



## Policy Developments

- The Government of India and Reserve Bank of India (RBI) have eased the norms for overseas borrowing by Indian companies. External Commercial Borrowings (ECB) up to \$500 million per borrower per financial year has been permitted for rupee expenditure and/or foreign currency expenditure for permissible end uses under the automatic route. The requirement of minimum average maturity period of seven years for ECB more than \$100 million for rupee capital expenditure by the borrowers in the infrastructure sector has been dispensed with. In order to develop the telecom sector, payment for obtaining license/permit for 3G spectrum will be considered an eligible end-use for the purpose of ECB. [More](#)
- Securities and Exchange Board of India (SEBI) has relaxed the creeping acquisition norms and allowed promoters to annually raise their stake through this route in companies to 75% via open market purchases instead of 55% earlier. Creeping acquisition refers to the process through which promoters can increase their stakes in companies by buying up to 5% of their equity in a year. [More](#)
- RBI had reduced the repo rate under the Liquidity Adjustment Facility (LAF) by 100 basis points to 8.0% with immediate effect on 20<sup>th</sup> October, 2008. The repo rate under the LAF has been further reduced by 50 basis points to 7.5 per cent with effect from November 3, 2008. RBI has been continuously monitoring the monetary and liquidity conditions with a view to maintaining domestic macroeconomic and financial stability in the context of global financial crisis. [More](#)
- SEBI has decided to accord flexibility to Foreign Institutional Investors to allocate their investments across debt and equity. The restriction regarding allocation of total investment between equity and debt instruments in the ratio of 70: 30 has been dispensed with. [More](#)
- RBI has allowed Non-Deposit taking Non-Banking Financial Companies to raise short-term foreign currency borrowings, under the approval route. The companies must comply with the prudential norms on

capital adequacy and exposure norms. The eligible lenders include multilateral or bilateral financial institutions, reputed regional financial institutions, international banks etc. The resources should be used only for refinancing of short-term liabilities and no fresh assets should be booked out of the resources. The maturity of the borrowing should not exceed three years and the maximum amount should not exceed 50 per cent of the Net Owned Funds (NOF) or \$10 million (or its equivalent), whichever is higher. [More](#)

- RBI has reduced the Cash Reserve Ratio (CRR) of scheduled banks by 100 basis points from 6.5 per cent to 5.5 per cent of net demand and time liabilities (NDTL). This will be effected in two stages: by 50 basis points retrospectively with effect from the fortnight beginning October 25, and by a further 50 basis points prospectively with effect from the fortnight beginning November 8, 2008. This measure is expected to release around Rs.40,000 crore (approx \$ 8 billion) into the system. In order to provide further comfort on liquidity and to impart flexibility in liquidity management to banks, it has been decided to introduce a special refinance facility under Section 17(3B) of the Reserve Bank of India Act, 1934. Under this facility, all scheduled commercial banks (excluding RRBs) will be provided refinance from the Reserve Bank equivalent to up to 1.0 per cent of each bank's NDTL as on October 24, 2008 at the LAF repo rate up to a maximum period of 90 days. [More](#)
- The Parliament has passed the bill for setting up the Airport Economic Regulatory Authority (AERA). The prime objective of AERA will be to create a level playing field and foster healthy competition among all major airports, encourage investment in airport facilities, regulate tariffs of aeronautical services and protect reasonable interest of users. The Authority will have penal powers. The Authority shall also determine tariff once in 5 years and may, if it considers appropriate in public interest, amend the tariff from time to time during the 5 years. [More](#)

## Economic News

- The Government of India has decided to step up the allocation for the National Rural Employment

Guarantee Act (NREGA) by over 65% to approx \$5.3 billion. The NREGA provides a legal guarantee of at least 100 days of wage employment in a financial year to every rural household whose adult member volunteers to do unskilled manual work. [More](#)

- Norway's sovereign wealth fund plans to invest \$2 billion in India's stock market. The Norwegian fund which has assets of \$300 billion is the world's largest sovereign wealth fund after the Abu Dhabi Investment Authority. [More](#)

- An investment of approx \$9.1 billion is expected to expand India's gas-pipeline network in the next five years according to a study by Assocham and Ernst and Young. [More](#)

- The total funds raised by the corporate sector in September 2008 through ECB and Foreign Currency Convertible Bonds, both through the automatic and approval routes, amounted to \$2.83 billion, as per data released by RBI. [More](#)

- India added 10.07 million wireless subscribers in September, 2008. The total number of wireless subscribers stands at 315.31 million and the tele-density has reached 30.64% at the end of the month. The total number of broadband subscribers has touched 4.90 million. [More](#)

- The Government of Japan has decided to provide India \$4.5 billion in loans to help build a freight corridor between New Delhi and Mumbai. The assistance will be Japan's largest loan for a single construction project overseas. [More](#)

- The total private equity investments in the first nine months of 2008 stands at \$9.7 billion across 330 deals as compared to \$9.5 billion across 296 deals during the corresponding period last year according to a study by Venture Intelligence, a research firm focused on private equity and venture capital activity. [More](#)

- India's exports for the period April-September, 2008 stood at US \$94.97 billion as against US \$72.56 billion, for the same period last year, registering a growth of 30.9% in dollar terms according to data released by the Ministry of Commerce and Industry. [More](#)

- According to Standard and Poor, the gradual deregulation of the industrial sector, continued trade liberalization and a dynamic service sector augur well for India's economic prospects with growth likely to average more than 7 per cent in the medium term. [More](#)

### **Corporate News**

- India's public sector power company, National Thermal Power Corporation plans to raise \$1 billion from both domestic and international sources to fund its expansion projects. [More](#)

- Raytheon, a major US defence and aviation company, sees a \$1 billion business potential in the Indian civilian sector over the next 5-10 years, over and above the business potential for weapons systems and other defence equipment. [More](#)

- US-based Merck & Co plans to emerge as the largest pharmaceutical company in the Indian vaccines market by 2013. The size of the Indian vaccines market is approx \$200 million and is growing at 25-30% per annum. [More](#)

- JP Morgan which had plans to invest \$1 billion across sectors in India has committed \$450 million in real estate, infrastructure, manufacturing and financial sectors. [More](#)

- US-based DuPont expects its safety consulting business in India to grow significantly with the acquisition of Coastal Training Technologies Corporation, a specialist in human resources training. The company had identified commercialization of its knowledge base in industrial safety and efficiency improvement as a major growth area. [More](#)

- Gas Authority of India Limited has signed an agreement with Indian Oil Corporation to explore the possibility of setting up a \$2 billion petrochemical plant in Bihar. [More](#)