

Indian Finance Minister at the IMF-World Bank Annual Meetings

Finance Minister of India Mr. P. Chidambaram led Indian delegation to the IMF-World Bank Annual Meetings on October 18-22, 2007. The delegation included Dr. Y.V. Reddy, Governor, RBI and Dr. Subba Rao, Finance Secretary. Mr. P. Chidambaram also addressed ICICI Securities Annual Investors Conference in New York on October 18, 2007 and delivered a lecture at the Harvard University on "Poor Rich Countries – The Challenges of Development".

In his statement at the IMF-World Bank Annual Meetings, Finance Minister said that governance structure and voting shares of developing countries were at the core of Voice Reforms' issue at the World Bank. Any discussion on the structural options without a review of the fundamental formula for IBRD shares would be superficial. While GDP would remain a variable, there was also a need to include other variables such as poverty numbers and infrastructure deficit to correctly reflect the demand side. Finance minister also spoke of increased IDA funding. With regard to recent turbulence in financial markets in the US and Europe, he urged the advanced economies to take appropriate measures to restore full normalcy in financial markets and share with the world what they intend to do. Mr. Chidambaram said that Managing Director of IMF and President of the World Bank should be selected through a transparent process from among the best talent available in any part of the world. *More...*



Indian Finance Minister, Mr. P. Chidambaram at the Annual Meetings of the IMF-World Bank

POLICY UPDATE

- Securities and Exchange Board of India (SEBI) on October 25, 07 issued restrictions on issuance of Participatory Notes (PNs)/ODI in the Indian stock markets by Foreign Institutional Investors (FIIs)/sub-accounts. SEBI has also decided to broad base the criteria under which PN holders of FIIs could register with SEBI directly for investment in Indian Stock Markets. Pension Funds, Foundations, Endowments, University Funds, Charitable Trusts or Societies which are not regulated in their home countries may be registered as FIIs with SEBI. Such entities should have at least 20 investors, no single investor holding more than 49% instead of 10% at present. *More...*
- The Reserve Bank of India in its half yearly review of monetary policy has kept the interest rates unchanged. The Cash Reserve Ratio for the Banks has been increased by 50 basis points to 7.50%. The GDP forecast is unchanged at 8.5% and the inflation target for 2007-08 is at 5%. *More...*
- The Government of India has allocated additional coal blocks for the power sector that is expected to add 68000 MW to power generation capacity. Government of India took the decision to de-reserve coal blocks that could not be taken up for mining by Coal India Ltd and its subsidiaries. Ministry of Coal identified 81 Coal blocks for allocation to both government and private companies for permissible end uses, out of this 41 Coal blocks were earmarked for the power sector. *More...*

A publication of the Embassy of India, Washington, DC

NEWS HIGHLIGHTS

- Bombay Stock Exchange index SENSEX went up to 20,040 mark on 31st October 2007, its highest level. For the last couple of weeks, SENSEX has been very volatile due to increased FII investments and restrictions by SEBI on investment through the Participatory Note route by FIIs. Indian equity markets have been one of the top performing markets in wealth creation with an 89% expansion in the total market capitalization in 2007. The market capitalization stood at \$1.54 trillion as on 28th October, 2007. [More...](#)
- Indian Ministry of Finance announced rules for valuing employee stock options for the purpose of fringe benefit tax. [More...](#)
- The Government of India has announced a weather-based agricultural insurance scheme where the premiums will be evenly subsidized by the Central Government and the states. The weather based insurance policies will be sold by the Government-owned Agriculture Insurance Co. of India Ltd (AIC) and two private insurers, ICICI Lombard General Insurance Co. Ltd and Iffco-Tokio General Insurance Co. Ltd. [More...](#)
- The Government of India is taking steps to float a fund to make seed capital available to entrepreneurs with innovative ideas with initial corpus contributed by Ministry of Science and Technology. The framework for setting up Innovation Promotion Council will be finalized by March 2008. [More...](#)
- The Securities and Exchange Board of India (SEBI) has approved a proposal for setting up an exchange dedicated to small and medium enterprises (SMEs) which would allow them better access to risk capital. [More...](#)
- The total number of wireless phone subscribers in India country reached 209.08 million and the total telephone subscriber base increased to 248 million according to data released by Telecom Regulatory Authority of India (TRAI). [More...](#)
- Telecom Commission of India, apex body of the Department of Telecom has submitted its policy report for third generation mobile (3G) and wireless broadband services (Wi-max) to Ministry of Communications and Information Technology. [More...](#)
- India is the top remittance receiving country in the world, according to latest data released by the World Bank. Indians working in foreign countries sent back over \$25.7 billion as remittances in 2006. [More...](#)
- Deals by Private Equity players and Venture Capitalists in India will touch \$17.71 billion by 2009 according to a study by market research firm Evalueserve. Private equity and Venture capital firms are now looking to invest in new areas such as manufacturing, financial services, health care, real estate and construction. [More...](#)

Corporate News

- JP Morgan and Chase has set up \$2 billion fund focusing on infrastructure investments in India. The fund will be ready to invest in companies and projects by the end of this year. [More...](#)
- ICICI Bank has received permission from US Federal Reserve to open a branch in New York which would engage in wholesale banking business, including trade financing and factoring services to US-based subsidiaries of Indian firms. [More...](#)
- L&T, an Indian company will build two mega integrated commercial ports in India with an investment of almost \$887 million. The company is also setting up \$1 billion infrastructure fund for its India operations. [More...](#)
- Glenmark Pharmaceuticals of India has outlicensed for commercialization its third new drug under development for pain management to Eli Lilly for a potential deal size of about \$350 million. [More...](#)
- US based private equity firm Warburg Pincus will invest \$110 million dollars to acquire 11.2 % stake in Havells India, an electrical and power distribution equipment company. [More...](#)

Visits and Events

- Governor of Minnesota Mr. Tim Pawlenty led a business delegation to India in October 2007. The delegation included 73 representatives from US companies, including IBM, Best Buy, 3M and CH Robinson. Governor Pawlenty signed Sister State Agreement with Chief Minister of Haryana Mr. Bhupinder Singh Hooda.
- Governor of Utah Mr. Jon Huntsman Jr. visited India on October 29-November 1, 2007. Governor Huntsman met Commerce & Industry Minister Mr. Kamal Nath in New Delhi.
- US Treasury Secretary Mr. Henry M. Paulson Jr. visited India on October 27-31, 2007. Secretary Paulson called on Prime Minister of India Dr. Manmohan Singh. Secretary Paulson and Indian Finance Minister Mr. P. Chidambaram Co-Chaired India-US Financial and Economic Forum Meeting in New Delhi. Secretary Paulson also delivered a speech at the India-US CEO Forum "India Infrastructure Investment Conference 2007" in Mumbai on October 29, 2007. Secretary Paulson spoke for developing Mumbai into an International Financial Center.