

**POLICY UPDATE**

- Report of the Committee on Fuller Capital Account Convertibility has been released. The Committee has suggested 3 phases timings and sequencing of measures. Phase-I: 2006-07, Phase II: 2007-08 to 2008-09, and phase III: 2009-10 to 2010-11. Some major recommendations include (i) raising of annual ceilings for availing External Commercial Borrowings from existing \$500 mln., (ii) liberalising the present limits for corporate investment abroad from 200 per cent of net worth to 400 per cent of net worth, (iii) allowing Exchange Earners Foreign Currency Account holders with cheque writing facility and interest bearing term deposits in foreign currency, (iv) prohibiting FIIs from investing fresh money raised through Participatory Notes, (v) allowing institutions other than multilateral institutions to also raise rupee bonds with an option to convert into foreign exchange, (vi) linking limits for borrowing by banks overseas to paid-up capital and free reserves, (vii) increasing the annual limit for individuals to freely remit from \$25,000 per calendar year now to \$50,000 in Phase I, \$100,000 in Phase II and \$200,000 in Phase III. (viii) allowing all non-residents to invest in the Indian stock market through Securities and Exchange of India registered entities including mutual funds and Portfolio Management. The Committee has also suggested for review of selected existing provisions by RBI and bringing about concomitant changes in tax policy etc. The Reserve Bank of India Governor, Dr. Y.V. Reddy, has said that the RBI would consider the recommendations and arrive at a decision in the next few weeks. *More...*
- The Food Safety and Standards Act, 2006 of India has come into effect from August 24, 2006. The Act replaces a number of food safety related laws to meet the dynamic needs of the food trade and industry sector as also international trade practices in processed food. *More...*
- A Special Purpose Vehicle (SPV) under the Ministry of Railways would be set up for execution of construction of the Dedicated Freight Corridor Projects to connect the Golden Quadrilateral cities, viz., Delhi, Mumbai, Chennai & Kolkata at an estimated cost of approx. \$14 bln. over a period of 7 years. *More...*
- The Reserve Bank of India has released Annual Report 2005-06. The Report projects India's GDP growth in the range of 7.5-8.0% in 2006-07 and annual rate of inflation at 5-5.5%. The current account deficit remained modest at 1.3 per cent of GDP in 2005-06 as the surplus under invisibles continued to remain buoyant. While FDI inflow in India amounted \$7.7 bln. in 2005-06, outward FDI from India amounted \$1.9 bln. FIIs invested \$12.49 bln. in India in 2005-06. *More...*

NEWS HIGHLIGHTS

- BSE Sensex has regained momentum and reached 11,914 on September 5, 2006. There is a fresh surge in FII inflows. FIIs have invested \$1 bln. into Indian equities in August 2006, the highest in one month since March, when FIIs invested \$1.48 bln.

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- The 26 foreign banks operating in India have registered 54.76% growth in net profit in 2005-06. Their total assets increased by 31.6%, and income grew by 34%. [More..](#)
- India's merchandise exports increased by 40.67% to \$10.17 bln. in July 2006. Exports during April-July 2006 increased by 34.03% to \$37.7 bln. Imports during April-July 2006 increased by 29.24% to \$42.1 bln. [More...](#)
- Power generation in India increased by 6.1% in April-July 2006 The generation in all the categories, namely thermal, nuclear and hydro, registered growth ranging from 3.5% to 13.5%. [More...](#)
- Indian companies struck Mergers & Acquisition deals worth \$25.6 bln. in the first six months of 2006, up from \$8 bln. in the first half of 2005, and \$23.6 bln. for the whole year 2005. There were 76 cross-border deals worth \$5.2 bln. [More...](#)

Corporate News

- Bharti Airtel has signed a \$1 bln. network expansion contract with Ericsson and has entered into a strategic tie up with Microsoft to enable mobile users in India to access a range of Microsoft Office applications and other multimedia products on their mobile phones. [More...](#)
- VSNL would invest up to \$200 mln. for a 9,000 km direct cable link between India and Europe via North Africa. [More...](#)
- The German cash-and-carry wholesale format giant Metro Group would invest aprox. \$384 mln. in India and expand its operations to 33 cities in the country. [More...](#)
- Advanced Micro Devices (AMD), a computer chip maker in the US, is planning to invest approximately \$500 mln. in SemIndia, a consortium working towards establishing a semiconductor manufacturing base in India. [More...](#)
- Pipavav Shipyard, a shipbuilder of India, has received two separate orders worth \$720 mln. from Z Schifenburg, a shipping company of Germany, and BF Shipping of Cyprus to manufacture and export ships. [More...](#)
- Tata Tea has acquired 30% stake in Energy Brands of US for \$677 mln. [More...](#) The Tata group has recorded 80 per cent growth in its international business in 2005-06. [More...](#)
- Mylan Laboratories, a pharmaceutical company of US, has acquired 71.5% stake in Matrix Laboratories of India for \$736 mln. [More...](#)

Visits and Events

- CEO of the European Aeronautics Defence and Space Co (EADS) Thomas Enders visited India on August 28-Sept. 3, 2006 as a part of the delegation led by German Economics Minister Michael Glos. During his visit EADS and Hindustan Aeronautics Limited (HAL) signed an agreement to expand their collaboration into new markets. HAL and EADS are already long term partners, working together to manufacture helicopters and passenger jets. Mr. Enders also announced that EADS would invest upto 2 bln. Euro in India over next 15 years. [More...](#)
- The Fourth Sub-Cabinet level meeting of the India-US Financial and Economic Forum took place on August 23, 2006 at Washington D.C. The meeting was co-chaired by Mr. Timothy Adams, Under Secretary for International Affairs at the US Department of Treasury on the US side and by Mr. Ashok Jha, Secretary, Department of Economic Affairs, on the Indian side. The meeting discussed a number of key issues including developments in the global economy, policy responses to high oil prices, US and Indian leadership in the WTO Doha Development Round negotiations, strengthening India's physical and financial infrastructure, and collective efforts to combat money laundering and the financing of terrorism. [More...](#)