

POLICY UPDATE

Reserve Bank of India Announces
Annual Credit Policy

Reserve Bank of India (RBI) has announced the Annual Credit Policy for the year 2005-06 on April 29 and released "Macroeconomic and Monetary Developments in 2004-05" on April 28. Highlights of the Credit Policy are:

- Reverse Repo Rate increased by 25 basis points to 5.0 per cent. The rate, which serves as a short-term benchmark, is one at which banks lend to RBI.
- RBI would issue guidelines on merger and amalgamation between private sector banks and with NBFCs. The principles underlying these guidelines would also be applicable as appropriate to public sector banks, subject to relevant legislation.
- An independent Banking Codes and Standards Board of India would be set up on the model of the mechanism in the UK in order to ensure that comprehensive code of conduct for fair treatment of customers are evolved and adhered to.
- Appropriate guidelines would be issued to banks to ensure transparency and disclosure of information by the card issuing banks and customer rights protection including facilitating enforcement of such rights.
- The ceiling of overseas investment by Indian entities in overseas joint ventures and/or wholly owned subsidiaries would be increased from 100 per cent to 200 per cent of their net worth under the automatic route. [more . . .](#)

The Indian Patents (Amendment) Act, 2005 has been notified. [more . . .](#)

- Govt. of India proposes to set up a **National Biotechnology Regulatory Authority** to provide an effective clearing mechanism for all biotech products. A draft National Biotechnology Development Strategy has been released for public debate. The strategy calls for exemption of Biotech industries from licensing and allowing 100% FDI on automatic route. [more . . .](#)
- A Group of Ministers in Government of India has approved the draft of the **Integrated Food Law**. The draft law will

be further examined in the Government before introduction in the Parliament. [more . . .](#)

- Indian Ministry of Textiles has removed the knitting segment from the **list of items reserved for small-scale industries**. [more . . .](#)
- Government of India has approved the **Standards of Weights and Measures (Amendment) Bill, 2005**. The draft amendment Bill proposes to raise the ceiling on fees, give power only to Central Government to prescribe fees and to shift the rule making powers from the State Governments to the Central Government. [more . . .](#)
- Following the signing of **open skies agreement** with the US, India has signed bilateral agreements providing for increased number of flights to a larger number of destinations with UK, China and Qatar. [more . . .](#)
- RBI has issued detailed guidelines to enable **NGOs engaged in micro finance** activities to raise ECB up to \$5 million in a year. [more . . .](#)
- The National Advisory Committee on Accounting Standards (NACAS) of India has proposed new draft **accounting standards for the companies**. These draft standards are being examined by the Ministry of Company Affairs. [more . . .](#)

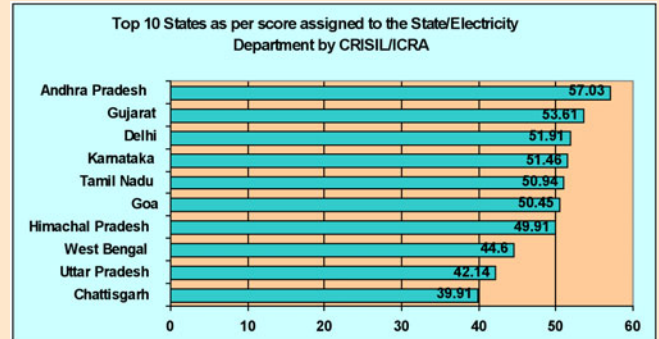


Virginia Governor Mark Warner met the Indian Prime Minister at New Delhi.

A publication of the Embassy of India, Washington, DC

NEWS HIGHLIGHTS

- The Air-India board has approved acquisition of 50 Boeing aircraft of three different types at an estimated cost of about US \$6.8 billion. The final delivery schedule would be decided only after the necessary Government approvals have been obtained and orders are placed. Air India is buying new aircraft after a gap of nearly 10 years.
- India's merchandise exports in 2004-05 reached nearly US \$80 billion, with a record growth of 24.4% over 2003-04. India's imports during April-March 2004-05 are valued at US \$106 billion representing an increase of 35.6% over 2003-04. [more . . .](#)
- Almost all Infrastructure Sectors recorded higher growth in the first 11 months of 2004-05. Civil Aviation, Telecom and Roads recorded double digit growth. [more . . .](#)
- India has crossed 100 million mark in terms of number of phones thereby becoming the fifth largest network in the world after China, USA, Japan and Germany. [more . . .](#)
- MMTC Limited, a State-owned company in India would be establishing six Free Trade and Warehousing Zones at Kandla, Noida, Mumbai, Haldia, Kochi and Ennore with an estimated investment for each warehouse of \$22 million. [more . . .](#)
- The scheme of amalgamation of the IDBI Bank Ltd. with IDBI Ltd. has come into effect from April 2, 2005.
- ICRA/CRISIL have carried out a performance rating of the State Governments and state electricity boards in India in power sectors. [more . . .](#)
- Nokia is setting up global mobile device production facility in Chennai at an estimated cost of US\$100-150 million.



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- India's easing the rules on foreign investment in real estate and property sector announced in February 2005 has set off interests among U.S. investors. Morgan Stanley said they want to be among the first foreign property investors in India. Global real estate firm New America Network Inc. (NAI) has signed a licence agreement with Kolkata's NK Realtors Real Estate Services.
- eBay is considering an investment of around \$21 million in its Indian operations over the next two years.
- Global hospitality major Hilton has decided to set up a 300-room premium 5-star hotel in Bangalore.
- Profit surge of Indian companies continues in 2004-05. The results reported by 280 companies in the January-March quarter show a 29% rise in sales and a 74% jump in net profit.
- Tata Consultancy Services (TCS) has become the country's first IT company to cross the \$2 billion (\$ 2.2 billion) in revenues.
- According to a statement by Reserve Bank of India (RBI), foreign insurance companies can set up liaison offices in India subject to regulatory approval.
- The International Finance Corporation (IFC), the private sector arm of the World Bank, has committed around \$49 million of equity and debt funding to the 192 MW AD Hydro Power Ltd at Himachal Pradesh.
- Pfizer has started introducing new patented products in India. The company has recently launched Vfend in India, a new antifungal drug from its global portfolio.
- US-based Communications network company, Avaya Inc, has announced the start of the second phase of its India development center. It would be the company's largest research and development center outside the US when fully operational.
- The Indian arm of the Reebok is eyeing over 50% growth at \$91.43 million in 2005. The company has about 140 outlets and has plans to add another 50 during 2005.
- Government of India will be launching e-smart cards, providing personal and passport details of Indian workers planning to go abroad for jobs, in early May 2005.

Visits and Events

- Securities & Exchange Board Chairman, Mr. M. Damodaran, visited US from April 18-28, 2005. He had meetings with the officials of NASDAQ, New York Stock Exchange, US Department of Treasury, and US SEC.
- The Walt Disney Company CEO Michael Eisner and his successor Robert Iger, met Prime Minister Manmohan Singh on April 25, 2005 and apprised him of the group's plans in India. Walt Disney Company, which launched two channels in December - "Toon Disney" and "Disney Channel" - is thinking of expanding its operations in India, including theme parks.