



## POLICY UPDATE

- Reserve Bank of India, in consultation with the Government of India has decided to allow Indian companies in the energy and natural resources sectors such as oil, gas, coal and mineral ores to invest in excess of 400 per cent of their net worth. The investments in excess of 400 per cent of the net worth shall be made only with the prior approval of the Reserve Bank. Selected Public Sector Undertakings (PSUs) are allowed to invest in overseas unincorporated entities in oil sector (i.e. for exploration and drilling for oil and natural gas, etc.), which are duly approved by the Government of India, without any limits, under the automatic route. This facility is now extended to ONGC Videsh Ltd (OVL) and Oil India Ltd (OIL). RBI has decided in consultation with the Government of India to allow a similar facility to other Indian companies to invest in overseas unincorporated entities in oil sector. *More . . .*
- The Government of India has proposed to issue fresh licenses to successful bidders in the auctioning of spectrum for 3G mobile services. According to draft guidelines for Auction and Allotment of spectrum for 3G services, the successful bidder would get spectrum allotment for 3G services for a period of 20 years. Successful bidders who are not licensees would be given Unified Access Service (UAS) License. *More . . .*
- Securities and Exchange Board of India (SEBI) shall allocate the enhanced limits for investments by Foreign Institutional Investors (FIIs) in Corporate Debt and Government Securities on a "first come first served" basis subject to a ceiling of \$200 million per registered entity. SEBI had increased the cumulative debt investment limits from US \$3.2 billion to US \$5 billion and US \$1.5 billion to US \$3 billion for FII investments in Government Securities and Corporate Debt, respectively. *More . . .*
- RBI in consultation with Government of India has decided to enhance the period of realization and repatriation of export proceeds to India from six months to twelve months from the date of export. *More . . .*
- RBI in consultation with Government of India has decided to allow entities in the service sector such as hotels, hospitals and software companies to avail External Commercial Borrowings (ECBs) up to \$100 million, per financial year, for the purpose of import of capital goods under the Approval Route. *More . . .*

## NEWS HIGHLIGHTS

### News Highlights

- Reserve Bank of India (RBI) has allowed domestic oil refiners to hedge the sale of petroleum products and domestic crude purchase on foreign commodity exchanges. The hedging in petroleum products will be allowed on the basis of underlying contracts on foreign exchanges. RBI has permitted domestic oil refiners to hedge up to 50% of actual crude oil imports in the previous year or 50% of average imports during the previous three financial years. *More . . .*
- Reserve Bank of India decided to increase the repo rate under the Liquidity Adjustment Facility (LAF) by 25 basis points to 8.00 per cent from 7.75 per cent with immediate effect for containing inflation expectations. There is no change in the reverse repo rate. The year-on-year WPI inflation which was 4.36 per cent on January 12, 2008 increased to a high of 8.75 per cent on May 31, 2008. *More . . .*
- Reserve Bank of India has given banks more time to meet the strict capital market exposure norms that were imposed in December 2007. Banks were required to bring down lending to mutual funds

*(Continued on next page)*

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by June 2008. The period for compliance has now been extended till September 2008. [More . . .](#)

- India added 8.21 million wireless subscribers in April 2008. India's total wireless subscriber base stands at 269.30 million with a tele density of 26.89% at the end of April 2008. The broadband subscriber base also reached 4.01 million by the end of April 2008. [More . . .](#)
- Three Indian cities – Mumbai, Delhi and Bangalore have been ranked among the 75 top centers of commerce in the world according to a study titled “MasterCard Worldwide Centers of Commerce Index”. The index is an annual research initiative designed to evaluate and rank major cities. [More . . .](#)
- US based Worldwide Flight Services, Swissport International of Spain and UK's Menzies Bobba Ground Handling Services are among the seven bidders for India's Mumbai International Airport's \$168 million yearly ground contract. The GVK-led consortium, mandated to modernize and upgrade the Mumbai International Airport Limited (MIAL), will name a winning bidder for the contract. [More . . .](#)

## Corporate News

- India's Sterlite Industries, a subsidiary of Vedanta Resources has entered into an agreement to buy the operating assets of Asarco, US based mining, smelting and refining company for \$2.6 billion in an all cash deal. Asarco is the third largest copper producer in USA. [More . . .](#)
- India's Suzlon Energy, world's major wind turbine maker is among six companies who have signed an agreement with the US Government to help the US economy generate 20% of its electricity using wind power by 2030. The six companies will collaborate to improve the quality of turbine components and to reduce installation and operating costs. [More . . .](#)
- India's Tata Group has emerged as the world's sixth most reputed company according to “Global 200: The World's Best Corporate Reputations” list, compiled by US based Reputation Institute. India's major software exporter Infosys Technologies is in the Top 50 league at the 14<sup>th</sup> position. [More . . .](#)
- Dell plans to increase its investments in India by at least 100% according to Mr. Michael Dell, Chairman and Chief Executive, Dell. Dell India experienced 68% growth in the first quarter of 2008. [More . . .](#)
- India's major drug manufacturer Ranbaxy Laboratories announced the sale of 34.8% stake to Japan's Daiichi Sankyo for \$2.4 billion. The transaction pegs Ranbaxy's valuation at \$8.5 billion. The combined company will be the 15<sup>th</sup> largest drug maker in the world with presence in all major markets. [More . . .](#)
- India's Reliance Industries is set to become India's largest gas producer with more than 50% market share. The production of gas from the Krishna Godavari basin will help Reliance acquire a large share of the market. [More . . .](#)
- US fast food chain McDonald plans to open 60 more restaurants in India and plans to invest \$93.41 million in the next three years. It plans to open 40-60 outlets each year in a nation-wide growth plan. [More . . .](#)
- Infrastructure Development Finance Co (IDFC) plans to list the \$1.25 billion infrastructure fund. The fund will buy assets such as ports, roads, airports and oil and gas pipelines to generate steady and predictable returns for investors. IDFC finances projects such as highways, ports and gas pipelines. [More . . .](#)
- D E Shaw, a global private equity firm with \$36 billion in assets, plans to invest around \$200 million in the Indian education sector. It will take up strategic positions in companies offering e-learning, distant learning, vocational training. [More . . .](#)

## Visits & Events

- India's Commerce and Industry Minister, Mr. Kamal Nath visited Washington, DC on June 11-12, 2008 to participate in the Global Partnership Summit held by US India Business Council (USIBC) to mark its 33<sup>rd</sup> Anniversary. The Minister met Commerce Secretary, Mr. Carlos. M. Gutierrez, Secretary of Agriculture, Mr. Ed Schafer, Treasury Secretary, Mr. Henry Paulson and USTR Ambassador Susan Schwab.
- The India-US Financial and Economic Forum was held in Washington, DC on 11<sup>th</sup> and 12<sup>th</sup> June 2008.
- The exploratory talks on Bilateral Investment Treaty (BIT) between India and US were held in Washington, DC on 11<sup>th</sup> and 13<sup>th</sup> June, 2008.