



POLICY UPDATE

- India further liberalises FDI regime. FDI up to 51% with prior approval from Foreign Investment Promotion Board (FIPB) would be allowed for retail trade in 'Single Brand' products like Reebok, Nokia, Adidas etc. The government will come out with guidelines on what will be eligible for clearance as 'single-brand' retail. As of now, foreign companies are investing in Indian retail showrooms through the franchisee route.

Multiple layers of approval for already liberalized sectors such as power trading, processing and warehousing of coffee and rubber, would be done away with. No FIPB approval would be required for transfer of shares in an existing Indian company from Indian investors to foreign investors in the financial services. FIPB approval would also not be required for cash and carry wholesale trading and for export trading beyond 51%.

For business-to-business e-commerce foreign investors would not be required to divest 26 percent of the foreign equity within 5 years of making the investment.

FDI cap would be raised from 74% to 100% in development of new airports, and exploration of mining of diamonds and other precious stones. 100 percent FDI in distillation and brewing of potable alcohol, industrial explosives and hazardous chemicals would be allowed subject to other applicable regulations on these sectors. *More...*

- Government of India has selected two consortia for modernization of Delhi and Mumbai Airports. GMR Industries of India and Fraport, the Frankfurt airport operator have been selected to modernise Delhi airport while the GVK group and Airports Company of South Africa have been selected to modernize Mumbai airport. The airports would be leased to the joint venture companies in which state owned Airports Authority of India would hold 26% equity and selected private consortia 74% equity.
- Reserve Bank of India w.e.f. January 24, 2006, has increased repo and reverse repo rates, the rates at which it borrows from and lends to banks, by 25 basis points to 6.5% and 5.5% respectively. *More...*

NEWS HIGHLIGHTS

- Government of India has released a new series of GDP estimation with base year 1999-2000 replacing the old series with base year 1993-94. Accordingly, India's GDP growth in 2004-05 was 7.5%. The old series had estimated the growth rate at 6.9%. *More...*
- India has achieved the landmark of adding 4.5 million mobile phone in one month in December 2005. Rising demand for cell phone instruments has led to setting up of manufacturing base in India by global companies like Ericsson, and LG. Nokia is setting up an integrated manufacturing facility near Chennai with an investment of US\$ 150 million. Siemens, and Motorola are firming up their investment plans. *More...*
- Reliance Infocomm announced its 'One-Nation, One Tariff' offer on January 2, 2006. Under this scheme

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calls from Reliance IndiaMobile prepaid anywhere-to-anywhere across India will cost one rupee a minute. [More...](#)

- BSE Sensex crossed 9800 reaching all time highs in end January, 2006.
- Ministry of Finance, Government of India, has invited public comments on the report of the High Level Expert Committee on Corporate Bonds and Securitization, under the Chairmanship of Dr. R.H. Patil. [More...](#)

Corporate news

- The world's second largest cement maker, Holcim Cement Company of Switzerland, has acquired a 14.8% stake in Gujarat Ambuja Cement (GACL), for \$476 mln. and offered to buy another 20% for \$560m. Holcim already has a 34% stake in Associated Cement Companies Ltd. of India. With the present acquisition of Gujarat Ambuja, Holcim will have control over almost 33 million tones out of a total annual production of 152 million tones of cement in India. [More...](#)
- Kevin Rollins, CEO of Dell inc. visited India. In a meeting with Prime Minister Manmohan Singh on January 30, 2006, he conveyed Dell's commitment to India and its plans to set up a manufacturing base and develop the market. Rollins also announced that Dell would increase the number of call center staff in India from 10,000 now to about 15,000 over the next two years. [More...](#)
- Reliance Industries (RIL) has formed a joint venture (50:50) with Bechtel International Inc, to execute engineering and construction projects in domestic and international markets. [More...](#)
- Reliance Group has announced its plans for another mega IPO to raise approx. \$1.3 bln. for part funding its new refinery and petrochemicals project. Reliance Industries Ltd (RIL) has also announced an initial investment of \$750 million in retail business.
- Associated Chambers of Commerce and Industry (Assocham), one of India's leading Industry Associations, has opened office in the US at New York. [More...](#)
- Coal India Limited is contemplating to set up a new subsidiary Coal India Videsh Limited (CVL) for foreign ventures. [More...](#)

Visits & Events

- India and the United States held the fourth U.S.-India Global Issues Forum in New Delhi on February 1, 2006. [More...](#)
- Third plenary of the Indo-US Cybersecurity Forum (IUSCSF) was held at New Delhi on 16 - 17 January 2006. [More...](#)
- Indo-US Information Security Summit 2006 organized by NASSCOM and information Technology Association of America (ITAA) was held at New Delhi on January 18, 2006. On the occasion, a National Skills Registry for IT professionals has been launched. [More...](#)
- Ms. Satwant Reddy, Secretary, Department of Chemicals and Petrochemicals, Government of India, led a delegation of chemical and petrochemical industries to the US on January 23-27, 2006. The delegation met and invited US companies to participate in IndiaChem 2006.



Ambassador Ronen Sen, right addressing invitees to a reception held on January 27 to commemorate the 57th Republic Day of India. U.S Under Secretary of State for Political Affairs Nicholas Burns on the left. Photo Credit: Kiran Jagga, PIC Wing, Embassy of India.