



POLICY UPDATE

- **Reserve Bank of India** on August 29 has released its **Annual Report for 2004-05**. The report projects India's GDP growth at 7% for 2005-06 and annual inflation rate between 5-5.5 per cent. As per the report India's current account balance has moved from a surplus of 1.7 per cent of GDP in 2003-04 to a deficit of 0.9 per cent in 2004-05, mainly due to a substantial rise in imports, particularly because of the meteoric rise in oil prices. The report also points to the fact that household debt in India in 2004-05 registered a sharp rise of 65% signifying rising consumer and housing loans. On foreign investments, the Annual Report of RBI points out that FII funds are continuing to increase the country's foreign exchange reserves. India's direct investment abroad was \$1.54 bln in 2004-05. The phase of acquiring foreign companies that kicked off in the IT and related services and pharmaceuticals sectors, are now spreading to manufacturing, non-financial services and trading. *More...*
- Expert Committee on **Amendments to IT Act 2000** submitted its report to the Department of IT. The proposed amendments relate to issues like data protection and privacy, liabilities of network service providers, computer related offences, and regulation of cyber cafes etc. *More...*
- Finance Ministry of India has come out with an **Outcome Budget** for the first time on August 25, 2005. The Outcome Budget presents measurable physical outcomes against the corresponding financial outlays for each ongoing programme/scheme under various Ministries/Departments. Presentation of the Outcome Budget is a follow up of the announcement made by the Finance Minister of India while presenting Union Budget 2005-06 that a mechanism would be put in place to measure development outcomes of all major programmes. The Prime Minister of India also had stressed upon the importance of converting financial outlays into physical outcomes to improve the quality of implementation of developmental programmes. *More...*
- Central Board of Direct Taxes (CBDT) have issued a detailed circular on August 29 clarifying the provisions of the **Fringe Benefit Tax** (FBT) introduced by Finance Act, 2005. *More...*
- Indian Ministry of Civil Aviation has released the final transaction documents for the modernization and **restructuring of Delhi and Mumbai Airports** to the Pre Qualified Bidders (PQBs) on August 30, 2005. The bidders have to give their technical and financial bids within two weeks with effect from 31.08.05. The Expression of Interest were invited in July 2004 and eight pre-qualified bidders were selected. *More...*
- **National Manufacturing Competitiveness Council** (NMCC) has prepared a draft National Strategy for the Manufacturing in India. The draft paper has given a 13-point strategy – covering 13 areas – for increasing the share of manufacturing in India's GDP and for securing a larger share of the global market. *More...*
- Department of Information Technology of the Government of India is proposing to establish 100,000 **Common Services Centres(CSCs)** in the rural areas by the year 2007 to provide all possible government and private services. The Department has listed about 80 services grouped under 15 categories including Agriculture, Animal husbandry, Education, health, citizen services, employment, environment, tourism and entertainment, as the possible services that could be provided through the CSCs. DIT has received nine proposals from the private sector to steer the mega initiative of nearly \$700 million. These include proposals from IL&FS, ICICI Bank, Tata Consultancy Services and Reliance Infocom. *More...*
- Department of Telecommunications (DoT) has issued a policy directive to the Telecom Regulatory Authority of India, (Trai) saying the access deficit charge (ADC) should be levied on the basis of a percentage share of annual revenue and not on a per-minute basis. This will lead to a drop in **tariffs for National Long Distance** over 100 million users of fixed and mobile telephony. ADC is a charge imposed on long distance services and passed on to fixed line access providers *More...*
- RBI on August 25 has issued a circular modifying the procedures and laying down conditions for obtaining approval from RBI for **transfer of security** by way of gift upto \$25,000 in a year, by a person resident in India to a person who is a close relative and resident outside India. *More...*
- Reserve Bank of India in a press release issued on August 23 has clarified that under Notification No.16 dated May 3, 2000 of RBI issued under **FEMA 1999**, service providers like hotels etc. cannot insist that the payments be made by foreigners in foreign exchange and also cannot quote differential rates for them *More...*

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NEWS HIGHLIGHTS

General News

- Bombay Stock Exchange, has been corporatised w.e.f. August 20, 2005 under the name 'Bombay Stock Exchange Limited'. The Exchange was originally established as "The Native Share & Stock Brokers Association" in 1875 that obtained permanent recognition from Government of India in 1956. Following corporatisation, brokers will have 25% representation in the Governing Board of the company. Till now brokers had 100% control and ownership on the exchange. BSE Ltd. would have to ensure that 51% of its equity shares are held by public other than shareholders having trading rights. [More...](#)
- India has reached fourth place in terms of total installed wind-power generation capacity after Germany, Spain and the US. [More...](#)
- Chennai Metro Water Supply and Sewerage Board is finalizing a bid to construct a 100 million litre desalinization plant for drinking water. This will be the first project of its kind in India. (Economic Times, August 30, 2005, p4)
- India and Russia on August 16 signed a US\$ 350-million deal for the joint development, production and marketing of a new aircraft engine for use on the indigenous Intermediate Jet Trainers HJT-36 and HJT-39. [More...](#)
- Surging stock prices and upbeat investor sentiment have propelled India to become the 15th largest market in the world on the market capitalisation (m-cap) parameter, and the fourth largest among emerging markets. [More...](#)
- BPO companies in India have come together under the aegis of NASSCOM to form a not-for-profit body to screen staff for evaluation of talent for the industry. The initiative is expected to be funded through fees, which each individual will have to pay to participate in a test. (Economic Times, August 25, 2005 p. 5)

Corporate News

- Motorola Inc. is planning to set up a manufacturing unit in India. [More...](#)
- India-based Biocon Ltd and US-based Nobex Corporation have announced a global research collaboration to jointly develop an oral peptide product for the treatment of cardiovascular disease. [More...](#)
- India-based Bharti Tele-Ventures has signed a \$125 million outsourcing deal with Finland-based Nokia to expand and manage its cellular networks in eight circles. [More...](#) Bharti has lined up a capital expenditure of US \$1 billion for 2005-06 with the target of connecting 5,000 towns this year as against 2,800 towns connected now. [More...](#)
- US-based Alcoa, the aluminium company, is planning to enter India by acquiring India-based Vedanta group's 45% controlling stake in India Foils. [More...](#)
- India-based State Bank of India has formulated a program to expand its operations in many countries, including the United States and South Africa to meet the growing needs of foreign customers. [More...](#)
- JP Morgan Chase is planning to pick up 25% stake in India-based Binani Cement. [More...](#)
- Russian automobile corporation RusPromAvto is planning to invest \$100 million in the construction of truck assembly plant in India and assemble heavy-duty cross-country 'Ural' trucks in India from September 2005. [More...](#)
- Business space provider Ascendas is developing a new US \$89.5 million IT park in Kolkata. [More...](#)
- Great Eastern Shipping (GE Shipping) – India's largest private shipping company – has announced a de-merger on August 31, 2005. The de-merger will create two focused companies, one in shipping and the other in the oilfield services. [More...](#)

Visits and Events

- India and the US on August 24, 2005 have issued a Statement of Intent on Indo-US collaboration on Expansion of Vision Research recognizing the strong commitment shared by the two countries to reduce the burden of vision disability and blindness. The Statement has been released by Indian Secretary of the Department of Biotechnology, Dr. Maharaj K. Bhan and Dr. Elias A. Zerhouni, Director of National Institutes of Health, US Department of Health and Human Services. [More...](#)
- Finance Minister of India, Mr. P. Chidambaram, would visit US from September 20-25, 2005 to attend India Investment Forum Meeting in New York on September 21, give a lecture in Yale University on September 22, and to attend Annual Meetings of World Bank/IMF in Washington D.C. on September 23-25, 2005.
- The World Bank President, Mr. Paul Wolfowitz visited India from August 17-20 as a part of his South Asia tour. In India Mr. Wolfowitz met with the President, Dr. A.P.J. Abdul Kalam, and the Prime Minister Dr. Manmohan Singh. Rural India was the focus of much of Mr. Wolfowitz 's India visit. Mr. Wolfowitz announced that the World bank is ready to lend up to US \$3 billion over the next three years to support a rural infrastructure program in India, called Bharat Nirman, especially to build roads, provide drinking water and establish irrigation facilities in Indian villages, mostly through state level projects.



The President, Dr. A. P. J. Abdul Kalam with the President of the World Bank Mr. Paul D. Wolfowitz, in New Delhi on August 19, 2005.