INDIAN Economy & Policy WATCH

Week ended October 21, 2006 Issue No: 81 FY2007

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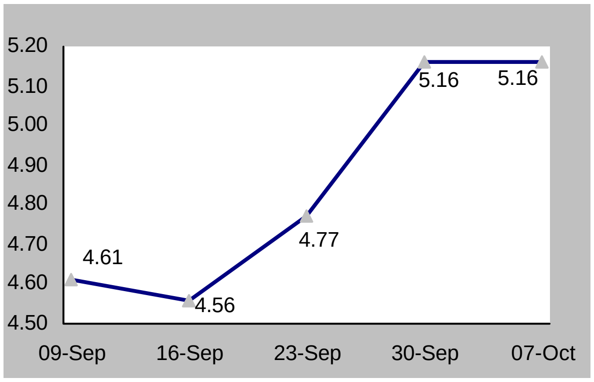
- First tranche of oil bonds worth Rs 5,000 cr issued

IRIS

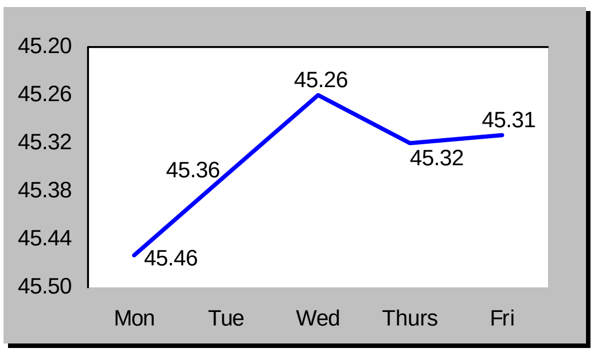
ECONOMIC INDICATORS



Inflation

The annual wholesale price index-based inflation rose 5.16 percent during the week ended October 7, matching the previous week's annual rise. The year-on-year inflation rate was unchanged as lower food prices during the week were neutralised by higher fuel and manufactured product prices, Government data showed on Friday.

During the latest reported week, the Wholesale Price Index (WPI) for all commodities ended at 207.9 points. The index was at 197.7 points during the corresponding week a year ago. The annual inflation rate was at 4.88 percent during the corresponding week of the previous year..

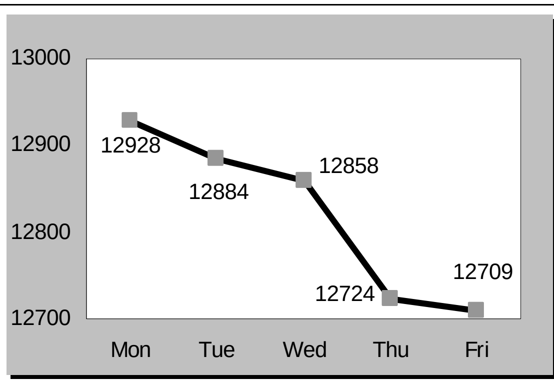


[RBI Reference Rate]

Rs v/s US $

The Indian rupee firmed to a five-month high on Tuesday on dollar selling by custodial banks on behalf of foreign investors and as better-than-expected company results bolstered hopes of more investment from abroad. The rupee ended at 45.275/285,its highest level since May 17.

The Indian rupee backed off a five-month high of 45.20 per dollar on Wednesday and ended down as traders were forced to buy dollars back following heavy dollar purchases by state-run banks and importers. The rupee ended at 45.3650/3750, 0.2 percent lower than Tuesday's close of 45.2750/2850.



BSE Sensex

The BSE Sensex shed 27.02 points during the week.

The index opened on a healthy start marched upwards unstoppable on the back of sustained buying activity in index heavy weights. Stocks in sectors like pharma, software, engineering and banking traded strong while auto, cement and steel traded weak. US consumer confidence and spending reports eased concerns that demand is cooling in the region`s biggest export market, leading to a rally in the Asian indices. BSE Sensex ended the session higher by 191.76 points at 12,928.18.

Tuesday, markets although opened on a positive note, slipped into negative terrain in later trades.

Economy & its sectors

Farm product exports will empower farmers: Kamal Nath

Kamal Nath, Union Minister of Commerce and Industry, underlined the need to empower the Indian farmer. He said that the export thrust in various agricultural products designed to improve the standard of living of the farmer was a step in this direction, which was also complementing the objective of self-sufficiency.

Delivering the valedictory address at the Agriculture Summit 2006 on Thursday, he said, "We in the Ministry are working towards unshackling controls and creating an atmosphere of trust and transparency. Our export of agro and allied products including plantations are of the order of Rs 3,600 crore (about $8 billion)."

Export of these products, he said, witnessed an annual growth of 12.22 percent in the first four years of the Tenth Five Year Plan. During 2005-06, the export of these products accounted for nine percent of the total exports from the country.

This in itself has been a big leap forward in the background of shrinking size of holding, imperfections in the product and factor markets, increased cash component in the cost of cultivation and the absence of safety nets. Regardless of the extent to which the international agricultural markets will be reformed as a result of the negotiations in the WTO, it is expected that the next phase will be dominated by prices that have a greater market orientation, commercial crop sector, international trade and agro-processing. In all this it would remain central that the conditions facing the Indian farmer should be made favourable and allow him to overtake any remaining constraints.

"We are working on the rejuvenation of our plantations - tobacco, rubber, spices, tea and coffee. We have recently set up a very ambitious special purpose tea fund to completely revamp the sector. We are working on a similar project for coffee," the Minister said.

Plan panel pitches for labour reform for organised workers

Even as the labour law reforms in the country continue to be a contentious issue, the Planning Commission has put forth a labour law reform plan that might be acceptable to existing organised sector workers.

In its revised Approach Paper discussed at the internal meeting held under the Chairmanship of the Prime Minister, Dr Manmohan Singh, here on Wednesday, the Plan panel contends that even as the need for greater flexibility in labour laws is advocated by the industry, the fact is that there is more flexibility in practice than is commonly understood.

"This is also evident from the fact that many companies in the organised sectors have been able to shed excess labour through voluntary retirement schemes." But these reductions are costly and relatively easy presumably for capital-intensive industry, it said.

Stating that the Government was not keen on extreme versions of labour flexibility such as `hire and fire', it said that there are areas of flexibility short of hire and fire, which need consideration. The case for more flexible labour laws is stronger and more compelling in export-oriented enclaves such as SEZs and apparel parks.

It further calls for reviewing the role of fiscal fillips in promoting employment objectives. It said that there are several fiscal incentives for corporate investment, all of which encourage more capital use and none relates to labour use.

"These are in fact a major part of the problem that has fostered capital-intensity over labour-intensive industry," the Plan panel argued, adding that fresh thinking is called for and "We must consider eliminating all these distorting incentives or failing this, to balance these by a restructuring that includes at least one simple employment-related incentive." An instance is a corporate tax deduction at a flat rate per worker based on number of workers on permanent payroll. This should not increase the total fiscal burden nor tilt the playing field against the unorganised sectors.

Retail sector to grow in political risk environment

Prime Minister Manmohan Singh at the occasion of mid-term appraisal of tenth Five Year plan expressed that the UPA government is considering opening of retail sector in order to attain its employment target. Current reform-oriented government believes that large-sized FDI in retail sector, with its strong supply chain and managerial skills will generate huge employment along with better quality-low priced products for consumers. It will expand organized the retail sector and thus will increase tax collections, which government is sacrificing due to unaccountability of income generated by the large unorganized retail sector present in India. Modern shops set up by foreign retailers will sell everything from vegetables to all luxurious items under one roof, offering customers variety of products. These products are likely to be sold at lower prices. Strong supply chains, advanced storages facilities and huge sized shops and IT-techniques will enable them to maximize their profits mainly by cutting transaction cost. Huge network of such retail outlets will not only generate employment in various stages (from production to retailing) but also improve standard of living. Thus, ruling government is keen to invite FDI in the growing Indian retail sector, which has more than 15% share in nation's GDP. Aim of reaping these benefits and improving the growth rate figure has put this issue on policy agenda since 1993.

At present, on the back of ruling government's support, many world retail giants like Wal-Mart, Tesco are eager to enter into populous Indian market, stepping towards window of opportunity (having more proportion of working consumers) with increasing per capita income. However, well-built opposition of political parties and contrasting statement of various representatives of the current ruling party are creating suspicious environment for potential investors (foreign as well as domestic).

In early months of this current calendar year, the UPA government allowed 51% FDI in single branded retail sector, taking care of small kirana shops situating at every lane across the country. However, this step was opposed by a strike called by Trader Association in New Delhi on March 1, 2006. The strike was arranged to protest against Delhi government, which demolished thousands of small stores. The strike, which deserted key market of Delhi was endorsed by Trade Unions, Trade Associations and several major left and right political parties including CPI, CPI-M and BJP. Participants reported that the current policy of partial entry of FDI is government's first step towards throwing open the sector in future to foreign equity participation. A famous campaign known as 'India FDI Watch' is conducting seminars, street plays to make public aware about adverse effect of FDI, and also training BJP student leaders to continue the campaign. These lobbies have listed out the adverse impact of proposed and implemented rule saying that it will disturb socio-economic equilibrium in the country. Massive multinational corporations are strong enough to buy Indian retail businesses and open new ones, forcing thousands of local businesses and kiranas to close. It will not only displace current self-employment in retail but also will reduce real wage across the economy. It is argued that capital-intensive FDI will be unable to absorb current more than a million small retailers. Similarly, many are concerned about backward linkages of FDI, which are not very strong and efficient in India to satisfy huge demand of raw material by foreign retailers. Relatively slower manufacturing growth and current agricultural crisis will force them to import raw material from abroad. Thus it seems that foreign retailers will control both the ends of the retail sector. On this background 100% FDI is also strongly opposed by these strong lobbies.

This unanswerable ideology along with support of all opposition parties, has made the ruling government to rethink on the policy. Recently on October 9, in a meeting with the Confederation of All India Traders, Kamal Nath, Minister of Commerce and

Industry, said there exist no question of FDI if it hits small retailers. The Indian government will adopt only those models, which prevent any displacement of small players in retail sector. The government has not yet found any such model yet he admitted further.

Such political risks, no doubt holding foreign and domestic investors back. Currently out of approved 22 FDI proposals, only 3 proposals were made for huge untapped Indian retail sector.(Lladro Comercial S.A. has invested Rs 58.5 million in Spa Agencies (India) to establish a network of retail boutiques for marketing the single brand product under the name and style of ``LLADRO``. Sri Lanka-based Damro Exports Pvt Ltd will sell furniture under the single brand name 'DAMRO' and Italian firm Rino Greggio's plan to set up a joint venture for selling silverware and other allied products. UK-based Alpha Airport Group's proposal to establish a wholly-owned subsidiary for setting up duty-free shops, flight kitchens and food and beverage outlets at airports in the country was also approved on October 16, 2006. Wal-Mart and Tesco and other such giants are in discussion with Indian retailers to form JVs but political chaos is making them to go slow. As a result, untapped retail sector, which could generate employment and increase aggregate demand of the economy, is likely to grow under dubious clouds.

External sector

FOREIGN EXCHANGE RESERVES

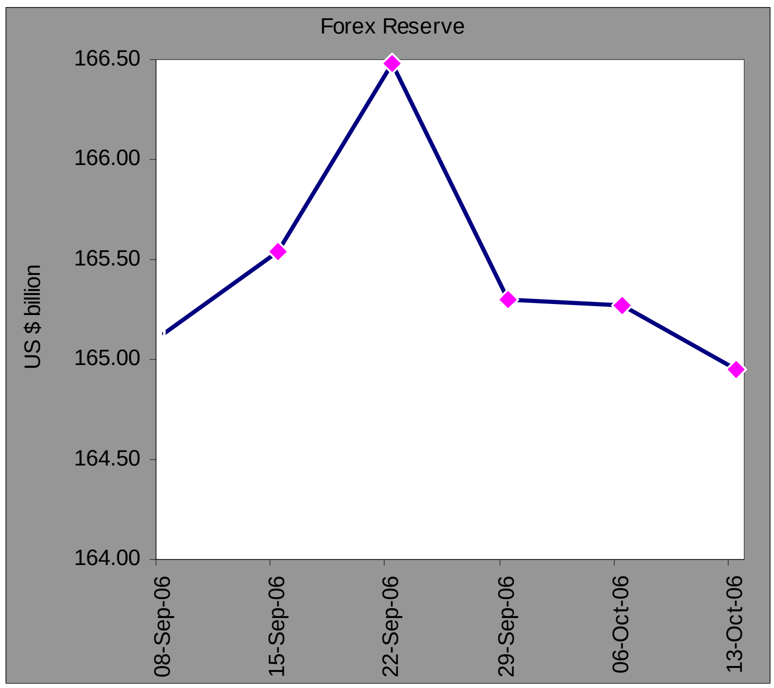
Forex reserves fall $324 m

Forex reserves fell by $324 million to $164.95 billion for the week ended October 13, due to a drop in foreign currency assets and the country's reserve position with the IMF.

In the previous week, reserves had fallen $30 million to $165.275 billion.

Foreign currency assets fell by $205 million to touch $158.105 billion during the week, according to RBI's Weekly Statistical Supplement. The reserve position in IMF also fell by $119 million to $643 million.

Gold reserves were unchanged at $6.202 billion and Special Drawing Rights remained at $1 million.



Money & Banking

INTEREST RATES & DEBT MARKET

Gilt yields touch one-month highs on rate concerns

Gilts lost ground for a second straight session on Monday as traders grew jittery on concerns the central bank will raise policy rates later this month to fight price pressures in a robustly expanding economy. The yield on the 10-year federal benchmark bond rose to 7.67 percent from Friday's 7.63 percent.

Gilt yields inched to three-week highs on Tuesday, as investors fretted about a possible increase in interest rates later this month with falling cash surpluses with banks adding to their worries. The yield on the 10-year bond rose to 7.68 percent from the previous close of 7.67 percent its highest since September 21.

Gilts were unable to sustain gains on Wednesday on concerns the central bank could raise interest rates later this month and as falling cash surpluses with banks made traders wary of taking new positions. The yield on the 10-year bond ended at 7.68 percent, unchanged from Tuesday but off an intraday low of 7.67 percent.

Gilt yields eased from one-month highs hit earlier on Thursday but sentiment was subdued as banks grappled with tighter liquidity and worries the central bank could lift policy rates to fight price pressures. The yield on the 10-year bond ended unchanged at

7.68 percent but off an intra-day peak of 7.69 percent, which was its highest since Sept. 19 when it ended at 7.73 percent.

Gilts rose for the first time in a week on Friday after inflation data did not hold any nasty surprises for investors already worried about an interest rate rise later this month. Data showed the wholesale price index rose 5.16 percent in the 12 months to October 7. The yield on the 10-year bond eased to 7.65 percent from 7.68 percent on Thursday.

Call money higher on fund demand

Call money was at 6.65/6.75 percent on Monday on outflows as successful bidders made payments for last week's auction. Call money continued to trend higher on demand ahead of the festive season and on Friday was at 7.00/7.25 percent on tight money market liquidity.

Rupee touches 5-month high on good company results

The Indian rupee ended slightly lower on Monday on dollar buying by oil companies but dealers said the U.S. currency's weakness in overseas markets and selling by custodial banks limited the rupee's losses. The Indian rupee ended at 45.425/435 per dollar, marginally lower than the previous close of 45.41/42.

The Indian rupee firmed to a five-month high on Tuesday on dollar selling by custodial banks on behalf of foreign investors and as better-than-expected company results bolstered hopes of more investment from abroad. The rupee ended at 45.275/285,its highest level since May 17.

The Indian rupee backed off a five-month high of 45.20 per dollar on Wednesday and ended down as traders were forced to buy dollars back following heavy dollar purchases by state-run banks and importers. The rupee ended at 45.3650/3750, 0.2 percent lower than Tuesday's close of 45.2750/2850.

The Indian rupee ended higher on Thursday on robust capital flows from foreign investors as shares hovered below this week's record high, but dollar demand from oil firms and gold traders limited the local currency's gains. The rupee ended at 45.30/31 per dollar, stronger than 45.3650/3750 on Wednesday but below this week's five-month peak of 45.20.

The Indian rupee gave up early gains on Friday with oil companies buying dollars heavily as they braced for the first cut in output in more than two years, and banks covering short positions taken this week. The rupee ended at 45.32/34 per dollar, after matching this week's five-month high at about 45.20 in early trade.

First tranche of oil bonds worth Rs 5,000 cr issued

The Government on Monday issued the first tranche of oil bonds worth Rs 5,000 crore to the state-owned oil marketing companies as compensation for under-recoveries in their sale of domestic LPG and kerosene (PDS) during the current financial year. The bonds (GOI Special Bond, 2021) carry a coupon rate of 8.13 percent and have a 15-year tenure.

According to an official communiqué, the investment in the bonds will not be considered as an eligible investment by bank and insurance companies for their statutory requirements, but will be treated as eligible investment by a provident fund, gratuity fund and superannuation fund. The first tranche of the special bonds is being issued at par to Indian Oil Corporation Ltd, including IBP for Rs 2,838 crore, Bharat Petroleum Corporation Ltd for Rs 1,135 crore and Hindustan Petroleum Corporation Ltd for Rs 1,027 crore.

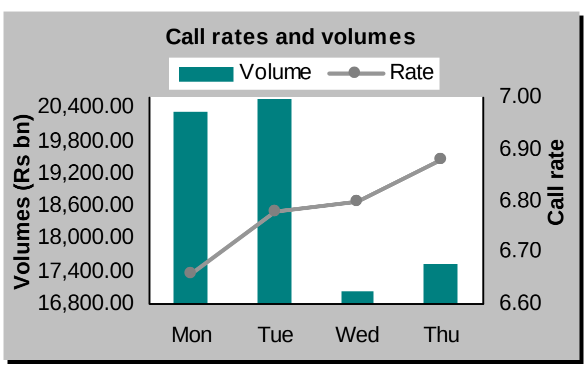
The special bonds will be transferable and eligible for market ready forward transactions (Repo). The bonds, however, will not be an eligible underlying security for ready forward transactions (Repo/Reverse repo) with the Reserve Bank of India, the statement said.

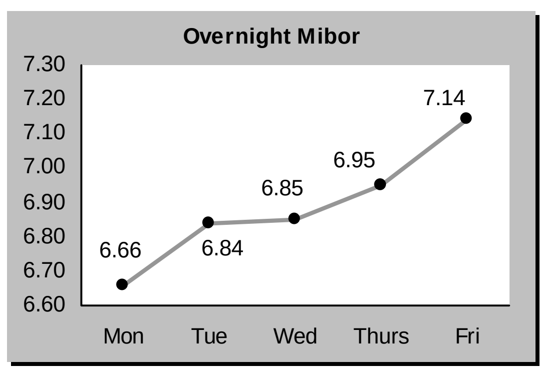
The Government had as part of the first batch of supplementary demands for grants for 2006-07 obtained Parliamentary approval for bonds worth Rs 14,150 crore to be issued to state-run oil companies. The Rs 14,150-crore bonds would cover revenue loss suffered by oil companies on oil product subsidies in the first half of the current financial year that began in April.

The Government intended to issue bonds worth Rs 28,300 crore to provide financial support to the oil marketing companies.

The Government on Monday announced the issue of 8.15 percent FCI Special Bonds, 2022, for Rs 5,000 crore (nominal). The first tranche of the Special Bonds are being issued to Food Corporation of India (FCI) in respect of foodgrains supplied by it to the Ministry of Rural Development. The Special Bonds will be issued at par, the statement said.

The investment in the Special Bonds will not be reckoned as an eligible investment by banks and insurance companies for their statutory requirements. However, such investment by the provident funds, gratuity funds, superannuation funds, and so on, in the Special Bonds will be treated as an eligible investment, the statement said.





Stock Markets

Weekly Wrap-Up: Sensex sheds 27 points in the week

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The index opened on a healthy start marched upwards unstoppable on the back of sustained buying activity in index heavy weights. Stocks in sectors like pharma, software, engineering and banking traded strong while auto, cement and steel traded weak. US consumer confidence and spending reports eased concerns that demand is cooling in the region`s biggest export market, leading to a rally in the Asian indices. BSE Sensex ended the session higher by 191.76 points at 12,928.18.

Tuesday, markets although opened on a positive note, slipped into negative terrain in later trades. Metal and technology stocks bucked this declining trend. Asian markets, too, closed on a weaker note, after US spy satellites were reported to have detected signs that North Korea may be preparing to test a second nuclear weapon. The 30-share index finished points at 12,883.83, down 44.35 points.

Wednesday also mirrored Tuesday`s trend with the index closing lower amidst volatile trades. Subdued buying sentiments pulled down the index by 25.35 points to end at 12,858.48. The index opened flat on Thursday after the opening bell. The index traded weak throughout the day and remained lacklustre during the final closing hour. Sustained selling activity was being witnessed in index heavyweights. BSE Sensex closed at 12,723.59, down 134.89 points.

Friday, the index settled on a flat note despite a healthy start.

Corporate Results

Reliance Industries on a standalone basis, posted a 9.19% rise in net profit after tax and exceptional item of Rs 27.09 billion for the Sept 2006 quarter 2006, as compared to Rs 24.81 billion for quarter ended Sept 30, 2005. Total income has decreased by 36.09% to Rs 284.96 billion for the quarter ended September 30, 2006 from Rs 209.39 billion for the quarter ended Sept 30, 2005. The company`s EBIT margins for refining business declined to 6.4% in Q2FY07 from 8.2% last year. The EBIT margin was lower primarily due to the softening of GRM for the quarter which declined to USD 9.1 per barrel in Q2FY07 from USD 10.4 per barrel in the corresponding previous period. The stock closed flat at the bourses during the week.

Satyam Computer Services group has posted 34.7% rise in its net profit for the quarter ended Sep`06. The group has posted profit after taxation and share of loss in associate company & minority interest as per Indian GAAP of Rs 3198.10 million for the quarter ended September 30, 2006 as compared to Rs 2373.40 million for the quarter ended September 30, 2005. The stock gained 2.82% in the week.

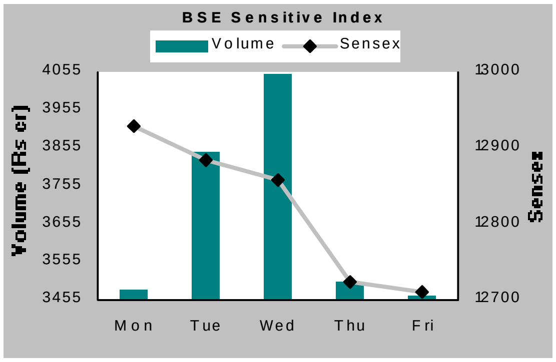
Jet Airways India swung to a loss of Rs 551.3 million for Sept-06 quarter, in contrast to a net profit of Rs 685.90 million for corresponding quarter. Total income however increased to Rs 18,212.30 million for the quarter from Rs 13,242.40 million for the corresponding quarter, registering a growth of 37.5%. The airline company lost 0.16% in the week.

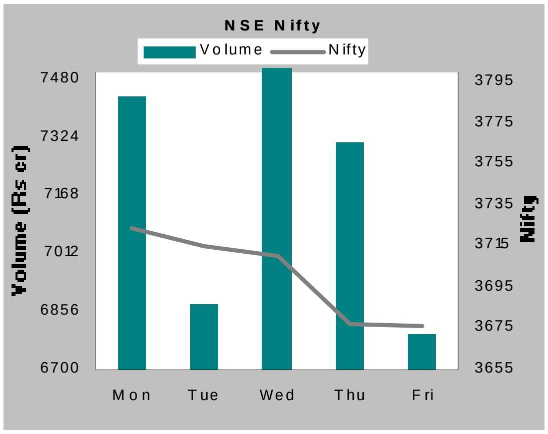
Ranbaxy Labs, for the September-06 quarter, achieved consolidated sales of Rs 16,404 million, compared with Rs 13,039 in the corresponding quarter. The company`s profit after tax was at Rs 1,404 million, compared to Rs 187 million, an increase of 651%. The improvement in the performance metrics was achieved on the back of growth driven by key geographies and cost efficiencies.

Other Corporate Actions

Tata Steel has approved acquisition of Corus Group plc at a price of 455 pence in cash for each share valuing Corus at GBP 4.3 billion. Corus is Europe`s second largest steel producer with revenues in 2005 of GBP 9.2 billion, and crude steel production of 18.2 million tons primarily in the UK and Netherlands. The deal is expected to catapult Tata Steel to the fifth position to list among top manufacturers of steel across the globe. The merger shall pave the way for joint R&D capabilities in automotive, packaging and construction sectors. The company will retain access to low cost raw materials and slab for the enlarged group. The stock marginally rose 1.23% this week.

ONGC will set up two companies for its petrochemical complexes at Dahej in Gujarat and Mangalore in Karnataka, both of which would be within special economic zones (SEZ) and commissioned by 2010. ONGC will also form a joint venture with TERI for oilfield services for monetisation of microbial techniques (`lab to oil wells`) developed and patented by the two organisations. Its shares lost 0.21% in the week.





Inflation

Lower food prices keep inflation unchanged

The annual wholesale price index-based inflation rose 5.16 percent during the week ended October 7, matching the previous week's annual rise. The year-on-year inflation rate was unchanged as lower food prices during the week were neutralised by higher fuel and manufactured product prices, Government data showed on Friday.

During the latest reported week, the Wholesale Price Index (WPI) for all commodities ended at 207.9 points. The index was at 197.7 points during the corresponding week a year ago. The annual inflation rate was at 4.88 percent during the corresponding week of the previous year.

On a disaggregated basis, the Primary Articles' group index fell 0.2 percent to 211.9 points. The index was at 197.1 points during the corresponding week a year ago. The Fuel, Power, Light and Lubricants group index rose 0.2 percent to 329.5 points due to a one percent increase in electricity prices, even as furnace oil became cheaper by one percent. The index was at 313.1 points during the same period a year ago. The Manufactured Products group index rose 0.1 percent to 179.4 points due to rise in prices of beverages, tobacco, textiles, non-metallic mineral, base metals, machinery and transport parts. The index was at 172.2 points a year ago.

Among the Primary Articles' group, the index for Food Articles declined marginally to

215.6 points due to lower prices of fish-marine (6 percent), mutton (4 percent), bajra (3 percent), ragi and maize (1 percent each). However, prices rose for poultry chicken (3 percent), moong, jowar, arhar and gram (2 percent each), fish-inland and barley (1 percent each).

The Non-Food Articles group index fell 0.9 percent to 185.6 points due to cheaper logs and timber (12 percent), sunflower (9 percent), safflower, rape and mustard seed (2 percent each) and raw silk and soyabean (1 percent each). But, prices moved up for groundnut seed, gingelly seed, copra and castor seed (1 percent each).

Among the Manufactured Products' group, the Food Products' group index declined by 0.2 percent to 182.5 points due to lower prices of oil cakes (4 percent), gur and hydrogenated vanaspati (1 percent each).

Prices shot up for sooji and bran (5 percent each), maida (4 percent), coconut oil, salt and atta (3 percent each), imported edible oil (2 percent) and sunflower oil, groundnut oil, unrefined oil and gingelly oil (1 percent each).

The Base Metals Alloys and Metal Products group index rose by 0.1 percent to 236.1 points owing to higher prices of nickel alloy (10 percent), MS bars and rounds (2 percent), other iron steel, lead ingots, zinc and zinc ingots (1 percent each), while pig iron and basic pig iron became cheaper by one percent each. A 12 percent increase in switchgears prices pushed up the Machinery and Machine Tools group index by 0.3 percent to 154.7 points.

The Transport Equipment and Parts group index rose 0.4 percent to 163.5 points due to an eight percent increase in prices of automobile spare parts.

The Government revised the final inflation figure to 5.07 percent for the week ended August 12 from the provisional 4.92 percent while the WPI stood corrected at 205 points from the earlier estimate of 204.7 points.

INDIAN Policy WATCH

October 21, 2006 Issue No: 81 FY2007

HIGHLIGHTS

- New IRDA norms for non-life covers
- Cabinet okays IT Act amendment
- Cabinet okays norms for wage negotiations for Central PSUs
- Govt clears 3 FDI retail proposals

C O N T E N T S

POLICY WATCH

POLICY WATCH

INSURANCE

New IRDA norms for non-life covers

With the free pricing (detariffed) era for general insurance industry nearing, the Insurance Regulatory and Development Authority (IRDA) has announced new guidelines for `file and use' requirements for general insurance products.

The guidelines, set to come into effect from November 1, would apply to all general insurance products, whether currently governed by tariff or not, the regulator has informed the non-life insurance companies.

In the case of products that were filed under the earlier file and use guidelines, the insurers need not re-file them under the new guidelines unless they have made changes in the rates, terms and conditions of cover of such products.

While providing adequate freedom to the general insurance companies on pricing their products in the new detariffed regime, the regulator has however, keeping in mind the interests of policyholders, retained the authority of suspending the sale of products at anytime if they appear inappropriate and unfair in terms of rates and terms and conditions.

The IRDA has made it clear that the insurers would be required to justify the rates and terms and conditions of insurance products offered and said it would not accept a mere statement that the risk is rated `on merits'.

The regulator has also prohibited the insurance companies from resorting to variations in tariff coverages, wordings, endorsements and warranties in respect of covers that are currently under tariffs till March 31, 2008.

The insurers can file their proposals for changes in cover, terms, wordings etc., for such products from a date to be notified by the IRDA but to be given effect to after March 31, 2008.

For the purpose of filing the products with the regulator, the insurers were advised to take into account the IRDA requirements relating to design and rating of insurance products.

They were also advised to do an internal verification of the products before filing them with IRDA to avoid queries from the regulator.

The IRDA has made it clear that filing of products would be accepted only after the insurer has filed the underwriting policy as approved by its board and satisfied any queries raised by it.

Once an insurance product has been filed and the IRDA has no queries on the product, the insurer is expected not to make frequent changes in that product.

The regulator said it would allow changes in the product only on sufficient technical justification.

"Any proposals for changes within six months of the first introduction of a product will be subject to strict scrutiny for ascertaining the need for such a change," the regulator said.

The insurers are advised to provide at least 15 days notice for cancellation of cover.

They are also asked not to refuse renewal or cancel covers without providing sufficient justification in the case of policies that are long-term in nature and annual policies that are regularly being renewed or where there is a reasonable expectation of being renewed.

Aimed at ensuring healthy development of non-life insurance industry in the new free-pricing regime that increases competition in service as well as pricing of insurance products, the IRDA has also come out with new code of conduct for insurance companies and brokers in insurance as well as reinsurance of general insurance risks.

INFORMATION TECHNOLOGY

Cabinet okays IT Act amendment

The Union Cabinet on Monday approved the amendment to the IT Act 2000.

The Act provides a legal framework by facilitating an environment for e-commerce.

However, amidst growing concerns within as well as outside the country, with regard to issues such as data protection laws and privacy law, amendments have been proposed to address some of these challenges.

Further, with rising cases of e-commerce frauds on auction sites, phishing and other multimedia offences, security practices have been proposed.

In order to avoid the redundancy of provisions in the Act that comes with constant technology changes, it is being considered that IT laws should be technologically neutral in line with the recommendations made by UNCTRIL (United Nations Commissions on International Trade Law) Model Law on Electronic Signature.

It is believed that it would promote the development of alternative technologies for authentication of electronic record and would not warrant legislative changes each time a new technology is evolved.

Welcoming the amendment, industry body Nasscom said the amendment would further strengthen the Indian IT Act 2000 and hoped that it would lead to better handling of cyber crime by the enforcement authorities.

PUBLIC SECTOR UNDERTAKINGS

Cabinet okays norms for wage negotiations for Central PSUs

The Cabinet today approved the policy guidelines for the Seventh Round of Wage Negotiations for unionised workers in the Central public sector enterprises (CPSEs) allowing the managements to start independent negotiations with their respective unions.

The validity of the sixth round of negotiated wages expires on December 31 this year.

The validity period for the seventh round settlements would be for 10 years with 100 percent dearness allowance neutralisation, the Minister for Information and

Broadcasting, PR Dasmunsi, told reporters after the Cabinet meeting.

According to the new set of guidelines, the increased expenditure to be incurred on account of wage hike has to be borne through internal funds and there would be no Budgetary support for them.

Permission has been granted for negotiations on the condition that no burden would be borne by the Government and the companies would have to generate funds from their internal resources by improving productivity and profitability.

Also, it has been mentioned that the wage revision must not result in any increase in labour cost per physical unit of output. However, the PSUs running on full capacity could be exempted.

For public sector companies, which enjoy monopoly or operate under administered price structure, the new policy states that they must ensure that the wage revision does not lead to rise in prices of their products, the Minister said.

In case of sick units that have been referred to the Board for Industrial and Financial Reconstruction (BIFR), they would continue to work on the existing policy guidelines; revisions would require BIFR approval.

Units that had incurred net loss during any of the past three financial years but not referred to either BIFR or BRPSE, may also be allowed to enter into wage negotiations, according to the new guidelines but permission would be given only if they provide an estimate to their administrative ministries as to how resources would be generated to meet the extra expenditure.

The Cabinet Committee on Economic Affairs also approved a package for promotion of micro and small enterprises.

The package would provide support for the development and promotion of micro and small sector units, facilitate employment generation and enhance the segment's competitiveness.

The CCEA also gave its approval for the sanction of the revised scheme amounting to Rs 305.03 crore for taking up anti-erosion work in the Ganga basin States during the Tenth Plan period, a Government spokesperson said.

Out of the total amount, Rs 216.03 crore would be for utilisation by the various Ganga basin States, including Uttar Pradesh, Uttaranchal, Bihar, Jharkhand, Himachal Pradesh and West Bengal, while Rs 89 crore would be for the Farakka Barrage Project (FBP). According to the Plan approved, the Centre would provide 75 percent of the outlay in the form of grant while the respective States would bear 25 percent of the costs.

FOREIGN DIRECT INVESTMENT

Govt clears 3 FDI retail proposals

The Government today approved three foreign companies to enter single brand retailing through the joint venture route by setting up subsidiaries.

Spain-based porcelain statue maker Lladro Commercials have been allowed to invest Rs 5.85 crore for increasing its equity in Spa Agencies (India) from 26 percent to 49 percent.

Simultaneously, Sri Lanka-based Damro Exports Private Ltd has received the green signal to pick up 51 percent stake in Chennai-based Damro Furniture Private Ltd to retail furniture under Damro brand name. The Government has also allowed Italian firm

Rino Greggio to set up a joint venture for selling silverware and other allied products.

The Finance Minister, P Chidambaram, has cleared a total of 22 foreign direct investment (FDI) proposals including these three retail proposals involving a total FDI worth Rs 896.25 crore.

The largest investment proposal cleared by the Minister is Singapore-based Solitaire Capital Investments' plan to invest Rs 511.50 crore in real estate activities.

According to the plan approved by the Government, the company will accept contributions on repatriation basis into a venture capital fund for making these investments.

Mauritius-based Bijlee Bharat Holdings' proposal to set up a wholly-owned subsidiary in Hyderabad for investing in multiple power plants involving FDI worth Rs 307.94 crore too was okayed by the Minister.

The Minister also approved Japan-based NSK Ltd's proposal to invest Rs 41.25 crore to set up a new joint venture in Chennai to manufacture magnetic clutch bearings and ball bearings.

UK-based Alpha Airport Group's proposal to establish a wholly-owned subsidiary for setting up duty-free shops, flight kitchens and food and beverage outlets at airports in the country at an investment of Rs 22.5 crore was also cleared.

Netherlands-based Diageo Highlands Holdings' proposal to set up a joint venture for manufacturing liquor too has been approved.

The Minister also gave approval to Aircel Cellular Ltd and Dishnet Wireless Ltd to accord conformity to the acquisition of 73.99 percent stake by Mauritius-based Global Communications Service Holdings, which is owned by Malaysian telecom firm Maxis.

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