Issue no 552 | December 31, 2013-January 6, 2014

WEEKLY ECONOMIC BULLETIN

ITP Division
Ministry of
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India heading for better times: PM

Prime Minister Manmohan Singh said high prices have helped farmers and asserted the country was heading for better times.

"We have also not been as successful in controlling persistent inflation as we would have wished. This is primarily because food inflation has increased. However, we should remember that our inclusive policies have put more money in the hands of the weaker sections", Singh said while addressing a press conference, the third as Prime Minister.

While making a case for increasing supplies and improving marketing and logistics to contain food prices, especially of perishables like fruits and vegetables, he stressed "much of this work lies in the domain of the states."

As regards the growth, which has slipped to decade's low of 5% in 2012-13, the Prime Minister attributed the slowdown to global factors but exuded confidence that the growth momentum would revive in the coming years.

"We are set for better times. The cycle of global economic growth is turning for the better. Many of the steps we have taken to address our domestic constraints are coming into play. India's own growth momentum will revive", he added.

He said that during the term of UPA, India for the first time in its recorded history, witnessed a sudden acceleration of economic growth to 9%.

"This exceptional performance was followed by a slowdown initiated by the global financial crisis. Over the past couple of years, all emerging economies have experienced a slowdown. India was no exception", he added.

Singh further added that it was not just the acceleration of growth that "gives me satisfaction. Equally important is the fact that we made the growth process more socially inclusive than it has ever been."

Source: The Times of India

Isro's launch of 'naughty boy' propels India into elite club

A 1,000-second flight of India's heavy rocket, the Geosynchronous Launch Vehicle (GSLV), on January 5 propelled the country into an elite club of spacefaring nations, capping a two-decade long effort by the Indian Space Research Organisation (Isro) in mastering the crucial cryogenic propulsion technology.

The launch of GSLV D5, which came three years after a failed attempt, paves way for Isro to launch heavy communications satellites on its own, undertake bigger space missions and also compete globally in satellite launch services. Currently, a handful of countries including the United States, France, Russia and China dominate the market for launching large satellites and Isro has been relying on foreign launch services in adding more transponder capacity to meet growing domestic demand.

"I am proud to say Isro has done it. The Indian cryogenic engine and stage performed as predicted, as expected, for this mission and injected precisely the GSAT 14 communications satellite into the intended orbit," Isro chairman KRadhakrishnan announced after the launch from the space agency's facility at Sriharikota in Andhra Pradesh. "This is an important day for science and technology in the country and 20 years of effort in realising the cryogenic engine and stage has now been fructified."

A cryogenic rocket stage is more efficient and provides more thrust for every kilogramme of propellant it burns compared with solid and liquid propellant rocket stages. But is also technically complex because of the use of propellants at extremely low temperatures and the associated thermal and structural problems. The GSLV is a three-stage vehicle with solid, liquid and cryogenic propulsion systems.

Over the past decade, Isro has built a brand for itself by building and launching small satellites at a cost much lower than most countries through its workhorse rocket, the Polar Satellite Launch Vehicle (PSLV). So far, Isro has launched 35 foreign satellites with this rocket.

But the space agency's success with the GSLV, which can put satellites weighing more than 2,000 kg into space, has been limited because of the complex cryogenic technology. The programme, which had seen seven flights until Sunday including those with Russian cryogenic engines, has had mixed results with half the missions failing.

The first developmental flight of an indigenous cryogenic engine in April 2010 had failed because of a malfunction in the rocket's fuel booster turbo pump. In August 2013, a second test flight had to be called off during countdown because of a leak in the liquid second stage.

"We used to call GSLV as the naughty boy of Isro. The naughty boy has become obedient and, today, has meticulously done its job," said Sivan, project director of GSLV. "The 1,000 seconds of the GSLV flight we just had is the fruit of 1,000 days of hard, dedicated work of the team," he said.

The GSLV rocket has been at the centre of Isro space programme planning which is eyeing bigger and ambitious projects such as the second moon mission, besides adding more transponder capacity.

"We have now taken the first big step to prove the capability to meet all the demand that terrestrial communication demands from us," said Roddam Narasimha, space scientist and a former of director of the National Aerospace Laboratories. "Its an extraordinary, great and historic achievement. Isro has shown India again what the country is capable of."

Source: The Financial Express

India, Maldives discuss mutual investment protection

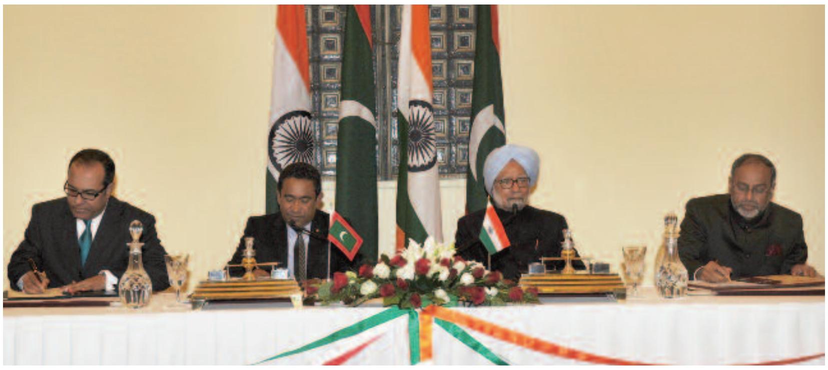
India and Maldives have launched negotiations on an agreement for promotion and protection of bilateral investment.

This was announced at a meeting in New Delhi of Indian corporates with visiting Maldivian President Abdulla Yameen organized by the Confederation of Indian Industry (CII), Federation of Indian Chambers of Commerce and Industry (FICCI) and the Associated Chambers of Commerce and Industry of India (Assocham).

"I believe that mutual investment promotion is of utmost importance for developing business between our two countries," the Maldivian president told the gathering.

"Both leaders (Maldives President Abdulla Yameen and Prime Minister Manmohan Singh) have come forward to promote negotiations for a Bilateral Investment Promotion and Protection Agreement (BIPPA), which in the near future will give robust economic development," Minister of State for Commerce E.M.S. Natchiappan told the gathering.

Such an agreement has assumed urgency in view of the strains created by the previous Maldivian government's decision to cancel the $500 million contract with India's GMR Group for Male airport in December 2012.



The second major initiative was the lifting of the ban on the export of stones to the Maldives.

"The ban on stone supplies was an irritant in our relations till a short time ago. This has now been lifted as of 1-1-2014," Natchiappan said.

The Maldivian president welcomed the step as the stones were critical to the construction industry in his country.

Yameen invited Indian investment into his country, only "a stone's throw away from India". He highlighted corporate India's long association with his country, pointing out that the first Indian corporate to open an office in the Maldives was the State Bank of India over 35 years ago.

Since then the number of Indian companies in the Maldives has grown significantly, while groups like Tatas and GMR have become big investors in the island nation.

Trade between India and the Maldives currently is worth around $128 million, with the balance heavily in favour of India.

Source: The Times of India

New land acquisition act comes into force

The new land acquisition law, enacted by the Parliament last year, which aims to provide fair compensation, rehabilitation and resettlement to farmers whose land is acquired came into force from January 1.

The Right to Fair Compensation and Transparency in Rehabilitation and Resettlement Act, 2013, replaces the earlier law which dates back to 1894.

"It is a historic law. The earlier law was colonial and undemocratic," said Rural Development Minister Jairam Ramesh.

"It (the old law) gave all powers to the government and ignored the farmers whose land was being acquired," he said at a press conference.

The new law proposes that farmers and landowners be paid up to four times the market value for land acquired in rural areas and two times the market value in urban areas.

Another key feature of the act is that the consent of 80 per cent of land owners is needed for acquiring land for private projects and of 70 per cent landowners for public-private projects.

"This new law will benefit farmers, the landless and tribals," the minister said, adding henceforth land for industrialization and urbanisation would be bought and not acquired by the government.

He added that if the new law is implemented sincerely in Maoist areas, the hold of the rebels on the people will decrease.

Ramesh said he would write letters to state governments explaining the provisions of the act.

The landmark act was passed by the Parliament in its monsoon session last year.

Source: Indo-Asian News Service

Early decision on FDI in railways, construction: Sharma

Commerce and Industry Minister Anand Sharma said the government would take an early view on relaxing Foreign Direct Investment (FDI) norms in railways and construction.

He told reporters on the sidelines of an event in Hyderabad that the discussions were on in this regard.

"Finance minister, myself and urban development minister will be sitting together. My ministry has already moved a cabinet note. We will take an early view," he said when asked about the proposed relaxation of FDI norms in construction sector.

He hoped that more FDI would come into other manufacturing sectors including defence which has already been opened up. He pointed in telecom sector Vodafone has already come while single brand retail has attracted $3 billion FDI.

Sharma said in multi brand retail, the first proposal that is Tesco-Tata Trent was approved.

"There will be more. You have to wait. These are business decisions. The government can only put in place the policy," he said when asked if another proposal will be approved soon.

The minister said out of $296 billion of FDI which came into India since 2000, $173 billion came in during last four years excluding this year.

Source: Indo-Asian News Service

Tesco, Vodafone receive big-bang FDI clearances

Two days before New Year, the government on December 30 approved British retail giant Tesco Plc's plan to invest $110 million to buy 50 per cent stake in Tata Group's Trent Hypermarket Ltd (THL). With this, Tesco will become the first foreign player to open stores in New Delhi that will sell anything from fruit to furniture.

The nod given by the Foreign Investment Promotion Board (FIPB) is expected to open the doors for future investments by foreign retailers. So far the market has been dominated by domestic players such as Tata's Trent, Future Group, Reliance Retail and Aditya Birla Retail.

While in its application the company has stated that it will invest $110 million (around Rs 680 crore), the amount "could be scaled up later depending on how operations expand in the initial three to four years", a senior official told Business Standard.

According to the FDI policy in place, the company has to invest a minimum 50 per cent of the $110 million in creating new back-end infrastructure. Back-end infrastructure refers to packaging, logistics, storage and warehouse, among others.

The FIPB meeting, chaired by Economic Affairs Secretary Arvind Mayaram, also approved British telecom group Vodafone's $1.6-billion investment plan to take full ownership of its India business. The proposal is yet to get Cabinet approval.

Source: Business Standard

Govt indicates further relaxation in FDI policy

The government on January 1 indicated further liberalisation of the FDI policy in the coming weeks to attract foreign investments into the country.

"The government will continue its endeavour for liberalising the FDI policy further in the coming weeks to ensure that India retains its leadership position for attracting foreign investments," commerce and industry minister Anand Sharma said in a statement.

Last year, the government has relaxed foreign direct investment (FDI) norms in several sectors such as telecom, defence, PSU oil refineries, commodity bourses, power exchanges and stock exchanges.

In 2013, India was rated as the most favoured investment destination globally, he said, adding "the decisions of the government have resonated with the global community and we have seen results in the last few months".

The ministry is now working to relax FDI norms in railways and construction activities.

During April-October this fiscal, India attracted FDI worth $12.6 billion, a decline of 15% over the same period last year.

Expressing optimism over the economy in 2014, he said the coming months will see a greater push for development of industrial corridors across the country and work will commence for establishment of the first few cities along the Delhi-Mumbai Industrial Corridor (DMIC).

The $ 90 billion DMIC project is aimed at creating mega industrial infrastructure along the Delhi-Mumbai Rail Freight Corridor, which is under implementation. Japan is providing financial and technical aid for the project, which will cover seven states totalling 1,483 km.

"I expect that with greater foreign investment and technology collaborations, Indian manufacturing will also move up the value chain and acquire greater competitiveness globally," he added.

On India's exports, Sharma said that despite weak demand in traditional markets, shipments have done reasonably well during the first eight months of the current fiscal.

"I am sure that in the remaining period of this financial year, exports will show a strong and dynamic growth," he said.

In April-November 2013, exports grew by 6.27% to $ 204 billion while imports aggregated at $304 billion.

Trade deficit for the period stood at $100 billion.

Further, the minister said the steps taken by the government both on the fiscal and current account front have yielded positive results.

Source: The Hindustan Times

Demat allotment of preferential shares must for foreign investors: SEBI

To ensure more transparency in capital market, SEBI said that mandatory allotment of preferential shares through demat accounts will also be applicable to overseas investors.

The move is part of SEBI's effort to check the flow of illicit funds in the issuance of shares to investors on preferential basis.

The Securities and Exchange Board of India (SEBI), in August last year, has notified the new norms that make it mandatory for payments and allotments to be done directly through the beneficiaries' accounts.

As per the regulation, the payment for preferential shares would need to be made only from the own bank accounts of the buyers while it would be necessary to carry out such allotments through demat accounts.

SEBI on its website today clarified that the new regulations are applicable to overseas investors as well.

The requirement of allotment of preferential shares in dematerialised form is applicable to those allottees as well who are overseas investors.

It also said that new regulation would also be applicable to the instances of conversion of loan provided only if the loan has been received from the bank account of the allottee.

There have been concerns that promoters might use the preferential allotment route through front entities and thus adversely impact the interest of public shareholders.

In the last four years, Indian companies have raised over Rs 65,000 crore through preference share issues.

Source: Indo-Asian News Service

Major Asian LNG buyers must together seek fair pricing: PM

Major buyers of LNG in Asia should come together to demand a fair pricing mechanism for gas being imported from outside the continent, Prime Minister Manmohan Singh said on January 4.

He was speaking after dedicating the Rs 4,200 crore Petronet LNG's Kochi terminal to the nation. "Asia has been the driver of the global LNG demand in recent times. It is therefore important that major buyers of LNG in Asia come together to demand a fair pricing mechanism for gas being imported from outside of Asia. I hope to see India contribute towards an effort of this kind in the future," he said.

Petronet LNG has already tied up supply of 14.4 lakh tons of LNG per year for the Kochi terminal from the Gorgon project in Australia for a 20 year period.

Manmohan Singh pointed out that India has less than one percent of the world's known natural gas reserves.

"Therefore, for augmenting the supply of natural gas in our energy mix, we must necessarily import natural gas either by setting up LNG terminals or through transnational pipelines. Import of natural gas and pricing the imported gas constitute challenges that we must meet successfully in the time to come," he said.

Manmohan Singh said he was delighted to dedicate Petronet LNG's Kochi terminal to the nation as he has a special attachment to it since it was one of the two major projects that were announced during his very first trip to Kerala after assuming charge as prime minister.

"I congratulate the entire Petronet team for successfully commissioning this terminal. This project has been on the anvil since 2005. I am aware that a lot of sustained hard work by several agencies of the central and state governments has gone into making it a reality. And today, after eight years of the start of its implementation, the terminal is ready to fuel Kerala's multifaceted development," he said.

Source: Indo-Asian News Service

OVL buys off 12 percent stake in Brazil oilfield

The foreign arm of state-run explorer Oil and Natural Gas Commission, ONGC Videsh (OVL) completed the acquisition of an additional 12 percent stake in the Brazilian oil and gas field BC-10, the company announced.

The acquisition, post approval of the Brazilian regulatory authorities, was completed on December 30.

The purchase was part of the Brazilian national oil firm Petrobras' 35 percent stake in the oilfield, bought jointly by the Indian firm along with Royal Dutch Shell. While OVL picked up 12 percent for $561 million, the remaining 23 percent went to Shell.

Shell, thereby, increased its stake to 73 percent from 50 percent, while OVL's stake climbed to 27 percent from 15 percent in the Parque das Conchas project, OVL said.

"In August 2013, Petrobras entered into an agreement with Sinochem for sale of its 35 percent interest in the block for $1.543 billion. This agreement was subject to pre-emption rights of the partners. Shell and ONGC Videsh exercised their pre-emption rights for acquisition of 23 percent and 12 percent interest, respectively," the statement said.

OVL and Shell exercised a pre-emption right to block Petrobras' partner China's Sinochem Group from buying the Brazilian company's 35 percent interest in the oilfield.

The BC-10 block is located in the Campos Basin, around 120 km southwest from the city of Vitoria off the of Brazilian coast.

Source: Indo-Asian News Service

India extends $25 m credit facility to Maldives

India will extend a standby credit facility of $25 million to Maldives for imports from India, Prime Minister Manmohan Singh announced after the delegation-level meeting.

Addressing the media, the Prime Minister said the two leaders "discussed ways and means of expanding" economic relations.

Calling for more balanced trade between the two countries, Singh said at the moment bilateral trade of about Rs 700 crore was balanced "overwhelmingly" in India's favour.

"We will certainly do all we can to encourage the flow of Indian tourists to Maldives. Increase in Indian investments in Maldives would also contribute to expansion of our economic relations," Singh said.

A joint statement issued after the talks said that India had agreed to consider favourably the Maldivian request for import of diesel, petrol and aviation fuel from India.

Source: The Business Line

CCEA approves changes in Mega Power Policy 2009

The Cabinet Committee on Economic Affairs (CCEA) on January 2 approved amendments in the Mega Power Policy 2009 for provisional mega power projects, an official release said.

"The objective is to increase power availability to boost overall growth of the country, and also ensure that consumers are reasonably charged for electricity supplied," the statement added.

According to the amendment, a developer must tie up at least 65 percent of installed capacity through competitive bidding and up to 35 percent of installed capacity under regulated tariff as per the policy of the host state, and under the long-term Power Purchase Agreement (PPA) with distribution companies (discoms) or state utilities designated agency.

"This dispensation would be one time and limited to 15 projects which are located in the states having mandatory host State power tie up policy of PPAs under regulated tariff," the statement said.

The second amendment extends the maximum time period for furnishing final certificates to tax authorities to 60 months instead of 36 months from the date of import for provisional mega projects, the statement said.

The Mega Power Policy was amended in 2009 to make it liberal and operationally more effective. The amended policy allowed developers to tie up all power to even one state only, while as per the National Electricity Policy they could also sell power up upto 15 percent outside the long-term PPA.

Source: Indo-Asian News Service

Government makes available more funds to PSU banks

The government on January 2 announced conversion of its preferential shares in three public sector banks - Indian Bank, UCO Bank and Vijaya Bank -- into equity shares, in order to make more funds available to these lenders.

The union cabinet headed by Prime Minister Manmohan Singh approved the proposal of conversion of "Perpetual Non-Cumulative Preference Shares (PNCPS)" held by thed government of India in Indian Bank, UCO Bank and Vijaya Bank into equity shares of these banks.

The amount of shares to be converted into the equity is Rs.1,823 crore for UCO Bank, Rs.1,200 crore for Vijaya Bank and Rs.400 crore for Indian Bank.

The move will enhance the Tier-1 capital of the public sector banks, "thereby making available more funds at their disposal to meet the credit requirement of the productive sectors of economy," according to an official statement released after the meeting.

"It will also provide impetus to the economy by including the under-banked rural and semi-urban areas," it said.

The conversion is proposed to be done in the financial year ending March 31, 2014, subject to approval of shareholders and also the Securities and Exchange Board of India (SEBI) and other authorities, it said.

Source: Indo-Asian News Service

Cabinet approves Rs.990 crore fund for leather sector

The government on January 2 said it will invest Rs.990.36 crore during the 12th five year plan to develop leather sector that will help create 200,000 additional jobs.

The Cabinet Committee on Economic Affairs chaired by Prime Minister Manmohan Singh approved the proposal to be implemented under the "Central Sector Scheme Indian Leather Development Programme".

The scheme is aimed at "overall development of leather sector."

Around two lakh unemployed persons would be provided placement linked skill development training under the human resource development (HRD) sub-scheme, according to an official statement released after the cabinet meeting in New Delhi.

"Skill upgradation of existing employees and training to trainers would also be provided. Thirty thousand artisans would be covered through the common facilitating centre support, marketing linkages, micro finance and by forming Self Help Group for enhancing their skill and income," it said.

The programme also envisages infrastructure support in the form of mega leather clusters, establishing infrastructure and pilot projects for environment protection, establishment of two new branches of Footwear Design and Development Institute (FDDI) and providing assistance for modernisation and technology upgradation of leather units.

"Implementation of ILDP would provide trained manpower to the industry and assistance to overcome the constraints of infrastructure in the industry besides efforts for addressing environmental concerns. The objective of the scheme is overall development of the leather sector," the statement said.

Source: Indo-Asian News Service

New India Assurance to increase overseas presence

India's top general insurer New India Assurance Company will expand its overseas operations in Canada, Myanmar and Qatar, a top company official said on January 3.

Within the country, the company will increase its network to 2,000 offices, including 1,000 micro or one-man outlets, hire around 1,100 freshers and hopes to close the year with a total premium income of around Rs.15,000 crore.

"We will be reactivating our operations in Canada, enter Myanmar and Qatar. We will have branch operations there. Currently our overseas operations contribute around 20 percent of the total premium. We want to take this up to 25 percent in three/four year's time," G. Srinivasan, chairman-cum-managing director told reporters in chennai.

The Rs.12,505 crore premium income New India have operations in 22 countries, earning a premium of around Rs.2,500 crore last year and a profit of around Rs.200 crore.

"We came out of the Canadian market 30 years back but have been renewing our branch licence there. We will be active in that market soon. Approvals from Government of India and IRDA (Insurance Regulatory and Development Authority) are awaited," Srinivasan added.

According to him, New India will first open a representative office in Myanmar and would start business operations once the country permits new players.

"We have the approval from the Indian government and formal approval from IRDA is awaited. We have to get the approvals from the centre and IRDA for our Qatar plans," Srinivasan said.

On the domestic front, New India will soon 2,000 offices out of which 50 percent will be micro offices by the end of this fiscal, Srinivasan said.

The company will be adding around 700 micro offices this year alone to comply with the government's directive to have an office in towns with a population of 10,000 people.

"Last year around 300 micro offices fetched a business of around Rs.200 crore. We will upgrade the micro offices into a full fledged branch office once they cross a threshold," Srinivasan said.

Speaking the company's performance, Srinivasan said New India has gained market share this fiscal, something that is happening for the first time since the industry was opened up to the private sector in 2000.

"We have earned a premium of around Rs.8,400 crore till December 2013 logging a growth of around 15 percent which is better than the industry's average growth rate. We have grown in motor, health and marine hull portfolios," Srinivasan said.

According to him, the industry is expecting a hike in the motor third party insurance premium in April.

"We are open for deregulation of the motor third party insurance premium now fixed by IRDA. The deregulation is a call that the IRDA has to take," Srinivasan said.

He said the company will be increasing its headcount by around 1,100 people in officers and assistants cadres taking into account the retirements that are set to happen in couple of years time.

New India will also be hiring around 20,000 agents this fiscal.

Source: Indo-Asian News Service

DoT allows telecom service providers to switch technologies

The department of telecommunications (DoT) has eased the rules for companies planning to participate in the auctions for airwaves due in February.

The DoT has given freedom to the telecom service providers to switch between technologies. This will make the roll out of 4G technologies easier. As per the notice issued for the auction, telecom firms were required to provide information regarding any new technology they wanted to deploy one year before starting trials.

However, it has left to the companies the responsibility of ensuring that each mobile handset has a filter to avoid interference from nearby spectrum being used by other companies. The auctions are expected to make the air waves more densely packed and companies had asked the government to consider ways to reduce this interference.

On switching between technologies, the new clause says that firms acquiring spectrum in the forthcoming auction "shall provide details of the technology proposed to be deployed for operation within one month of getting the license but only if the technology happens to be other than GSM, CDMA or LTE".

The amendments made by the DoT are in response to as many as 276 queries raised by the telecom industry on the spectrum auctions.

The reserve price of radiowaves is expected to increase in the forthcoming bidding rounds by 1 per cent for 'excess demand' in case of every additional megahertz companies bid for, beyond the quantum put up for the bidding. In the earlier auctions, the increase in base price was linked to excess demand for every 1.25 MHz spectrum.

The government is expecting a minimum of Rs 11,300 crore from the upcoming spectrum auction. It has set a revenue target of Rs 40,874.50 crore for this fiscal year from the auction, including auction amount, one-time spectrum charge and annual regular license fee.

About 403 MHz of 2G spectrum in the 1800 MHz band and about 45 MHz of spectrum in the premium 900 MHz band is being put up for auction.

Source: The Financial Express

Economy to do better in 2014 than 2013: Rangarajan

Indian economy is likely to record 6-6.5 per cent growth in 2014-15 with many of the recent policy actions bearing fruit in the next fiscal, C. Rangarajan, Chairman of the Prime Minister's Economic Advisory Council, has said.

This growth forecast is much higher than the 5 per cent GDP growth level estimated for the current fiscal.

Rangarajan expressed confidence that Indian economy will do much better in 2014 than in 2013.

"Once the general elections are over, I believe there will be greater certainty in the environment and various policy actions already taken recently will have full impact in next fiscal," Rangarajan told Business Line in New Delhi.

Rangarajan also felt that the recent pick up in Indian exports will sustain in the next fiscal also.

"The US Fed tapering coinciding with the strengthening of the US economy would enable us to sustain the pick up in our exports," he said.

He also expects oil prices to continue to remain moderate in 2014.

India's current account deficit will come in at below 3 per cent of GDP in 2014-15 also, according to Rangarajan.

However, value of gold imports next fiscal is expected to be higher, he added.

Policymakers are quite confident that CAD for the current fiscal will be below $50 billion, much lower than earlier projected levels of $70 billion.

Rangarajan is quite confident that food inflation will soften and the December print expected in mid-January will confirm this trend.

Steep increase in vegetable prices was the main reason for the climb in food inflation.

But things have improved now and one finds that the prices of onions and other vegetables have seen a decline in recent days, he said.

Source: Business Line

Panel moots more powers for RBI in financial benchmarks

A Committee on Financial Benchmarks, headed by Reserve Bank of India Executive Director P. Vijaya Bhaskar, has suggested increased role for the apex bank for the oversight of the benchmark setting process.

The RBI has put up on its website the draft report of the committee for comments.

The committee has recommended a change in the way of determining the money market benchmarks so as to remove any possible scope for manipulation.

The draft report has recommended that the overnight Mumbai Inter-bank Bid Rate-Mumbai Inter-bank Offered Rate (Mibid-Mibor) fixing be based on "the volume-based weighted average of traded rates from 9 to 10 in the morning.''

That would move pricing away from the current polling method, which is based on a poll of trader submissions.

The committee has also recommended basing the government securities yield curve, including for illiquid debt, on the basis of volume-based weighted average rates instead of last traded yields.

The committed has also proposed banks set pricing for state development bonds at a spread based on the last two auctions, instead of calculating those bond yields at a fixed spread of 25 basis points over government debt.

The report provides an in-depth analysis of the existing benchmark-setting methodology and governance framework of the major rupee interest rate and foreign exchange benchmarks. While finding the existing system to be generally satisfactory, the report, however, has recommended several measures/principles to be followed to strengthen the benchmark quality, setting methodology and governance framework of the benchmark administrators, calculation agents and submitters.

After reviewing the existing regulatory powers of the RBI over the financial benchmarks, the committee has recommended suitable amendments to the RBI Act as a long-term measure. The objective is to explicitly empower the RBI to determine policy with regard to benchmarks used in money, G-sec, credit and foreign exchange markets in India, and also to issue binding directions to all the agencies involved in the benchmark-setting. Although there is no specific provision in the RBI Act for the regulation of financial benchmarks, the committee is of the view that "a broader interpretation of Section 45W of the RBI Act empowers the RBI to issue direction to the benchmark administrators.'' As a long-term measure, it has suggested amendment to Section 45W of the RBI Act.

Pending amendments, the committee feels that the RBI could entrust the administration functions of the rupee interest rate and foreign exchange benchmarks to the Fixed Income Money Market and Derivatives Association (FIMMDA) and the Foreign Exchange Dealers' Association of India (FEDAI), respectively. They could suitably amend their memorandum and articles of associations, the committee has noted.

The RBI, according to the committee, "may advice banks and primary dealers to strengthen the governance framework for benchmark submission and to extend necessary support to the administrator for strengthening the benchmark setting process.''

In the committee's view, "the RBI may bring the benchmark submission system of banks and primary dealers under its on-site supervision and off-site monitoring.'' It has also favoured the setting up of an internal expert group to conduct periodic on-site inspection of the benchmark administrators and calculation agents, and also monitor their activities through an off-site monitoring system.

The committee was set up in the aftermath of revelations regarding manipulations of several key global benchmark rates, namely, LIBOR, EURIBOR and TIBOR. It was set up on June 28, 2013, with a mandate to study various issues relating to financial benchmarks in India, and to submit the report by December 31, 2013.

Source: The Hindu

R. Chandrashekhar takes over as Nasscom president

Former telecom secretary R. Chandrashekhar, under whom a government information technology (IT) department was set up for the first time, on January 5 took over as president of Nasscom—a body representing the $108 billion Indian IT-BPM (business process management) industry.

He succeeds Som Mittal, who served as the president of Nasscom from 2007-13.

"I feel privileged and look forward to leading Nasscom in its next journey of achieving the vision and aspiration of $300 billion revenues by 2020. The opportunities are very vast at this particular juncture and exciting times lie ahead for the industry," Chandrashekhar told PTI.

He said the future looks positive for the Indian IT-BPM industry as the sector is evolving dramatically in terms of scale, complexity and innovation.

"Going forward, enabling radical transformation of key sectors in India through the use of ICT to increase access, enhance efficiency and enable innovation in the sector are going to be some of our priority focus areas.

"The rapidly accelerating trend of innovation and entrepreneurship in the ICT sector impacts several domains and provides clear indicators that the journey has begun," Chandrashekhar said.

He added that changing models will bring compelling business innovations across key verticals such as banking, financial services and insurance, telecom, healthcare, education and social entrepreneurship.

He said the Indian IT-BPM industry, which is primarily export-driven, is at an inflexion point as business models shift from traditional labour-based onsite-offshore model to cloud-based and off premise solutions.

Chandrashekhar was the chairman, Telecom Commission and secretary of the department of telecom till March last year. He held a variety of key assignments with many of them relating to the ICT sector, both at the Centre as well as state level.

Earlier, he had established the first department of information technology in the country in the state of Andhra Pradesh and was secretary of the department from June 1997 to December 1999.

Besides the National Telecom Policy 2012, he played a key role in the first National IT Policy and National Policy on Electronics during his dual role of IT and telecom secretary at the Centre.

A MSc graduate in Chemistry from IIT-Bombay, Chandrashekhar received a MS degree in Computer Science from the Pennsylvania State University, US.

Source: Press Trust of India

New Year cheer: 8.5 lakh new jobs, 20% pay hike in 2014

It may rain jobs in the new year as companies are gearing up to add over 8 lakh new employees to their payrolls and dole out salary hikes of up to 20 per cent to best performers in 2014, say experts.

As per estimates of various human resource consultants, the year 2014 seems very promising for job market unlike 2013, when hiring went slow across mid and senior levels and recruitments were done only to replace 'key' gaps.

In the new year, the country is likely to witness a huge surge of opportunities for job seekers with more and more corporates investing in their businesses.

"Yes, 2014 looks bullish on hiring. 2014 will be seen as a good happening year from the jobs perspective as the global economy is improving and India being one of the largest service provider for the global market," leading executive search firm GlobalHunt MD Sunil Goel said.

According to industry estimates, over 8.5 lakh new jobs may be created in the calender year 2014. The issuance of new banking licences will be a major contributor, while IT, healthcare, agri-business, infrastructure and education sectors are also likely to witness robust hiring trends.

"Last calendar year was not good either for job seekers or for employers due to uncertain and fluctuated economical and political conditions. 2014 is coming with positive vibes for jobseekers and expecting to create 8.5 lacs new jobs in different sectors," Rajesh Kumar, CEO, MyHiringClub.com & FlikJobs.com said.

With regards to salary, the average hike for most sectors is expected in single digits, while top performers can expect pay rise of around 15-20 per cent in 2014, experts say.

"This New Year is going to bring cheer for employees with a salary hike of double-digit of at least 10-12 per cent. In 2014, companies are expected to revise the compensation package and explore a more motivational approach," Indian Staffing Federation Vice President Rituparna Chakraborty "All indications are that the average increase will be around 10 per cent across the industries. However, as pressure is mounting on companies to keep its growth intact, high achievers will be getting increase better than last year, which may range between 15-18 per cent in different sectors," GHCL Ltd VP and Head-Human Resources Rajesh Tripathi said.

Source: The Indian Express

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