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CONTENTS

FROM THE SECRETARY GENERAL's DESK

CHARTING NEW PATHS FOR BUSINESS DEVELOPMENT SERVICES TO MSMEs

The Micro, Small and Medium Enterprises (MSMEs) sector is an important pillar of Indian economy as it contributes immensely to the growth of Indian economy with a vast network of around 30 million, creating employment for around 7 million and manufacturing more than 8,000 products, contributing about 45% to manufacturing output and about 40% of exports, directly and indirectly. MSMEs are the driving force behind a large number of innovations and contribute to the inclusive growth.

Paradigm shift in MSME sector

There is a paradigm shift in Indian MSME domain which needs to be taken into account for evolving strategies to serve the sector. The MSME sector has been witnessing structural progression with paradigm shifts - from Protection to Promotion, Regulatory to enabling Environment; Subsidy Oriented Supports to Participative; Economic-Enterprise Growth to Sustainable-Inclusive Growth and Comparative to Competitive. The various stakeholders of MSE sector are orienting and gearing themselves to attend to sectors changed expectations.

SIDBI is the Principal Financial Institution for the promotion, financing and development of the Micro, Small and Medium Enterprise (MSME) sector and for co-ordination of the functions of the institutions engaged in similar activities. In order to address diverse issues and problems of the MSME sector which are generally not attended to by banks and other institutions, SIDBI has reoriented its business strategy towards filling up the financial and non-financial gaps in the MSME eco-system.

Developmental Initiatives - Business Development Services (BDS)

In the overarching framework of MSME eco-system, capacity building of MSME sector is an important component which includes technology development, marketing infrastructure, cluster development, skill development, entrepreneurship development etc. While a lot has been written on financial services to MSMEs and general capacity building measures, this article focuses on a very important initiative of market driven Business Development Services (BDS) in clusters under a unique project – the "MSME Financing and Development Project [MSME – FDP]" implemented by SIDBI with support/ cooperation from the World Bank, DFID (UK) and KFW & GIZ (Germany) as partners.

V.S. RATHORE
Secretary General, COSIDICI

Business Development Services (BDS) are wide range of services used by entrepreneurs to help them operate efficiently and grow their businesses. It includes training, consultancy and advisory services, marketing assistance, information, technology development and transfer and business link promotion as also financial services. The BDS field focuses on promoting access to and use of these services by MSMEs. The BDS market development believes in the theory that once BDS are capacitated and are successful in satisfying the needs of MSMEs, the market rejuvenates. By using services, MSMEs get growth impetus and subsequent profit. They seek more services of BDS and as profitability of service provider goes up it attracts other players.

The MSME-FDP successfully carried forward the mandate of market development of Business Development Services (BDS) so that these continue or are replicated later on sustainable basis. Under the project, SIDBI has supported soft infrastructure creation in around 25 clusters by fostering market oriented Business Development Services (BDS). The adopted clusters were in sub-sectors of Leather, Floor covering, Engineering, Fruit & vegetable Processing, Textile, Chemical & Pharma. Each adopted cluster was mapped through a diagnostic study and action plan drawn to attend to the thematic issues was implemented in consultation

with stakeholders. The project contributed to systemic change by developing sustainable and technically competent - locally relevant experts (410 BDS -both individual/ Institutional) and enabling national/ international compliances by over 1950 MSMEs in these clusters. These have been achieved through 960 activities (cumulatively from 2007 to 2011), over 1453 transactions (voucher supported, which were found to be replicated later on without project support, indicating functionality of market for BDS). The thrust has been on micro enterprises for inclusive growth (with social impact) and instilling competitiveness through market driven initiatives.

Few important support areas under BDS intervention included : -

- National Level Mentoring to MSMEs – An online portal www.msmementor.in for availability of right Professionals / service providers has been supported.
- Rural entrepreneurship- Taking the agenda of rural enterprise forward, the project has supported BDS aligned Rural Industrialisation Programme (RIP) in 2 pilot locations in underserved states of Rajasthan and Orissa.
- Micro Enterprises Business Information Counselors (MEBIC) - In order to foster entrepreneurship within micro enterprises of underserved regions, the Project took an initiative for developing a cadre of BDS providers for counseling, initial handholding and development of micro enterprises in North-Eastern region as Micro Enterprise Business Information Counselors (MEBIC). More than 1200 prospective entrepreneurs were provided counseling services till June 2012.

A brief write up of the successful BDS intervention and transformation of Allepey (Allapuzha) Coir Cluster carried out during February 2007 to November 2011 by Shri Jagat Shah of Cluster Pulse under the project is presented here :

Cluster :

Allepey, also known as Alappuzha is the largest coir (natural fiber extracted from the husk of coconut) cluster in Kerala. The cluster has 45,000 coir yarn manufacturers, 25 large firms, 9,700 MSE manufacturers and 250 SME finishers. The turnover of the cluster was around Rs.2000 crores before the intervention.

Implementing Agency :

An Ahmedabad-based international non-profit NGO, Cluster Pulse's efforts to introduce mechanization in coir rope industry has changed the lives of thousands of people, especially women, connected with coir rope industry, in Alapuzha.

Problems before Project intervention:

- Despite having around Rs.2000 crores turnover, the coir cluster was functioning traditionally, not knowing its potential.
- The manufacturing process of spooling and weaving was a manual process and was physically very strenuous. The workers, mostly women used to stand, tie the raw material around their waist and walk for hours in the shed (almost 10 to 12 km) to produce about 8-10 kg of coir yarn per day. The traditional "Spinning Ratt" – a machine for weaving coir yarn, being used required two to three women to operate it.
- No serious efforts were made to enhance productivity and quality of trial products. Introduction of new technology and marketing skills were never on agenda.

The project started with diagnostic study to understand needs of the MSMEs and of the workers in the cluster. It was diagnosed that :

- inefficient technology resulted in low productivity and modest quality.
- there was limited access to modern management techniques including IT enabled services.
- there was complete lack of focus on marketing.

An important finding which came out during the

study was that in order to run a traditional unit, at the minimum, a 50 feet shed worth a minimum of Rs 85000 was required. There was urgent need for increased mechanization to enhance production and reduce physical work.

The project started with few seminars and workshops on coir design and IT awareness. First B2B portal was also launched from the cluster. First time ever, branding strategies were devised.

Mechanization of the outdated 'Spinning Ratt' :

Technical experts were given assignment to develop user-friendly "Spinning Ratt". Following a detailed study, the experts suggested development of a semi-mechanized "Spinning Ratt".

The first version of the modified "Spinning Ratt" introduced by Cluster Pulse did not require workers to walk; they could simply stand and operate the "Spinning Ratt". Unlike the traditional one where three workers were required, only one worker was needed to operate it. Further, with the modified "Spinning Ratt", a shed was not at all necessary. However, the issue of quality was not yet addressed.

With the second and third versions of "Spinning Ratt", the units experienced double output compared to output from the traditional one. Quality also improved, but it was marginal - not enough. Cluster Pulse experts wanted to introduce a "Spinning Ratt" which can produce world class products that would be acceptable in the international market.

Finally, the fourth version with important alterations was designed in such a way that it was occupying lesser space and one person could easily handle two Ratts at a time. Unlike prior versions, raw material input was now semi-automated. The quality of coir yarn was very good and productivity almost doubled compared to traditional method of making coir yarn.

Achievement :

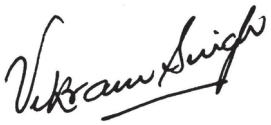
When the project completed in 2011 end, lives of thousands of weavers transformed remarkably. Their family income increased. Instead of walking around whole day in scorching heat, the environment was comfortable and pleasant.

The transformation was not limited to workers and weavers only. Owners of MSMEs have different thought process now. Just 5-6 years back, they used to target domestic markets only, mostly nearby places. Now, the SMEs are seeing global opportunities. Some of them have already started exporting coir products and many are preparing themselves to plunge into international trade. The turnover has increased to Rs.2,900 crore.

Founder of Cluster Pulse, Jagat Shah says, "The revolutionary change in Allepey through the project has touched the lives of more than 200,000 people. Apart from the weavers and owners of looms, lives of their family members have also changed for better. Technology intervention put the cluster on world map as they started producing world class products. Another achievement of the intervention - One unit in the cluster joined hands with the project to make World's largest Coir Mat.....

Conclusion

The above is one detailed example. Success, in various measures, has been achieved in all the 25 clusters in the development of market oriented BDS in these clusters. MSME-FDP has been a trend setter project which has contributed to change the way financial and non financial services for MSMEs are attended to in a sustainable way. The international partners have strategically supported SIDBI in this mission by way of not only fund support but also transferring good global practices.



(V.S. RATHORE)

APPOINTMENTS

- Shri S.K. Prabhakar, IAS has been appointed as Chairman & Managing Director, TamilNadu Industrial Investment Corporation {TIIC}, Chennai vice Mohd. Nasimuddin, IAS.
- Shri Amit Yadav, IAS has been appointed as Managing Director, Delhi State Industrial & Infrastructure Development Corporation Ltd. {DSIIDC}, New Delhi vice Shri Shakti Sinha, IAS.
- Dr. Ajai Bhandari, IAS has been appointed as Managing Director, Himachal Pradesh State Industrial Development Corporation Limited {HPSIDC}, Shimla vice Shri Kashmir Chand, IAS.
- Shri Sanjay Prasad, IAS has been appointed as Managing Director, The Pradeshiya Industrial & Investment Corporation of U.P. Ltd., {PICUP}, Lucknow vice Shri Mukul Singhal, IAS
- Shri Amlan Baruah, IAS has been appointed as Managing Director, Assam Financial Corporation {AFC}, Guwahati vice Shri Dr. J. Balaji, IAS.

- Shri Jack L. Darkim, IRS has been appointed as Managing Director, Zoram Industrial Development Corporation Limited {ZIDCO}, Mizoram vice Shri Shurbir Singh, IAS
- Shri Bolung Siram, IAS has been appointed as Managing Director, Delhi Khadi & Village Industries Board, New Delhi vice Shri S.P. Singh, IAS.

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A UNIQUE OPPORTUNITY TO KICK-START GROWTH

The Indian economy had been growing steadily till 2008 and since then has been showing signs of a slowdown. The impact of the slowdown has been widespread, as uncertainty has set in the economy, credit growth is low and expenditure by the household sector has suffered. The issue is how to ensure that the economy again shifts to a higher orbit of growth. One route could be to raise demand within the domestic market. Fortunately, the housing sector, which has inter-linkages with nearly 269 other industries, can help to raise demand. The government can initiate measures to unleash the unmet housing demand of about 26 million housing units, mainly for the economically weaker sections (EWS) of society and low income groups (LIG). To tap the potential of the housing sector, the government could consider confidence-building measures and bring in transparency to direct resources in the desired direction.

Need for a regulator

In recent years, financing to the housing sector has been liberalised by the government and Reserve Bank of India. There are a number of players in the housing market and each player has a unique niche. These players are housing banks, housing finance companies, commercial banks and even non-bank finance companies. And then there are builders, developers and contractors, both in the private and public sector. In the absence of any regulator or supervisor, financial practices in the housing sector are non-transparent. There is a need to bring parity in the housing market across the country by having similar rules and regulations governing these players, and standardisation of the products, including lease agreements that are finally offered to the consumer.

There is also another important factor that necessitates the presence of a regulator. In different places, housing projects are mushrooming without any rational planning. A random cluster of houses in the middle of nowhere raises land prices all around it as well as expectations, without any economic rationale. Such random clusters could also negatively impact the financiers of these projects, mainly banks and housing companies, if these units are eventually not sold. A proxy for unsold houses could be unoccupied houses and these are found across the country, from Greater Noida to the outskirts of Mumbai, and government estimates place unoccupied houses at 62% of the newly constructed houses between 2007 and 2012. And, if these houses are for investment purposes—an explanation for non-occupancy—then it is not good economics in a country that is short of housing.

There is also a need for an effective self-regulatory body that can facilitate the organisation of the builders/developers/contractors and help prepare a uniform set of rules/regulations and definitions for the consumers. This can also serve as the first redressal point for the consumers as well as for the authorities to discuss issues pertaining to the sector.

At present, generally, every expensive industry/ product has a certification of standardisation, ISI mark, for consumer satisfaction, except the housing sector. This issue also needs to be examined, as housing utilises the life-savings of most consumers in India. A Housing Ombudsman in each state could help in addressing the issues pertaining to house owners and instill confidence in the market.

Fiscal stimulus for housing

The government could guide financial resources into the housing sector and that could help the economy to grow. This can be facilitated by fiscal incentives like providing a tax rebate for a first time buyer. To

encourage utilization of modern technology in construction, tax breaks for stipulated time period, can be offered for housing with new environmentally sound, low cost, affordable, high rise and light/ efficient construction material. The government could also consider tax incentives on the import of modern technology and raw materials for affordable housing which incorporates concerns about global warming and climate change.

Indices to guide the markets

The housing price indices are released by the National Housing Bank (NHB) and RBI. The index prepared by the NHB is more extensive though it comes with a long lag. The problem is that the trend indicated by the indices released by the two institutions is not similar and, therefore, the usefulness to the consumer is impacted. There probably is also a need to have a quick housing index, like the wholesale price index which is released quicker than the consumer prices and is indicative of the price trend on a near real time basis. Also, it may be useful to construct housing indices separately for the EWS and LIG, as these are very different segments in the housing sector and cater to different clients.

As land is the most important cost factor in the construction of a house in India and though the prices of land have been rising rapidly across the country, there is no database on the same available in the market. A land price index can help in furthering transparency.

To conclude, there is a need to examine the housing sector closely as housing has been a factor in disgracing many economies across the world. India should exploit the pent-up demand in housing for the weaker segments of the society. This exercise will help to stimulate demand in the economy and lead us again to a higher growth path.

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The Author is RBI Chair Professor, IIM-Bangalore

Courtesy : Financial Express

"The first step toward success is taken when you refuse to be a captive of the environment in which you first find yourself

–Mark Caine

INDIA'S JOBLESS GROWTH STORY

There appears to be some optimism at least within our small community of financial market economists that growth seems to have bottomed out. The next financial year, 2013-14, is likely to post somewhat better numbers for GDP growth than the median forecast of 5.5 per cent for the current fiscal year. This optimism seems to be based on a number of things: the government finally shaking off its policy funk, which could both improve overall business sentiment and get public sector projects going; the likelihood of the Reserve Bank of India lowering interest rates in response to a moderation in inflation; a marginally better external environment and so on. I have a similar view and see no reason to take a contrarian stance. However, before we all get caught up in the process of predicting how quickly the business cycle turns up and how high the growth rates are likely to go, I would spare a thought for our employment statistics.

The fact, as has become clear, is that while economic liberalisation pushed up the growth rate, it did not achieve as much in reversing the secular decline in the employment rate output since the early 1970s. Going by estimates provided by T S Papola and Partha Pratim Sahu in a paper done for the Indian Council of Social Science Research ("Growth and structure of long-term employment in India", March 2012), the average annual employment growth was about 2.4 per cent in the 1970s. In the 1993-94 to 2009-10 period, it averaged around 1.65 per cent.

In fact this post-liberalisation average was shored up by a somewhat spectacular and unexplainable blip in employment growth to 2.8 per cent between 1999-2000 and 2004-05. In the 2004-05 to 2009-10 period, in which GDP growth hit historically its highest levels, job growth collapsed to virtually zero. (Some have incidentally tried to put a positive spin on this decline in employment: they claim that it was really the result of lower participation rates in the labour force because of higher school enrolment and so on. This does not, however, take away from the fact that the long-term secular trend for employment continued into the post-liberalisation phase.) This is not the end of it. Employment growth in the organised sector has moved in the same direction as aggregate employment, but in absolute terms it has fared much worse. It seems to have been virtually zero in the post-liberalisation period.

The desirable rate of employment growth over the next two decades is incidentally three per cent (going by Professor Papola and the Planning Commission's estimates), if everyone entering the workforce were to be given a productive job and the backlog of unemployed and "underemployed" were to be cleared up. That is roughly twice the employment growth achieved in the post-liberalisation period.

There are many reasons why we should perhaps be paying a little more attention to the "employment potential" of growth this time around. First, this is a period over which our "demographic dividend" is scheduled to pick up as the dependency ratio (roughly the ratio of dependents to the pool of working-age population) plunges. This intensified pressure of "de-ageing" will put more pressure on policy makers to find jobs for those entering the labour force. Second, growth itself cannot sustain itself beyond a point if it does not translate into an increase in livelihoods. In the absence of jobs and income, domestic consumption expenditures that constitute the bulwark of demand for Indian goods and services will flag and drag growth down with them.

There are two options. Either we could find ways of making growth more employment-intensive, which

then sets off a virtuous circle of more consumption, greater demand and higher growth. Or else we will continue to depend on somewhat ad hoc schemes like the Mahatma Gandhi National Rural Employment Guarantee Scheme, with its attendant adverse consequences for the fisc and the risk of aggravating macroeconomic imbalances that breed inflation.

Do the disaggregated data on employment give us any clues as to what a viable employment strategy should be going forward? The "service" sectors have done consistently well, led by financial services. Average employment growth in all the service sectors put together is close to three per cent for the two decades after liberalisation. However, one has to be careful before one uses this to advocate a services-led growth strategy. The problem is that in the case of some leading sectors like "financial services", the wedge between the share of output and the share in value added is enormous.

In 2009-10, for instance, the share of value added of financial services was close to 16 per cent, yet its share in total employment was just 2.2 per cent. The IT sector put together employed a meagre 1.76 million people in 2008-09 and, at best, it would employ 2.5 million now. In any case, the education and skill levels needed for employability in these sectors are high and they cannot be part of a formula for mass employment. The only sector that has substantial employment potential is "trade and transport", where both the share in employment and its growth have been high. Construction has fared well during the last two decades partly because of the rural job guarantee scheme. A pickup in infrastructure activity could help sustain this.

The idea is not to get lost in the minutiae of employment statistics; there is a need to recognise the fact that without changes in the economic structure growth does not guarantee jobs. Inclusive growth is not about cash transfers or job guarantees for unproductive jobs. Instead, it is about ensuring that the growth process itself absorbs more workers in productive jobs.

For a start, we need to revisit the question of whether India can skip the "missing middle" (to borrow economist Anne Krueger's phrase) of rapid labour-intensive manufacturing and jump to a phase of "services"-driven growth. If the answer is that we cannot do that and have to fall back on manufacturing, so its share in GDP needs to rise sharply. Besides, the organised sector has to constitute a larger share of the sector. If this is indeed the solution to the problem of jobless growth, then much more needs to be done on the policy front to achieve this.

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The Author is with HDFC Bank

Source : Business Standard

"Most people who succeed in the face of seemingly impossible conditions are people who simply don't know how to quit."

–Robert Schuller

MANIPUR INDUSTRIAL DEVELOPMENT CORPORATION LTD. {MANIDCO}

Shri N. Joykumar Singh, B.E. (Electrical) & Chartered Engineer joined as Managing Director of Manipur Industrial Development Corporation Limited (MANIDCO) in the year 1992. During his 32 years service, he acquired rich and varied experience in a number of challenging assignments which include M.D., Manipur Pulp & Allied Products Ltd.; Chief Executive Officer of Manipur Khadi & Village Industries Board; M.D., Manipur Electronics Development Corp. Ltd.; M.D., Manipur Food Industries Corporation Ltd.; M.D., Manipur State Drugs & Pharmaceutical Ltd. MANIDCO is poised to record accelerated growth under his able stewardship and dynamic leadership.

MANIDCO {Formerly Manipur Small Industries Corporation Limited (MSIC)} was incorporated in the year 1969 under the Companies Act.1956 (No. 1 of 1956). The authorized share capital of the company is Rs 16.00 crore. The paid up share capital is Rs. 12.24 crore of which state Government contributed Rs.8.03 crore and IDBI contributed Rs. 4.21 crore. The corporation is multi-functional company which acts as (i) State Financial Corporation (SFC), (ii) State Industrial Development Corporation (SIDC) and (iii) State Infrastructure Development Corporation. It is the only financial institute of the state. The company has to cater to long term credit requirement of industries. MANIDCO is governed by a Board of Directors. All the members of the Board are representatives of the State Government and the IDBI/SIDBI. There was hardly any fund available in the Corporation for industrial activities till the middle of 1980. In order to clear the backlog in industrialization, the state Government took the initiative to revive the activities of MANIDCO with a very low budgetary support till 1985-86. IDBI also extended active support in this regard. The main activities of the Corporation are:-

State Financial Corporation (SFC) :

As a State Financial Corporation, MANIDCO started its Term Loan Lending Activities from the year, 1986-87 up to 1992-93 by providing financial assistance to Tiny & Cottage, Small Scale Industries, Hotel Industries & Transport Industries etc. in the State of Manipur under the Refinance Scheme of IDBI and SIDBI. With the support of IDBI/SIDBI, MANIDCO had extended term loan of Rs.1595.00 lakhs to feasible 1487 units in different categories in the State of Manipur thereby generating employment opportunities for about 20,000 persons directly and indirectly. MANIDCO plans to resume its Refinance Scheme from the year, 2012-2013. The Corporation would like to place on record its gratitude for the support extended by IDBI for the development of the Corporation.

Shri N. Joykumar Singh, M.D., MANIDCO

State Industrial Development Corporation (SIDC) :

As an SIDC, MANIDCO has participated in a few subsidiary/joint sector projects (Industrial units) in the State of Manipur.

Raw- Materials Trading Business :

The Corporation has been providing scarce raw materials to the small scale industrial units and also assisting in marketing their products. The Corporation also procures construction materials like steel, cement, CGI sheets etc. for the various construction works taken up by its Engineering Cell.

State Industrial Infrastructure Development Corporation (SIIDC) :

As SIIDC, MANIDCO has been undertaking Construction & Design Services for various civil construction works in the state of Manipur. Some of the works are funded externally/centrally and some are State sponsored projects.

The present project/works taken up by the Engineering Cell are as under : -

Externally funded: Manipur Sericulture Project, Sanghaipat,Wangbal & Khurkhul.

Centrally funded : A SIDE projects (including Multi Storied Marketing Complex, Moreh, 50 bedded Hospital at Ukhrul.

State funded : Deptt. Of Tourism, Deptt. Of Fisheries & Deptt. Of Com. & Industries, Deptt. Of Sericulture, Youth Affairs & Sports, Government of Manipur.

The Engineering Cell has been functioning with great reputation. It is an attraction to most of the major Department/Semi- Government Departments for execution of their civil construction & I.E.I works with MANIDCO. Credibility and accountability in implementation of the projects are the main attractive criteria™ of the Corporation. Multi-Crore Projects like Industrial Growth Centre, Imphal East, Integrated check post, Moreh are likely to be implemented through the Infrastructure Cell, MANIDCO. Some of the works of Manipur Sericulture project has been completed satisfactorily and handed over to the concerned Department and some are nearing completion. Integrated Infrastructure Development Project, Export Promotion Industrial Park (EPIP) are also going to be implemented by the MANIDCO which been nominated by the Govt. Of India as an Implementing Agency for the above works.

Undergoing Projects :

- Const. of Multi-Storied Market Complex at Moreh
- Dept. of Sericulture,Government of Manipur
- 50-Bedded Hospital, Ukhrul Government of Manipur
- Social Welfare Department ,Government of Manipur.
- Urban Haat at Nillakuthi.
- Multi Disciplinary Training Centre at Hiyangthang, Under Manipur Khadi and Village Industries Board

Upcoming New Projects :

- Cold-chain at Senapati District.
- Border town at Haolaphai,Moreh.
- Special Economic Zone (SEZ) at Kakching.
- Bamboo Park at Jiribam.
- Export Promotion Industrial Park at Nillakuthi.
- Tetra-park unit for Export Promotion at Nillakuthi.
- Timber Park at Kuraopokpi,Kakching.

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"The truth is that all of us attain the greatest success and happiness possible in this life whenever we use our native capacities to their greatest extent."

–Smiley Blanton

LETTER TO THE EDITOR

Dt. : 27th February, 2013

Shri R.G. DWIVEDI)

Dear Editor,

I have been a regular reader of "COSIDICI COURIER" a bi-monthly Journal being published by COSIDICI. There is marked improvement in every new issue brought out by COSIDICI. The Journal contains comprehensive information regarding promotional and developmental schemes especially for MSMEs. It provides a common platform to State Level Financial Institutions for ventilating their problems and grievances to Government of India and National Financial Institutions.

My sincere compliments and best regards,

Yours Sincerely,

Sd/-
(R.G. DWIVEDI)
Regional Director (MP & CG)
PHD Chamber of Commerce & Industry
22-Vaishali Nagar, Bhopal-462003
{ Madhya Pradesh }

"When your physical environment is in alignment with your aspiration, success becomes the norm."

–Susan St Lawrence

Punjab govt to divest PSIDC stake in Punjab Alkalies

The Punjab government has decided to sell state-owned Punjab State Industrial Development Corporation's (PSIDC) stake in Punjab Alkalies & Chemicals Limited (PACL). "The decision has been taken to divest the stake of PSIDC in PACL and it is the intention of the (Punjab) government," PSIDC, Managing Director, Shri Vikas Pratap said. The Directorate of Disinvestment will invite expression of interest from prospective buyers to divest the stake. State-owned PSIDC has 44.26% stake in PACL with 90.90 lakh equity shares. The book value of equity share of PACL as on March 2012, is Rs 48.79 per share. The Punjab government had in the past decided to divest the PSIDC sake in PACL but the stake sale could not take place because of it not getting the "right price".

PACL is engaged in the manufacturing of caustic soda, liquid chlorine, hydrogen and hydrochloric acid with capacity of 300 tonne per day. The product produced by the company is used in paper industry, vegetable oil, aluminium and textile sectors. PACL recorded net sales of Rs 69.93 crore as on June 30, 2012 with a net profit of Rs 1.33 crore. The company posted total sale of Rs.236 crore as on March 31, 2012. Besides PSIDC, other stakeholders in PACL are public, corporate bodies, mutual funds and banks with a percentage stake of 55.74%.

RIICO's new policy to curb industry land grabs

In a move that may put an end to land grabbing by industry, Rajasthan State Industrial Development and Investment Corporation (RIICO) has brought in some changes to its land disposal rules that aim at attracting only serious and genuine investors. With the new land allotment policy in place, investors now need to give the entire cost within four months of getting land in possession instead of the five years during which they used to pay the money in installments. Earlier, non-serious companies - with the advantage of not having to pay the entire money - would wait for land prices to rise and then sell to other industrial entities at higher prices. Now, with the payment window squeezed to a four-month period, buyers will have little incentive in waiting and selling.

Moreover, RIICO has also plugged the loopholes that the industry was taking advantage of by resorting to project extensions. Earlier, if investors failed to start operations within the prescribed three years, they could avail unlimited extensions. The new rules have capped project extensions to 3 yrs in 3 phases. The businesses now have to pay retention charges as high as 4% of prevailing land cost.

Industry has often been accused of grabbing land at cheaper rates in the name of putting up ventures and instances of companies making huge profits out of reality play have prompted the government to put in place policy measures to eliminate such practices.

HSIIDC issues enhancement notices again to allottees

The issue of land enhancement at the Industrial Model Town (IMT), Manesar, has turned into a major row between industrialists and the state government. The Haryana State Industries and Infrastructural Development Corporation (HSIIDC) has started sending fresh enhancement notices to over 500 plot owners in Sector 8 of the township. However, the HSIIDC's move has drawn sharp reactions from the industrial plot owners. More than 100 owners, owing allegiance to the Manesar Industries Welfare Association, have made a representation in this regard at the corporation's estate office in Manesar. The plots in Sector 8 were allotted in Phase IV of the development of the industrial township. A Gurgaon court had awarded enhanced land acquisition rates for farmers while resolving 75 and 118 cases in November 2010 and March 2011, respectively. Though the HSIIDC challenged the order in the Punjab and Haryana High Court, which is yet to take a final decision, the Corporation has already deposited Rs. 527.27 crore with the revenue department.

The corporation is now raising the amount from the plot owners. As per the HSIIDC's calculation, the additional price recoverable from the allottees of Phase IV is around Rs. 2,687 per sq metre. For plots developed in Phase I, nearly Rs. 1,300 crore is to be paid by the HSIIDC to farmers in the wake of SC increasing the cost of the land.

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UNION BUDGET AT A GLANCE : 2013-2014

The Hon'ble Union Finance Minister, Shri P. Chidambaram, presented the Union Budget for 2013-14 in the Parliament on February 28, 2013. He reported that in the fiscal year 2012-13 India's GDP is estimated to grow at 5%. Growth in agriculture was weak, growth in industry was at 3.1 per cent with the growth rate of the manufacturing sector even lower at 1.9%. The goal of the budget is higher growth leading to inclusive and sustainable development.

The CAD continues to be high mainly because of excessive dependence on oil imports, the high volume of coal imports, Indian's passion for gold, and the slow down in exports. This year, and perhaps next year too, India needs to find over USD 75 billion to finance the CAD.

The table below gives estimates and revised figures of revenue and expenditure for the last year i.e. 2012-2013 and the figures proposed for the next 2013-2014 and deficits of revenue, fiscal and primary as percentage of GDP :

S.No.	ITEM	2012-2013 (BE)	2012-2013 (RE)	2013-2014 (BE)
1.	**Receipts:**			
	(a) Revenue Receipts	935685	871828	1056331
	(i) Tax Revenue (Net to Centre)	771071	742115	884078
	(ii) Non-Tax Revenue	164614	129713	172252
	(b) Capital Receipts	555241	558998	608967
	(i) Recoveries of Loans	11650	14073	10654
	(ii) Other Receipts	30000	24000	55814
	(iii) Borrowings and Other Liabilities	513590	520925	542499
	Total Receipts (a) + (b)	**1490925**	**1430825**	**1665297**
2	**Expenditure**			
	(a) Non-Plan Expenditure	969900	1001638	1109975
	(i) On Revenue Account of which,	865596	919699	992908
	(ii) Interest Payments	319759	316674	370684
	(iii) On Capital Account	104304	81939	117067
	(b) Plan Expenditure	521025	429187	555322
	(i) On Revenue Account	420513	343373	443260
	(ii) On Capital Account	100512	85814	112062
	Total Expenditure (a) + (b)	**1490925**	**1430825**	**1665297**
3	**Revenue Expenditure**	1286109	1263072	1436169
4	**Capital Expenditure**	204816	167753	229129
5	**Revenue Deficit**	350424	391245	379838
		(3.4)	(3.9)	(3.3)
6	**Fiscal Deficit**	513590	520925	542499
		(5.1)	(5.2)	(4.8)
7	**Primary Deficit**	193831	204251	171814
		(1.9)	(2.0)	(1.5)

The break-up of estimated receipts and expenditure both under the revenue and capital heads in terms of percentage is given as under : -

S.NO.	RECEIPTS		EXPENDITURE	
A.	Tax Receipts	61	Revenue Expenditure	54
	Excise Duties	10	Defence	10
	Customs Duties	9	Subsidies	12
	Corporate Tax	21	State Share of Taxes and Duties	17
	Income Tax	12	Non-Plan Assistance to States & UTs	4
	Service Tax and Other Taxes	9	Other Non-Plan Expenditure	11
B.	Non-Tax Receipts	39	Capital Expenditure	46
	Borrowing and Other Liabilities	27	Central Plan	21
	Non-Debt Capital Receipts	3	State UTs Plan Assistance	7
	Non Tax Revenue	9	Interest	18
	TOTAL	**100**		**100**

Highlights of the Budget :

Micro, Small & medium Enterprises

- Non-tax benefits to be made available to a MSME unit for three years after it graduates to a higher category.
- To provide greater support to MSMEs, refinancing capability of SIDBI enhanced from the current level of Rs.5,000 crore to Rs.10,000 crore per year.
- Rs.100 crore provided to the India Microfinance Fund.
- Rs.500 crore corpus provided to SIDBI to set up a Credit Guarantee Fund for factoring.
- A sum of Rs.2,200 crore provided during the 12th Plan period to set up 15 additional Tool Room & Technology Development Centres.
- Ministry of Corporate Affairs to notify funds provided to technology incubators located within academic institutions and approved by the Ministry of Science and Technology or Ministry of MSME which will now qualify as CSR expenditure.

Agriculture Growth

- Rs.27,049 crore allocated to the Ministry of Agriculture. Of this, agricultural research to be provided Rs.3,415 crore.

Agricultural Credit

- Target of agricultural credit for 2013-14 increased to Rs.7,00,000 crore from Rs.5,75,000 crore for 2012-13.
- The interest subvention scheme for short-term crop loans continued. A farmer who repays the loan on time to get credit at 4 percent per annum.

Green Revolution

- Rs.1000 crore allocated to support the eastern Indian States to increase their contribution to rice production.
- Rs.500 crore allocated to start a programme of crop diversification that would promote technological innovation and encourage farmers to choose crop alternatives.

- Rs.9,954 crore and Rs.2,250 crore, provided to the Rashtriya Krishi Vikas Yojana and the National Food Security Mission.

Rural Development

- Rs.80,194 crore allocated to Ministry of Rural Development marking an increase of 46 percent. MGNREGS to get Rs.33,000 crore, PMGSY to get Rs.21,700 crore, and IAY to get Rs.15,184 crore.

Textiles

- The Technology Upgradation Fund Scheme (TUFS) for the textile sector to continue in the 12th Plan with an investment target of Rs.151,000 crore. Rs.2,400 crore provided for modernisation of the powerloom sector.
- Rs.50 crore allocated to the Ministry of Textiles to provide an additional grant of upto Rs.10 crore to each Apparel Park.
- Rs.50 crore provided for the Integrated Processing Development Scheme to address environmental concerns of textile industry.
- An additional sum of Rs.96 crore, allocated to the Ministry of Textiles for interest subvention to provide working capital a term loans at concessional interest rate of 6% to handloom weavers.
- SFURTI extended to 800 clusters during the 12th Plan to benefit 400,000 artisans in khadi, village and coir industry.

Infrastructure

- Infrastructure Debt Funds (IDF) will be encouraged. These funds will raise resources and, through take-out finance, credit enhancement and other innovative means, provide long-term low-cost debt for infrastructure projects.
- India Infrastructure Finance Corporation Ltd (IIFCL), in partnership with the Asian Development Bank, to offer credit enhancement to infrastructure companies that wish to access the bond market to tap long term funds.
- Some institutions allowed to issue tax free bonds in 2013-14, strictly based on need and capacity to raise money in the market, upto a total sum of Rs.50,000 crore.
- Corpus of RIDF-XIX increased to Rs.20,000 crore.
- Rs.5000 crore to be made available to NABARD to finance construction of warehouses, godowns, silos and cold storage units designed to store agricultural produce, both in the public and the private sectors. This window will also finance, through the State Governments, construction of godowns by panchayats to enable farmers to store their produce.

Financial Sector :

- Rs.12,517 crore provided to infuse additional capital into 13 public sector banks. In 2013-14, Rs.14,000 crore more to be provided for capital infusion to meet the Basel III regulations.
- India's first Women's Bank to be set up as a public sector bank and Rs.1,000 crore provided as initial capital.
- Rs.6,000 crore provided to the Rural Housing Fund in 2013-14.
- Rs.2,000 crore to be provided to Urban Housing Fund to be set up by National Housing Bank.
- Insurance companies to be empowered to open branches in Tier II cities and below without prior approval of IRDA.
- All towns of India with a population of 10,000 or more to have an office of LIC and an office of at least one public sector general insurance company.

Direct Taxes :

- Tax credit of Rs.2,000 provided to every person who has a total income upto Rs.5 lakh. 1.8 crore tax payers are expected to benefit to the value of Rs.3,600 crore.
- A surcharge of 10 percent imposed on persons whose taxable income exceeds Rs.1 crore per year. This will apply to individuals, HUFs, firms and entities with similar tax status.
- Surcharge increased from 5 percent to 10 percent on domestic companies whose taxable income exceeds Rs.10 crore per year.
- The current surcharge of 5 percent increased to 10 percent on dividend distribution tax or tax on distributed income.
- An investment allowance at the rate of 15 percent provided to a manufacturing company that invests more than Rs.100 crore in plant and machinery during the period 1.4.2013 to 31.3.2015.

Indirect Taxes :

Customs Duties :

- To encourage manufacture of environment-friendly vehicles, the period of concession now available for specified parts of electric and hybrid vehicles extended upto 31.3.2015.
- Duty on specified machinery for manufacture of leather and leather goods, including footwear, reduced from 7.5 percent to 5 percent.
- Duty on pre-forms of precious and semi-precious stones reduced from 10 percent to 2 percent to encourage exports.
- Export duty on de-oiled rice bran oil cake withdrawn
- Duty increased from 5 percent to 10 percent on domestic production of set top boxes.
- To give protection to domestic sericulture, duty on raw silk increased from 5 percent to 15 percent.

Excise Duties :

- In the case of cotton, there will be zero duty at the fibre stage also and, in the case of spun yarn, there will be a duty of 12 percent at the fibre stage. The 'zero excise duty route' will be in addition to the CENVAT route now available.
- Handmade carpets and textile floor coverings of coir or jute exempted from excise duty.
- Ships and vessels exempted from excise duty. Consequently, there will be no CVD on imported ships and vessels.

Service Tax :

- Vocational courses offered by institutes affiliated to the State Council of Vocational Training and testing activities in relation to agriculture and agricultural produce included in negative list.

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"The most important single ingredient in the formula of success is knowing how to get along with people."

— Theodore Roosevelt

COSIDICI National Awards 2013 for "Outstanding Entrepreneurs"

COSIDICI National Awards function was held on 15th February, 2013 at "Scope Convention Centre" Lodhi Road, New Delhi. These awards were instituted to recognize outstanding and meritorious performance of the entrepreneurs in the activities connected with development of industries. At the function the entrepreneurs who have brought prosperity to our country by setting up successful enterprises were honoured. The units which were awarded were chosen from all over the country and were selected by a jury formed by the Executive Committee of COSIDICI. The COSIDICI National Award Function, 2013 was successful in its objective i.e. of giving visibility to the contribution made by the SLFIs towards the industrialisation and economic progress of the country and to motivate the successful units to continue with their good performance. COSIDICI National Awards were given to twenty seven 'Outstanding Entrepreneurs' and one Award was given to IamSMEofIndia, Faridabad, Haryana in the category of 'Outstanding Industry Association'. These entrepreneurs started small but have achieved recognition in their chosen field and some of them have even become industry leaders today.

The Chief Guest was Shri Namo Narain Meena ji Hon'ble Union Minister of State for Finance who gave away the awards. The guest of honour was Shri Sushil Mahnot, CMD, SIDBI. The function was well attended. Among other dignitaries, CEOs and representatives of Member Corporations, the function was also attended by Shri Tilak Raj Bajalia, DMD, SIDBI; Shri D. S. Malik, Addl. Director General, Press Information Bureau; (Shri Sudarshan Sareen, President, AICOSMIA and Ms. Neeru Nanda, former CMD, DFC). The function also garnered wide media coverage and has been uploaded on COSIDICI website.

The COSIDICI National Awards function started with lighting of the lamp. The dignitaries and other guests were then welcomed by Shri V.S. Rathore, Secretary General, COSIDICI. In his key note address Shri Yaduvendra Mathur, IAS, President, COSIDICI highlighted the achievements of the SLFIs i.e. creation of jobs and taking growth to all sections of the society. It was, therefore, imperative that these financial institutions be strengthened for which he urged the stakeholders to provide them with both financial support and policy. Shri Sushil Muhnot in his speech appreciated the role of the SLFIs in strengthening the MSME sector which is the backbone of the country's economy. His speech was followed by the release of the souvenir by the chief guest. The souvenir contains articles by eminent persons, write-ups and photographs of the successful units financed by the Member Corporations. The awards were then given away by Shri Namo Narain Meena ji. Some of the awardees spoke about their experience of working with the SFCs & SIDCs and expressed their hope of continuing their association with these growth engines which had been instrumental in their progress. Shri Meena then delivered his speech the text of which is reproduced below :

Speech of Shri Namo Narain Meena Ji, Hon'ble Union Minister of State for Finance:

"It gives me great pleasure to present the Council of State Industrial Development and Investment Corporations of India (COSIDICI) Excellence Awards to Entrepreneurs and units in the MSME Sector. At the outset, I would like to congratulate all the award winners for their achievements. These awards promote the spirit of competition amongst entrepreneurs and recognize their distinct role in socio-economic development. I also congratulate COSIDICI for instituting these awards. I am sure that these awards would inspire other entrepreneurs to perform even better in the days ahead.

The history of State Level Financial Institutions comprising State Financial Corporations (SFCs) and State Industrial Development Corporations (SIDCs) is more than four decades old. These were set up with the prime objective of financing and promoting small and medium enterprises for achieving balanced regional growth, catalyzing investment, generating employment and widening the ownership base of industry by fostering entrepreneurship. The State Level Financial Institutions have helped decentralise economic development and have created employment opportunities by assisting

artisans, crafts persons, MSE units and most importantly, the first generation entrepreneurs. This has helped in entrepreneurial development, employment generation and balanced regional development across the country.

The COSIDICI established in 1976, has been playing a creditable role and has produced the desired impact on the growth of this sector. It has been acting as a clearing house for sharing of experiences by member corporations across states, disseminating information of common interest among them and providing them with a common platform for development of the MSME sector.

World over, the Micro Small and Medium Enterprises have been recognized as engines of economic growth. The role of MSMEs in the economic and social development of our country is well established. The MSME sector is a nursery of entrepreneurship, often driven by individual creativity and innovation. Thus, MSMEs are important for the national objectives of growth with equity and inclusion. The MSME sector contributes about 9 per cent of the country's GDP, 45 per cent of the manufactured output and 40 per cent of its exports. The MSMEs provide employment to over 60 million persons through more than 26 million enterprises with a lower labour to capital ratio. The overall growth in the MSME sector has been much higher than in the large industries over the last five years. Although Indian MSMEs are a bedrock for innovation and despite being a diverse and heterogeneous group they face some common challenges with regard to access to institutional credit, collateral requirements, equity capital, etc.

In furtherance of the objective of augmenting the flow of institutional credit to MSMEs, the Government of India has initiated several measures to provide relief and stability to MSMEs, especially in the aftermath of the recent economic downturn. The thrust of the government has been to create an overall enabling environment using appropriate legal and fiscal instruments, to incentivize the transition of MSMEs from the unorganized to the organized sector as well as for their corporatization as entities. It has also initiated steps to encourage higher investments for innovative and knowledge based ventures as well as for research and development through greater partnership between the industry and academic institutions.

The promulgation of the Micro, Small and Medium Enterprises Development Act, 2006 to provide an enabling environment for development of the MSMEs in the country was one of the major policy initiative. Further, a Task Force under the chairmanship of the Principal Secretary to Prime Minister was constituted to address the issues of the MSME sector. The Task Force has made several recommendations which are at various stages of implementation. A Public Procurement Policy for MSMEs has been devised The policy sets a goal for government departments and PSUs to reach, over a stipulated period, a target of at least 20% of their annual volume of purchases from micro and small enterprises (MSEs). A dedicated portal, to address the needs of budding entrepreneurs, new entrepreneurs as well as existing MSMEs by providing all necessary information under single platform for setting up of MSME enterprises has been developed.

Specialized branches of banks, named Small-B branches have been opened for benefit of first generation entrepreneurs who possess limited knowledge on finance related issues. The Small-B branches have been conceptualized to extend venture debt to angel invested entrepreneurs. These would be exclusive branches dealing with such financing and would not be handling normal banking transactions. A venture capital fund for Rs.5,000 crore has also been established which will be a fund of funds. SME exchanges dedicated for trading the shares of small and medium scale enterprises (SMEs) who, otherwise, find it difficult to get listed in the main exchanges have been launched. A comprehensive policy for nursing and rehabilitation of sick MSME units and more particularly to prevent sickness has been devised.

State Level Financial Institutions are undoubtedly the most suitable institutions at the grass-root level to dispense credit to the decentralized sector in the rural, semi-urban and backward regions of the States and have immense potential for accomplishing the national objective of decentralized economic development and ensuring inclusive growth.

I once again congratulate COSIDICI for instituting these awards and I am confident that down the years these awards will be looked upon as a benchmark of excellence in the MSME Sector".

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GLIMPSES OF COSIDICI NATIONAL AWARDS 2

Lighting of the lamp by Honble Union Minister of
State for Finance (E&FS), Shri Namo Narain Meena Ji, Minister of State for Finance.

Souvenir being released L to R : Shri V.S. Rathore, S.G., COSIDICI;
Shri Sushil Muhnot, CMD, SIDBI; Hon'ble Union Minister of State for Finance (E&FS),
Shri Namo Narain Meena Ji; Shri Yaduvendra Mathur, IAS, President COSIDICI & CMD,
RFC, Jaipur; Smt. Vandita Sharma, IAS, MD, KSFC, Bangalore and
Shri Kamal Chakrabarty, IAS, MD, WBFC, Kolkata

2013 FOR "OUTSTANDING ENTREPRENEURS"

Distribution of Awards to the 'Outstanding Entrepreneurs' by the Honble Union Minister of State for Finance (E&FS), Shri Namo Narain Meena Ji, Minister of State for Finance

A Group photo of the Awardees

Besides the National Media coverage the awardees also garnered extensive coverage in their respective regions some of which is reproduced below :

उत्कृष्ट उद्यमशीलता के लिए ड्यूक को मिला राष्ट्रीय पुरस्कार 2013

लुधियाना। राष्ट्रीय फेडरेशन द कांउसिल ऑफ स्टेट इंडस्ट्रियल डेवेलपमेंट एंड इंवेस्टमेंट कार्पोरेशन ऑफ इंडिया ने ड्यूक फैशन इंडिया लिमिटेड के चेयरमैन कोमल कुमार जैन की उनकी उल्लेखनीय उद्यमशीलता को मान्यता देते हुए वर्ष 2013 का उत्कृष्ट उद्यमशीलता पुरस्कार प्रदान किया है। नई दिल्ली में आयोजित भव्य कार्यक्रम में उनकी ओर से यह पुरस्कार ड्यूक फैशंस इंडिया लिमिटेड के डायरेक्टर कुंतल राज जैन ने हासिल किया। उन्हें यह पुरस्कार वित्त राज्य मंत्री नमो नारायण मीना ने प्रदान किया। ड्यूक ने यह पुरस्कार कोमल कुमार जैन की कुशल नेतृत्व क्षमता व उनकी लगातार कड़ी मेहनत, लगन तथा इंडस्ट्री में उल्लेखनीय कार्यों के बूते हासिल किया है।

Ludhiana industrialist bags COSIDICI award

Ludhiana: Komal Kumar Jain, chairman, Duke Fashions India Limited has been awarded as 'Outstanding Entrepreneur' by the Council of State Industrial Development and Investment Corporation of India (COSIDICI), which is the national federation of state-level financial institutions comprising of18 state financial corporations, 29- state industrial development corporations, and was established in 1976. The award was received by Kuntal Raj Jain, director, Duke Fashions India Limited, at a glittering ceremony of COSIDICI, recently held at Scope Auditorium, Lodhi Road, New Delhi. Namo Narain Meena, minister of state for finance, presented the award to Kuntal Raj Jain. COSIDICI National Awards have been instituted to recognizse outstanding and meritorious performance in the activities connected with development of industries.

DUKE WINS OUTSTANDING ENTREPRENEUR AWARD AT NEW DELHI

HT Live Correspondent
ludhiana@hindustantimes.com

LUDHIANA: Duke Fashions India Limited has been awarded with the outstanding entrepreneur award by the Council of State Industrial Development and Investment Corporation of India (COSIDICI).

Director of Duke Fashions India Limited Kuntal Raj Jain received award at a function organised in New Delhi on February 15, said Komal Kumar Jain, chairman of the company, adding that the minister of state for finance, Government of India, Namo Narain Meena presented the award.

Press Release

Pennar pebs

For immediate release

February 28, 2013

Pennar Industries Ltd.

Announces the receipt of "Outstanding Entrepreneur Award" by Mr. Nrupender Rao, Chairman

Hyderabad, India, February 28, 2013 – Pennar Industries Ltd. (Pennar), one of India's leading industrial companies engaged in the production and marketing of specialized and engineered metal products, and pre-engineered buildings, is pleased to inform that Mr. Nrupender Rao, Chairman of Pennar, has been conferred with the prestigious "Outstanding Entrepreneur Award" by the Council of State Industrial Development and Investment Corporations of India.

Mr. Rao was identified as one of the recipient entrepreneurs for the award from Andhra Pradesh. The award was presented at a function organized in New Delhi on 15th February 2013.

Mr Nrupender Rao was earlier awarded the "Entrepreneur of the Year" by Hyderabad Management Association. He was also the recipient of IIT Kharagpur Alumnus award for the year 2011, which was presented by the Hon'ble Prime Minister of India. He also received the "Nayudamma Gold Medal" for his contribution to Industrial Development in Andhra Pradesh.

GKB Hi-Tech Lenses' CMD bags award

Mahendra K Gupta, CMD of GKB Hi-Tech Lenses Pvt Ltd, was felicitated and awarded the "Outstanding Entrepreneur Award" for the state of Goa by COSIDICI (Council of State Industrial Development & Investment Corporation of India) at the hands of Minister of State for Finance, Government of India, Namorarain Meena.

The COSIDICI National Awards Ceremony was held in New Delhi, recently.

With the initial sole assistance of Economic Development Corporation of Goa, GKB Hi-Tech at Tivim Industrial Estate now has 22 manufacturing factories in India besides having one unit in Dubai and sales office in South Africa.

The company manufactures and exports optical (spectacle) lenses to more than 30 countries in the world. It holds 25% of the optical market share in India. The company also owns retail chain of optical stores in India in the name of "Vision 360° Premium Eyecare". [H]

Outstanding Entrepreneur Award

PHD member company, Permali Wallace Limited located at Bhopal received a national award for being an "Outstanding Entrepreneur" from the Council of State Industrial Development and Investment Corporation of India, New Delhi on February 15, 2013.

Mr. Subhash Vithaldas, Director of Permali Wallace Ltd, Bhopal receiving an award from Mr. Namo Narayan Meena, Hon'ble Minister of State-Ministry of Finance, Govt. of India.

PHD Chamber Bulletin ›› March 2013

Gross direct tax collection up 7% in April-January

Gross direct tax receipts in the first ten months of the fiscal rose 7% to Rs 4,55,125 crore.

The tax department had collected Rs.4,25,274 crore in the same period a year ago. Net direct tax collections rose 12.49 % to Rs.3,90,310 crore in the meantime, up from Rs.3,46,959 crore collected in the same period last fiscal.

While the growth in gross direct tax receipts has been steady, growth rate in net collection has declined over the last few months, indicating that the government is easing its policy of delayed refunds. While gross collection of corporate tax rose 3.71% to Rs. 2,96,451 crore in the April-January period, gross collection of personal income tax rose 13.81% to Rs.1,57,913 crore. Wealth tax receipts rose 2.85% in the period under review to Rs.685 crore, while Securities Transaction Tax (STT) collection contracted by 9.99% to Rs.3,731 crore.

Govt makes norms for independent PSU directors

The government has come up with a set of guidelines for independent directors on boards of public sector units, defining their roles and responsibilities aimed at improving corporate governance in state-owned companies.

Under the norms, non-official directors should have a candid view of the faults or shortcomings of company's plans and accordingly suggest measures for improvement. However, these guidelines would be reviewed in light of experiences gained and brought in line with the relevant provisions once the companies law comes into effect.

The norms state that independent directors should satisfy themselves on the integrity of financial information and financial controls, besides ensuring that the risk management systems of the company are robust and defensible. DPE has asked other ministries/departments to inform CPSEs, under their administrative control, about the norms.

Industrial employment up 8%

Industries offered employment to 7.8 per cent more people in 2010-11 than in 2009-10, while real wages rose 18 per cent during the same period, official data showed in December, 2012. According to the Annual Survey of Industries (ASI), the number of people engaged in different industries stood at 12.7 million in 2010-11, compared with 11.7 million in 2009-10. Wages in current prices (without adjusting for inflation) rose 24.8 per cent during the same period. The 12th five-year Plan document showed about five million jobs were lost between 2005-06 and 2009-10. With a share of 15.4 per cent, Tamil Nadu provided the highest employment. It was followed by Maharashtra at 13.4 per cent, Andhra Pradesh at 10.3 per cent and Gujarat at 10.1 per cent.

Worst is over : Survey

The pre-Budget Economic Survey for 2012-13, tabled in Parliament on February 27, 2013 said Indian economy would bounce back to achieve higher growth of 6.1-6.7 per cent, up from the advance estimates of five per cent in the current financial year. However, the improved growth number, the Survey noted, would be contingent on a normal monsoon, further moderation in inflation, which should induce relaxation of the tight monetary stance, and a mild recovery of global growth.

According to the survey, India has to focus on an agenda to create productive jobs outside of agriculture, which will help it reap the demographic dividend and improve livelihoods in agriculture. There is also the need to review regulations that constrain businesses excessively and how these should be stripped away while ensuring "adequate protection and minimum safety nets for workers". The Survey reiterated India could not take the

external environment for granted and had to move quickly to restore domestic balance through fiscal consolidation. The Survey hoped that lower interest rates could provide an additional fillip to investment activity for the industry and services sectors, especially with the easing of regulatory, bureaucratic and financial impediments.

The Survey identified three factors that led to the slowing of the Indian growth engine. One, the large monetary and fiscal stimulus in the wake of the global financial crisis contributed to robust consumption growth at an average of eight per cent annually between 2009-10 and 2011-12, fuelling inflation and provoking a strong monetary policy response which, in turn, slowed consumption demand. Two, corporate and infrastructure investment started slowing from 2011-12 as a result of policy bottlenecks and tighter monetary policy, even as the economy faced the twin shocks of a slowing global economy and a weak monsoon. Three, the government's revenues did not keep pace with spending as growth slowed and the fiscal deficit threatened to breach the target. Worse, with the falling government and private savings rate, the current account deficit, too, widened. The way out, according to the Economic Survey, is to shift national spending from consumption to investment and remove the bottlenecks to investment, growth and job creation. This could be achieved through structural reforms, tackling inflation through monetary policy measures and improved supply-side steps, reducing the borrowers' cost for raising funds and increasing the opportunities for savers to get real investment returns, hinting at, perhaps, how investors might have preferred gold to other forms of financial investments, which, in turn, had contributed to the widening of the current account deficit. The broad message that the Economic Survey left for the government was to recognise that the Indian economy was in a difficult situation and measures had to be taken to bring the macro economy back into balance and growth on track.

Govt to set up Rs.2,000 crore VC fund to boost pharma R&D

To incentivise research and development activities in the pharma sector, the central government has decided to set up a dedicated venture capital fund. The government is in discussions with export finance institution, Exim Bank, to set up the Rs.2,000-crore VC fund for facilitating pharmaceutical R&D.

With Asia emerging as the hub of the global pharmaceutical industry, the government is actively working to attract more funds into the pharmaceutical sector. "There are indications that the country will again welcome outside investments in the domestic pharma sector with the finance ministry approving roughly R180 crore of investments by foreign companies."

The current rules allow foreign investors to start a company in India once they have obtained approval to get a share of a domestic drug company on the condition that they won't stop making the cheap drugs they currently produce, and that they will keep investing in R&D with Indian partners for five years.

Pharmaceutical multinationals are reinforcing their presence in Asia. Widening patient pools and increasing consumer demand in emerging markets is driving the growth of sales offices, manufacturing operations as well as R&D facilities around Asia.

Beyond the cost of developing new drugs and treatments, facility and real estate costs are among the highest expenses for life sciences companies and such firms are optimising their real estate and location strategies to capture market opportunity in Asia. It is also apparent that the industry is becoming more strategic with regards to site selection, choosing locations with rich industry resources, capital and a higher propensity for discovery and innovation.

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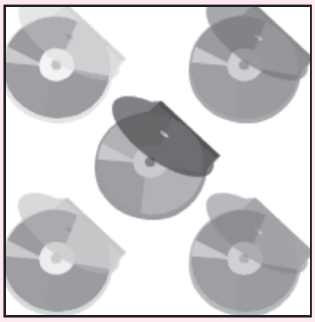
A great secret of success is to go through life as a man who never gets used up.

-Albert Schweitzer

QUESTIONS OF CYBERQUIZ ~ 40



Q.1 Who designed the logo of Sun Microsystems, which features four interleaved copies of the word sun ?

[a] Andrew S. Tannenbaum;

[b] Vaughan Ronald Pratt;

[c] Dennis Ritchie;

[d] Claude Shannon.

Q.2 What is common to such words found in some of the amazon.com URLS as gp, obidos, and varzea ?

[a] All are different names of Amazon river;

[b] All are different places of attraction along the river Amazon;

[c] All the words are connected to Amazon river;

[d] All are names of bridges on the Amazon.

Q.3 Which firm has coined such brand names as BlackBerry, Intel's Pentium, Apple's PowerBook, Palm's Tungsten PDA, Fujitsu's LifeBook, etc. ?

[a] Lander Associates;

[b] Lexicon Branding Inc., California;

[c] Wolf Olins;

[d] Enterprises IG.

Q.4 BunnyPeopleTM is a trademark of which Silicon Valley company ?

[a] Intel;

[b] Adobe Systems;

[c] Cisco Systems;

[d] Dream Works Animation.

Q.5 Which web-based business was started in 1998 by Max Levchin and Peter Theil that was acquired by eBay in 2002 ?

[a] PayPal;

[b] Bazee.com;

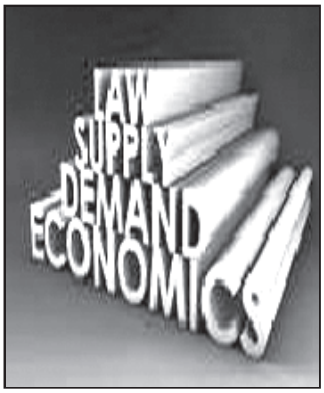
[c] 5Paisa.com;

[d] Junglee.com.

For Answers See **Page No. 27**

DO YOU KNOW ?

LAWS OF LIFE



- **It's Your Outlook That Matters:** It is our own mental attitude, which makes the world what it is for us. Our thoughts make things beautiful, our thoughts make things ugly. The whole world is in our own minds. Learn to see things in the proper light.
- **Set Yourself Free:** The moment I have realised God sitting in the temple of every human body, the moment I stand in reverence before every human being and see God in
- **Life is Beautiful:** First, believe in this world - that there is meaning behind everything. Everything in the world is good, is holy and beautiful. If you see something evil, think that you do not understand it in the right light. Throw the burden on yourselves!
- **It's The Way You Feel:** Feel like Christ and you will be a Christ; feel like Buddha and you will be a Buddha. It is feeling that is the life, the strength, the vitality, without which no amount of intellectual activity can reach God.
- **Help Others:** If money helps a man to do good to others, it is of some value; but if not, it is simply a mass of evil, and the sooner it is got rid of, the better.
- **Uphold Your Ideals:** Our duty is to encourage every one in his struggle to live up to his own highest idea, and strive at the same time to make the ideal as near as possible to the Truth.
- **Listen To Your Soul:** You have to grow from the inside out. None can teach you, none can make you spiritual. There is no other teacher but your own soul.
- **Be Yourself:** The greatest religion is to be true to your own nature. Have faith in yourselves!
- **Nothing Is Impossible:** Never think there is anything impossible for the soul. It is the greatest heresy to think so. If there is sin, this is the only sin - to say that you are weak, or others are weak.
- **You Have The Power:** All the powers in the universe are already ours. It is we who have put our hands before our eyes and cry that it is dark.
- **Learn Everyday:** The goal of mankind is knowledge... now this knowledge is inherent in man. No knowledge comes from outside: it is all inside. What we say a man 'knows', should, in strict psychological language, be what he 'discovers' or 'unveils'; what man 'learns' is really what he discovers by taking the cover off his own soul, which is a mine of infinite knowledge.
- **Be Truthful:** Everything can be sacrificed for truth, but truth cannot be sacrificed for anything.
- **Think Different:** All differences in this world are of degree, and not of kind, because onenes

ANSWERS OF CYBERQUIZ ~40

Ans.1.[b] Vaughan Ronald Pratt : Vaughan Ronald Pratt is a Professor Emeritus at Stanford University. He is one of the earliest pioneers in the field of computer science.

Ans.2.[c] All the words are connected to Amazon river : Obidos, the meeting place of the Amazon's tributaries; varzea refers to Amazonia's Whitewater Floodplains, gp is short for Gurupa, a region in northeastern Brazil near the mouth of the Amazon.

Ans.3.[b] Lexicon Branding Inc., California : Founded in 1982, the company has completed over 2,000 branding assignments till early 2006.

Ans.4.[a] Intel : In 1997, Intel's advertising campaign for Pentium II processor featured BunnyPeopleTM characters, modeled after Intel technicians who manufacture microprocessors.

Ans.5.[a] PayPal : PayPal enables users to send a receive funds between member accounts. It uses the existing infrastructure of financial institutions and credit card companies to transfer funds. To send money through it, a user has to enter the receiver's email id and the amount of money to transfer. Though for the sender it is free, for the receiver, there is a fee structure in place.

"Life is an opportunity, benefit from it.

Life is beauty, admire it.

Life is a dream, realize it.

Life is a challenge, meet it.

Life is a duty, complete it.

Life is a game, play it.

Life is a promise, fulfill it.

Life is sorrow, overcome it.

Life is a song, sing it.

Life is a struggle, accept it.

Life is a tragedy, confront it.

Life is an adventure, dare it.

Life is luck, make it.

Life is too precious, do not destroy it.

Life is life, fight for it."

- Mother Teresa

SMEs need innovative funding : Report

Small and medium-sized enterprise (SME) financing is one of the three most significant opportunities for financial services firms in emerging markets, according to a report which was prepared by the World Economic Forum (WEF) in collaboration with The Boston Consulting Group (BCG).

Only one-third of SMEs in emerging markets have access to loans or credit, while banks and financial institutions have too little data about SMEs to risk lending to them. Financial institutions should consider asset-based lending, including factoring, the report says. In traditional factoring, a borrower's accounts receivable are used as the underlying asset securing a loan. The lender - or factor - purchases the accounts receivable at a discount. The amount of credit is thus linked to the amount of receivables.

Factoring is useful in emerging markets, because the credit decision is based primarily on the quality of the underlying accounts - often large corporations - and not on the quality of the SME borrower. Yet traditional factoring is not always a viable means of providing SMEs with short-term funding, particularly when timing is tight, as credit assessment and invoice processing take time. Reverse factoring resolves this problem.

In traditional factoring, credit assessment is conducted for all buyers of a particular supplier. In reverse factoring, the lender focuses on one large buyer and finances many SME suppliers of that large buyer, thus simplifying credit assessment and processing. Equity financing - such as private equity - also needs to be developed when barriers to SME financing exist within the banking sector.

Traditional SMEs' Appetite for customized Tech Powers Startups

Small and mid-sized enterprises in manufacturing, construction, textiles and real estate sectors are adopting new technology to reach out and attract more customers, and in turn becoming a big market for several startups. As competition intensifies, many SMEs have been forced to turn to technology to survive and grow, giving group buying portals like Power2sme and SME Sauda, and communication technology providers Nevales Networks and Knowlarity Communications the opportunity to reap the benefits.

Advantage of startups to SMEs :

- Startups provide customized solutions aimed at SMEs, unlike large tech firms that offer the same set of solutions to all customers;
- Tech startups focused on SMEs are focusing mainly on price of input and other materials, and efficiency;
- Power2sme and SME Sauda have created online platforms to solve supply-side price issues of small enterprises.

Innovation fund worth Rs.5,500 cr to encourage R&D activities in MSMEs

The government will set up a Rs 5,500-crore 'India Inclusive Innovation Fund' by April, with a view to encourage research and development activities in small and medium enterprises. The ministry of micro, small and medium enterprises (MSME), which has taken the initiative in consultation with the National Innovation Council to set up the fund, has circulated a Cabinet note for consultations to the concerned ministries in this regard.

The scheme would promote innovation which is aimed at improving the competitiveness and efficiency of small and medium enterprises. Of the total fund amount, 20% funding would come from the government and the remaining from banks, financial institutions and multilateral agencies. The fund would be in two phases.

SEBI might make SME listings easier

The Securities and Exchange Board of India (Sebi) is willing to make it easier for small companies to list on the dedicated small and medium enterprises (SME) platforms of stock exchanges, by relaxing certain criteria such as on underwriting and market making. The regulator wants the platform to be more cost-efficient for issuers. It also wants to bring

down the obligation on investment bankers (i-bankers) to attract more participants in this space.

Many i-banks have stayed away from taking SME mandates as Sebi has prescribed strict obligations on them. Currently, investment bankers have the responsibility of market making for a minimum period of three years for SME initial public offerings (IPOs). Also, the issues have to be fully underwritten by i-bankers and they have to underwrite 15 per cent of the issue size through their own account.

New govt scheme to boost MSME sector

Micro, small and medium enterprises (MSMEs) in India are set to get help through a scheme of the Consultancy Development Centre (CDC, an autonomous institution of the department of scientific and industrial research, science and technology ministry), which envisages financial assistance to MSMEs, including first-generation entrepreneurs, for availing themselves of consultancy support. The scheme aims to enhance the capabilities and competitiveness of MSMEs, besides promoting the use of consultancy services by entrepreneurs. The scale of financial assistance to MSMEs varies from 50 per cent to 85 per cent of the consultancy charges, depending on conditions laid down by CDC for different sectors.

In cases where the consultancy intervention involves the use of a technology or process developed by the Council of Scientific and Industrial Research, the enterprise will be entitled to an additional 10 per cent support. The official said consultancy was a strategic tool for business development. "Large enterprises have enough resources to hire manpower. But the MSME sector does not have these resources and thus, needs institutional support for providing these inputs". There is a need to provide support to the MSME sector, and especially to rural and micro enterprises, through suitable measures to strengthen them for converting the challenges they face into opportunities.

North India Technical Consultancy Organisation Managing Director, Shri Rattan Singh said, "Earlier, MSMEs were reluctant to hire consultants owing to paucity of funds. With this scheme, the MSME sector can explore possibilities of diversification."

India to Become Manufacturing Hub

Commerce Minister, Shri Anand Sharma in January, 2013 said that the National Manufacturing Policy has taken off with the single-window clearance mechanism in place and the land issue has been addressed.

The National Manufacturing Policy announced in 2011 will create national investment and manufacturing zones involving greenfield projects. "We have approved 12 zones, out of which one will be in Uttar Pradesh so that we create 100-million jobs by the next decade" . The aim is to take the share of manufacturing from 16% in the GDP to 26% in the next decade. Manufacturing in India grew just 0.5% in the first half of this financial year, against 5.1% in the corresponding period of 2011-12, pulling down GDP growth to 5.4%. High growth is not an option but imperative, said Sharma, adding that India needs more decades of high growth as the country is looking at 6.5% growth in 2013-14. On the external front, Sharma said that the government has stepped up and engaged more with the world. India's trade and investment agreement with EU is on the verge of completion, he added. It is learnt that the two sides, which have been in talks since 2007, have settled issues such as tariff concessions on industrial and farm goods, intellectual property and professional visas.

RBI to compile list of MSMEs lacking access to bank credit

RBI is set to join hands with industry associations to prepare a database of units that do not have access to bank credit. Banks should cater to the MSME sector for sustainable growth, said Shri N.S. Viswanathan, southern regional director of RBI, adding that it is the best medium for achieving financial inclusion. Credit penetration for this segment is only seven per cent, with the overwhelming majority still depending on money lenders.

In Tamil Nadu, a state with a large concentration of MSMEs, the RBI is talking to various MSME associations to find out how many of their members have availed themselves of bank credit. This is the first step, and the next will be to connect bankers and units. Banks see MSMEs as high-risk borrowers. When an account turns sticky, banks focus only on recovery; instead, they should look at how to revive units Shri Viswanathan said.

Agriculture and MSMEs used up only a fifth of bank credit, but accounted for 36 per cent of banks' non-performing loans, according to data from the RBI's latest Financial Stability Report. Around 4.8 per cent of MSME loans were non-performing as of March 2012. The proportion rose by 1.3 percentage points over the past year.

Despite all this, the government continues with all

measures to support the sector, because it recognises that this sector cannot be neglected. For instance, the government recently decided to allocate a corpus of Rs 7,000 crore corpus to SIDBI for the refinancing and restructuring of bank credit to SMEs.

The Finance Ministry is planning to streamline lending norms for the SME sector and has asked state-owned banks to come out with an uniform loan application form for loans of up to Rs.25 lakh. The government has also asked banks to set up an electronic loan tracking system, which would enable prospective SME borrowers to check the status of their loan applications. This is expected to reduce the discretion available to bank officers in granting loans to SMEs.

Apparel Body Asks for Flat 5% Duty on Cotton Fabric Varieties

The Apparel Export Promotion Council (AEPC) has asked for reduction in customs duty to flat five per cent on certain cotton fabric varieties on a pilot basis with certain conditions. If implemented, this would help in enhancing 100 per cent garment exports in three years from $ 13.69 million to $ 30 million, AEPC Chairman, Shri A. Shaktivel said.

The proposal envisages improvement in cut to ship ratio in synthetic/blended/speciality cotton fabrics and reduction in the lead time taken in exports from 60-70 days to 35-40 days.

Non-availability of these fabrics and speciality fabrics of cotton has been considered the single most important issue augmenting export of garments. Such fabrics are not widely produced in India currently. With implementation of the scheme, more domestic fabric manufacturers would come forward and start production of such fabrics, Shri Shaktivel added.

Weaving to get more TUFS funds in 12th Plan

The textile ministry plans to lay more emphasis on the weaving sector under the Technology Upgradation Fund Scheme (TUFS). The scheme, in its new avatar in the 12th Five-Year Plan, will include more incentives for the sector. "At the moment, the proposal is at the consultative stage and the message has been put forward that more emphasis needs to be laid on the weaving sector," said Shri A. B. Joshi, Textile Commissioner.

The scheme met with huge success in its first phase. The scheme is currently in the Pre-Expenditure Finance Committee stage of the Planning Commission. The initial allocation proposed by the textile ministry is pegged at Rs.12,044 crore. The Planning Commission had earlier given in-principle approval for the scheme to be included in the 12th Plan.

SME growth critical

Planning Commission deputy chairman Montek Singh Ahluwalia in February, 2013 pressed for faster growth in small and medium enterprises (SMEs) and skill development to boost job creation.

"For inclusive growth, which leads to faster and much better spread of employment opportunities, we should aim to create quality employment prospects not just provide jobs" Shri Ahluwalia said. Shri Ahluwalia urged the private sector to can play a critical role in job creation.

Haryana govt to revive 23 MSME clusters

Twenty-three clusters in Haryana are poised to get a new lease of life. The Haryana government, in collaboration with the Union ministry of micro, small and medium enterprises (MSMEs), has decided to provide them with common facility centres (CFCs). MSMEs in Haryana have been languishing over the past few years owing to technological stagnation caused by financial constraints and lack of scale. The state government has decided to set up special purpose vehicles at the clusters, and funds will be released to them for creating CFCs.

The CFCs will aim to provide testing facilities, design centres, production centres, effluent treatment plants, training centres, R&D centres, raw material banks, sales depots, production display centres and exposition centres. The scheme has been taken up under an MSME renewal fund established by the Union ministry of MSME. According to Shri T L Satya Prakash, Haryana's director of industries, final approval has been provided to three SPVs (Panipat Home Furnishings, Karnal Print and Pack Material and Bahadurgarh Footwear Cluster) by the Union ministry of MSME. The first tranche of the grant will be released soon in the name of each SPV.

"If properly coordinated, at least 20 CFCs will be operational by December 2014. The number may rise to 50 by 2015. This will be the largest SME support endeavour across the world,". Each centre is expected to cost about Rs.15-30 lakh. The cost will be borne by the Union ministry of MSME (75 per cent), the state government (15 per cent) and the members of the SPV representing the cluster (10 per cent).

* * *

Capital Infusion in 10 govt. banks

Ten public sector banks are set to get capital infusion of Rs.12,517 crore from the government this financial year. The Union cabinet on January 10, 2013 approved the proposal, aimed at helping banks set up lending and meet capital adequacy norms. Among other key decisions were : -

- 10% stake sale in Engineers India Ltd. approved, should help govt. raise Rs.800 crore;
- Proposal for revival of Scooters India deferred;
- Rs.5,652 crore road projects in Bihar, Jharkhand, Odisha cleared;
- Additional Rs.600 crore for Afghan dam project approved.

National investment fund to be used for bank recap

The government is set to tap into the National Investment Fund, created out of PSU disinvestment proceeds to find more resources to bolster the capital base of banks and insurance firms. Currently, NIF is used for funding six social sector schemes. According to official sources, the idea behind the action is to utilise money coming from disinvestment for creating capital assets also. Apart from bank recapitalisation, the NIF could also be used for creating a sovereign fund for acquiring energy and other mining assets abroad by the CPSEs.

The NIF came into existence in 2005 with an idea that 75% of the income from the fund was to be spent to finance select social sector schemes while 25% was to meet the capital investment requirements of profitable and revivable Public Sector Enterprises. Sources said post Cabinet approval, the funds in NIF will be used for subscribing the shares of central public sector enterprises (CPSEs), including PSBs and public sector insurance firms on rights basis to ensure 51% government ownership is not diluted. The NIF corpus as on August 31, 2012 was R1,814. 45 crore. And the fund is managed by three public sector mutual funds – SBI, LIC and UTI mutual funds. The change in utilisation pattern of NIF money had come in 2009, when in view of the difficult economic situation caused by the global slowdown and severe drought, the government decided to grant one-time exemption for utilization of all proceeds from disinvestment of CPSEs deposited in the NIF.

Banking Bill : A game-changer for the industry

The Rajya Sabha approved the Banking Laws (Amendment) Bill, 2011, paving the way for a slew of reforms in the Indian banking industry, including the much-awaited issuance of final guidelines for new bank licenses. In its resolve to continue the reforms agenda and get the Bill passed in Parliament, the government dropped two contentious clauses that would have enabled banks to trade in commodity futures and given Competition Commission of India the sole authority for approving banking merger and acquisitions (M&As). The Bill extends Reserve Bank of India's (RBI) authority as the supreme regulator of the Indian banking system. RBI will be given greater regulatory oversight over local banks, including the ability to overrule boards when banks grapple with financial stress and oversight over acquisition of a substantial stake in banking companies. The onus shifts to RBI now to formulate a clear and transparent set of final guidelines to initiate the process of granting new bank licences. The final policy guidelines may take upto six months to be formulated and the final license awarding may take another six months from that point.

In this period the new banking aspirants ought to frame optimum business models and shore up adequate capital based on the draft guidelines already issued by the RBI. The final guidelines for new bank licences will include a greater focus on financial inclusion, to achieve the government's target of providing access to financial services for the entire bankable population. The new banking aspirants need to evaluate these implications on

their business plans. The new banks need to hit the ground running with innovative products, cost-optimised delivery channels and robust operational processes, to be able to compete effectively with established players. Entry of new private banks will likely trigger a 'deposit war' in the market.

The Bill also builds a favorable environment for foreign investments in the banking sector, which is essential to further drive credit growth and meet the upcoming Basel III capital norms. The cap on voting rights for investors will increase from 10 per cent to 26 per cent in private sector banks, and from one per cent to 10 per cent for public sector banks (PSBs), which will help improve corporate governance standards in the industry.

The Bill will give relief to banks : on conversion of Indian operations into local subsidiaries or transfer shareholding to a holding company, without paying stamp duty. Under the current laws, foreign banks are required to pay 20-30 per cent tax as capital gains and stamp duty when transferring branches to a new legal entity. The development will promote growth of operations of foreign banks in India.

The Bill will the government's ambition to create a few Indian banks of global scale through consolidation in the industry. M&A activity in both public and private sector may increase. However, a significant increase in financial penetration, especially in rural and semi-urban areas, will be imperative for creation of 'global sized banks'. Deepening of financial inclusion is quintessential in India as more than 50 per cent of eligible population is still unbanked.

The Bill is likely to be a game changer for the Indian banking industry, with renewed strength in driving financial inclusion, increased competition and the likely emergence of global Indian banks. PSBs will also need to use this time to transform their operations to improve their efficiency and customer connect.

The passage of the Bill will help to catalyse wholesome growth of the banking industry in its next phase of evolution.

Govt may infuse Rs.3,000 cr into SBI

The government has indicated that it will infuse Rs.3,000 crore this fiscal into the State Bank of India (SBI) through a preferential allotment of shares to strengthen the capital base of the Banks. SBI was looking at issuing equity shares to the government on a preferential basis. However, the capital infusion plans for the next fiscal were yet to be finalised. Shri Chaudhuri, Chairman, SBI, added that the bank may look at acquiring its subsidiaries that are financially weak next fiscal. The government's equity stake in SBI at present is 61.58%.

RBI welcomes New Banks

The RBI has spelt out norms for new bank licences allowing business houses, state run enterprises and non-banking finance companies to set up banks, in a bid to extend banking services to half of the population that is excluded from them. The final rules allow companies from any sector to apply for new bank licences.

The central bank will issue licences only to persons deemed to be 'fit and proper' and will seek feedback on applicants from various investigative agencies such as CBI, ED and I.T. Department before granting a licence. Further, RBI has empowered itself to reject those whose "business model" and "culture" are not in line with banking.

'Promoter Groups' business model and business culture should not be misaligned with the banking model, and their business should not potentially put the bank and the banking system at risk on account of group activities such as those which are speculative in nature or subject to high asset price volatility, the guidelines said.

Following are some of the granting for gracing New Banking licences : -

- Private corporates, public sector entities, as well as NBFCs with a sound track record of atleast 10 years, through wholly owned non-operative financial holding company;
- RBI may seek feedback from other regulators, and enforcement and investigative agencies;

Capital Structure :

- Promoters should bring in a minimum paid-up capital of Rs.500 crore;
- Promoters to hold minimum 40% of paid-up capital locked for five years;
- Equity capital must be brought down to 40% in three years;
- Bank can raise capital within 5 Years through public issue and pvt. placement;
- Promoter holding must be lowered to 20% in

10 years and 15% in 12 years;

- Banks should maintain a minimum CAR of 13% for a minimum of 3 years.
- Out of every Rs.100 that a prospective applicant for a new banking licence wants to lend, it will have to lend Rs.40 to small farmers, students or low-cost home borrowers (upto Rs.15 lakhs) and entrepreneurs.
- New banks will have to open 25% of their branches in the non-banked areas. One of the objectives of introducing these targets for new banks is to fast track the process of financial inclusion and to reach out to unbanked areas.

Microfinance institutions drift from traditional Grameen lending model

Faced with the challenge of bank funding and stringent regulatory norms, many microfinance institutions (MFIs) are drifting from the traditional Grameen model of lending. The idea is to reduce operational cost, while maintaining low default rates. Many MFIs, especially those in the southern states, are experimenting with a monthly repayment system, rather than weekly repayment, to reduce costs. For example, Hyderabad-based Trident Microfinance and Chennai-based Equitas Microfinance have started experimenting with the monthly repayment model.

The Grameen model, dating back to 1976, stipulates weekly repayments under group lending, whereby the members of a group constantly create peer pressure for timely repayment of loans. As a result, the rate of default in most MFIs is as low as one or two per cent. However, with margins coming under pressure and operational costs remaining high, after the crisis in the MFI sector, micro lenders are finding it difficult to continue with the weekly repayment system. Most MFIs in Andhra Pradesh, where majority of the industry was concentrated before the 2010 crisis, have substantially cut workforce at field level to bare minimum.

Govt. Bars PSBs from Using Deposits of RRBs for lending in Other areas

The government has barred public sector banks from using deposits of their regional rural banks to on lend in other areas. "We want RRBs (regional rural banks) to be more proactive and expand their own portfolio," a finance ministry official said, adding that all RRBs have been asked to increase their credit deposit ratio by 10% in the next fiscal. Credit deposit ratio indicates the loan given by banks from the deposits it has received. RRBs, which are jointly promoted by the Centre, a sponsoring bank and the state government, have a network of 17,099 branches across the country. The government is keen on improving their productivity, as they are a key component of its financial inclusion agenda.

The government has also barred sponsor banks from opening branches in areas serviced by their RRBs, except in cases where there is strong commercial viability. The finance ministry has already asked RBI to work out a strategy on the banking structure for the country. The government wants a structure that has international banks at the top, followed by national banks, local banks and rural banks, which will focus on agriculture and rural financing. In January, Shri P Chidambaram had directed the RRBs to focus on the entire gamut of rural banking, including lending to the farm sector.

"As the direct benefit transfer scheme is rolled out in the whole country, RRBs are expected to play a pivotal role. They need more branches, and better human resource," the finance ministry official said. In six months to September, the RRBs had opened 190 branches as against the full year's target of 1,845.

De-registration of small NBFCs will hurt financial inclusion: Finmin

Coming to the aid of around 9,000 non-banking finance companies (NBFC) with asset size below Rs.25 crore - facing de-registration and even closure following the proposed RBI norms - the finance ministry has opined that the central bank should retain them under its regulatory ambit. The ministry is also of the view that if the RBI, in its final guidelines, directs these small NBFCs to de-register till they attain the threshold of Rs.25 crore asset size, the regulator should also issue appropriate notifications, allowing these small NBFCs to continue their existing business, such as auto financing. The ministry is also against deregulation or de-recognition of NBFCs as it will not only curtail the operations of the NBFCs, but also harm the financial inclusion programme. If they (the RBI) have limitations regarding supervising the total 12,300-odd NBFCs (of which around 9,000 are with an asset size of less than Rs.25 crore), they may exempt these small NBFCs from registration. However, the RBI should direct them to submit

elaborate reports regularly and conduct random checks of their operations.

Simultaneously, the RBI should work on a stronger supervisory mechanism for the sector and put in place an elaborate system for capturing and analysing data from all the NBFCs, the sources said. The RBI should also look at bringing out size-wise uniform accounting norms and financials reporting rules for different categories of NBFCs.

NBFCs, once de-registered, shall be denied bank lending, because one of the requirements of banks is that the NBFC should be registered. As a consequence, the most likely source of funding for such NBFCs would be public deposits, which in itself may cause more problems.

The proposed RBI norms say that while deposit-taking NBFCs will continue to be registered and regulated irrespective of their size, non-deposit taking NBFCs with less than Rs.25 crore-asset size need not be registered or regulated as they do not pose any systemic risk. It also would not prevent small innovative start-up companies from entering into financial activities, the RBI said. The RBI has also said that NBFCs will not be allowed to take deposits unless they have a mandatory credit rating, adding that those unrated deposit-taking NBFCs, which are currently unrated, will get a year's time to obtain a rating or else will not be permitted to take fresh deposits or renew the deposits they already have.

Guidelines on Fair Practices Code for NBFCs

The Reserve Bank had issued revised guidelines on Fair Practices Code to be adopted by all non-banking financial companies (NBFCs) while doing lending business. The guidelines were reviewed in view of the creation of a new category of NBFCs viz; NBFC-MFIs and also rapid growth in NBFCs' lending against gold jewellery.

These guidelines, inter alia, also require that the board of directors of NBFCs should lay down appropriate grievance redressal mechanism within the organisation to resolve disputes between the company and its customers and the mechanism should ensure that all disputes arising out of the decisions of lending institutions' functionaries are heard and disposed of at least at the next higher level.

At the operational level, all NBFCs are required to display prominently, for the benefit of their customers, at their branches/places where business is transacted, the details of the grievance redressal officer belonging to their company as also that of the local office of the Reserve Bank.

Third Quarter Review of Monetary Policy 2012-13

Dr. D. Subbarao, Governor, Reserve Bank of India, in a meeting with chief executives of major commercial banks presented the Third Quarter Review of Monetary Policy for the year 2012-13 on January 29, 2013. The highlights of the Review are:

Projections

- Baseline projection of GDP growth for 2012-13 revised downwards from 5.8 per cent to 5.5 per cent.
- WPI inflation for March 2013 revised downwards from 7.5 per cent to 6.8 per cent.
- M3 growth for 2012-13 projected at 13 per cent.

Stance

- To provide an appropriate interest rate environment to support growth as inflation risks moderate;
- To contain inflation and anchor inflation expectations; and
- To continue to manage liquidity to ensure adequate flow of credit to the productive sectors of the economy.

Monetary Measures

- Bank Rate adjusted to 8.75 per cent.
- Cash reserve ratio (CRR) of scheduled banks reduced by 25 basis points from 4.25 per cent to 4.00 per cent of their NDTL.

Expected Outcomes

- The policy actions and the guidance are expected to:
- support growth by encouraging investment;
- continue to anchor medium-term inflation expectations on the basis of a credible commitment to low and stable inflation; and
- improve liquidity conditions to support credit flow.

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UTTAR PRADESH

UP announces new industrial policy

The state cabinet of UP chaired by Chief Minister Shri Akhilesh Yadav, in September 2012 cleared a new industrial policy, which was formulated in consultation with all stakeholders like industrial associations, entrepreneurs and government departments. The policy for industrial and service sector investment for the state was last made in 2004. The policy is also aimed at ameliorating the ills of traditional industries scattered across the state and energising the micro, small and medium enterprises (MSME) base estimated at over 3 million units. Under this policy, the government would strengthen the single-window and 'escort officer' (facilitation personnel of industry department) systems to simplify and speed up processing of investment proposals. To reach out to investors, the government would hold road-shows in big cities, including Mumbai and Delhi.

The new policy would serve as broad roadmap for about 26 different departments associated with industrial and infrastructure development, including labour, IT, food processing, tourism, transport, taxation etc. UP is targeting industrial and services growth rate of 11.2 per cent and 11.9 per cent respectively during 2012-17, agricultural growth rate of 5 per cent and employment to 10 million people. During the 11th Plan, the average growth rate of UP was 7 per cent.

Industrial and Infrastructure Development Commissioner (IIDC) Shri Anil Kumar Gupta said "attractive incentives" for Bundelkhand and eastern regions of the state had also been provided in the policy. The policy has provision for 100 per cent exemption in stamp duty to industries in Poorvanchal, Madhyanchal and Bundelkhand and to roads, power, wholesale, trans-shipment centres, warehousing, cold storage as well as information technology, biotech, agro-processing units. Industrial estates being developed by private sector will also get reimbursement of 25 per cent in stamp duty. Eligibility criterion for new industrial units to avail incentives under the ongoing investment promotion scheme has been brought down from Rs.10 crore to Rs.5 crore for Poorvanchal, Madhyanchal and Bundelkhand, while it has been reduced to Rs.12.5 crore from Rs.25 crore for the rest of the state. The policy also envisages launching a new capital interest subsidy scheme, under which new industrial units to be set up in Poorvanchal, Madhyanchal and Bundelkhand shall get reimbursement at 5 per cent on interest rate of loan taken for plant and machinery. A special 'EPF reimbursement scheme' has been planned to generate new employment opportunities. The scheme includes provision of reimbursement of 50 percent of EPF contribution by new units for their workers for three years, if the new units employ 100 or more labourers.

UP Budget

Uttar Pradesh Chief Minister Shri Akhilesh Yadav presented a Rs.23,913-crore deficit budget for 2013-14 at Rs.2,21,201.19 crore in February 2013. During 2011-12 and 2012-13, the Budget size was Rs.1,69,416 crore and Rs.2,00,110 crore, respectively. The fiscal deficit has been projected at Rs.23,913 crore, which is 2.94 per cent of the gross state domestic product (GSDP), estimated at Rs.8,12,101 crore (current prices). In the earlier Budget, the fiscal deficit was 2.96 per cent.

The annual financial statement has projected total receipts of Rs.2,15,920 crore during 2013-14, comprising Rs.1,77,748 crore and Rs.38,172 crore of revenue and capital receipts, respectively. The total expenditure of Rs.2,21,201 crore includes Rs.1,67,892 crore and Rs.53,309 crore in the shape of revenue and capital expenditure, respectively.

UTTARAKHAND

Uttarakhand Industrial Policy

Uttarakhand Chief Minister Shri Vijay Bahuguna said that the aim of the State Government in introducing the mega industrial policy was to strengthen the already established industries and encourage other new industries in the State. He

maintained that Uttarakhand has an appropriate environment for industries. Law and order is better here compared to other States and single window system has been introduced for the convenience of industries. A special nodal officer would be appointed for every new industrial project, while adding that the road, railway and air connectivity was being developed. Alongwith an integrated policy, the State Government would provide assistance to industries as per their requirements.

Shri Bahuguna said that establishment of SIIDCUL Phase-II was on anvil and a logistic hub too was being set up by SIIDCUL and Concore near Pantnagar. Separate department has been formed for micro, small and medium industries while a Textile Park, Spice Park and tool room were being established with the assistance of Central Government. The CM said that efforts were on to secure gas for the 440 MW gas based power capacity at Kashipur which will enable continuous power supply to the industry. On the issue of low cost housing, he urged the industry to come forward with their demand estimates, adding that the Government would work out a model to facilitate land availability for such projects.

MAHARASHTRA

Maharashtra announces industrial policy to help MSMEs

Maharashtra's New Industrial Policy 2013-18, announced in Mumbai in January, 2013, aims to boost the SMEs by giving subsidies and tax concessions. An investment of Rs.5 lakh crore, jobs for two million people, and an aim to increase the states GDP to 28% are other few highlights of the said policy, which will be implemented from April 1.

The policy, which focuses on the promotion of micro, small, medium scale (MSME) enterprises in the state, offers 100% rebate VAT to to MSMEs especially in tribal areas and Naxalite-infested districts and 90% in under developed districts such as Chandrapur in Vidarbha and Nandurbar in North Maharashtra. Further, industrial projects proposed to be set up in Vidarbha and Marathwada regions will receive waiver in the payment of stamp and registration duty and also in the electricity duty. The government will provide 75 per cent or up to Rs.2 lakh reimbursement of expenses incurred by MSMEs for carrying out electricity and water audits. The government has also proposed rebate of Rs.1 per unit or 20 per cent annually in the electricity tariff charged to MSME.

The Maharashtra government has classified all 357 taluks in the state in five categories on the basis of industrial development—A, B, C, D and D+. The new policy includes 100% stamp duty exemption while purchasing land in C, D and D+ zones in the state and an additional 5% subsidy to MSMEs on capital investment C and D zones for development purposes.

The Maharashtra government has also found a way to use land acquired for special economic zones (SEZs) that did not materialize. The new policy gives an exit route for SEZ developers by allowing them to use such land to primarily develop industrial townships, but also keep a portion for residential and commercial projects. Developers will likely be allowed to use 60% of such land for industrial projects and the rest for residential or commercial buildings.

CHHATTISGARH

Chhattisgarh Industrial Policy - An Overview

Vision & Mission

According to the industrial policy announced by the Chhattisgarh govt. good governance and excellent infrastructure help attract investments and incentives have an insignificant role in the promotional exercise. Two points stand out in the policy in which Chhattisgarh is described as a 21st century state: First, it is not to be tinkered with during its five-year validity (up to 2005-06), and second, commitments made to entrepreneurs by the state government prior to the creation of Chhattisgarh will be fulfilled. It has also unveiled its Vision 2010, wherein long-term development priorities have been defined. It projects doubling of the contribution of the gross state domestic product from the current level of Rs.5,500 crore.

The state's comparative advantage as listed in the policy document are: Abundant natural and mineral resources; Availability of critical infrastructure and surplus power; Strategic location, equal proximity to western, southern and eastern region markets; and, Factors of production-low cost of land, and peaceful industrial workforce.

Instead of providing small incentives, the government will concentrate on providing excellent infrastructure, though it realises that fiscal incentives will have to be provided in the immediate term for promoting industries. Therefore, the state will follow a system of "directed incentives" that will help generate investment and employment, enhance competitiveness of enterprises and contribute towards the development of social and physical infrastructure.

The cluster concept is to be followed for industries

based on agriculture, forest, minerals, information technology and biotechnology. Under the cluster concept, financial assistance of Rs.2 crore per cluster is to be considered for establishing common facilities for quality improvement, technology upgradation and market promotion.

There are several incentives for the IT sector like exemption from pollution control regulations, exemption from payment of electricity duty for new units, exemption from payment of electricity duty without any time limit for units with captive generating sets up to 150 kV, exemption from payment of stamp duty on acquisition of property, preference in government purchases for units meeting price/quality standards and 25 per cent rebate on premium on land revenue in growth centres.

A software technology park is being planned in Bhilai. A nodal technical agency called Chhattisgarh Information Promotion Society has been created. Biotechnology is to be utilised to improve agricultural productivity. An inventory of the state's bio-resources will be prepared with the help of research institutions, NGOs and universities.

The State Investment Promotion Board, to be chaired by the Chief Minister, will be the single contact point for investment proposals of Rs.20 crore and above. On behalf of the investors, SIPB will organise all clearances within pre-determined time limits. It is to be assisted by regional investment promotion committees and district investment promotion committees.

The government proposes to take up with the Centre the issue of exemption from labour laws for small-scale industries employing less than 50 workers. The government will encourage industry-labour agreements on productivity-linked wages. The state agency constituted for infrastructure development-Chhattisgarh Infrastructure Development Corporation-has already taken up implementation of an action plan. The policy seeks to encourage setting up of industrial estates in public-private partnership. In such cases, the state will contribute 20 per cent towards the cost of development of infrastructure, subject to a maximum of Rs.2 crore. Whenever industries are located in places other than designated industrial areas, the government will provide assistance to mega projects to meet part of the cost of developing infrastructure such as land, power, water and approach road. The assistance will be to the extent of 25 per cent of the infrastructure cost, subject to a maximum of five years sales tax.

KARNATAKA

Karnataka budget

Karnataka CM Shri Jagadish Shettar presented the state budget of Rs.1,17,005 crore with a state Plan size of Rs.46,450 crore, which is 10.5% higher than the current fiscal. The allocation for agriculture is Rs.22,310 crore, which is 13.5% higher than FY13.

The state budget has presented a revenue surplus of Rs.585 crore for 2013-14 fiscal without imposing any kind of additional taxes. According to the proposals, the total expenditure for the next fiscal has been budgeted at Rs.1,17,004.82 crore with revenue receipts targeted at Rs.1,15,982.54 crore. There would be no increase in tax rates and no fresh levy during 2013-14. The value added tax (VAT), which was increased from 5% to 5.5% and 14% to 14.5%, will end in July 2013. All the fiscal parameters were within the mandate of the Fiscal Responsibility and Budgetary Management Act, reflecting the financial discipline of the state. For FY14, the fiscal deficit is pegged at R16,714 crore, which will account for 2.78% of the GSDP. The total liabilities are estimated at Rs.134,472 crore — 22.35% of the GSDP. Total tax revenue was projected at Rs.61,012 crore for FY 14, which represents a 18% increase over the current fiscal. The non-tax revenue was pegged at Rs.3,838 crore and the state's share from central taxes would be Rs.14,375 crore. The budget also continued with the total exemption of VAT on paddy, rice, wheat, pulses and products of rice for another one year. The biggest thrust of this year's budget has been towards urban infrastructure with total outlay of Rs.6,203 crore for development of Bangalore through government and other related organisations.

Nabard's Rs.127.40-cr loan to Karnataka

Nabard has sanctioned Rs.127.40 crore as loan assistance to Karnataka under rural infrastructure development fund (RIDF) for various projects. The funds have been sanctioned for projects, in the state. The assistance extended for construction of 512 .99 km length of road projects and 270 metre of rural bridge projects is expected to benefit more than 8.12 lakh rural populace in all 30 districts of the state. The road/bridge projects would connect 841 villages with 360 marketing centres and generate non-recurring employment of 40.41 lakh mandays and recurring employment of 407 jobs per year.

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Milking Chocolate for Healthy Benefits
By: Michelle Stewart

I'm making a confession. I am one of the stealth chocoholics. That is bad news and good news- the bad news is that like you, it can be tough for me to turn down a sample of the creamy confection. On the good side, chocolate has health benefits.

Now I am not saying you can have all the chocolate you want. I want to share with you how chocolate can help with your goals to include foods that are good for you as ingredients in your diet. Chocolate begins with the cacao beans. It's the cacao beans that are the key in creating the good-for-you factor. These beans are rich in plant nutrients called flavonoids, which protect the cocoa plant. The primary type of flavonoids found in cocoa and chocolate are flavanols which have antioxidant properties. Research has shown that these flavonals have positive affects on health. Antioxidants, such as vitamins C and E help protect healthy cells from substances called free radicals which can attack health cells. These nutrients are also found in red wine and green tea.

There are several types of chocolate which contain varying amounts of cacao beans and flavanols. Bittersweet or dark chocolate contains the most generous amounts from higher cacao content chocolate. The higher the percentage of cacao in the chocolate, the greater the benefits and nutritional value. For example, an average 65% dark chocolate serving would look something like this (these are estimates, as actual numbers will vary, depending on brand, size, etc.): Total Fat 15 g, Sat. Fat 9 g, Sugars 16g, Protein 3g.

In comparison, an average 99% dark chocolate serving would look something like this (these are estimates, as actual numbers will vary, depending on brand, size, etc.):Total Fat 22 g, Sat. Fat 14 g, Sugars 2g, Protein 5g.

As the percentage goes up on the cacao content, the less sugar and more protein you'll find. You may also notice the higher fat content -don't worry, most of it comes from healthy fats. (yes, you can find healthy fats in chocolate!)

Benefits of dark chocolate include:

- High antioxidant content—it is an antioxidant powerhouse.
- It can have positive affects on maintaining heart health
- It can help lower blood pressure
- It can aid in maintaining healthy arteries that are relaxed and flexible, thus increasing blood flow.
- It may reduce insulin insensitivity and lower the risk of diabetes.
- A greater feeling of fullness or satiety which can reduce cravings for sweet and salty foods.
- Consumption of chocolate and other flavanol rich foods like red wine and tea can also reduce stress and increase performance on cognitive tests.

This sweet indulgence can also tip your scale toward the heavy side. Choose a dark chocolate with cocoa content of 65 percent or higher. Limit yourself to 2 or 3 ounces (56 to 85 grams) a day, this will add between 300 to 450 calories to your diet. You may want to cut back on calories from some other food or boost your exercise to make sure you can add the chocolate and maintain a healthy weight.

A little chocolate goes a long way and it's health benefits can soothe your conscience if you're you are reluctant to fess up to enjoying this guilty pleasure.

TAKE AWAY: It's a good thing to be able to enjoy foods that give you pleasure. The caveat is to remember too much of a good thing can easily become less enjoyable and that is true of chocolate. It contains calories and overindulgence with pack the pounds on.

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Infra finance cos can borrow more abroad

Infrastructure finance companies can now raise more funds overseas with RBI easing norms. The limit on external commercial borrowings for infra financing companies under the automatic route has been hiked to 75% of their owned funds from 50%, including outstanding ECBs. Companies that want to avail of ECBs beyond 75% of their owned funds will require RBI's approval and will, therefore, be considered under the approval route. The hedging requirement for currency risk has been reduced to 75% of their exposure from 100%.

SEZ for Japanese electronics firms in DMIC

The government has approached Japan International Cooperation Agency (JICA) to partner with it to set up a Special Economic Zone (SEZ) for electronics manufacturers within the Delhi Mumbai Industrial Corridor (DMIC) for pushing up manufacturing from Japanese companies.

It is expected the proposed collaboration would enable Japanese electronic firms, struggling due to global economic slowdown and stiff competition from South Korea and Taiwan, to innovate rapidly and manufacture at costs competitive to China. The government also has plans to dedicate a zone equipped with state of the art infrastructure only to Japanese companies within DMIC.

The government has already asked the Rajasthan government to provide land for the cluster, according to a recent communication. The Japanese government had earlier agreed to a 26 percent stake in DMIC. According, to the agreement, Japan will lend $ 4.5 billion (Rs.24,426 crore) through the Japan Bank for International Cooperation and JICA, for the DMIC project aimed at establishing industrial cities.

Core sector grows 2.6% in Dec

The eight core sectors of the economy grew 2.6% in December compared with 4.9% growth in the year-ago period. The decline in growth in December, 2012, was on account of deceleration in the production of coal, natural gas and fertilisers. The eight core industries of coal, crude oil, natural gas, refinery products, fertilisers, steel, cement and electricity have a combined weight of 37.9% in the Index of Industrial Production (IIP). The combined index was 154.6 in December.

World Bank lines up $ 4.8-bn loan for rail & road infra projects

The World Bank has lined up an over $4.83-billion loan to India for ramping up road and rail infrastructure over the next five years as part of country assistance programme to help boost economic development. The bank is also looking at funding possibilities in ports and inland waterways projects, being planned by the government during the 12th Plan period. However, the funding from the bank could come with riders on safety and maintenance. With GDP growth estimated to plunge to a decade-low of 5% in 2012-13, the government is trying to speed up infrastructure project clearances to revive the economy.

The World Bank is funding 10 major projects in the transport sector, including the eastern dedicated freight corridor (EDFC). It is providing $975 million for the first phase of EDFC that covers the 343-km stretch between Khurja and Kanpur. Another $1.05 billion is under negotiation for the second phase. The second phase is conditional to land and forest clearances and completion of at least 50% of work in the first phase. The bank will provide close to $1.5 billion for Pradhan Mantri Gram Sadak Yojna (PMGSY), $430 million for Mumbai urban transport project phase-II and $1.8 billion for state highway projects in Assam, Himachal Pradesh, Andhra Pradesh, Punjab, Orissa and Karnataka. In case of road projects, sources said every loan component has a conditionality pertaining to improving safety standards and maintenance of the assets. In some hill areas, the bank is pushing for "Green Highways" by substituting concrete by certain plants that will prevent soil erosion in slopes.

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WHY DUE DILIGENCE IS A MUST-DO

Due diligence, or the detailed examination of a company and its financial records, is the first step before buying it or just picking up a stake.

Why is M&A due diligence important?

This exercise is of key importance as it enables the buyer to fully understand the risks and rewards before finally striking a deal. Due diligence is conducted by specialised consultants, who analyse various aspect of the business and assign importance and value to each to arrive at a holistic valuation of the target company.

Financial due diligence

It is the most important aspect of the diligence process where the health of the target company is determined by looking at its assets and liabilities in the short, medium and long term. It is done by analysing the financial information to spot any misappropriation or governance issues.

What are the types of due diligence?

There are six types: financial, legal, forensic, tax, organisational and vendor due diligence. Of these, vendor due diligence is conducted by the seller.

Legal due diligence

The aim here is to ferret out legal risks, if any. This due diligence helps improve the buyer's bargaining position and ensures that necessary precautions are taken in relation to the proposed transaction.

Forensic due diligence

It is done to focus on the softer aspects of the business — the company and promoter's goodwill and general image in the industry. A forensic due diligence looks at the background of the promoters, their affiliations with political parties, pending personal legal cases and their image in the society. Though such softer issues might not have direct impact on valuations, they can be a determining factor in an M&A deal.

Tax due diligence

This examination helps the purchaser determine the past, present and future tax liabilities of the target entity, including disclosed, undisclosed, realised and unrealised tax liabilities. This helps establish the purchase price and the type of tax warranties and indemnities included in the sale agreement.

Organisational due diligence

The world is waking up to the need of an organisational due diligence to ensure there is no post- acquisition fallout. Any deal can have a profound impact on integration. This due diligence studies the target company to understand target company's strategy, culture, leadership, competencies, organisational structure and processes.

Vendor due diligence

This due diligence is done by the seller to provide critical information about the company, verified by third-party independent consultants, to prospective bidders in an auction kind of situation. Though this diligence may not replace the need for a buyer due diligence, it certainly reduces the time and effort required during a deal. Also, it helps protect leaking of critical business details to buyers who might then become competitors at a later stage.

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