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The views expressed in the journal are those of the contributors and not necessarily of the Council of State Industrial Development and Investment Corporations of India.

From The Editor's Desk

CORPORATE GOVERNANCE

The term ***"Corporate Governance"*** has gained universal importance during the last two decades. In simple language, the Corporate Governance signifies efficient, effective and transparent system of managing a business enterprise to ensure profitable growth of the Company through prudent and optimum deployment of its resources to safeguard the interests of the promoters and the share holders. It must also comply scrupulously with the regulatory frame work of the Government and discharge its social-obligations. It may, however, be borne in mind that the business organizations have always existed on the horizon ever since the dawn of modern civilization and they were managed to the advantage of promoters and share-holders. Therefore, the concept of "Corporate Governance" is not new though it has now acquired wider dimensions enlarging its scope and its implementation being monitored by the stock exchanges and the regulators. With the passage of time, the tools of management have significantly improved as a result of far-reaching developments in the field of management education and technology. In India, a number of Committees have deliberated on this subject in the recent past and made variety of recommendations for imparting transparency and effectiveness to the corporate management.

The corner stones of Corporate Governance emerging from the recommendations of the various Committees comprised, among others, that the Board of a listed company should have ***50%*** independent Directors, and that it set up an Audit Committee to be presided over by an independent Director. The Audit Committee chaired by independent Director shall inspect the company's financial statements and can also recommend replacement of the statutory auditors. Another important requirement of Corporate Governance is the appointment of statutory auditors and their accountability to the share holders/regulators. It must be mentioned that notwithstanding the above ingredients of corporate management, the fact remains that the promoters of the organization continue to call the shots and the above requirements are complied with as a matter of formality. I have yet to come across an independent director in any corporate entity. In practice, the IDs are not really independent and are not acting as conscience keepers of the company. In most of the cases, the IDs are close friends, relations, associates of the management and hence it is generally observed that they never antagonize the management in any manner. There are a number of IDs who get appointed because they are willing to lend their names to the companies to enjoy lucrative benefits. The basic malady lies in the appointment of IDs which vests with the promoters. Unless the appointment of IDs is made by an independent agency on the basis of suitability and competence, nothing is going to change. Similarly, audit committee is also dominated by the promoter directors in actual practice and does not perform its designated role.

Shri K.K. Mudgil

For the purpose of this write up, I would like to critically examine the accountability of statutory auditors which is considered to be the backbone of any business organization in a democratic set up. Like Lawyers and Judges in India, Chartered Accountants have always been placed on a pedestal one step higher than any other professional. In a developing country with

liberalized economy, the Statutory Auditors play a very crucial role in facilitating close interaction between the corporate sector and the share-holders on one hand and regulators of the financial system on the other. The Statutory Auditors are required to certify the liquidity, profitability and solvency of a corporate entity by finalizing its Balance Sheet and the audit report. They serve as a sound basis on which investment decisions are taken by the investing public and financial institutions. Further, the share-holders of corporate entities largely depend upon the audited statement of accounts to know about the safety of their investment in the company. The Statutory Auditors are, therefore, expected to act as custodians of public interest, an important source of feedback to the Government for formulation of realistic corporate policies, assist the financial institutions in taking investment / lending decisions, as also facilitate regulators in regulating the financial sector. Notwithstanding, the useful role required to be played by the Statutory Auditors in the Corporate sector, our experience has been contrary to the above expectations and uniformly most disheartening and disgusting. I have been associated with the financial sector for nearly 35 Years and have functioned on the boards of several Commercial Banks and Public Limited Companies. I have observed that by and large the Balance Sheets of the corporate entities certified by the Statutory Auditors conceal much more that what they disclose. The auditors who are supposed to exercise independent judgement about the financial position of a company and realisability of its assets were found to be functioning under the pressure of the promoters/management in showing a rosy picture of the company's financial position. With a view to window-dressing the actual position and avoiding their statutory responsibility, they qualify the Balance Sheet by giving a long list of explanations in the audit report. If one carefully reads the said qualifications in the notes and then goes through the Balance Sheet, one would find the total earnings and profitability indicated in the Balance Sheet to be highly manipulated. It would not be an exaggeration to say that the scams, which had taken place in the financial sector in the past with serious implications, were to a large extent the handiwork of the Chartered Accountants connected with the financial intermediaries.

It has been generally observed that the Chartered Accountants instead of exposing the mal-practices in the corporate entities including banks and financial institutions rather tend to assist them with their specialized knowledge of accountancy in their perpetuation and concealment. Recently, Naresh Chandra Committee on Corporate Governance constituted by the Government of India had exhaustively dealt with the role of Chartered Accountants/Statutory Auditors and the independent Directors in the corporate entities. The Committee has obviously not addressed the main issues pertaining to the appointment, rotation and conduct of Statutory Auditors and the need to impart transparency in the accounting standards. There is an imperative need to change the Statutory Auditors every three years. The Statutory Auditors must exercise their independent judgement with regard to the ***'qualifications'*** and incorporate such item in the Balance Sheet. The Balance Sheet should be a transparent document reflecting the financial health of a company, without reading the finer prints of the audit report. This responsibility should be squarely put on the Statutory Auditors. They cannot take shelter under the 'qualifications' of the Balance Sheet. Chartered Accountants need to perform their jobs without any fear or pressure. This should be one of the underlying objectives of the "*Corporate Governance*".

❐❐❐

(K.K. MUDGIL)

APPOINTMENTS

- Shri B.P. Acharya, IAS has been appointed as Vice Chairman & Managing Director, Andhra Pradesh Industrial Infrastructure Corporation Ltd., (APIIC) Hyderabad vice Shri L.V. Subrahmanyam.
- Shri Tony Koyu has been appointed as Managing Director, Arunachal Pradesh Industrial Development & Financial Corp. (APIDFC), Itanagar vice Shri Hage Kajeen.

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IMPRESSIVE PERFORMANCE BY CENTRAL PSEs

By
Dr. S.M. Dewan*

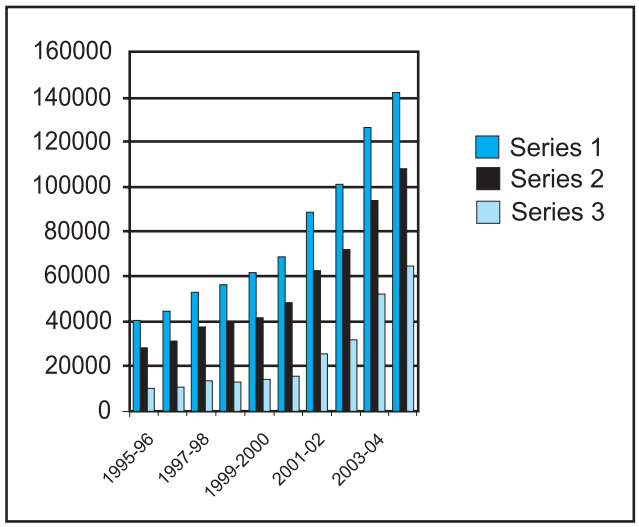
Liberalization of Indian economy has helped Public Sector Enterprises (PSEs) in defining their vision and mission. They have augmented their capabilities to face global competition and are emerging triumphant in open market arena. Their invaluable contribution and superlative performance over last few years is now an acknowledged fact by both the government and the public. They are not only earning profits, generating internal resources and creating wealth for the shareholders but are also tremendously contributing to the country's planned development and to government's revenue.

The Central PSEs have performed commendably well during the year 2004-05 by registering quantum jump over 2003-04 in net profit (23.26%); turnover (19.39%); foreign exchange earnings (21.12%); contribution to the national exchequer (24.22%) and dividend (35.48%). According to the Public Enterprises Survey 2004-05 released by the Government recently, their return on investment is 21.49% as against 21% the previous year and 15.9% a decade back.

Impressive Rise in Profit & Profitability

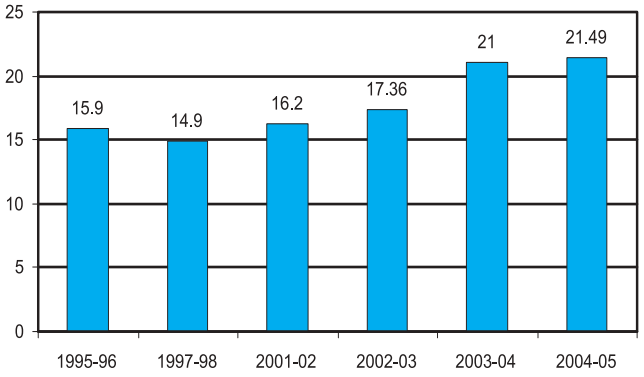
The Central PSEs have recorded a net profit of s.65,429 crore as against Rs.53,084 crore last year registering an increase of 23.26% and Rs.9,574 crore a decade back i.e. an increase of Rs.583.40 percent over 1995-96. Their profit before depreciation, interest, tax and prior period adjustments has increased from Rs.40,161 crore in 1995-96 to Rs.1,42,606 crore in 2004-2005 thereby registering a rise of 255.08 percent. Profit before interest, tax and extra-ordinary items and prior adjustments during last one decade has risen from Rs.27,587 crore to Rs.1,08,491 crore which works out to a 293.26 percent increase. The return on equity share capital was 52.65 percent in 2004-05 i.e. earning per share was 5.26 per share of Rs.10/- which was Rs.4.46 in the previous year.

Profitability in terms of PBDITEP, PBITEP & Net Pr



CPSEs have earned a return on investment i.e. Profit before interest, tax and extra ordinary items and prior period adjustments to capital employed of 21.49 percent from 15.9 percent a decade back. It was 21.00 percent the previous year.

Return on Investment (%)



The detailed analysis gives heartening picture of 16 loss making PSEs coming out of red reducing number to 73 from 89 last year. This is a result of efforts of PSEs as well as positive policy and steps by the government. Enterprise-wise profitability reveals that 143 profit making enterprises earned a profit of Rs.74,432

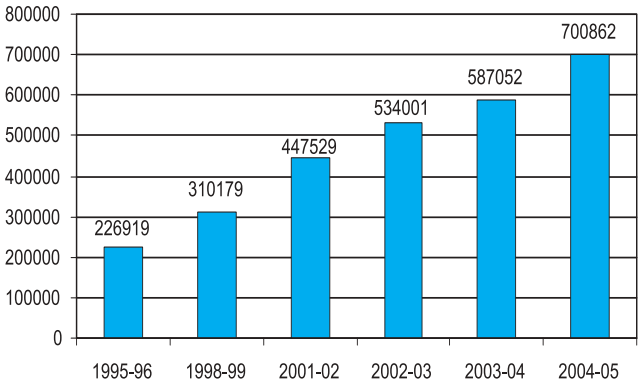
* *The author is Director General, SCOPE and Ex-CMD, STC*

crore compared to Rs.61,606 crore earned by 139 enterprises during the previous year. The profit of profit making PSEs in 2004-05 has risen more than five times since 1995-96.

Consistent Improvement in Turnover and Rise in Contribution to Central Exchequer

CPSEs have shown consistent growth in turnover/operating income which has increased to Rs.7,00,862 crore in 2004-05 from Rs.5,87,052 crore in the previous year and Rs.2,26,919 crore a decade back, registering an increase of 19.39% & 208.85% *respectively.*

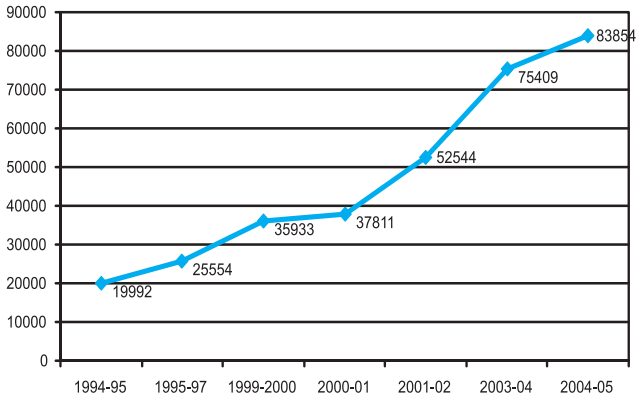
Growth of Turnover (Rs. in cr)



CPSEs have been making substantial contribution to augment the resources of Central government through payment of dividend, interest, corporate tax, excise duty, customs duty and other duties thereby helping in mobilizing of funds for financing the needs for planned development of the country. Their contribution to the Central Exchequer during the last two years 2003-04 and 2004-05 comes to a staggering amount of Rs.1,99,634.50 crore which far exceeded the cumulative Central government investment by way of equity and loans of Rs.1,34,766 crore as on 31.03.2005. During 2004-05 they increased contribution to Central Exchequer by Rs.21,563.86 crore which rose to Rs.1,10,599.19 crore against Rs.89,035.33 crore last year, registering an increase of 24.22%.

The Wealth Creators and Foreign Exchanger Earners

Internal Resoure Generation (Rs in Cr.)



Internal resource generation of CPSEs grew from Rs.75,409 crore the previous year to Rs.83,854 crore during 2004-05. Since 1995-96, it totals to Rs.4,53,030 crore which is more than thrice the cumulative investments made in CPSEs over last five decades.

Public Enterprises also play a major role in easing balance of payment(s) position of our country by promoting import substitution and earning foreign exchange. During 2004-05 export earnings of PSEs increased to Rs.42,264 crore as compared to Rs.34,894 crore during 2003-04 showing 21.12.% increase.

Contribution to National Economy

Public sector occupies a key position in the nation's economy in several sectors, specially in the production of coal, lignite, petroleum, basic metal, non-ferrous metal and fertilizers. Production of coal from public sector increased from a meager 12.61 million tonnes in 1968-69 to 358.88 million tonnes in the year 2004-05 which accounted for over 93.80% of the total production. Likewise the share of public sector in crude oil, natural gas and refinery crude production was 87.34%, 78.65% and 73.01% respectively. In case of finished steel its production rose from 2.55 mt. in 1968-69 to 12.32 mt in 2004-05, which accounted for 30.31 percent of country's total production.

REPORT CARD

PSEs Performance

over Five Years

Particulars	2000-01	2001-02	2002-03	2003-04	2004-05
No. of operating enterprises	234	231	226	230	227
Capital employed	331401	390162	417931	452910	504826
PBDITEP	69287	89550	101691	127396	142606
PBITEP	48767	63190	72539	95120	108491
Net Profit	15653	25978	32344	53084	65429
Profit of Profit making PSEs	28494	36432	43316	61606	74432
Profit making PSEs	123	120	119	139	143
Loss Incurring PSEs	110	109	105	89	73
Fin. Ratio % PBITEP to capital employed	14.7	16.20	17.36	21.00	21.49

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PROMOTING GROUP ENTREPRENEURSHIP FOR RURAL INDUSTRIALIZATION

By
*S.P. Singh**

As per the Census 2001 report, out of the country's total 402.51 million workers, 235.08 million are directly dependent on agriculture. A majority of them consist of small and marginal farmers and agricultural labourers, and a large numbers of them are either unemployed or under-employed. Although the percentage of workforce dependent on agriculture has declined from 64.8 percent in 1991 to 58.40 percent in 2001, the absolute number has significantly increased. If we look at the contribution of this sector to the total GDP (about 22 percent in 2003-2004), this percentage dependence on agriculture seems to be very high and indicates the intensity of disguised unemployment and under-employment in the sector. The employment absorption capacity of the sector may further decline, due to the application of labour-saving technology; declined public investment; and lifting of quantitative restrictions (QRs) on imports of agricultural products. Similarly, urban organised manufacturing sector does not appear to be promising in absorbing growing workforce. This is evident from decline in the absolute number of jobs in public sector enterprises due to retrenchment and disinvestment policy and a slow growth in employment in private manufacturing sector due to application of more capital intensive technology. Although, urban informal sector is growing very fast and a large number of workers are being absorbed by it, but the exodus of rural workers in urban areas has been creating serious problem, to the carrying capacity of urban sector. Under these constraints, the viable option for providing gainful employment, to the growing rural workforce to lessen the burden of manpower on agriculture seems to be in generating more employment, in the Rural Non-Farm Sector (RNFS), which constitutes mainly three components: services such as hotels and dhabas, transport and communication, repairs shops tailoring and hair cutting, cobblers etc; trade and commerce such as wood, iron, cloth, groceries shops, medical stores, and other business; and manufacturing such as shoe making, farm implements, bakeries, pottery, basket making, soap making, rice mills, sugar and khandsari, fruits and vegetables processing units, dairy and meat processing units and other small and cottage industries. This paper is restricted only to the manufacturing sector.

Review of Development initiatives

During the planning period, rural development strategy has shifted from growth oriented to welfare oriented and further to empowerment oriented. Upto the Fourth Plan, our developmental strategy was based on the 'trickle down theory' in which emphasis was laid on acceleration of growth on the presumption, that its benefits would percolate down to the lowest strata of society and would spread evenly among the different regions. This 'top down approach' of development could not prove effective in alleviating rural poverty and reducing regional imbalances. Therefore, from the Fifth Plan, Government of India titled its development strategy towards the welfare of downtrodden and underprivileged sections of rural society and also towards the development of backward areas to reduce regional imbalances. Since then, a number of targets oriented wage-employment and self-employment rural development programmes have been implemented by the government. But the major weakness of these programmes was that the people, for whom these programmes were made, were not involved in their conception, planning, execution and monitoring. However, with the amendment of 73rd Constitution Act, this weakness has been removed to some extent and the participatory development process can now become a reality in rural areas. Under this new dispensation, rural industrialization is also the subject of Panchayati Raj Institutions (PRIs).

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Another drawback of the self-employment programmes was that the group entrepreneurship approach was not followed in them. DWACRA was the only programme that was based on the group approach, covering 10-15 poor rural women in a group. The programme aimed at developing income-generating skills and promoting activities among them. However, due to lack of literacy and entrepreneurial skills among the rural poor women, the programme could not succeed in achieving the objectives for which it was made.

TRYSEM, another self-employment programme, started with the objective to developing technical and entrepreneurial skills, among poor rural youth to enable them to take up income-generating activities, also could not make much impact on the generation of productive employment. The mid term appraisal of the 9th Plan observed that the trainees under the programme were only interested in the stipends; they did not apply the training inputs for furthering self-employment prospects. Due to rapid changes in rural market, small entrepreneurs under TRYSEM find it difficult to have a niche in the market.

More recently, Government of India has launched a new self-employment scheme-Swarnjayanti Gram Swarozgar Yojana (SGSY), which is based on group approach. This scheme replaces the earlier self-employment and allied programmes such as IRDP, TRYSEM, DWCRA, SITRA, GKY and MWS. It aims at establishing a large number of rural micro-enterprises. It is rooted in the belief that the rural poor in India have competencies and given the right support they can be successful producers of valuable goods, services. This scheme is conceived as a holistic programme covering all aspects of self-employment viz. organisation of the rural poor into self-help groups (SHGs) and their capacity building, planning of activity clusters, infrastructure build up, technology, credit and marketing. It is a credit-cum-subsidy programme. It envisages a greater involvement of the banks in the planning and preparation of projects, identification of activity clusters, infrastructure planning as well as capacity building and choice of activity of the SHGs. The programme also provides for promotion of marketing of the goods produced by the Swarozgaris. This would involve market intelligence, development of markets, consultancy services as well as institutional arrangements for marketing of the goods including exports.

Review of these self-employment schemes evince that the policy focus has largely been on poverty alleviation rather than on creation of income and wealth on sustainable basis through investment in the productive employment generating activitities. As beneficiaries of most of these schemes are poor as well as illiterate, they lack necessary skills to run effectively their activities chosen under the schemes. A big or medium enterprise can easily hire the workers with different skills. However, it is not feasible for a micro enterprise to have access to all these skills, and therefore, due to lack of necessary skills, many of them could not survive in the rapidly changing markets. Therefore, development of rural industries under group entrepreneurship may be a good option in this regard.

Potential for investment in rural industries

Rural industry constitutes only 7.4 percent of total rural workforce. Expansion of rural industrialisation can play a vital role in abating distress migration from rural area; stopping skill drain; reducing the pressure on urban civic services; raising local demand for building rural infrastructure; and boosting rural income and employment. India produces annually over 200 million tonnes of food grains and about 130 million tonnes of fruits and vegetables. She ranks second in the production of fruits and vegetables and first in milk production. The country also has the largest cattle population in the world and holds a huge size of other livestock. However, this huge supply of primary agricultural products has yet partially been utilised as raw material by the food-processing industries. For instance, in India only two percent of fruits and vegetables are processed compared to 70 percent in Brazil, 30 percent in Thailand, 78 percent in Phillippines and 80 percent in Malaysia (Government of India, 2001). Due to lack of proper transport, storage, and processing facilities, annual post-harvest loses in India are as much as Rs.50,000 crores. These losses could be minimized through investment in transport, storage and communication infrastructure and investment in the processing of primary agricultural products.

The supply side factors referred above indicate that the fruit, vegetables, dairy, and meat processing industries have a great potential. From demand side, the middle class population has a steep rise during post-reform period. This class accounts for about 350-370 million population in the country. This class has more discretionary income to spend on quality-processed food. Apart from growing middle class, urbanization, increasing number of women in job market, rise in per capita income, convergence of consumers' food habits, improved information and communication technology, and better transport system are other key demand side drivers of

growth of the food processing industries. Assessed on the basis of these demand and supply parameters, food industry in India can play a vital role in enhancing rural income and employment through agricultural diversification, commercialization, and value addition. Export prospect of horticulture and livestock products in India seems to be quite promising in the post WTO regime. With the trade liberalization, flowers, fruits, vegetables, and livestock products have emerged important export products from India to the Middle East and other countries. Apart from food processing industries there is also scope for investment in non-food agro industries, farm implement and machinery, warehouses and cold storage, and marketing, transport and communication.

Development of group entrepreneurship

As stated earlier, with the introduction of new Panchayati Raj, coordination and implementation of the programme of village and small-scale industries will be the responsibility of these institutions. It is envisaged that they will make all out effort, to industrialize their areas by making full use of their enhanced power and resources. With the help of local people, government officials, financial institutions, and local NGOs, they have to make village plans for rural industrialization. The success of rural industrialization programmes depends on an intimate knowledge of the needs of each area, its resources - men and materials, the possibilities of technological improvement of each rural industry, introduction of new scientific techniques of production with a view to reducing the diseconomies of small scale production, and finding of suitable markets to absorb the goods produced.

In Uttar Pradesh, Panchayat Udyogs (PUs) have been set up, as rural micro enterprises, to provide employment to rural artisans and other weaker sections, and to ensure proper utilisation of locally availabile resources. Currently, over 900 PUs are working in the state. They represent a unique model, where micro enterprise is promoted through local bodies. Over 1000 products, such as, wooden and iron furniture, cotton mats, printing press, boats, blankets, candle, slate, soap, leather products stationery, stone work, horse and buffalo carts etc. are being manufactured by them. Thus, PRIs have already some experience to run micro enterprises. These enterprises need to be revitalized and upgraded through private partnership.

For promoting group entrepreneurship among the rural enterprising youths, PRIs should identify the educated unemployed youths having diploma in engineering, ITIs and other management courses in their areas and organize them in groups for jointly taking up some enterprising projects. Each group may have 5-10 rural youths trained in different skills. Such groups may also be integrated with SGSY by involving the beneficiaries of the programme. Agro and non-agro based rural small-scale industries should be established by PRIs in joint venture by involving these identified enginering diploma holders, ITI certificate holders and other skilled rural unemployed youths. These industries should be based on the locally available resources. The funds of such industries may be mobilised through bank loans and subsidy given to the target groups. The role of financial institutions and NGOs becomes very vital in this regard. Gram Panchayat should be entrusted the responsibility of identifying the different type of unemployed workers willing to join the group and formation of group for taking up the different projects. In forming the group, more than one GP may be involved. Kshetra Panchayat should conduct survey of natural, physical and human resources of the area and identify the various productive activities based on the locally available resources. Block Development Office should create information database that may have, among others, the details of unemployed rural youths having training in different skills. The databse should be well connected through internet, with other development blocks, district statistical office, training institutes, and the district panchayat office. The overall promotion and development of rural industrialization through group entrepreneurship should be left for the District Panchayat.

There will be several advantages from such rural industries. At present, gram panchayats do not have adequate financial resources of their own. Grant-in-aid from state and central governments, is the only source of their income for the implementation, of various rural development activities. These rural industries, in which gram panchayats will have their share capital, may be an important source of their income. The employees of such industry will also be able to generate sustained income for their families because over and above their salaries, they will get dividends for their share capital. Since, the owners of firm will also be its employees; they will work with complete devotion and sincerity to enhance productivity, profitability and income. In this way, the twin objectives - economic growth and social justice may be achieved in a more meaningful way. To study the effecti-veness and feasibility of the scheme, pilot projects may initially be launched in a few selected blocks.

Essentials for group Entrepreneurship Development

Skills Formation

Improved technical and other skills among youths associated with rural enterprises are of prime importance, for enhancing the productivity and marketability, of their products in the competitive market environment. We have huge infrastructure, for vocational training in the country that needs to be upgraded and made demand-driven, so that trainees may have access to those skills, which are required in the changing labour maket. There are 4,274 Industrial Training Institutes (ITIs) with an intake of 6.2 lakh students and six Advanced Training Centres (ATCs). Apart from these, there are also private institutes providing various types of training in areas ranging from computer applications to catering. The KVIC also provides training through its 51 training centres and 10 training-cum-production centres. There is also a scheme of Community Polytechnics (CPs) run by polytechnics to provide short term training to youths. NGOs also provide training in skill development with financial assistance from CAPART.

It has been observed that the training provided in most of these institutes, is for the skills that have little demand. The curriculum is not attuned to current market requirements due to lack of revision. The training is oriented towards individual job seeking and not towards setting up self-owned enterprises. Trainees lack multi-skills, and are not generally trained in skills to having access to information, credit or market knowledge. The training is a one-time affair, and not a continuous process.

Strengthening the employability of the youth should be the main concern of training institutes. Training modules, should be attuned with the changing needs of the labour market, minimizing mismatch between demand and supply of different skills. After formation of the group of young entrepreneurs, each group should be provided training for developing necessary skills, related to the activity identified by the group for micro or small enterprise. Knowledge about availability of technology, machines and equipments, raw materials and other inputs, finance, and marketing of the products should be provided to them during the training. Apart from these, it is also expected that the trainees would also be imparted training in learning, new skills, required in the changing world of work. However, skills formation among the rural youth is the necessary, not the sufficient condition for rural industrialization. Post-training follow-up assistance in the form of other support services, such as assistance in the procurement of technology, inputs and finance and marketing support is equally important.

Upgradation of Training Institutions

We have large number of training institutes in the country. For promoting entrepreneurship development and strengthening of the human capital base, training infrastructure should be modernized and upgraded. The existing infrastructure of DIC, ITIs, rural polytechnics and other institutions supporting small industries should be strengthened. District Panchayat Office should have a training department, that may work as a coordinating agency to create linkages, with all training institutes and technical colleges under the jurisdiction of the district.

Developing Effective Market Mechanism

Experience shows that many of micro and small enterprises in the country, could not survive, due to lack of market support. Their growth or decline, largely depends on markets, links with larger firms, and access to technology, credit, skills and marketing. There is, therefore, a need to develop a suitable institutional market mechanism for the products of these enterprises. In case of certain products, the existing marketing infrastructure of KVIC and other government outlets could be used. Cooperative marketing institutions could also be involved. What is more required is to build brand equity for their products. This could be done by developing a market mechanism under the decentralized framework of cooperative marketing.

Policy Support

- Well coordinated efforts from NABARD, SIDBI, other commercial banks, rural local government, and NGOs are required to promote group entrepreneurship. To study the effectiveness and feasibility of the scheme, a few pilot projects can be initiated by them in some selected development blocks.
- Government should provide subsidy to the group in the same way as the self-help group under SGSY receives.
- Micro and small enterprises, to a greater extent, suffer from the technological inefficiencies and lack of effective demand. Therefore, transfer of cost-effective technology and its constant upgradation is

necessary for raising productivity, improving product quantity and competitiveness, and increasing profitability of the enterprise. B. Tech students from local engineering institutions, can be motivated to take up projects, on rural technology upgradation. There is need to build an effective linkage between the technical institutions and these enterprises.

- Currently, development blocks in the states, like Uttar Pradesh do not have a sound mechanism, for information and data management. They do not have internet link with each other and with the district statistical office. State planning deptt. of Uttar Pradesh has done a commendable job by providing on line data related to districts and in some cases even to blocks. However, specific information related to rural industrialisation is not available. Central government should devolve adequate funds to block development offices, for computerisation and creating a database, especially having information on unemployed youths trained in different skills.

Conclusion

Agriculture cannot provide gainful employment to the entire rural workforce. The organized sector has been shrinking due to retrenchment and disinvestment policy in public sector and application of more capital intensive technology by the private sector. The fast growing urban informal sector is putting more pressure on the carrying capacity of urban sector due to influx of workforce from rural areas. Our past experiences with the rural self-employment schemes show that the policy focus has largely been on poverty alleviation, rather than on creation of income and wealth on sustainable basis, through investment in workers' education and skill. In this backdrop, development of group entrepreneurship, among rural youths may be a good alternative strategy for rural industrialisation. A group of 5-10 youths having trained in different skills can jointly run micro or small enterprises with the involvement of PRIs and assistance from NGOs, financial institutions, and the government. Initially pilot projects can be started in a few selected blocks to assess the effectiveness of the approach. To create enabling and conducive environment for the promotion of group entrepreneurship in the rural areas, several policy interventions, such as the development of institutional market mechanism, arrangement of necessary inputs and finance, revitalizing the existing training infrastructure and its orientation towards integrated training focusing on group entrepreneurship, and transfer of modern technology are required.

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You cannot improve productivity without having a firm and sincere commitment to the company's goals and objectives.

MEMBER CORPORATIONS~THEIR ACTIVITIES

State finance firms not liable to pay PSU staff wages : SC

The Supreme Court has ruled that a State Financial Corporation is not liable to pay wages to the workers of a sick company in which it has shares. The liability is entirely that of the failed company, the court said, setting aside a judgement of the Punjab and Haryana High Court.

In this case, the Punjab State Industrial Development Corporation Ltd. promoted Punjab National Fertilizer and Chemicals Ltd. and held 13 percent of its shares.

The company became sick and the high court's company judge ordered its winding up. The workers were not paid wages. They approached the Chief Minister, who requested the Corporation to raise funds to pay arrears to the workers. The workers moved the company judge of the high court seeking a direction in terms of the Chief Minister's note.

DSIDC

Delhi State Industrial Development Corporation (DSIDC) has become the first organisation of its kind to secure an ISO quality certification for one of its liquor vends. The ISO 9001-2000 certification for quality management was awarded to the DSIDC liquor shop at Masjid Moth in the national capital. DSIDC has also entered into an agreement with a company to computerise all liquor shops to provide its customers a "transparent and enjoyable" trade experience.

MSFC

The Maharashtra State Financial Corporation lost its case in the Supreme Court last week because it was too late in asserting its right to recover a loan amount from Crystal Marketing Pvt. Ltd. or its Directors. The company took a loan from the Corporation but was unable to repay it. A district Judge in Goa ordered the sale of the company's assets. However, there was a shortfall in the amount realised after the sale. Since the Directors had stood surety for the loan, the finance corporation proceeded against them. They argued that the claim was made beyond the time prescribed in the Limitation Act. The contention was accepted by the Supreme Court while dismissing the Corporation's appeal.

HSIDC 220 kv Sub-Station set up at IMT Manesar

Shri Bhupinder Singh Hooda, Hon'ble Chief Minister Haryana, inaugurated a 220 KV sub-station at IMT Manesar on 18th January, 2006. Shri Hooda informed about the steps being taken by the State Government for the augmentation of power supply to the industrial, agricultural and domestic users. He further assured that Haryana will be self-sufficient in power generation within the next two years time.

HSIDC has always given high priority to provide good quality of electrical infrastructure since power is the most critical factor for the smooth running of industrial ventures. Accordingly, HSIDC has constructed a ring main of 66 KV sub-stations fed through a dedicated 220 KV sub-station in Sector-1 at IMT, Manesar. The plan capacity of the 220 KV sub-station is 3x100 MVA trnsformer with configuration of 66 kv lines to evacuate the power for different sectors. The sub-station will be commissioned with 100 MVA transformer and a further provision has been made to enhance the capacity upto 300 MVA load. The 220 KV sub-station constructed at IMT Manesar is the first sub-station in Haryana with air-conditioned conrol room facility. The total cost for construction of this Sub-station has come to Rs.12 crore including the cost of 220 KV level transmission line from Badshahpur sub-station of HVPN to Manesar. Further, the power from this sub-station will be evacuated through 66 KV line for different sectors of IMT, Manesar and power connection will be released to the entrepreneurs through the 66 KV substations constructed in Sector-2, 3 & 4. After the commissioning of this sub-station at Manesar, good quality of power will be supplied to the entrepreneurs of Manesar meaning thereby that there will be no problem of low voltage, tripping etc. The power requirements of the industries being set up in IMT Manesar Phase-I, II, III & IV shall be fulfilled from this 220 KVA sub-station as there will be no waiting time for release of power connecting to the

entrepreneurs of IMT, Manesar after commission of this sub-station.

Technology Park at Rai

HSIDC has decided to develop another technology park at Industrial Estate Rai on campus development norms on the lines of similar parks being set up at IMT Manesar and Panchkula. The IMT Manesar technology park spread over an area of about 140 acres has received an overwhelming response with 37 project proposals for allotment of land ranging from 10 acres to 50 acres. Prominent among those who have submitted their applications are : L&T, HCL, DLF, Agilent Technologies, Shapoorji Pallonji, PCL Infotech etc. The proposed technology part is likely to generate direct employment opportunities for about 1200 trained professionals and an equal number of indirect employment opportunities.

The technology park including an IT corridor at Panchkula is also in an advanced stage of implementation. HUDA has already handed over 97 acres of land for the first phase of the park. The Corporation has completed the topographical survey of the area under the campus development norms.

As per the new industrial policy, an individual anchor unit can carry out campus development on land allotted by HSIDC or on privately owned land having a minimum area of 10 acres. If campus development is undertaken by a developer on land allotted by HSIDC, the developer shall have to bring an anchor unit to the satisfaction of the Corporation. Such an anchor unit shall utilise atleast 30% of the total constucted area of the campus area for its own unit as well as its vendors/ subsidiaries/ancillaries. HSIDC shall scrutinise and approve such proposals.

The technology park at Rai will be set up over an area of about 56 acres of land located at NH-1 adjacent to the industrial estate. The applications for allotment of land in the technology park at Rai shall be invited shortly.

CONCOR's Cold Chain Project Revived

Container Corporation of India Ltd. (CONCOR), a Govt. of India undertaking with the Ministry of Railways has revived its project to set up a cold chain complex at Rai near Sonipat. The prestigious project, which is of great importance for the farming community, has been revived due to relentless efforts by HSIDC and the State Government. CONCOR had announced the setting up of this project in the year 2003 at Rai (Sonipat) for which HSIDC had allotted 17 acres of prime land in its indutrial estate on a highly subsidized lease. However, no steps were taken towards implementation of the project. Finally, CONCOR decided to scrap this project. As a result of the fresh efforts made by the State Govt. for reviving this project, CONCOR has now given its in-principle approval for restarting the cold chain project at the same site in Rai.

The state-of-the-art project will provide logistic support to the Food Park at Rai which has been developed under assistance from Ministry of Food Processing Industries, Govt. of India. Apart from handling frozen products, a cold chain involves the management and distribution of fresh product under controlled temperature and controlled atmosphere so as to enhance its shelf life, preserve quality and prevent wastage right from the post harvest stage to the retail end. This will be done through the establishment of several warehouses located strategically across the country, which will have state-of-the-art technology like controlled atmosphere, controlled temperature and deep freeze facilities for processing and storage of produce. CONCOR will undertake to provide logistic services to the produce under controlled conditions between the production centres, cold stores and retail outlets.

CONCOR identified food park at Rai as the first of its locations for a controlled atmosphere store. This facility of CONCOR will support the food park and the adjoining Modern Fruits and Vegetables market already planned by HSIDC and will provide the raw-material uniformly throughout the year. The proposed project will promote synergies between the food park and CONCOR's own cold chain services in a mutually beneficial manner. The fruits which are proposed to be preserved will be mainly apple, banana, grapes, lime, litchi, mango, mosambi, pineapple, and papaya and the vegetables will be brinjal, bitter gourd. green chilies, peas, cabbage, cauliflower, ginger, garlic etc. The cold stores will also cater to dairy products like chocolates, pharmaceutical products on behalf of major clients like HLL, Dabur, Nestle etc.

Term Loan for multiplex at Panipat

M/s DAP Estates Private Ltd. are setting up a multiplex in Sector - 11, Panipat for which the land has been allotted by Haryana Urban Development Authority. HSIDC has decided to finance this project by way of a term loan of Rs.10 crore. The project comprises of three cinema theatres of 400,200 and 200 seats with shopping area, restaurants etc. The commercial area shall be leased out by the company to various establishments

and the multiplex shall be run by the company. The basements, both upper and lower, shall be used for car/ scooter parking. The company proposes to provide infrastructure and amenities of international standards such as central air conditioning, 100 percent power backup, fire fighting equipment, state-of-the-art-safety management system etc.

Scorpio Apparels to expand

Scorpio Apparels Pvt. Ltd. an existing borrower of HSIDC - has been sanctioned a term loan of Rs.625 lakh for the expansion of their existing readymade garments project at Faridabad. The company specializes in the manufacture and export of readymade ladies garments. The term loan of Rs.625 lakh includes the takeover of a high interest bearing term loan of Rs.508 lakh from some nationalised banks. The total cost of the proposed expansion project has been estimated at 161.87 lakh which includes only plant and machinery. Out of the cost of the proposed plant and machinery, the Corporation shall be financing to the extent of Rs.117 lakh only and the remaining shall come by way of internal accruals.

After implementation of the expansion program, the sales turnover of the company is likely to go up from the existing Rs.2,900 lakh to Rs.4,650 lakh per annum in the third year of its operation. Being labour intensive, the project would add another 200 personnel to its existing strength of about 800.

Fire Station at I.E. Kundli

In line with the satisfactory fire services being provided by the Corporation in Udyog Vihar Gurgaon, it has been decided to set up a fire station at Industrial Estate Kundli as well. The fire station at Udyog Vihar Gurgaon is being managed and run by the Indian Institute of Fire Engineering (IIFE) Nagpur. The fire station is operational round the clock with two fire tenders and trained manpower. This has fulfilled a long standing demand of the entrepreneurs of Udyog Vihar to provide fire fighting facilities within the complex in addition to the fire station being run by the district administration.

The fabrication of fire water tender has been completed for setting up the fire station at Industrial Estate Kundli. The fire station at Kundli shall also be run and managed by the IIFE, Nagpur. To start with, one fire tender shall be made operational to meet the requirement of I.E. Kundli and the adjacent industrial estates like Rai and Barhi. The fire station shall be augmented commensurating with the number of industrial units being set up in this industrial estate. The capital cost on this fire station has come to around Rs.50 lakh with an annual operational expenditure of around Rs.11 lakh.

Rs.500 lakh term loan for spinning project

HSIDC has sanctioned a term loan of Rs.Five Crore to M/s K.C. Fibres Ltd. for the expansion of their project involving spinning of cotton yarn at Kundli (Sonipat). The promoters of the company are also engaged in the manufacturing of wide width cloth, sheeting, canvas fabric and bath mats in their sister concerns M/s K.C. Machine Works and M/s K.C. International Ltd. at Kundli. The company has 7.75 acres of land at village Kundli adjacent to HSIDC Industrial Estate. One of the sister concerns of the company, M/s K.C. Machine Works Ltd. is an existing loanee company of the Corporation with a good track record of repayment of its dues. The company is supplying its products to the local buyers, exporters and reputed textile units namely JCL Phagwara, MDL Ahmedabad and Paliwal Group, Panipat. In view of the increase in demand, the company now proposes to enhance its installed capacity from 32.72 lakh kgs. p.a. to 58.27 lakh kg p.a. The proposed machines are being procured under the Technology Upgradation Scheme of the Government of India (TUFS). The total cost of the expansion project has been estimated at Rs.668.51 lakh which is proposed to be financed by way of internal accruals of Rs.118.51 lakh, unsecured loans of Rs.50 lakh besides the term loan from the Corporation.

After implementation of the proposed expansion program, the sales turnover of the company shall increase from Rs.1,870 lakh to Rs.3,400 lakh per annum thereby registering a substantial increase in the profitability of the company. The new machinery and equipment is likely to be operational by the middle of next year.

Additional term loan for Lumax

HSIDC is to provide an additional term loan of Rs.465 lakh to Lumax Automative Systems which is an existing loanee company of the Corporation. Lumax is an established name in the automobile sector. The company is engaged in the manufacture of a wide range of automotive rear view mirrors, filters and air cleaners at Faridabad, Aurangabad, Pune and IMT Manesar. The Lumax group was established in 1955 in the name of Globe Auto Industries as a trading concern by Mr. S.C. Jain (founder of the Company). In 1965, Globe Auto started the manufacturing activities in the name of Globe

Auto Industries Pvt. Ltd. Later on, it commenced manufacturing of automotive components mainly lighting and filters. In 1981, the name of the company was changed to Lumax Industries Pvt. Ltd.

Lumax has a well known and friendly association with HSIDC. The Corporation sanctioned the first term loan to the company in June, 1994 under Equipment Finance Scheme. After that, 11 term loans have been sanctioned to various group companies of Lumax under ERS, Term Loan and LOC scheme of the Corporation. The Company is one of the largest OE suppliers of its products to nearly all major vehicle manufacturers in the country namely : General Motors, Maruti Suzuki, Tata Motors, Bajaj Auto, Mitsubishi, Honda Siel, Mahindra and Mahindra, Hyundai, Indian Railways, Ford and Yamaha. Apart from this, the company is also catering to the replacement market for all its products.

After the proposed expansion, the company will be increasing its capacity by 2.32 lakh pieces of air cleaners and 10.45 lakh pieces of different plastic moulded components. The total cost of the proposed expansion scheme has been worked out at Rs.775.74 lakh which is proposed to be funded by way of internal accruals of Rs.310.74 lakh and an additional term loan of Rs.465 lakh. The construction of the building for the additional plant and machinery has already been started by the company and the proposed expansion program is likely to be operational by the middle of 2006.

IOC-HSIDC deal on petrochem complex

HSIDC has signed a pact with IOC for the creation of a special purpose vehicle for developing a petrochemical complex at Panipat in Haryana. The Memorandum of Understanding (MoU) was signed by IOC Director (Planning) and Business Development) Shri B.M. Bansal and HSIDC Managing Director, Shri Rajeev Arora.

"The proposed SPV will have equity from IOC, HSIDC, and private developers and shall be entrusted with the responsibility of land acquisition and creation of the necessary infrastructure", it said.

The Rs.11,000 crore project would convert naphtha into polyethylene, polypropylene and other petrochemical products. Feasibility is also being studied for setting up further downstream projects like Poly-Ethylene Terephthalate (PET) by utilising a part of the PTA (Purified Terephthalic Acid) to be generated in the refinery as feedstock.

There was a huge potential for downstream chemical and petrochemical projects and the feedstock available from IOC's petrochemical projects can nurture various downstream industries up such as Polyester Staple Fibre (PSF), Polyester Filament Yarn (PFY), Partially Oriented Yarn (POY) and Polyethylene Terephthalate (PET). PSE PFY and POY are used as ingredients for manufacturing textiles, mostly polyester oriented garments, carpets and other domestic products.

"For this, a Naphtha Cracker alongwith polymer units is expected to go on stream by 2008-09", the release said. HSIDC is acquiring 5,000 acres of land for setting up the petrochemical hub with all the basic amenities such as internal roads, drains, sewerage system, street lights, electricity, effluent treatment plants, fire station, commercial and housing facilities, including development of civic infrastructure.

MIDC plans more group captive plants

After signing a memorandum of understanding (MoU) with Reliance Energey (REL) on April 20,2006 the Maharashtra Industrial Development Corporation (MIDC) is all set to start tendering for installing group captive power plants at its industrial estates at Tarapur, Ranjangaon, Badlapur, Ambernath and Hinjewadi.

REL will install 165 Mega Watt (MW) plant at the Thane-Belapur industrial estate which will be based on gas and 130 MW plant based on coal at Butibori industrial estate outside Nagpur. Both the plants are expected to become functional within three years time.

MIDC acquires land in Sinnar

MIDC has identified 1,300 hectares in Sinnar, 30 km from Nashik, and it is planning to acquire this land as part of its expansion activities in the state. This is in response to the demand for land and industrial estates by industrialists.

Nashik is ideal for big industries given its pleasant climate, good education facilities and skilled manpower pool and availability of power, besides affordable land prices. It is also close to Mumbai and Pune compared to Nagpur or Aurangabad. Hence, it would fulfill the requirement for additional industrial land which was urgently needed in Nashik to promote development.

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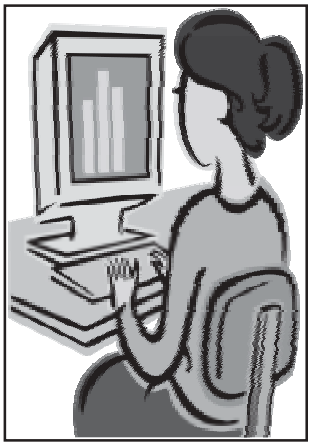
ACTIVITIES OF COSIDICI

Restructuring of SFCs

The Executive Committee at its meeting held on March 03, 2006 had felt that for SFCs to be viable it was necessary to bring down their cost of funds and therefore, it was imperative to prepay the old SLR Bonds which carried interest ranging between 10-14%. The interest liability on this account is virtually crippling the SFC's financial position. COSIDICI had in the past approached Banking Division as well as RBI for restructuring these SLR Bonds to reduce interest burden on SFCs. However, this facility was not extended to SFCs. In the recent past SFCs had approached individual commercial banks who are the holders of these SLR Bonds for accepting pre-mature repayment at documented interest rates. A few banks had acceded to their requests and have accepted pre-mature repayment. Most of the old bonds are now due for repayment and SFCs are finding it extremely difficult to service their commitment. Some SFCs are however prepared to pre-pay the bonds by arranging funds to avoid high interest burden which they are unable to carry forward. As only a few of the banks had agreed to accept prepayment of these bonds it was suggested by all the participants that a communication may be addressed to Secretary Banking by the President COSIDICI requesting him to call a meeting with the commercial banks which are not agreeing to accept pre-payments of the SLR Bonds. In the same meeting SIDBI may be also requested to participate for discussions on specific points/problems raised by the members. Accordingly, a communication was sent by the President, COSIDICI to Additional Secretary (Banking Division) requesting him to convene such a meeting.

COSIDICI has also taken up with the National Housing Bank (NHB) regarding the matter of availability of Direct Finance to State Industrial Development Corporations for implementation of Housing Projects. NHB is working out the modalities for direct finance to SFCs/SIDCs - keeping in view their special needs.

Training Programmes for Officers of SLFIs



The Training Programme for the officers of SLFIs is being held from 29th May to 2nd June, 2006 at the College of Agricultural Banking (RBI), Pune. The course content has been structured keeping in view the special needs of SLFIs and is as under **: -**

- Financial Sector Reforms - Implications for SLFIs - The Challenges Ahead;
- Turnaround Strategies for weak SLFIs;
- New Avenues for Business;
- Financing of Sunrise Industries;
- Resource Mobilisation;
- Business Process Re-engineering;
- Documentation and Legal Aspects of Project Finance;
- DRT - Salient Features;
- NPAs - Guidelines & Management;
- Asset Securitisation;
- Concept of Risk, Risk Management and ALM;
- Uniform Accounting Standards;
- Project Work.

COSIDICI has been receiving many proposals from our Member Corporations for holding on-site training programmes at their Head Quarters. In the past five on-site Training have already been held and members have found them to be both cost effective and productivity enhancing as a number of officers can undergo the training simultaneously. COSIDICI is in the process of finalising the arrangements for these in-house programmes for our Members.

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Read COSIDICI COURIER REGULARLY AND BE UPTODATE

PROFILE OF MEMBER CORPORATIONS

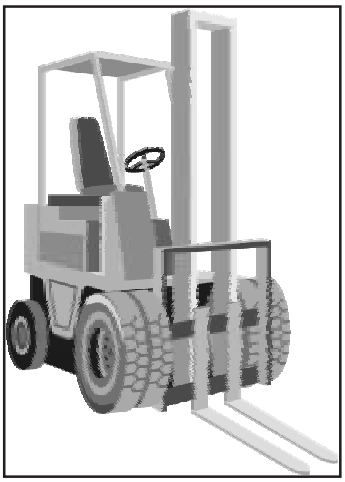
Gujarat Industrial Development Corp. Ltd. (GIDC)

GIDC came into existence in 1962, under the Gujarat Industrial Development Act, 1962, with a vision to accelerate the pace of industrialization in the State of Gujarat. Its Corporate and registered office is at Udyog Bhavan, Gandhinagar and it has extended operations all over the State of Gujarat. An entrepreneur, wishing to start an industry, would always look for availability of ready infrastructure, not only for speedy implementation but also to reduce pre - project implementation cost / time. To enable an entrepreneur to set up the project envisaged within available resources, GIDC identifies locations suitable for industrial development and arranges for infrastructure facilities that one would normally look for. GIDC industrial estates are equipped with essential infrastructure facilities like roads, drainage, power, water supply and street lights. Then there are the supportive amenities and commercial facilities like banking, tele-communication, shopping complex, canteens, schools, dispensaries, police chowky, community hall etc. In many estates there are housing facilities for workers and executives. These low cost ready to occupy houses prove to be a major boon, doing away with the need for commuting from great distances. This helps the entrepreneurs in attracting better talent and also results in enhanced productivity.

Helping You Save A Lot Of Time And Money

Normally an entrepreneur establishing an industry would require a lot of time to construct factory building, which would require substantial investment. As against this, GIDC, in its industrial estates, provides the entrepreneurs, ready to occupy factory sheds, ranging from built-up area of 60.80 sq.mtrs. to 678.96 sq.mtrs. Depending on the location, these ready to occupy factory sheds/ plots can be industry specific.

GIDC has remained abreast with the requirements of the time and has brought into existence industry specific estates like the electronics estate at Gandhinagar, ceramics estates near Bhavnagar, chemical estates at Vapi, Ankleshwar, Panoli, Jhagadia, Nandesari, Vatwa, Naroda, Odhav etc and a host of engineering estates spread all over Gujarat where the entrepreneur can have the advantage of being along with his fellow trade people and can be easily approachable by the visiting clients.



Streamlined procedures and customer-friendly approach has enabled GIDC to reach out to the smallest entrepreneur. GIDC has currently manpower of 1905 which includes professionals such as architects, civil engineers, town planners, Divisonal accountants etc, Over the years, GIDC executives and professionals have developed expertise in the development of industrial estates/parks and provision of infrastructure such as designing and implementation of water/effluent lines, construction of roads, sheds and quarters etc.

Gujarat Industrial Development Corporation (GIDC) truly believes in a win win business philosophy. With this in mind, GIDC has created 171 functional industrial estates spread all over Gujarat providing the entrepreneurs with industrial infrastructure which serves as a solid base for the natural outcome of growth and prosperity.

SEZs Gujarat :

Dahej Chemical & Petrochemical SEZ

- Ideal location because of chemical, LNG and proposed solid cargo port
- All-weather port for easier exports and imports
- Corporate giants like LNG Petronet, BASF Styrenics, IPCL, LG Electronics, Birla Copper (Hindalco), etc. already present
- Liberalized labour regime
- Single-window clearances
- Upfront possession of land

- A deemed foreign territory with all special incentives, relief, etc. under India 's Exim Policy
- Exemptions and concessions in Stamp Duty, Registration, Income Tax, Sales Tax, Electricity Duty, Local duties

The Infrastructure

- A Special Purpose Vehicle formed by GIDC and ONGC Ltd., Dahej SEZ Ltd., to develop SEZ
- 1811 hectares of land carved out of the 4000hectare Dahej Industrial Estate
- State-of –the-art chemical port with handling capacity of 1.85 million ton p.a; LNG port has capacity of 5 million ton, to be augmented to 10 million ton p.a
- Upcoming solid cargo port
- Wide rods of international standards, paved walkways
- Abundant water and power supply from captive power plant
- Network of chemical and gas pipeline corridors
- Commercial plaza, facilitation center and communication network
- Effective effluent collection, treatment and disposal
- Residential township planned at distance of 10 kms from Dahej

Surat Apparel SEZ

- State-of-the art facilities
- Strategic location in Surat , the textile hub of India and a center of fabric production
- Access to high quality and cost-effective manpower
- Excellent connectivity by road , rail, air and ports
- Single-window clearance
- Liberalized labour laws, tax and other benefits of a Special Economic Zone
- Financial largesse from Government of India and Government of Gujarat
- Ready possession of plots
- Provision for training of SEZ workers by internationally known institute of fashion technology to make them highly productive

Proposed SEZs

Parks which are proposed to be converted into SEZs are the Ahmedabad Apparel Park Jhagadia (Ceramic), Vaghasiya (Ceramic), Gandhinagar (Electronics).

Industrial Infrastructure Upgradation Scheme - IIU SCHEME:

The Govt. of India has floated this scheme for Indl. Cluster Development and under this Scheme, GIDC has assigned the work to prepare detailed project report for various clusters to various Agencies.

Quality Control :

GIDC has Quality Control branch, which mainly deals with monitoring the on going works of the Corporation with aspect of Quality Control. Works are mainly of constructing Roads, Buildings, Drainage, Water supply etc.

Branch gathers information of on going works, from monthly progress reports, sent by field officers to H.O. From these details the H.O. inspects the works and sees whether works are as per specification and suggests-discussion with field staff/contractor for improving the quality after considering their field problems and draw the Inspection Note. After final compliance of the note, if any thing is found adverse to the quality standard or to the work, or there is any other type of discrepancy, it is reported to the V.C. & M.D.

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ECONOMIC SCENE

Duty exemptions on 54 items may be lifted

Tooth powder, lantern, tyre, mosquito net, instrument box for students, pressure cooker, bicycle pump, pen, pencil, sharpener and blade may become expensive, as they are among the 54 items on which excise duty exemptions are proposed to be lifted.

Prices of television camera, audio recording equipment, video machine, personal computer, typewriter and fax machine that are now allowed to be imported duty-free by professional journalists may also go up, with the government proposing to withdraw customs duty exemptions on 21 items. As part of ongoing indirect tax reforms, the government has recently circulated a list of 54 items exempted from excise duty and 21 items exempted from customs duty, to seek public opinion on their withdrawal.

The revenue department, which has circulated the lists, has given two months time for response, after which it will take a decision on their withdrawal.

As customs and excise duty exemptions are provided through official notifications, their withdrawals need not require parliamentary approval and could be done through a notification.

Official sources said the 21 customs duty exemptions would in all probability be withdrawn after getting feedback from the public, as they had outlived their utility, with peak customs duty coming down substantially to 12.5% in the 2006-07 Budget.

Exports touch $ 100 bn

Merchandise exports from India touched $ 100 billion during 2005-06 compared with $ 63 billion in 2004-05, an increase of about 26 percent, Commerce and Industry Minister Shri Kamal Nath said.

Addressing students of the Indian Institute of Foreign Trade, Shri Nath said, "Our total economic engagement with the world today, including imports, tops $ 350 billion, which reflects our growing significance in international trade. With a right blend of IT, biotech and pharma manufacturing, India could be the key destination for knowledge process outsourcing and engineering.

Spl economic investment regions planned

The government is working on a plan to set up special economic and investment regions in six states. These regions, possibly of the size of 200-250 km, will have a world class infrastructure set up by the concerned states and the central government.

The concept is based on such regions in China, the US and the Netherlands and is being discussed at the inter-ministerial level before it is finalised. The proposal comes barely two months after India enacted the SEZ Act in February this year. These regions will contain many SEZs, industrial parks, projects and factories and essentially link all of these into one massive industrial region.

Shri Ajay Dua, Secretary Deptt. of Industrial Policy and Promotion stressed the proposal was at a conceptual stage. "We wish to delineate such areas, create an infrastructure master plan, put the required utilities in place and then see it act as a magnet for investments and projects. The concept is linked to the need for $ 150 billion investments in India's infrastructure. It flows from the recommendations of the NRI group, led by ex-Citibank CEO Victor Menezes. In order to get the investments, we will have to focus and choose specific areas that will contain the best infrastructure. These special economic regions could have a mother industry around which a cluster of ancillary companies would cluster. "The difference between these regions and special economic zones would be that while infrastructure development in a SEZ is the responsibility of the developer, in a special economic investment region such development would be the responsibility of the state and central government.

This will not need a law, but can be done as a policy measure. While no separate incentives will be provided, state governments could provide flexibility in terms of labour laws.

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SMALL SCALE INDUSTRIES

SIDBI sets up tech bank for SMEs

SIDBI has set up a company to serve as a ***"technology bank"*** for the purpose of implanting appropriate foreign technologies in small and medium enterprises (SMEs) that would help in increasing their productivity levels.

The bank has been launched jointly by Indian Bank, Oriental Bank of Commerce (OBC) and SIDBI with each having a one-third stake in the company, called India SME Technology Services (ISTS). The company has a paid-up capital of Rs.3 crore. The new company has also received funding support of Rs.75 lakh each from State Bank of India and Indian Overseas Bank.

The pilot project is proposed to be launched at the sports clusters in Jalandhar district of Punjab. SIDBI is writing to other public and private sector banks for capital contribution. "We may involve government-run or private technical agencies if necessary", Shri Balasubramanian said.

The technology bank officials would conduct field visits to SME units and then decide on how good the technology in use is compared with alternative technologies available globally and then forge links with the suppliers of technology.

This initiative will plug the gap in identifying requisite technology for SMEs, which have access to funding from banks but lack access to economically feasible inputs for purchasing appropriate technology.

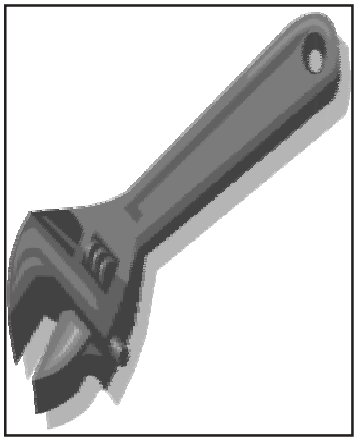
SIDBI has also been asked to advise the Credit Guarantee Trust for Small Industries (CGTSI) to lower the one-time guarantee fee from 2.5 percent to 1.5 percent for all loans.

It has also been told to extend on-par treatment to the small scale enterprises in the services sector with those in the manufacturing sector.

RBI revises the definition of SMEs

RBI has revised the definitions for SMEs so that a larger number of such units could avail the debt restructuring mechanism.

According to the new norms, the investment in plant and machinery by such a unit has been raised to Rs.10 crore as against to Rs.1 crore.



At present, a small scale industrial unit is an undertaking in which investment in plant and machinery does not exceed Rs.1 crore, except in respect of certain specified items. Units with investment in plant and machinery in excess of SSI unit and upto Rs.10 crore may be treated as medium enterprises (ME), the RBI said in a notification on March 09, 2006.

These guidelines would be applicable to all non-corporate SMEs irrespective of the level of dues to banks, all corporate SMEs to banks, all corporate SMEs which are enjoying banking facilities from a single bank, irrespective of the level of dues to the bank and all corporate SMEs, which have funded and non-funded outstanding upto Rs.10 crore under multiple consortium banking arrangement.

Auto parts, chemicals to be taken off SSI lists

Auto components, chemicals and transport equipment are among the 180 items being dereserved from the small scale sector. In addition, the small scale industry ministry has hiked the investment limit to Rs.5 crore from Rs.1 crore for all drugs and pharmaceuticals manufactured by the SSI sector.

Officials said several organic chemical items and mechanical engineering goods were being removed from the list of items reserved for the sector. At present, there are 506 items in the sector and that will be reduced to 326 once the removal of the 180 items is notified by the department of industrial policy and promotion.

In addition to this, the ministry of small scale industries has notified an increase in the investment to Rs.5 crore for 69 items, including bread, pickles and chutneys, PVC pipes, AZO dyes, glass and ceramics, dinner and tea sets, glass bangles, and auto components. It has also decided to enhance the limit for all items in the drugs and pharmaceuticals sector. The ministry had earlier raised the investment limit for 71 items.

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NEWS FROM STATES

Rs.5,200 cr Delhi Plan approved

The annual plan for Delhi for the fiscal 2006-07 was fixed at Rs.5,200 crore on March 05, 2006. An annual plan size of Rs.5,200 crore, which includes Rs.352.52 crore for projects of special interest to the Capital, was agreed at a meeting between Planning Commission Deputy Chairperson Shri Montek Singh Ahluwalia and Delhi Chief Minister, Smt. Sheila Dikshit.

While appreciating efforts being made to transform Delhi into a global city, Shri Ahluwalia said the pace of development in the capital should be expedited with private sector involvement.

Punjab gets a tax-free budget

Punjab State Finance Minister Shri Surinder Singla presented a tax-free budget for 2006-2007 in the Vidhan Sabha on March, 2006.

The annual plan has been fixed at Rs.4,000 crore, and the budget makes provision for disbursal of Rs.100 crore in the state government's Punjab Nirman Programme which is pegged to be a Rs.400 cr scheme. The Rs.27,791.87 cr budget has a revenue deficit of Rs.1,390 cr down from last year's Rs.1,710 cr. Revenue receipts showed a surplus of Rs.2,085.55 cr. About 52% of the revenue is to come from taxes, while 36% will be non-taxes revenue, and 12% grant-in-aid and contributions.

As far as expenditure is concerned, about 56% would go to general services, 24% to social services, 19% to economic services and 1% to grant-in-aids.

No fresh tax proposal in Rs.164.72 cr deficit Budget of Nagaland

Nagaland Chief Minister, Shri Neiphiu Rio on 20.03.2006 presented a deficit Budget for the year 2006-07 that was devoid of any new tax proposals.

Presenting the Budget, the Chief Minister projected the Budget deficit at Rs.164.72 crore, but said that he would be able to mobilise internal sources to the tune of Rs.210 crore by strengthening the tax administration in the state.

The revenue receipts during the year at Rs.3,599.61 crore against estimated expenditure of Rs.3,473.83 crore.

An additional amount of Rs.27 crore has been fixed as an annual outgo on account of public account, leaving a Rs.98.78 crore surplus.

But with the estimated negative opening balance of Rs.263.50 crore, the coming year would end up with a deficit of Rs.164.72 crore.

The next year's target of the state's internal revenue collection is Rs.210 crore as against the budgeted estimate of Rs.185 crore during the current year, registering a growth of over 13 percent.

The Chief Minister said if the healthy growth of state's economy could be sustained, and with better commitment from those concerned, the revenue performance of the state would surely see more improvement.

Karnataka's Rs.27.47 cr surplus Budget

The Deputy Chief Minister, Shri B.S. Yediyurappa, who holds the finance portfolio, Karnataka on March 20, 2006 presented a Rs.27.47 crore surplus Budget for the 2006-07 fiscal year with many welfare programmes and tax reliefs.

He also announced tax exemption for all coffee growers other than firms and companies, for whom the tax was brought down from 40 percent to 30 percent and from 50 percent to 35 percent, respectively.

The government exempted items, like paddy, rice and wheat from the VAT for another six months. Shri Yediyurappa brought down the interest rates on agriculture loans taken from cooperative societies to 4 percent. He announced new programmes - Suvama Surakhsha Yojana, an insurance scheme for agriculture labourers and Bhagya Lakshmi, a scheme for girls from the BPL families.

On Budget estimates for 2006-07, Shri Yediyurappa said the total receipts were expected to be Rs.41,878.13 crore comprising revenue receipts of Rs.35,875.08 crore and capital receipts of Rs.6003.05 crore.

The total expenditure is likely to be Rs.41,850.66 crore, of which revenue expenditure is estimated at Rs.34,340.54 crore and capital expenditure is estimated at Rs.7,510.12 crore.

Haryana's Rs.65 cr deficit Budget

Haryana Finance Minister, Shri Birender Singh presented a Rs.65.47 crore deficit Budget without new taxes in the Assembly on March 17, 2006.

The year 2006-07 is the last year of the Tenth Five Year Plan that was approved at Rs.12,000 crore with top priority for expansion of social services and infrastructure. The total plan outlay of the state for 2006-07 is Rs.3,300 crore.

The thrust area of the Budget is investment in social services and infrastructure. The finance minister proposed to allocate Rs.1,568.92 crore on social services (47.54 percent of plan outlay) and Rs.1,250 crore on physical infrastructure (37.88 percent of total plan outlay) in Budget 2006-07.

Tripura budget

Tripura Finance Minister Shri Badal Chowdhury on March 17, 2006 imposed no fresh taxes while presenting a budget which envisaged an expenditure of Rs.3912,27 crore for the year 2006-07. A deficit of Rs.41.45 crore in the budget would be covered by the 12th Finance Commission Award, expansion of the state's own tax-base and ongoing austerity drive, he said in his budget speech.

J&K govt's budget

The Jammu and Kashmir government on Monday presented a "zero deficit" budget that focused on reforms in several sectors without imposition of any fresh taxes for the financial year 2006-07. State Finance Minister, Shri Muzaffar Hussain Baig presented the Rs.14,436 crore zero-deficit Budget in the state legislative Assembly, underlining rural development as the prime area of focus.

No new tax in Sikkim Budget

The Sikkim government on February 22, 2006 presented a Rs.63.63 crore deficit budget, which contained no new proposal for taxes, for the year 2006-07. With the total disbursement excluding recoveries amounting to Rs.4,179.08 crore against the projected receipts of Rs.4115.45 crore, the deficit stands at Rs.63.63 crore.

Goa Budget gives relief to industry

Goa Chief Minister, Shri Pratap Singh Rane presented the Budget with sops to industry and agriculture sector on March 23, 2006.

The Budget cut the stamp duty on property transaction by 37.5 percent, proposed a 4 percent tax on sale of second hand cars, a Rs.100 cess on tourists and a cess of Rs.8 per poultry bird and 10 paise per egg that enters the state. The government has also proposed to increase infrastructure tax on multi-dwelling buildings from the existing Rs.30 per sq. mt. to Rs.40 per sq. mt. The Budget puts emphasis on developing infrastructure, generating employment and measures for the weaker sections.

Tax-free Budget for Arunachal

Arunachal Pradesh Finance Minister, Shri Kalikho Pul on March 23, 2006 placed a surplus tax-free Budget for 2006-07. While total receipt was estimated to be Rs.2,257.06 crore, expenditure was estimated at Rs.2,254.18 crore, leaving a surplus of Rs.2.88 crore. With this, the closing balance of the current year account will come to (minus) Rs.110.78 crore. Shri Pul said the state government would adopt some austerity measures to eliminate revenue deficit of the state by 2008-09 as per the recommendation of the 12th Finance Commission.

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A good time manager has competent subordinates working with him, whom he has developed through effective delegation.

INFRASTRUCTURE

Govt clears Rs.100,000 cr investment in SEZs

The government on March 17, 2006 cleared Rs.1 trillion (Rs. 100,000 crore) of investment in special economic zones. The investments will convert over 40,000 hectares of the country's land mass into SEZs and create jobs for over 500,000 people.

The proposals cleared contained 75 that had already received approval in principle. The Board, which met for the first time after the notification of the SEZ rules in February, also set in motion a system of single-window clearance for setting up these SEZs.

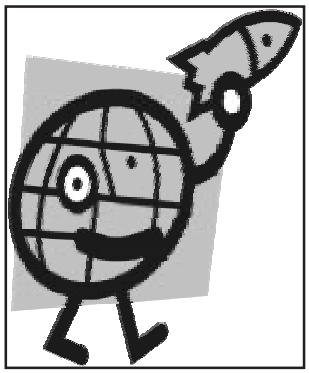
At least 18 proposals pertaining to three states - West Bengal, Kerala and Tamil Nadu - were deferred because of state elections. The board also asked all the information technology SEZs to operationalise their zones within three years in order to enjoy income-tax benefits.

Proposals for setting up power SEZs by Maharashtra Industrial Development Corporation (MIDC) at Chandrapur district were deferred. One proposal is for a 1,000 MW SEZ spread over 1,100 hectares and another for a 150-MW SEZ spread over 103 hectares. According to the proposal, MIDC will sell power to other SEZs.

Reliance Infrastructure Ltd. will be setting up a petrochemical SEZ at Jamnagar spread over 450 acres with an investment of over Rs.20,000 crore. Gujarat Industrial Development Corporation's multi product SEZ over 4,370 acres, with an estimated investment of over Rs.4,000 crore, was also approved.

Two proposals of the Adani group - the Mundra SEZ of Gujarat Adani Port Ltd. spread over 5,000 acres and Adani Chemicals' SEZ, also in Gujarat, spread over 7,000 acres with an estimated investment of over Rs.12,000 crore - were also cleared. Biocon's proposal for a bio-technology SEZ in Bangalore spread over 90 acres with an investment of around Rs.200 crore also got clearance.

Among the IT sector proposals, three by Satyam Computers Services Ltd. for SEZs in Thotlakonda in Visakhapatnam, Bahadurpalli in Hyderabad and one in Hyderabad city, were cleared.



A decision on Reliance Industries Navi Mumbai SEZ proposal pertaining to acqusition of additional 850 hectares of land was deferred till the next meeting because of CIDCO still being in possession of the land.

Some of the cases which received approvals in principle included two proposals by DLF Universal for SEZs spread over 1,000 hectares in Punjab and 8,000 hectares in Haryana. Two proposals by Jubilant Organosys Ltd. for SEZs in Gujarat and Mysore were also cleared.

IT parks to enjoy tax sops tax sops under Section 10A

The Central Board of Direct Taxes has on March 31, 2006 issued directions to all its field authorities that the tax deduction available under section 10A of the Income-Tax Act would not be denied to software technology parks units on the ground that approval or registration to such units had been granted by the directors of software technology parks.

The board, however, stated that the deduction under section 10A would be subject to fulfillment of all other conditions.

In cases where assessments or re-assessments have already been completed, and claims under section 10A disallowed on the ground that approval to the STP has not been granted by the Inter-Ministerial Standing Committee in accordance with the scheme, the CBDT has instructed that the demand be kept in abeyance until further orders. The instructions have been issued on account of a large number of units registered and approved by the Directors of the software technology park claiming deduction under section 10A.

Section 10A of the Income-Tax Act, 1961, provides for 100 percent deduction for ten years, of export profits earned by units set up in a Software Technology Park. The STP scheme notified in March, 1995 by the Ministry of Commerce, requires approval of the Software Technology Park by the Inter-Ministerial Standing Committee of the Department of Electronics. The Central Board of Direct Taxes (CBDT) had received representations from its field formations questioning the STPI's status and its powers to grant tax exemptions under section 10A.

Jamnagar SEZ notified

The government has notified the first special economic zone (SEZ) at Jamnagar where Reliance Industries Ltd. Plans to set up a $ 6 billion multi-product export-oriented refinery. It will hawk petrol, diesel, jet fuel, kerosene and other petro-chemical products.

Several downstream units including one being planned by DowChemicals of the US would be set up in the SEZ. These units would use products of the new refinery to make super speciality petrochemicals.

As the new 5.8 lakh barrels a day export-oriented refinery comes up along with allied units, the SEZ would be expanded to 10,000 acres.

Location in the Jamnagar SEZ would give the new refinery full income-tax exemption on export profits for first five years and 50% for the next five years. It will be exempt from service tax at construction stage, which will help reduce the project cost. No duty will be levied on project imports too.

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"QUESTIONS OF CYBERQUIZ - 1"

1. How many Internet service providers (ISPs) are there worldwide?
2. Which are top ten Internet service providers (ISPs)?
3. (a) What types of licenses are issued to the Internet service providers (ISPs) in India and how many licenses have been issued to the Internet service providers (ISPs), and (b) How many Internet service providers (ISPs) are active in India and how many Internet service providers (ISPs) have applied for setting up their own international gateways?
4. Which are Top Ten Internet Service Providers (ISPs) in India?
5. (a) What was the total number of Internet subscribers in India in 2000 and what was the share of public sector ISPs in it, and (b) What was the total number of Internet subscribers in India in 2004?
6. Which were top five Internet service providers (ISPs) in India going by the number of Internet subscribers in (a) 2000, and (b) 2004?
7. Which are the first five most popular Internet Service Providers (ISPs)?
8. What are the (a) cost of Internet customer acquisition in India, (b) extent of accumulated losses of Internet service providers (ISPs) in India, and (c) Total estimated investment made by ISPs in India?
9. (a) Which are the top three Internet service providers (ISPs) in Asia, and (b) Which is the largest Internet service provider (ISP) in Asia?
10. First there were Internet service providers (ISPs), then application service providers (ASPs), and now there are management service providers (MSPs). What then are MSPs?

FOR CYBERQUIZ ANSWERS SEE PAGE ~ 30

All INDIA INSTITUTIONS

RBI's Annual Policy Statement

Shri Y.V. Reddy, RBI Governor in his Annual Policy Statement for the Year 2006-07 on April 18, 2006 tightened the prudential measures in sensitive sectors like real estate, residential housing and capital markets. Following are the highlights of the statement :

Forecast for 2006-07

- **GDP growth** : 7.5 - 8.0% (2005-06 : 8.1%)
- **Inflation** : 5.0 - 5.5% (2005-06 : 4.49%)
- **Non-food credit growth** : 20% (2005-06 : 30.8%)
- **Deposits** : Rs.3,30,000 cr (2005-06 : Rs.3,87,471 cr).

Key Rates have not been changed

- Reverse repo rate - 5.5%
- Repo rate - 6.50%
- Bank rate - 6.0%
- CRR - 5.0%

Steps taken in the Policy

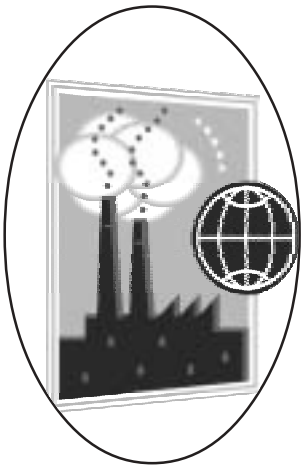
- Provisioning on personal loans, housing loans above Rs.20 lakh, commercial real estate, capital market loans raised from 0.40% to 1%.
- Risk weights for capital adequacy on commercial real estate and venture exposure raised to from 125% to 150%.
- Loans to VC funds made part of banks' capital market exposure.

Interest rates raised

- Cap on NRE rupee deposit rate raised 25 bps
- Cap on Interest rate on foreign currency export credit raised 25 bps

BoB merges two RRBs

Bank of Baroda (BoB) said it has amalgamated its two sponsored regional rural banks (RRBs) in the western part of Uttar Pradesh into a single entity with effect from March 31. The new RRB, Baroda Western Uttar Pradesh Gramin Bank, formed by amalgamating Bareilly Kshetriya Gramin Bank and Shahjahanpur Kshetriya Gramin Bank, would have its head office in Bareilly.



ARCIL acquires NPAs worth Rs.21K cr

Asset Reconstruction Company India Ltd. (ARCIL) has acquired non-performing asset (NPA) worth Rs.21,144 crore in the last one-and-a-half years from 31 banks and financial institutions. "Since August 29, 2003, Arcil has acquired NPAs (financial assets) from 31 banks/FI, 562 borrowers' non performing loans having total outstanding dues of Rs.21,144 crore", the company said on April 05, 2006. As many as 173 cases involving 52% of total outstanding dues acquired have been resolved. Of which, 64 cases having total outstanding dues of Rs.2,010 crore have been fully exited. Total amount of Rs.870 crore has been recovered and distributed to investors after netting expenses.

NABARD's thrust on RNFS

NABARD has identified Rural Non Farm Sector (RNFS) as a thrust area. A number of refinance schemes have been evolved by NABARD for RNFS to create sustainable employment opportunities in rural areas. As a useful adjunct to its core financing function, NABARD has introduced several credit-linked promotional programmes for developing rural enterprises and entrepreneurship in a cost effective demonstrative and sustainable manner. Development of rural clusters through planned interventions is one of the focused areas of our non farm development initiatives. NABARD was associated with the implementation of the National Programme for Rural Industrialization (NPRI). Under NPRL, NABARD launched its promotional programmes in 55 clusters and industrialization and has taken up development of 50 additional clusters by partnering with other agencies and intensive development of 5 clusters exclusively with NABARD's total involvement over a period of five years beginning 01 April, 2005. The activity of the identified cluster would focus on one of the following areas : -

- Agro based;
- Food processing;
- Manufacturing / industrial SMEs;
- Handicraft;
- Handloom.

Over the years, NABARD initiatives for Rural development are :-

- The Micro Finance programme initiatiated by NABARD is the largest in the world which has helped over 110 million poor people, providing them access to credit.
- Natural Resource Management initiatives of NABARD have provided models for sustainable development in resources poor and tribal areas;
- Finances Joint Liability Groups (JLG's) and Rythu Mitra Sanghas for providing credit access to landless famrers, agricultural labourers and oral lessees.
- Empowerment of Rural Women through Micro Credit and Micro Enterprise programmes.
- Facilitated the financing of supply chain management in the agriculture produce market.
- Created special funds like Watershed Development Fund. Tribal Development Fund, Research & Development Fund, Farm Innovations Fund and Micro Finance Development and Equity Fund to support innovations in neglected areas.
- Creation of millions of rural employment opportunities through initiatives like Cluster Development, Rural Haats, Rural Industrialisation Programmes and Rural Entrepreneurship Development Programmes.
- Partnering with Corporate entities like ITC, Tata's M&M, Ambuja Cement and many more.
- Decentralised credit planning and co-ordination of development activities through DDM offices in 450 districts out of 596 districts.
- Rs.42,948 crore worth infrastructure projects sanctioned in State Government to improve rural infrastructure.

NABARD's forays and initiatives reflect in the growth of the nation. Doubling of flow of agricultural credit in 3 years was taken up by the Government of India and it was NABARD which was assigned the task of implementing and monitoring the program. Over the years, NABARD has ensured transfer of funds from urban India to rejuvenate rural India.

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While counselling a poor performer, do remember that each person has his own natural talents, it is necessary to guide his perception of the job so that his talents are effectively utilised.

TURNAROUND OF UTTAR PRADESH FINANCIAL CORP. (UPFC)

- EARNS PROFIT AFTER TEN YEARS
- SANCTIONS FRESH LOANS OF RS.60 CR.
- RECOVERS RS.206 CR.
- RS.100 CR. NPAs LIQUIDATED
- TRIPARTITE MOU BETWEEN SIDBI,UPFC AND STATE GOVERNMENT PROPOSED.
- STATE GOVT. EXTENDS GUARANTEE ON SLR BONDS.

Achievements during 2005-06

UPFC has come out of red in the current year and has successfully turned around. For the first time in a decade, UPFC has registered profit of Rs.1.50 Cr. in the financial year 2005-06,whereas last year UPFC was in loss of Rs. 91.80Cr. It is noteworthy that since 1996-97 UPFC has been continuously in losses. In the year 96-97 the loss was Rs.55.37Cr.,in 97-98 Rs.115.20Cr., in 98-99Rs.126.62Cr.,in 99-2000 Rs.54.47Cr., in 2000-01 Rs.129.79Cr.,in 2001-02 Rs.72.20Cr.,in 2002-03Rs.70.12Cr. and in 2003-04 it was Rs.105.58Cr.

Further, UPFC has sanctioned Rs.60 Cr. against the target of Rs.50Cr. as fresh loans to the borrowers in the financial year 2005-06,while only Rs.4 Cr. was sanctioned in the previous year. Similarily Rs.20.82Cr. has been disbursed by the end of 31st March 2006 as against Rs.14Crore during 2004-05. In recovery of loans too UPFC has performed well by recovering Rs.206 Cr. which is an increase of Rs.20Cr. over last year's recovery. In this connection NPAs worth Rs.100Cr. have been liquidated during 2004-05 which is almost four fold as compared to last years figure of Rs.24 Cr. only.

With an aim to cut down the cost of Borrowings and to improve its financial liquidity, UPFC has initiated various efforts.UPFC has got its debts restructured and has succeeded in getting reduction in coupon rates of its SLR Bonds.

UPFC has proposed & requested to the subscribing Bankers of SLR Bonds to accept only 8% interest on above Bonds instead of coupon rate of 13% to 14%.Thirty-one subscribing Banks have accorded their acceptance for Bonds amounting to approx. Rs.302.52Cr. This has lead to interest saving of Rs. 19 Cr. approximately in the year 2005-06.

Similarily subscribers of Non-SLR Bonds worth Rs.20.69Crore have been requested to waive outstanding interest. All the fifteen subscribers have accepted to waive off the interest which has saved a sum of Rs. 0.20 Crore as interest during 2005-06.

UPFC has proposed One Time Settlement(OTS) on principal outstanding of Rs. 35Cr.to the Industrial Development Bank of India(IDBI) which has been accepted by them. Now UPFC has been exempted to pay interest amounting to approximately Rs.25Cr.

Whereas UPFC has been working hard for its economic soundness by taking above steps, simultaneously UPFC has introduced more liberal entrepreneur's friendly One Time Settlement & sale policy. This has boosted the recovery significantly. By the end of 31st March 2006,UPFC has recovered Rs.206 Cr. Moreover NPAs to the tune of Rs.100 Cr. have been liquidated.On the whole the efforts initiated so far have helped UPFC to reduce its interest liability to Rs.99.66Cr. which was Rs. 127.41Cr.during 2004-05. This was possible due to reduction in cost of capital.

FUTURE ACTION PLAN

A tripartite MOU between Small Industries Development Bank of India(SIDBI), UPFC and the State Government is proposed which would reduce

interest by 2% on present outstanding refinance of SIDBI. This will lead to a saving of Rs.6 Cr.on interest. Moreover fresh refinance would be provided at 7.5% interest instead of 8% at present and the limit of refinance would be 75% of the disbursed amount as against 55% at present.

(2) The State Government has made available Replacement Guarantee to UPFC against outstanding Govts.Guaranteed SLR Bonds of Rs.434 Cr.The Corporation is trying to arrange money against this guarantee at 7-7.5% so that high cost SLR Bonds could be replaced.This would help UPFC in saving Rs. 11.55 Cr. towards interest liability annually. In this respect UPFC has proposed SIDBI, HUDCO and State Government to provide loan of Rs.400 Cr. against the above Govt.Guarantee for a period of 10 years So that high cost SLR Bonds may be replaced with the cheaper funds. This will improve liquidity of the Corporation and more funds would be available to UPFC for fresh financing.

(3) For the current financial year i.e.2006-07 UPFC has adopted special action plan. Under the plan more emphasis is being given to fresh financing and target of Rs.300Cr. for sanction of fresh loans and Rs.150Cr. disbursement has been fixed. A high power Business Promotion Committee has been formed. Now considering the potentials of industrial development, present status of the industrial scenario and the USPs of the individual District, targets for sanction of fresh loans has been fixed.

Special priority for promotion of construction Sector in the state is given by UPFC. It is notable that recently UPFC has reduced its rates of interest. Now fresh loans are available at only 11.5%.

With an aim to equip its officials with the latest developed technologies for better use of web based Networking, special training programme has been initiated, so that efficiency and capabilities of its staff may improve according to the time.

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Certainly, there are lot of things in life that money won't buy, but it's very funny - Have you ever tried to buy them without money ?

Ogden Nash

" ANSWER OF CYBERQUIZ-1"

1. About 14,000 / 15,000 out of which some 8,000 are in the United States.

2. 1. America Online – 22.8 (24.0), 2. United Online – 6.6 (6.9), 3. Comcast 6.5 (6.8), 4. Eartlink – 5.2 (5.7), 5. SBC – 4.7 (4.9), 6. Road Runner – 3.9 (4.1), 7. Verizon – 3.3 (3.5), 8. Cox – 2.4 (2.5), 9. Bell South – 1.9 (2.0) and 10. Charter – 1.8 (1.9) (Figures indicate subscribers in millions while figures in parentheses indicate market share in percentage) (Source: http://www.isp-planet.com/research/rankings/usa.html, accessed: February 13, 2005).

3. (a) Three. 1. Class A – National, 2. Class B – Regional, and 3. Class C – Local; Only 225 applications were received out of which licenses were issued to 175 applicants as follows: – National - 5 per cent, Regional- 6: 25 per cent, and Local – 60 per cent. As on quarter ending September 30, 2004, there were 188 Internet service providers (ISPs) in India out of which 50 had Category A license, 80 Category B and 59 Category C licenses (one ISP has B and C licenses). See TRAI (Telecom Regulatory Authority of India): The Indian Telecom Services Performance Indicators July-Sept'04, New Delhi, the Author, December 2004,Table 3.1 from which above figures have been compiled, available:http://www.trai.gov.in/indicator17dec.pdf (accessed: February 12, 2005), and (b) About 70; About 25.

4. 1. Bharat Sanchar Nigam Ltd. (BSNL) (A - All India) - 16,78,617, 2. Mahanagar Telephone Nigam Ltd. (MTNL) (B - Mumbai and Delhi) – 9,49,405, 3. Videsh Sanchar Nigam Ltd. (VSNL) (A - All India) - 9,35,426, 4. Sify Ltd. (A - All India) – 7,71,787, 5. Data Infosys (A - All India) – 2,48,397, 6. Reliance Communications Infrastructure Ltd. (RCIL) (A - All India) - 2,19, 212, 7. Bharti Infotel Ltd. (A - All India) 1,04,166, 8. BG Broadband India Pvt. Ltd. (B - Surat SSA, Mumbai) – 75,275, 9 HCL Infinet Ltd. (A - All India) 45,577, and 10.Shyam Internet Service Pvt. Ltd. (A - All India) 45,247 (Note: 1.Figures are at the end of December '04, 2. Figures at the end of each entry indicate the number of subscribers, and A and B indicate the type of license).

5. 8,43,000 as on March 31, 2000. The public sector ISPs had a share of 4.75 lakh subscribers and private sector ISPs had a share of 4.68 lakh subscribers in it. As in mid-June, 2000, however, the total number of Internet Subscribers in India was 12 lakh with private sector ISPs surpassing the public sector ISPs by 1.5 lakh subscribers, and (b) 53.21 lakh as on quarter ending September 30, 2004 (Source: TRAI (Telecom Regulatory Authority of India): The Indian Telecom Services Performance Indicators July-Sept'04, New Delhi, the Author, December 2004, http://www.trai.gov.in/indicator17dec.pdf (1 lakh=100,000) (accessed: February 12, 2005).

6. (a) 1. Videsh Sanchar Nigam Limited (VSNL) (3.43), 2. Satyam (1.51), 3. Department of Telecommunications (DOT) (0.96), 4. Dishnet DSL (0.71), 5. Bharti BT (0.70). (Data as on March 31, 2000) (Figures are in lakh), and (b) 1. Bharat Sanchar Nigam Ltd. (BSNL) - 14.94, 2. Videsh Sanchar Nigam Ltd. (VSNL) - 9.85, 3. Mahanagar Telephone Nigam Ltd. (MTNL) – 9.15, 4. M/s Sify Ltd. - 7.25, and 5. Data Infosys - 2.26 (Figures are in lakh; 1 lakh = 100,000) (Source: TRAI (Telecom Regulatory Authority of India): The Indian Telecom ServicesPerformance Indicators July-Sept'04, New Delhi, the Author, December 2004, p-5, http://www.trai.gov.in/indicator17dec.pdf (accessed: February 12, 2005).

7. 1. America On Line (AOL) (2.2 per cent), 2. U U Net (0.6 per cent), 3. @ Home (0.6 per cent), 4. Road Runner (0.3 per cent), and 5. Planet On Line (0.2 per cent) (Figures in Parentheses indicate the percentage of Web surfers) (Data as on June 8, 2000) (Source: http://websnapshot.mycomputer.com).

8. (a) Rs 250 per customer, and (b) The accumulated losses of 140 operational Internet service providers (ISPs) in India as on November 2001 added to Rs 1,350 crore, according to the Internet Service Providers Association of India (ISPAI). (Source: The Economic Times, Editorial, May 22, 2002), and (c) Rs 6,600 crore (1 crore= 10 million) (Source: http://www.ispai.com/overview.html, accessed April 1, 2005).

9. (a) 1. Reach, a Hong Kong – based ISP, 2. Dacomnet, a Korean ISP, and 3. Videsh Sanchar Nigam Ltd. (VSNL), earlier a public sector and now a Tata group company, according to the UK-based network specialist NetConfigs Ltd. The VSNL has been ranked as the third best ISP in Asia and 29th in the world from among a total of 11,000 ISPs globally, in an independent survey conducted on efficiency, maintenance and linkages with other networks, according to NetConfigs Web site. (Source: The Economic Times, New Delhi, September 29, 2003, Monday, p-11)., and (b) Pacific Internet (CEO: Nicholas Lee) with a revenue of $ 15.2 million in the first quarter of 2000.

10. They help monitor, measure, and report on performance of networks and companies.

MISCELLANY

What are Depository Receipts?

What are Depository Receipts (DRs) ?

A DR is a type of negotiable (transferable) financial security traded on a local stock exchange but represents a security, usually in the form of equity, issued by a foreign, publically-listed company. The DR, which is a physical certificate, allows investors to hold shares in equity of other countries. One of the most common types of DRs is the American depository receipt (ADR), which has been offering companies, investors and traders global investment opportunities since the 1920s.

Since then, DRs have spread to other parts of the globe in the form of global depository receipts (GDRs). The other most common type of DRs are European DRs and international DRs. ADRs are typically traded on a US national stock exchange, such as the New York Stock Exchange (NYSE) or the American Stock Exchange, while GDRs are commonly listed on European stock exchanges such as the London Stock Exchange. Both ADRs and GDRs are usually denominated in US dollars, but can also be denominated in Euros.

What are Indian Depository Receipts (IDRs) ?

IDRs are transferable securities to be listed on Indian stock exchanges in the form of depository receipts created by a Domestic Depository in India against the underlying equity shares of the issuing company which is incorporated outside India.

How are IDRs different from GDRs and ADRs ?

GDRs and ADRs are amongst the most common DRs. When the depository bank creating the depository receipt is in the US, the instruments are known as ADRs. Similarly, other depository receipts, based on the location of the depository bank creating them, have come into existence, such as the GDR, the European Depository Receipts, International Depository Receipts etc. ADRs are traded on stock exchanges in the US, such as Nasdaq and NYSE, while GDRs are traded on the European exchanges, such as the London Stock Exchange.

How do DRs work ?

DRs are created when a foreign company wishes to list its securities on another country's stock exchange. For this, the issuing company has to fulfil the listing criteria for DRs in the other country. Before creating DRs, the shares of the foreign company, which the DRs represent, are delivered and deposited with the custodian bank of the depository creating the DR. Once the custodial bank receives the delivery of shares, the depository creates and issues the DR to investors in the country where the DRs are listed. These DRs are then listed and traded in the local stock exchanges of the other country.

How will the IDRs be priced, and will-cross border trading be allowed ?

IDRs will be freely priced. However, in the IDR prospectus, the issue price will have to be justified as is done in the case of domestic equity issues. Each IDR will repesent a certain number of shares of the foreign company. The shares will be listed in the home country. Normally, the DR can be exchanged for the underlying shares held by the custodian and sold in the home country and vice-versa. However, in the case of IDRs, automatic fungibility is not permitted.

What are the benefits of issuing IDRs to companies?

They lead to increased access to capital, are a means of increasing global visibility and trade, allow increased liquidity and global benchmark valuation and an international shareholder base.

And what about investors ?

They allow global investing opportunities without the risk of investing in unfamiliar markets, ensure more information and transparency and improve the breadth and depth of the market.

Why will foreign companies issue IDRs ?

Any foreign company listed in its home country and satisfying the eligibility criteria can issue IDRs. Typically, companies with significant business in India, or an India focus, may find the IDR route advantageous. Similarly, the foreign entities of Indian companies may find it easier to raise money through IDRs for their business requirements abroad.

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