit was sanctioned term loan of Rs.33 Lacs under TDMF Scheme from Branch office, Bijapur during January, 2004. The unit has been regular in repayment to the Corporation.

In addition to the tyre remoulding activity, the unit is manufacturing tanks having capacity ranging from 200 litres to 3000 litres in 4 attractive colours and marketing through dealers covering enire state of Karnataka and also neighbouring states of Andhra Pradesh, Maharashtra and Goa. The turnover of the unit for the last 2 years was Rs.54 lakhs and Rs.65 lakhs respectively. The sales turnover of tank division alone is expected to cross Rs.85 Lacs during the year 2004-05. The unit has created direct and indirect employment to over 100 persons.

The other units managed by Toshniwal Brothers are M/s Vijay Tyres, engaged in the trading of new automobile tyres and M/s Vijay Motors, a leading Hero Honda motorbike dealer exclusively for Bijapur, Bagalkot and Jamkandi region.

M/s Vijay Tyres Pvt. Ltd. is in the process of obtaining ISO certification and the promoters have plans to manufacture tanks having capacities upto 15000 litres.

Karnataka State Financial Corporation is proud to be associated with the company and wishes the promoters great success in its future endeavours.

A true friend is not blind to faults, but rather, out of love, chooses to overlook them.

If you want to be happy and successful in life, never stop learning.

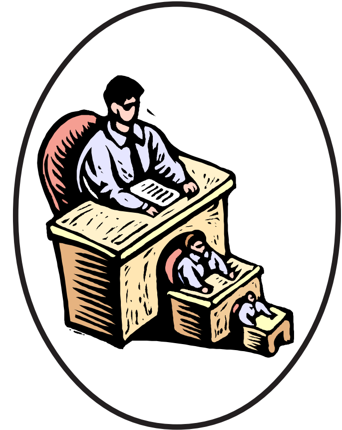
ACTIVITIES OF COSIDICI

Priority of Charge over Legal Mortgage - Section 29 of the SFCs Act, 1951

Section 29 of SFCs Act, 1951 empowers SFCs to exercise the right to take over the management or possession or both of the industrial concern as well as right to transfer by way of lease, or sale and realize the property pledged, mortgaged, hypothecated or assigned to the SFCs in case an individual concern having a liability to the SFC under agreement makes any default. However, it has been the experience of our Member Corporations that while exercising the rights u/s 29 of SFCs Act, 1951, other agencies like the Sales Tax Authority, electricity department and tax authority are putting forth their claims in precedence to the claims of the Corporation taking advantage of sub-section (2) and subject section (5) of Section 29 of the SFCs Act, treating the SFC as a deemed owner or a successor-in-interest of the industrial borrower concern.

The Supreme Court judgement dated December 14, 1994 in the case of State Bank of Bikaner and Jaipur vs. National Iron & Steel Rolling Company had held that the statutory first charge created by law has priority over the mortgage irrespective of the latter having been created prior to the said statute. As per the said judgement, the first charge is created by operation of law over any property, that charge will have precedence over an existing mortgage. The implication is when the subsequent charge also had priority over mortgage, a lender would never know where he stands. Taking advantage of this judgement, the State Governments through their Commercial Tax Authorities have proceeded with issuing of demand notices to the SFCs attaching the properties claiming thereby realization of their dues first of all and in priority to the SFCs' dues. In case, where the SFC has resorted to the sale of mortgage for realizing its dues, the Commercial Tax Authorities have put up their claim on sales tax etc. and had been pressing for the satisfaction of these claims before appropriating sale-proceeds of the property towards the SFCs dues. As a result, a situation had arisen which rendered the securities in favour of SFCs as worthless since in a large number of cases, there are huge defaults of the concerned borrowers towards the taxes.

The matter has been under our review since 1995. Andhra Pradesh Industrial Development Corporation Ltd. (APIDC) advised us through its communication dated 09.04.1999 that A.P. General Sales Tax Act applicable to Andhra Pradesh does not contain any provision giving the precedence to the tax under the Act over other debts and that it was also held by various judgement of the High Court of Andhra Pradesh that the dues of secured creditors had priority over the Crown Debt. Similarly, Uttar Pradesh Financial Corporation advised us that in view of the provisions contained in U.P. Trade



Tax Act, it is not empowering the Trade Tax Department to have statutory charge on the industrial unit. The dues of UPFC are realizable as arrears of land revenue. Gujarat State Financial corporation however, brought to our notice that the Sales Tax Deptt. of Gujarat proposed to levy sales tax on various small scale and medium scale units and in that connection GSFC contemplated to file a writ petition in the High Court against the expected judgement of a Tribunal. Tamilnadu Industrial Investment Corp. Ltd. however, filed a writ petition No.17519/98 against the State of Tamilnadu and Commissioner, Commercial Taxes on the ground that the State Law cannot have precedence over the Central Law. Madhya Pradesh Financial Corporation brought to our notice that the Commercial Tax Authorities (Sales Tax) proceed with the issuing of demand notices to it on the basis of statutory first charge created by respective State Commercial Tax Act. The Rajasthan Financial Corporation had obtained in two cases stay order from the High Court and DRT against Commercial Tax proceedings.

In the light of the above developments, COSIDICI invited legal opinion from a senior Counsel as to whether it would be desirable to file a Special Leave Petition by COSIDICI in the Hon'ble Supreme Court for review of the court decision. The Senior Counsel, Shri Ranjit Kumar advised us that COSIDICI does not have locus standi to file a Special Leave Petition in the Supreme Court as no cause of action exists. He also opined that the cause of action would arise if an adverse judgement is delivered by a High Court on a specific Writ Petition filed by an SFC in the matter. In that case, it would be

expedient to go in appeal to the Supreme Court against the judgement of the High Court and in that process the earlier decision pronounced by the Supreme Court on December 14, 1994 could also be got reviewed. COSIDICI had thereafter advised all SFCs to vigorously pursue their cases in respective High Courts and obtain judgement as early as possible.

At the Executive Committee meeting held on May 19, 2000 at Kodaikanal (Tamilnadu), the Managing Director of SICOM Ltd. stated that legal opinion obtained by him on the issue had re-enforced the right of the SFC to recover its dues out of sale of the mortgaged properties as a first charge thereon. If there is a conflict between State Legislation and a Central Legislation, which is not capable of reconciliation, power of Parliament to legislate in respect of a matter which is exclusively entrusted to it, must supersede the exercise of power of the State Legislature.

Some of the SFCs had thereafter moved the High Court on the question of applicability of the priority of charges of State Commercial Tax Authorities or State Government bodies over the right of the SFCs to exercise its statutory powers under section 29 of the SFCs Act. The Court verdict in this matter is, however, awaited.

In Supreme Court judgement dated 25.04.2000 in the case of Dena Bank Vs. Bhikhabhai Prabhudas Parekh & Co. and others, it has been held that the claim of priority of state dues rests on the well-recognised principle that the State is entitled to raise money by taxation because unless adequate revenue is received by the State, it would not be able to function as a sovereign government. Further, it is essential that a sovereign state should be able to discharge its primary government functions and in order to be able to discharge such functions effectively, it must be in possession of necessary funds. Therefore, the State has the right to claim priority in respect of the tax dues. Thus the Supreme Court judgement dated 14.12.1994 was again reiterated recognizing the over-riding right of crown Debt over other debts in so far as the priority of charge is concerned.

COSIDICI has now been advised by **RIICO & MSFC** that they are facing difficulty in disposal of assets of the units taken over by them u/s 29 of SFCs Act. This is mainly due to the problem of settlement of dues of various deptt. of Central Government viz. excise, customs, I.T. etc. The disposal becomes difficult because of attachment of units by these deptt. of Central Govt. on the plea that being crown dues, these have precedence over the secured debts of Financial Institutions.

As mentioned earlier COSIDICI had advised the SFCs to file a Writ Petition on the matter in their respective high courts. COSIDICI can only appeal in the matter in the Supreme Court if an adverse judgement is delivered by a High Court. SFCs are, therefore, requested to expedite the matter in their respective states.

Training :

One of the most important activities pursued by COSIDICI has been to arrange for imparting specialised training to the Officers of Member Corporations. COSIDICI has been successful in holding structural training programmes at CAB (RBI), Pune as well as at the head quarters of our Member Corporations.

However, inspite of the programmes being well received the number of participants attending the programmes has not been optimum after the first few courses. As a result one programme had to be cancelled last year. This year too only 19 participants attended the programme in May as against the optimum number of 25 required for each course. Due to the relentless efforts of Secretary General, COSIDICI the participation fee per participant has been reduced from Rs.9,750/- to Rs.4,600/- w.e.f. January 01, 2005 for a week's training course. It is expected that this decrease in the participation fee would bring in a better response in the next training programme.

COSIDICI had also organised a two-day seminar for the Chief Executive Officers of Member Corporations at CAB (RBI), Pune on 23rd & 24th June, 2005 on ***"Problem of NPAs in SLFIs - Strategies for Revival and Legal Implications"***. Even though it was a very relevant topic only six nominations were received. However, COSIDICI has been receiving requests from our Members to hold the above seminar in the last quarter of this year. The fresh dates for the seminar would be advised as soon as they are finalised.

Read COSIDICI COURIER REGULARLY
AND BE UPTODATE

POLICY POINTERS

Voting rights in banks linked to shareholding

The government on May 04, 2005 cleared 11 bills including the Special Economic Zone Bill and amendments to the Banking Regulation Act that would link voting rights to share-holding in private banks.

The Cabinet, at a meeting at New Delhi also approved amendments to the Reserve bank of India Act and Credit Information Companies Regulation Act and vetted the Small and Medium Enterprises Development Bill and the Taxation Laws Amendment Bill.

The amendment to the BR Act will link voting rights in private banks to shareholding, a long-standing demand by foreign investors. It will empower RBI to supercede bank boards and order special audit of the accounts of co-operative banks. Besides, banks will be permitted to issue preference shares and RBI allowed to specify the statutory liquidity ratio without a floor or ceiling.

The RBI Act amendment will lend the central bank operational flexibility to set the cash reserve ratio and provide more effective regulation of money market instruments and derivatives. The twin move of flexibility in fixing the CRR/SLR limits will greatly help in liquidity management by banks.

The SEZ Bill provides for single-window clearance and an approval mechanism for the establishment of economic zones. It gives income tax concessions for both SEZ units and SEZ developers. SEZ units will get 100% tax exemption for the first five years, 50% for the next five years and 50% of the ploughed back export profits for the next five years. SEZ developers will get 100% I.T. Exemption for 10 years in a block period of 15 years.

It is expected that the new SEZ law will lead to a sharp increase in FDI as well as domestic investment. Many large-format and multi-product SEZs, which have been struggling to achieve financial closure, will now be able to wrap up their funding plans.

The Cabinet also approved the proposal to abolish cess on export of agricultural products. This will reduce the tax burden on exports making the agriculture industry more competitive in the global markets.

Duty draw back rates hiked for most products

The government on May 02, 2005 announced the revised All Industry Rates of Duty Drawback, 2005-06 with higher rates for most products which would be effective from May 05 and are on ad-valorem basis instead of specific rates earlier. The drawback caps associated with various commodities, however, have been fixed in specified terms.

As a conscious policy decision, it has been decided to express drawback rates in ad-valorem (percentage) terms. The ad-valorem rates have the dual virtue of first being fair to the exporters and encouraging the export of value-added items.

The release added that the internationally accepted Harmonised System (HS) classification as the basis for fixing drawback rates was adopted. With the switch to HS Nomenclature, the Schedule now covers several new products in chemicals, plastics, textiles, steel and machinery sectors. The new classification, apart from transparency and completeness of coverage, would help in easier compilation of revenue foregone figures according to tariff lines. Communication with various agencies dealing with international trade would also be smooth.

Against the existing drawback rate on cotton yarn at Rs.4 per kg (grey) and Rs.8 per kg (dyed), the new drawback rates for cotton yarn are 3.5 percent with a cap of Rs.5 per kg. (for grey yarn of less than 60 counts) and 4.5 percent with a cap of Rs.8 per kg (for dyed yarn of less than 60 counts). The new drawback rate for hand knotted woollen carpets is 8 percent with a cap of Rs.315 per sqm. for hand tufthed woollen carpets, the rate is 8 percent with a cap of Rs.175 per sqm. against the existing rate of Rs.35.50 per kg for both categories. For silk carpets, the new drawback rate is 10 percent with a cap of Rs.1,080 per sqm. against the existing rate of 150 per kg. The drawback rate on cotton durries is fixed at 8 percent with a cap of Rs.16 per kg. against the existing rate of Rs.8 per kg.

The drawback rates on leather and leather products have mostly been revised upwards. The new drawback rate for finished leather is 6.3 percent with a cap of Rs.5 per sq. ft. against the existing rate of 5.1 per cent with a cap of Rs.3.40 per sq. ft. Likewise, the new drawback rate for leather footwear for adults is 8.3 percent with a cap of Rs.70 per pair and the rate for leather footwear for children is 9 percent with a cap of Rs.40 per pair. Under the existing Schedule, no distinction exists between adult footwear and children's footwear and all leather footwear carry a drawback rate of 7.9 percent subject to a maximum of Rs.61 per pair. In the case of leather apparels the rate provided is 7.5 percent with a cap of Rs.400 per piece against the existing rate of 7.2 percent with a cap of Rs.360 per piece.

SMALL SCALE INDUSTRIES

SSI cap to be raised to Rs.5 cr

The government on 13th May,2005 introduced the Small and Medium Enterprises Development Bill, 2005, in the Lok Sabha, seeking to enhance the investment cap for small-scale units from Rs 1 crore to Rs.5 crore. The Bill also proposes to make medium enterprises a separate category, with an investment of up to Rs 10 crore in plant and machinery.

In the services sector, units with less than Rs 2 crore investment in equipment are proposed to be classified as small enterprises, while units with investments of Rs 2-5 crore will come under the medium enterprises category.

The Bill aims to consolidate the laws governing small and medium enterprises (SMEs). It also seeks to extend progressive credit facilities to SMEs in line with the guidelines laid out by the Reserve Bank of India. It also seeks to introduce notification of preference policy for the procurement of goods and services by SMEs and create a fund for their development. The Bill provides for the setting up of a fund for skill development of employees, management, marketing assistance, infrastructure facilities and development of clusters.

SSI industry to seek higher excise cap

The ministry of small-scale industries (SSI) will approach the finance ministry for reviewing the central excise exemption limit and the definition of non-performing assets for small and medium enterprises. At present, a small-scale unit with an annual turnover of up to Rs 4 crore, can avail of full excise duty exemption on the first clearance of Rs 1 crore. The industry has urged that this limit be hiked to Rs 2 crore.

The SSI ministry is also planning to hold talks with state governments. These will address the problems faced by industries which have re-located from unauthorized to authorized, and to provide a “carry-on – business certificate” for a six-month period to units in the process of shifting. Shri Dasgupta, SSI Secretary said at a seminar organised by PHDCCI that the government was trying to chalk out a unified legislation to ensure their development and to enhance their competitiveness.

The Small and Medium Enterprises Development Bill 2005, introduced in Parliament earlier this month, contained provisions like self-cerification. Such provisions will lessen the inspector raj in the sector. The objective was to minimize regulation in the sector, as it could not be done away with. The Bill had also taken care of delayed payments to small enterprises and preferential procurement from these units.

To enable small enterprises to grow, the government had introduced the SME Development Bill, which provided relaxation in labour laws for units with more than 50 employees.

For speedy completion of contracts, the Bill had limited the period of making payments to 75 days (from the day of acceptance or the day of deemed acceptance). It also provided that a 9 per cent interest on the delayed amount be charged, in case a firm failed to make payments within the stipulated period.

Faridabad SSIs miss benefits

Small and Medium enterprises (SMEs) in Faridabad have urged the Haryana government to issue guidelines to district industries centers regarding the registration of small-scale industries (SSIs). Hundreds of such small units which have set up base in non-regularised areas are being deprived of the benefits of the subsidy and reimbursement schemes of the ministry of SSIs, for the development and promotion of the small and medium enterprises.

NEWS FROM STATES

Maharashtra

Maharashtra slashes stamp duty on bonds

As a result of the turmoil in the corporate bond market the Maharashtra government has reduced the stamp duty on debt and securities transactions by 95 percent and on commodities by 90 percent. It has also brought corporate bonds on a par with government paper.

The stamp duty on corporate bonds will be Rs.50 for a Rs.1 crore deal or 0.05 paise on a volume of Rs.100. The government on May 10 had imposed a stamp duty of one paise on a deal of Rs.100 worth of corporate bonds. In other words, it imposed Rs.5,000 stamp duty on a Rs.5 crore deal, which is the minimum lot dealt in the debt market.

The stamp duty on mortgages has been reduced by 50 per cent. As a result, the duty rate will be Rs.5 for every Rs.1,000 against Rs.5 for every Rs.500 deal. A new concept of investment agreement has been introduced in the Ordinance for real estate transactions.

On equities, the government has refused to budge and has continued with the distinction between delivery and non-delivery based transactions in equities. The stamp duty for delivery and non-delivery segments will be Re.1 and 20 paise, respectively for every deal worth Rs.10,000. The government has also made it clear that it will not differentiate proprietary trade from other trades of equities. The government has clarified that it will not collect stamp duty from brokers who are serving clients outside the state.

Punjab

Punjab's new tourism plan

In an attempt to attract tourists to Punjab, the state government is planning to involve the private sector in a big way in creating tourism infrastructure like hotels and guest houses.

"The private sector can contribute a lot in promoting tourism, both directly and indirectly", said a senior tourism deptt. official. It would also help the state government to divert its financial resources to other sectors. The state government's plan is to promote leisure tourism through the private-public partnership.

To attract foreign visitors and give a much needed boost to the religious tourism, the state government is planning to develop a religious tourism circuit of Sikh shrines.

Haryana

Haryana plan outlay at Rs.3,000 cr

The government on May 19, 2005 finalised the Haryana annual plan for 2005-06 at Rs.3,000 crore, in a meeting between Planning Commission Deputy Chairman Shri Montek Singh Ahluwalia and Haryana Chief Minister Shri Bhupinder Singh Hooda.

The Plan outlay includes a one-time additional central assistance of Rs.25 crore for specific interest to the state.

Shri Hooda said a new industrial policy had been formulated to augment infrastructure facilities to attract industries to the state.

Haryana targets $ 40 bn industrial investment

The new industrial policy of Haryana was announced by the Chief Minister, Shri Bhupinder Singh Hooda on June 06, 2005 in Chandigarh. The policy of the state aims at attracting investments of $ 40billion and creating one million jobs in 10 years.

Shri Hooda said the growth pattern of the state had shifted tremendously in the past eight years. The contribution of services had increased from 31 to 43 percent and that of manufacturing from 26 to 28 percent of the gross state domestic product. Hence, it was imperative to bring about change in the industrial policy of the state.

Shri Hooda pointed out that the industry-friendly environment and shorter implementation period were the basic props of the policy. The policy had been framed in consultation with the industry associations to remove bottlenecks and enable entrepreneurs compete globally. Also industry in Haryana was facing tough competition from the neighbouring states, especially Himachal Pradesh and Uttaranchal, on account of tax holidays and other concessions offered to new industries under the schemes of the central government.

About 50,000 small and medium enterprises had closed shop in the state in the past few years owing to various reasons, and the new industrial policy would aim at their revival.

For the first time in the state, investment in power would be treated on par with investment in any other

industry. An investment of Rs.500 crore had been approved recently. An Industrial Promotion Act would be introduced and rules formulated to facilitate entrepreneurship. The development of the Kundli-Manesar-Palwal (KMP) Expressway had also been undertaken. This area has been neglected for long and the expess highway will provide the infrastructure for industrial development in the backward region. The state government will strengthen and develop new integrated townships along the expessway and other strategic locations in the state.

The state government would promote the food-processing industry through public and private investment. It would also support private and public or joint sector initiatives for the development of cold chains, and grading, transportation and post-harvest storage facilities.

As Haryana is a leading state in agriculture, efforts will also be made to get one of the six mega food parks to be set up here by the central government.

Haryana Budget

The Haryana State Finance Minister, Shri Birender Singh presented a tax-free Budget on June 10, 2005 with a deficit of Rs.51.67 crore. He said the Haryana Fiscal responsibility Management Bill would be introduced soon, which would help in containing the deficit. The Budget has made a subsidy provision of Rs.1,250/- crore to the power utilities for supply to the agriculture sector. Rs.64 crore has been allocated for industrial promotion in the Budget for 2005-06.

Haryana offers interest free loans

In an attempt to encourage companies in setting up big industrial projects in the rural and backward areas, the Haryana government has decided to offer interest-free loans to companies.

To attract new investment, the state government has also decided to lay stress on the development of textiles clusters in Panipat, light engineering goods clusters in Faridabad and automobile parts cluster in Gurgaon.

The urban development deptt. has already started working on the project and a blue print was expected to be ready soon.

According to Shri N. Bala Baskar, Financial Commissioner and Principal Secretary, the Finance & Urban Developmetn Deptt. of Haryana, the central government will be approached for the upgradation of five more clusters which includes scientific instruments cluster in Ambala, metal industries in Jagadhari, agricultural implements in Karnal, pharmaceutical cluster in Sonepat and industrial chemical cluster in Bahadurgarh.

The development of new clusters and upgrade of the existing one would not only bring fresh investment to the state but would also create opportunities for the direct as well as indirect employment for the youth.

The financial commissioner said the state government had decided to set up investment promotion board in Delhi and Chandigarh. The board would act as a single point contact agency to provide information, guidance and hand holding services for attracting domestic as well as foreign direct investment to the state.

Uttaranchal

Cluster in Uttaranchal

The Uttaranchal government has decided to develop the Sitarganj industrial estate in the state with private sector participation.

The project will have an anchor developer to undertake the entire development and management and will provide all basic infrastructure and amenities in line with the best known industrial estates.

The State Industrial Development Corporation of Uttaranchal Ltd. (SIDCUL), the nodal industrial development agency of the state government, had so far received 10 expressions of interest for estate development, according to a state government official.

The Sitarganj Integrated Industrial Estate, with a total area of about 1,200 acres, will be the state's third such industrial estate after the BHEL industrial estate in Haridwar and the one at Pant Nagar.

About 65 percent of the land in the industrial estate would be allocated for sectors like processed and packaged food, plastic commodities and components, paper products and packaging, pharma and personal care products.

The remaining 35 percent of the industrial estates had been reserved for projects in the bio-technology and bio-information technology parks. The industrial estate would be a hot favourite among industries, since it was the only upcoming industrial estate in the National Capital Region (NCR).

The industrial estate would also have good connectivity to major towns in the state like Rudrapur, Haldwani, Moradabad, Rampur, Kashipur and across states to Uttar Pradesh, Delhi, Haryana and Himachal Pradesh.

The state government also plans to upgrade the nearest airport at Pant Nagar, only 50 kilometre from Sitarganj.

Uttaranchal has become a hot destination of investment during the last one-and-half-year because of the fiscal incentives for investors offered both by the Centre and the state government. Units in Uttaranchal can avail benefits like 100 percent exemption in excise duty and income-tax and capital investment subsidy at 10 percent and central transport subsidy.

INFRASTRUCTURE

SEZ Bill cleared

The legislation on Special Economic Zones (SEZs) was cleared by the Cabinet on 4th May, 2005. Scrapping of various levies imposed in the form of cess on agriculture commodities has also been approved. The proposed SEZ law provides a 10-year tax holiday for promoters of SEZs while the units located within these zones will get 100% tax exemption for five years. SEZ units will get 50% tax exemption for the next five years. The other attraction to SEZ units is income tax exemption on 50% of ploughed back profits after the tax holiday period.

SEZ developers will get 100% I-T exemption for 10 years in a block period of 15 years. Both SEZ units as well as developers will also be exempted from customs and excise levies. The changes cleared by Cabinet would help private sector SEZs to achieve financial closure and attract foreign direct investment (FDI). Many greenfield SEZs are on pipeline and the proposed law is expected to help in improving their commercial viability.

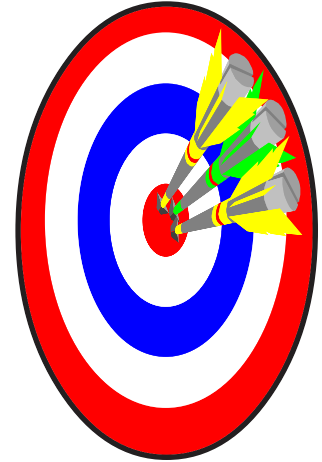
Chandigarh to have SEZs to promote IT, BPO services

With an aim to boost exports in the information technology(IT), business process outsourcing (BPO) services, electronics, computer hardware, biotechnology and nano-technology, the Union Territory of Chandigarh has decided to set up a number of special economic zones (SEZ)

"The Chandigarh administration is keen to accelerate the development of Chandigarh" Chandigarh IT Secretary, Shri S K Sandhu said. The SEZ policy would enhance employment opportunities for the Chandigarh youth and also lead to developments in various sectors.

The SEZ scheme is being implemented in various parts of the country by state governments with the concurrence of the government of India, to promote export promotion zones, where economic growth and development would take place at a rapid rate and employment generation would occur in large numbers.

Initially, the Chandigarh administration is taking up the proposal to make the Chandigarh technology park (CTP) a special economic zone, with the commerce ministry and the Government of India. The proposal is expected to help the occupiers of the CTP to avail various benefits, which are available under the SEZ scheme of the Government of India.



The benefits include relaxation in various procedures and waiver of certain taxes. The SEZ status for the CTP is expected to give a further boost to the status of the CTP as one of the premier locations for technology companies in North India.

The entire region would, however, benefit from the SEZ status as the CTP as companies in the park would invest and employ youth in large numbers.

Shri Sandhu also said the administration would promote the setting up of SEZ, which would be industrial or IT habitats, wherein the investing companies would receive single window clearance and would be able to avail of the benefits as per the Centre's SEZ policy.

Rs.100 cr for 10 mega food parks

To attract larger private investments in the food processing sector; the government is considering an investment of nearly Rs.100 crore for setting up at least 10 mega food parks in the major fruits and vegetable producing states, said Shri Subodh Kant Sahai, minister for food processing. *"To encourage foreign investors the government is working on agri-zones and the concept of mega food parks. The government is willing to invest up to Rs 100 crore in these parks,"* he said. The central government is also working towards allowing 100 per cent foreign direct investment and significant income tax benefits to companies in this sector. The government would ensure that bottlenecks like availability of power and water were taken care of at the proposed food parks.

15 industrial clusters got Rs.522 cr in fiscal '05

The government approved central assistance worth Rs 521.85 crore for the upgradation of infrastructure of 15 industrial clusters in the fiscal year 2004-05 as against Rs 90.49 crore for two clusters in 2003-04. The government has released Rs 174 crore towards this in the last fiscal under the industrial infrastructure

upgradation scheme (IIUS), department of industrial policy and promotion informed Parliament recently.

The government will give a central grant of Rs 50 crore each to develop the chemical cluster at Ankaleshwar and the gems and jewellery cluster at Surat, both in Gujarat. Another Rs 49.12 crore to develop the infrastructure of the machine tools cluster at Bangalore. The total project cost for the auto cluster is estimated to be Rs 135 crore and the balance amount for the project will come from industry participation.

With the promising performance of the auto sector in India, the government has cleared four projects for the auto ancillary and auto sector as a whole in Chennai, Pune, Pitampura (Madhya Pradesh) and Vijayawada (Andhra Pradesh). The project cost for the four clusters is Rs 211.56 crore, out of which the government will shell out almost 38% of the cost giving central assistance of Rs 153.43 crore.

Indore SEZ gets 3 more firms

The Indore special economie zone (SEZ) has attracted three more investments-a Pune – based firm Parakh Agro Industries Ltd, Mahima Pure Spun, a unit of Mahima Fibres Pvt Ltd, and another from a Nasik-based firm Advanced Pharmacy.

The state government has issued the first two companies letters of intention for investments. Parakh Agro Industries will make an investment in the SEZ for producing agro products like besan and wheat flour. The company will make an investment of Rs 60 crore in the project.

Mahima Spun will set up a unit with 32,000 spindles and an investment of Rs 60 crore for cotton yarn production. "The state government has allotted land to the company in principle. Advanced Pharmacy has already submitted a letter of intention and has expressed interest to invest Rs 110 crore.

SEZs likely to have minimum 50 acre size

The board of approval (BoA), the inter-ministerial body which considers special economic zone (SEZ) proposals, is considering fixing 50 acres as the minimum area required for product-specific SEZs.

Of the 19 product-specific zones approved so far in-principle, five are of less than 50 acres. These include a gems and jewellery zone in Manikanchan at Salt Lake and the Wipro SEZ in Salt Lake Electronic City in West Bengal, food processing SEZ at Kakkancherry near Calicut and electronics industries SEZ at Kalamassery in Kerala, and information technology SEZ at Shastri Park being set up by the Delhi Metro Rail Corporation in New Delhi.

"There have been instances where a product-specific SEZ with a size of five acre has been approved. However, hilly areas like Himachal Pradesh or the North-East could be exempted from this criteria".

The SEZ Bill approved by Parliament did not lay down a specific size for SEZs. Officials added that the limit would be applicable to new proposals and would be pegged higher for multi-product SEZs.

The finance ministry had said infrastructure created within an SEZ should not be shared with the surrounding area or the domestic tariff area. It felt that this could lead to revenue leakages as SEZs were being given special duty concessions. This view has, however, been over-ruled by the BoA which says at least 51 percent of the infrastructure created should be used by the units located in SEZs. *"So long as 51 percent of the infrastructure is used within an SEZ, the remaining can be shared with DTA units".*

The proposal of Reliance Energy Generation Ltd. to set up a power plant at their Dadri SEZ in Uttar Pradesh was cited as an instance by the North Block. However, the BoA said since the plant would produce power in excess of the requirement, there was no harm in sharing power with DTA units or the Noida SEZ.

Officials pointed out that instances of cess being imposed on exporters in SEZ units at multiple stages of production would be resolved once the SEZ Bill was enacted. The Bill proposes to do away with every cess in the zones.

A total of 45 SEZs have been cleared in-principle so far. These include 22 integrated multi-product SEZs 19 sector-specific SEZs, two port-based, and two free trade and warehousing zones.

A great deal of what you see
depends on what you are looking for.

ALL INDIA INSTITUTIONS

Dividend payout ratio for banks hiked to 40%

RBI has substantially relaxed the eligibility criteria for declaration of dividend by banks, even as it has upped the maximum dividend pay-out ratio to 40% from 33.33% now.

The central bank, based on the experience gained, decided to grant general permission to banks to declare dividends subject to compliance with minimum prudential requirements i.e. a bank should have capital to risk weighted assets ratio (CRAR) of at least 9% (against 11% earlier) for the preceding two completed years and the accounting year for which it proposes to declare dividend; and have net non-performing assets (NPA) of less than 7% (3% earlier).

The new guidelines on declaration of dividend by banks are applicable to the dividends declared for the accounting year ended March 31, 2005 onwards said Union Bank of India Chairman and Managing Director, Shri K Cherian Varghese, *"The new guidelines will help weak banks which would otherwise have found it difficult to tap the market. Now, it will be easier for them to raise equity."*

In case any bank does not meet the new CRAR norm, but has a CRAR of at least 9% for the accounting year for which it proposes to declare dividend , it would be eligible to declare dividend provided its net NPA ratio is less than 5%. Further, the proposed dividend should be payable out of the current year's profit and the RBI should not have placed any explicit restrictions on the bank for declaration of dividends.

RBI said it will not entertain any application for higher dividend pay-out ratio than the one for which the banks qualify.

Overseas Investment liberalised

With a view to promoting Indian Investment abroad and to enable Indian companies to reap the benefits of globalisation, the ceiling for investment in overseas Joint Ventures (JV) Wholly Owned Subsidiaries (WOS) by eligible Indian entities under the automatic route, has been raised from 100 per cent to 200 per cent of their net worth.

The Reserve Bank has clarified that the ceiling is now not applicable to the investments made out of balances held in exchange earners foreign currency (EEFC) accounts and out of the proceeds of American Depository Receipts (ADR) /Global Depository Receipts (GDR) issue.

SIDBI to focus on direct lending

SIDBI has decided to redesign its business model and focus on direct lending rather than providing refinance to banks. This follows the finance minister Shri P Chidambaram's comment stating that the current business model followed by the institution was flawed as banks no longer require refinance.

Sidbi will also set up a credit rating agency for small and medium enterprises (SMEs) This will be in association with Credit information Bureau India Ltd. (Cibil), Dun & Bradstreet as well as banks like State Bank of India, Bank of India, Bank of Baroda, Punjab National Bank and Central Bank of India. Sidbi will hold 20 per cent stake in the rating agency while other players will hold around 8 to 10 per cent each.

Sidbi's new business model focused on direct credit, will also aim at micro finance development initiatives said Shri Balasubramanian CMD SIDBI . The institution has received a loan amount of around $ 100 million from World Bank for development activities.

As on March 2005 Sidbi's direct credit portfolio stood at Rs.2,800 crore. "Sidbi plans to increase it by 50 per cent by March 2006 and build a direct lending portfolio of Rs.10,000 crore by 2010, CMD SIDBI said.

Sidbi aims to increase assistance to micro finance institutions from over Rs 200 crore to Rs 450 crore by March 2006, said Shri Balasubramanian. Through the self help group (SHG) linkage programme the institution plans to cover 3.3 million families by March 2006.

Meanwhile, Sidbi has also approached the finance ministry seeking amendments to the Sidbi Act to enable it to provide working capital to small scale units. The institutions plan to partner with commercial banks and gain expertise in disbursement of working capital

requirement. Initially, it will set up a desk at various bank branches from where it will meet working capital needs and provide loan facilities.

In association with a Swiss company Seco, Sidbi will set up a limited liability company with a capital base of $ 10 million which will enter into risk sharing agreements with banks.

SIDBI ties up with global bodies for revamping SMEs

Sidbi has finalised an agreement with two European development agencies-DFID of UK and GTZ of Germany for a Rs 183.8 crore funding support to technically revamp SMEs. This is part of the World Bank (WB) lead multi-agency project for financing and development of SMEs.

The technical assistance programme will be run by Sidbi which will identify the facilities required by SMEs and hire the services and experts required by the particular cluster or enterprise.“The objective is to provide business related development services. This will involve transfer of knowledge and technical know-how from various countries abroad along with those available indigeneously. The proposal has been approved by all the participating agencies and the bank is likely to announce the scheme early next month.

GTZ is a development agency owned by the German government. The project is a part of the $120 million aid given to Sidbi by the World Bank. The final nitty gritties as to ;how the programme will work have been worked out only now. The central government has given the guarantee on behalf of Sidbi to World Bank.

The proposal was finalised after Ino-German consultations were held early this month by the bank. Even though the bank will not ignore individual industries, the focus is on lending to clusters so that a pool of facilities and expertise is available to a number of small and medium industries.

SIDBI net profit down 7.4%

Sidbi posted a decline of 7.41% in net profits at Rs 225 crore for the financial year ended March 31, 2005 as against Rs 243 crore posted in the preceding fiscal. The bank’s gross NPA ratio declined to 9.41% from 8.1% in the reporting fiscal, and the net NPA rose to 3.9% (2.4%) on account of continued pressure from the refinance portfolio.

CIBIL, SIDBI unit tie up to help banks fund SMEs

Credit Information Bureau of India Ltd (Cibil) is planning to join hands with Sidbi’s credit rating agency in a bid to assist banks in providing finance to the small and medium enterprise (SME) sector. The collaboration will be an equity partnership, alongwith a third entity, a technology service provider, or a vendor-buyer relationship, where the credit rating agency buys the credit history of the SME for ascribing a rating to the SME. This in turn would enable banks to provide ‘intelligent’credit to small and medium enterprises. Further, SMEs that have a good track record can leverage that to get the benefit of differential interest rates.

According to Cibil’s Charman Shri S. Santhanakrishnan : *“We will be participating with Sidbi in their rating exercise for the SME segment, by providing the credit history of the company. While we will be a vendor for SME databases, we are also exploring the option of an equity participation, along with a third entity who would be a technology provider.”* Sidbi has already become a member of Cibil, and has provided its data to the bureau for its soon-to be-launched commercial credit database.

Centre to revamp coop banks with Rs.15,000 cr

The central government has decided to take upon itself the entire financial burden of revitalising cooperative banks-a sum of Rs 15,000 crore as estimated by the Vaidyanathan Committee. State governments which are to bear 25% of this cost, amounting to Rs.3,500 crore, would get soft loans from the Centre for this purpose. Finance minister Shri P. Chidambaram will meet the state finance ministers and chief ministers to finalise the new plan soon.

The finance ministry has decided to provide soft loans to the states to bear their part of the cost. Therefore, technically, it would be the Centre which would bear the full cost of revitalising the co-operative banks. The entire exercise may be undertaken in a phased manner spread over a period of about four years.

However, the state governments would have to sign a memorandum of agreement with the Centre to ensure implementation of the programme, which includes issues like governance. The Reserve Bank of India will supervise the overall programme.

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Smile and start a chain reaction.

MISCELLANY

What are Special Economic Zones ?

After more than a year-long tussle between the commerce and finance ministries over various components of the proposed SEZ Bill, the legislation has finally got clearance from both the Union Cabinet and Parliament. Commerce minister Shri Kamal Nath claims the legislation will help attract $ 2 billion in foreign direct investment (FDI) in the next two years. Given the important role the legislation will play in the coming years. We can take a closer look at the various terms associated with the SEZ Policy.

What are Special Economic Zones (SEZs) ?

SEZs are specially demarcated zones where units operate under a set of rules and regulations different from those applicable to other units in the country. The emphasis is on enhancing exports and creating an environment for attracting foreign direct investment (FDI) by offering tax sops.

While units in the zone have to be net foreign exchange earners, they are not subjected to any pre-determined value addition or minimum export performance requirements.

How successful have SEZs been in other parts of the world ?

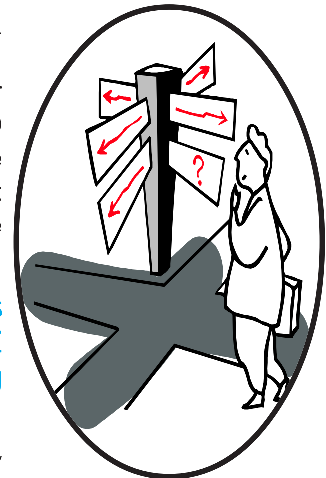
While a number of Asian and Gulf countries have SEZs in place, China has been the most successful among them. In fact, former commerce minister, the late Shri Murasoli Maran who initiated the process of converting export processing zones (EPZs) into SEZs, had once said he wanted to repeat the success story of China.

What are the features that distinguish SEZs in India from Chinese SEZs ?

To begin with, India wants to go in for a large number of SEZs unlike China which restricted itself to just five. The legislation provides for setting up of SEZs in the public, private or joint sector, or by state governments. This is again different from China's policy of all SEZs being set up by the government. Another important distinction is that labour laws have not been suspended for units in SEZs and they continue to remain under the domain of the states.

How many SEZs does India have at the moment ?

India has eight working SEZs, all converted from EPZs. They are located in Kandla and Surat (Gujarat), Cochin (Kerala), Santa Cruz (Mumbai-Maharashtra), Falta (West Bengal), Chennai (Tamil Nadu), Visakhapatnam (Andhra Pradesh) and Noida (Uttar Pradesh). In addition, approval has been given for the setting up of another 39 SEZs in various parts of the country by the private / joint sectors, or by the state government.



What are the facilities available to SEZ developers following legislation ?

Developers may import/procure goods without payment of duty for the development, operation and maintenance of SEZs. They will enjoy income tax exemption for 10 years, with a block period of 15 years. They will have the freedom to alloate developed plots to approved SEZ units on a purely commercial basis. They will also have the full authority to provide services like water, electricity, security, restaurants, recreation centres etc. on commercial lines. Moreover, they will be exempt from paying service tax.

What kind of status will SEZs enjoy in India?

They will have the status of a public utility service under the Industrial Disputes Act. The state government will appoint a development commissioner or an official of an equivalent rank to over-see the implementation of government regulations.

What exemptions are SEZ units eligible for?

As per the Bill, SEZ units will be eligible for 100% tax exemption for five years, 50% for the next five and 50% of the ploughed back export profits for the next five years.

What are the provision for banking in SEZs?

Offshore banking units (OBUs) will be permitted in the SEZs. These banks will virtually be the foreign branches of banks, but located in India. OBUs will be exempted from cash reserve ratio (CRR) and statutory liquidity ratio (SLR) and will make available finance to SEZ units and SEZ developers at international rates.

What about bureaucratic red-tape while setting up SEZs or units within them ?

There need not be any worries on this front as the new legislation has provisions for a single-window mechanism to clear all investment proposals.

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SSI CAP TO BE RAISED TO RS.5 CRORE

SIDBI TIES UP WITH GLOBAL BODIES FOR REVAMPING