COSIDICI COURIER

BI MONTHLY JOURNAL OF COUNCIL OF STATE INDUSTRIAL DEVELOPMENT and INVESTMENT CORPORATIONS OF INDIA

VOL. XXXXVIII NO. 6 | **NOVEMBER-DECEMBER, 2012**

EDITORIAL BOARD

CONTENTS

FROM THE SECRETARY GENERAL's DESK

FUELLING NATION'S DEVELOPMENT THROUGH MSMEs

Micro, Small and Medium Enterprises [MSMEs] have played a key role in the growth of Indian economy by contributing 45% of industrial output, 40% of exports, employing 60 million people and creating around 1.3 million jobs every year. There are approximately 30 million MSME units in India which produce more than 8000 quality products for the Indian and International markets. MSMEs contribution towards GDP in 2011 was 17% which is expected to increase to 22% by 2013. MSMEs are the fountain head of a number of several innovations in manufacturing and service sectors, as also a major link in the supply chain to the corporates and the PSUs.

The MSME sector, whose growth rate has been consistently higher than industrial sector and services sector, is expected to move on to a higher growth trajectory. A positive outlook on MSMEs sector is supported by the time-bound implementation of the recommendations of PM's Task Force on MSME sector and the RBI policy guidelines of increasing MSE credit growth by 20% annually by Banks. With the aim of promoting market access of Micro and Small Enterprises (MSEs), the Government has approved a policy under which Ministries and CPSEs are required to make a minimum of 20% of their annual purchase from MSEs.

To address the issue of improvement in quality and adoption of new technology, two main schemes of Government of India for concessional finance are Credit Linked Capital Subsidy Scheme (CLCSS) and Technology Upgradation Fund Scheme for Textile Industry (TUFS). Under CLCSS, MSEs have the benefit of capital subsidy while under TUFS, MSMEs have the benefit of interest subsidy. These schemes are operated through SIDBI and various Banks.

V.S. RATHORE
Secretary General, COSIDICI

Importance of Clusters :

The Ministry of Micro, Small and Medium Enterprises (MSMEs), Government of India (GoI) has adopted the cluster development approach as a key strategy for enhancing the productivity and competitiveness as well as capacity building of Micro and Small Enterprises (MSEs) in the country. Clustering of units also enables providers of various services to them, including banks and credit agencies, to provide their services more economically, thus reducing costs and improving the availability of services for these enterprises. The services are being made available are in the areas of testing facilities, testing facilities, business information, awareness programmes, promotion of energy efficiency measures and clean technology, skill development, IT training, regulatory compliance etc.

Greater opportunities are now available to MSMEs than ever for expansion and diversification across the sectors. Indian market is growing rapidly and Indian entrepreneurs are making remarkable progress in various Industries like Manufacturing, Precision Engineering Design, Food Processing, Pharmaceutical, Textile and Garments, Agro and in the Service sector viz Retail, IT and ITES, hospitality etc.

New Opportunities – Defence & Railway Production :

Two sectors which offer immense potential to MSMEs are Defence production and manufacturing for the Railways. In case of Defence, there is a critical need for attaining self-sufficiency in the production of sophisticated Defence requirements, for which it is necessary to involve a large base of Micro, Small and Medium Enterprises in the private sector.

Despite the growth in the venture capital industry in India, venture funding of MSMEs supplying to Defence sector (where amounts required initially may be small but risks are high) is severely constricted. This is the opportune time to set up the Defence MSME Manufacturing Venture Fund, for investing in early and growth stage enterprises in the MSME segment, with an initial corpus of say Rs.1000 crore. Contribution to this fund could come from Ministry of Defence, SIDBI and various Government companies connected with the Defence sector. A similar fund could also be raised for financing manufacturing activity for Indian Railways.

It is thus seen that the financing options for SMEs are beginning to grow in recent years and more importantly many financiers – especially equity financiers are showing interest in this segment. Likewise, lending banks have also set up specialized branches for lending to SMEs with a cluster based approach.

MSME should take full advantage of the new opportunities emerging to not only increase their contribution in the Indian manufacturing and service sector but also becoming an important part of the global value chain.

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Vikram Singh

V.S. RATHORE

" Always bear in mind that your own resolution to succeed is more important than any other thing." --

–Abraham Lincoln

APPOINTMENTS

- Shri Naveen Mahajan, IAS has been appointed as Managing Director, Rajasthan State Industrial Development & Investment Corporation Ltd. [RIICO], Jaipur vice Shri Rajendra Bhanawat, IAS.

- Shri Swarn Singh, IAS has been appointed as Chairman & Managing Director, TamilNadu Industrial Investment Corporation Limited [TIIC], Chennai vice Shri Mohd. Nasimuddin, IAS.

- Shri Tarun Bajaj, IAS has been appointed as Managing Director, Haryana State Industrial & Infrastructure Development Corporation Ltd. [HSIIDC], Chandigarh vice Shri Rajeev Arora, IAS.

- Shri Pradeep Kumar Jena, IAS has been appointed as Chairman & Managing Director, Orissa Industrial Infrastructure Development Corporation [IDCO}, Bhubaneswar vice Shri Priyabrata Patnaik, IAS.

- Shri G. Ragesh Chandra, IAS has been appointed as Managing Director, Pondicherry Industrial Promotion Development & Investment Corporation Ltd. [PIPDIC], Pondicherry vice Shri W.V. Ramana Murthy.

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PREPARING MSMES FOR RETAIL FDI

* Subrata Chakraborty

The government has argued that foreign direct investment (FDI) in the multi-brand retail segment will create a win-win situation for all the stakeholders. Despite such hopes, observers of the micro, small and medium enterprise (MSME) sector appear to be quite perplexed as to exactly what opening up the retail sector holds in store for them, and remain unsure if it will help or hurt.

Everyone agrees that a basket of opportunities will accompany the inflow of FDI in retail, scale and distribution network being the most significant of those. Currently, small players do not have sufficient scale or a distribution network that covers the market. With the entry of organised retail, SMEs will be able to go in for bulk production with guaranteed absorption of their product. Also, SMEs supplying competitive products and services with greater potential for forward and backward linkages will have the opportunity to contribute substantially to exports. These are no small prospects — obtaining access to profitable markets is crucial to fostering SME growth and productivity. Opening up of multi-brand retail segment is expected to bring this much-needed opportunity.

Why, then, the concern? It arises from certain lurking fears: the central question being, whether our otherwise weak SMEs will be able to gainfully exploit the opportunities ushered in through the opening of the multi-brand retail segment.

Admittedly, to take advantage of the various opportunities, SMEs will primarily need knowledge and access to new technology, adequate financial aid, high levels of R&D, and adaptability to the changing trends in their respective industries. Pessimism sets in when one looks at the report of United Nations Conference on Trade and Development (Unctad) of 2004 which, on page five, observes, "Trade liberalization... makes it significantly difficult for small and medium enterprises to survive and maintain in the local and, if applicable, in the global market". This observation in the Unctad report may serve as a good warning for us, sending a reminder that there can be a danger in bringing in a post-industrial profile without having been industrialised.

The prime minister's task force has noted (January 2010) that the MSME sector in India is highly heterogeneous in terms of size of enterprise, variety of product and service produced, and level of technology employed. More than 94 per cent of MSMEs are unregistered, with a large number established in the informal or unorganised sector. To prepare this diverse group for a new situation is certainly not going to be easy. Differentiated efforts would be required ensuring comprehensive coverage, with a clear understanding that one size will not fit all. The task is huge and will concern several institutions and departments of the government.

There is, therefore, a need for an SME perspective in the functioning of such institutions and departments, so that every action of theirs is born out of their full knowledge of the bottlenecks impeding the growth of the MSME sector. Currently MSMEs face problems even in supply to government departments and agencies, as a majority of government tenders prescribe high eligibility criteria such as annual turnover, high experience, etc. These are not going to go away with the entry of multinationals. In all probability, the criteria will become stiffer, creating higher entry barriers.

Studies have established that opening up not just brings in competition, but creates one of a rather fierce kind. To cope with the new realities Indian SMEs will have to develop the necessary competitive muscles. Additionally, competition will gradually create higher and higher entry barriers, setting increasingly stringent standards with regard to quality, price, timely delivery and flexibility. These will make things difficult for our SMEs to establish effective value chain connections at various levels. They will be confronted with the challenge to continuously incorporate the latest technology into their production process as well as in their marketing and management functions to cut costs, gain efficiency and consistency. SMEs seeking to establish partnerships in regional and global value chains will have to understand the governance of specific value chain process and structures.

Therefore, making FDI in multi-brand retail work to the benefit of SMEs necessitates a certain level of commitment, transparency, honesty and sincerity in implementation. What has been witnessed so far is that, while a public procurement policy was announced with much fanfare, its actual implementation remains shrouded in doubts. Urgent attention and well-judged action will be required on the following key areas to equip the sector adequately :

- Enabling policy and regulatory environment
- Supporting infrastructure for business
- Entrepreneurship, including management skills and human resources
- Access to finance
- Technology capability — building and adaptation.

The major need therefore is to match the level of governance with the level of the challenge. Bigger the challenge, the bigger are the rewards of meeting the challenge. Surely, a country of India's ability and talent can meet the challenge. As we all know, actions speak louder than words. Therefore, concerted action should begin now. If that happens soon enough it will not only comfort MSMEs but may also ease, at least partially, the current political divisions on the subject.

* * *

** **Courtesy:** Business Standard. The writer is a former dean of IIM Lucknow and a former Director of Jaipuria Institute of Management, Lucknow*

"The ladder of success is best climbed by stepping on the rungs of opportunity."

–Ayn Rand

A NEW LOOK AT PRIORITY LENDING

Bindu Ananth & Nachiket Mor *

There has been much discussion recently about the distorting nature of various indirect subsidies such as those being offered via price controls on fuel and fertiliser. There is a case to include in this important debate the subsidies implied via financial sector policies, in particular, priority sector lending (PSL) requirements that guide the allocation of 40% of net bank credit (NBC).

One of the significant bottlenecks to the growth of the Indian economy has been the small size of the financial sector. The PSL requirement may then be viewed not necessarily as a subsidy but as a policy nudge to bankers and amongst the various equally profitable opportunities that they are faced with, they should give higher priority to the PSL sectors, in larger national interest. Eventually, we need to increase the size of the financial sector and to complement banking sector resources with local debt capital markets as well so that all sectors can optimally absorb credit. Given the nature of financial sector policy in India, however, this is likely to take some time and the PSL requirement would need to remain as long as this does not impinge on systemic stability.

PSL policy must clearly first establish that it is indeed in the national interest. However, the scope and composition of PSL is somewhat of a black box. There is no clear policy articulation of why certain sectors and activities are included and others not. Aditya Puri, in a recently-published book on contemporary banking in India, argues that the share of agriculture and allied activities as a percentage of GDP in India has come down from 32% in 1990-91 to 15% in 2011-12, whereas the target of 18% of NBC to agriculture under PSL has remained unchanged over the decades. A deeper reason to align PSL norms with the needs of the real economy is to prevent systemic misallocation of resources. For instance, PSL policy allows purchase of agricultural equipment and farm animals to be considered as priority agricultural credit. However, this ignores the labour surplus nature of agriculture and small-holder farms in India.

A farmer supplying labour to her own farm and borrowing for, say, health expenses in this world view is ineligible for such treatment. Also, a uniform PSL policy for all of India ignores important regional differences. For example, while in states like Tamil Nadu and Gujarat, promoting capital intensity might be reasonable, this would be bad recipe for Bihar and Orissa.

A clear articulation of the policy assumptions behind PSL, say, in the form of a white paper published annually by the ministry of finance, will go a long way in ensuring that the policy goals are well understood by the market and the achievement of the same can be measured.

There are also significant problems in the manner in which the PSL policy is actually implemented. For example, in terms of the way PSL compliance is measured, while for commercial banks the cash reserve ratio maintenance is tracked weekly, PSL is tracked only on the last Friday of March. This policy position seems to be directly responsible for some of the March phenomenon that takes the perverse form of credit being available in plenty during this window and in short supply for the rest of the year. If the intent is to help farmers with liquidity when they need it, it is not clear how a credit peak in March helps.

PSL non-performing assets (NPAs) as a percentage of total NPAs are now approximately 50%. PSL

NPA policies encourage banks to maintain very soft budget constraints and perhaps allow them to overstate the true value of the assets on their books. A product like Kisan Credit Card is a significant aspect of banks PSL strategy today with loans outstanding of over Rs.1,50,000 crore. It is structured as an overdraft facility and there is really no way to accurately estimate the quality of these loans. There might be longer term consequences of this policy. In particular, this would be of concern vis—vis large and systemically-important banks, particularly as the size of the NPA problem becomes larger than what budgetary resources can bear.

Finally, volume targets are perhaps not the most onerous aspect of PSL policy today. It is the fact that PSL policy also takes a view on exactly how this must be achieved by banks, thus tying their hands as far as strategy to achieve these targets is considered. For example, there is a disproportionate emphasis on direct lending rather than lending through specialised intermediaries whose cost structures and underwriting techniques may be better suited to these sectors. There are also numerous stipulations around pricing, income and indebtedness of borrowers notoriously hard to measure with any accuracy and ability to charge for delayed payments. From a policy perspective, it might be superior to merely specify the desired outcomes and targets, while allowing banks to pursue multiple pathways and channels to emerge.

Even if PSL remains a cornerstone of financial sector policy for a variety of reasons, some of these issues need to be addressed so that the pursuit of PSL does not become at odds both with broader development objectives and the orderly growth of the financial sector.

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* ***Courtesy:*** *Economic Times. Ms. B. Ananth is president of IFMR Trust and Sh. N. Mor is chairman of the board of CARE India.*

"The secret of success is to be in harmony with existence, to be always calm... to let each wave of life wash us a little farther up the shore."

–Cyril Connolly

KERALA FINANCIAL CORPORATION {KFC}

Shri Yogesh Gupta, IPS joined Kerala Financial Corporation as Chairman & Managing Director in the year 2011. His previous assignments include Excise Commissioner, Kerala; Managing Director, Kerala State Beverages Corporation; Chairman & Managing Director, Kerala State Civil Supplies Corporation Ltd. Thereafter he was posted as Inspector General of Police (IGP), Armed Police Battalion and Chairman & Managing Director, Kerala Financial Corporation, Thiruvananthapuram. Under his leadership, the Corporation has posted a profit of Rs.45 crore and has also declared dividend since 2011.

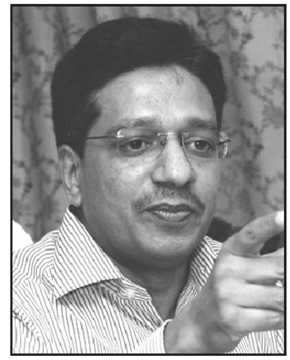
Introduction :

Kerala Financial Corporation (KFC) incorporated under the State Financial Corporations Act of 1951 has played a major role in the development and industrialisation of Kerala. KFC has 16 Branch Offices with its Head Quarters at Thiruvananthapuram and Zonal Offices at Kozhikode, Ernakulam and Thiruvananthapuram.

The main objective of KFC is the rapid industrialization of the state by extending financial assistance to Micro, Small and Medium Enterprises in manufacturing and service sector. The Corporation can give financial assistance for setting up of new units and for the expansion / modernization / diversification of existing units in both manufacturing and service sectors. Since inception KFC has disbursed over Rs. 3000 Crores to more than 40,000 projects.

Going Forward :

The Corporation has now emerged as a financial supermarket giving the customers a wide range of products and services. KFC constantly endeavours to bring a sharp focus on the requirements of its customers and to provide the highest levels of service.Besides giving term loans, the Corporation provides Working Capital finance and Short Term Finance and has introduced schemes focused at the weaker sections of the society. Modernisation schemes for SSIs, Special schemes for Resorts, Hospitals, TV Serial Production etc are some of the innovative schemes introduced to suit changing customer requirements. KFC has also set up KFC Consultancy Division with a view to render Consultancy Services to its Clients as a Total Solution provider. KFC has started to nurture and develop a new managerial cadre that can dream, envision and create a new future by starting the KFC Training Division.



Shri Yogesh Gupta, IPS
CMD, KFC

KFC Care

The Corporation is the first PSU in Kerala and first SFC in India to initiate Corporate Social Responsibility activity. As part of its Corporate Social Responsibility, KFC has set up KFC-CARE (Centre for Assistance and Rehabilitaion) to rehabilitate and serve the marginalized sections of the community.

The first venture of KFC-CARE was to help the mentally challenged children of Bala Vikas, Peroorkara, Thiruvananthapuram by providing them required machinery and training for the manufacture of office files, paper carry bags etc. The products manufactured by them are purchased by the Corporation for its own use. The maiden venture of Corporate Social Responsibility Cell on the Children's Day was launched by Smt. Sreemathy Teacher, Hon'ble Minister for Health. KFC has also supported 7 orphan girls for continuing their higher education after +2 through a scholarship floated by the All India Management Association. These nominees were selected by the Government of Kerala.

* * *

MIDC

Vidarbha gains with Rs3300cr fresh project proposals coming in

At the Advantage Vidarbha meet memorandums of understanding (MoU) for investment to the tune Rs.18,644 crore were signed. The region got fresh proposals worth over Rs 3300 crore of investments through 11 projects. These were mainly from the textile sector coming up on Maharashtra Industrial Development Corporation (MIDC) land in Butibori and Amravati as well as one in Yavatmal. Documents signed for the rest are projects which have reached an advanced stage.

The MoUs were divided into two parts - one signed with the state government and others with MIDC. The former include 16 projects coming up on private land. They are at different stages of implementation with acquisition of land already completed. Some are also expansion of the units operational in the region. Besides this, MoUs were signed for 11 projects coming up on MIDC land. "The process of final allotment of land for these projects is under way," say sources in the MIDC. "In a few cases the process is almost finalized." The work would be completed in 2-3 months. These units had applied for getting land in the industrial estates and their cases have been cleared after which the MoUs were signed during the Advantage Vidarbha meet.

Textile players make nine of the total 27 MoUs signed under both the categories. "Availability of cotton and sops such as interest subsidy under the new textile policy have attracted players from this sector into the state. Vidarbha has to be the natural choice due the availability of raw material," said a source in the industries department.

New Chandrapur power plant to generate 1,320 MW

Maharashtra Industrial Development Corporation (MIDC) has invited competent developers from across the world to build a new power plant in Maharashtra in a bid to add 1320 mw capacity.

A new power plant of 1320 MW capacity will be built in Bhadravati in Chandrapur district of Vidarbha and will ready in three to four years.

The power plant will be developed on the public private partnership (PPP) basis. The dedicated coal linkage and land is available for the proposed plant which will be given to the selected developer on build, own, operate and transfer (BOOT) basis for 95 years of lease. The infrastructure development finance company limited (IDFC) is helping the MIDC in setting up the project.

"Around 1300 acres of land is in possession of MIDC besides completion of environment impact assessment (EIA) study. Similarly, water source has also been allotted for the project," the proposal stated. For bidders the deadline for submission of their proposal is April 22, 2013.

RIICO

Rajasthan Govt. for new technologies in sandstone, marble

The Rajasthan government has been pushing for new technologies in the sandstone and marble business to improve the quality of products, Hon'ble Chief Minister, Shri Ashok Gehlot has said. The new technology had resulted in the introduction of new finishes on products and better quality. The state is already producing 90 percent of sandstone and marble and has recently also increased its share of granite production in the country. All this has been possible because we took some important steps which have led to development of the sate, bringing employment to the state, particularly in rural areas," he said. Nearly 8,000 people were employed in Rajasthan's stone industry.

The Rajasthan government has a land bank of 5,000 acres and has identified mining as a thrust area. Stonemart has helped us greatly in introducing new technology to this sector thus proving a boon for its development. This has resulted in reducing wastage. The need for the introduction of environment friendly technologies was also emphasized.

HSIIDC

HSIIDC business meet to woo prospective investors

HSIIDC is set to hold a 'business meet' in New Delhi, hoping that this annual open forum for industrialists will attract a fresh breed of small- and medium-scale entrepreneurs for Gurgaon, Manesar and other parts of the manufacturing belt.

At the meet, the HSIIDC will also be laying out the terms for the financial assistance it proffers to industry owners who either want to set up new units in its region, or upscale the existing ones. *"They can come and discuss their term loan proposals with a team of senior officers of the corporation,"* said an official.

Term loans of as much as Rs 25 crore will be offered to the prospective industrialists, according to officials. "Loans will be available for setting up industrial projects, hotels, commercial complexes and industrial infrastructure," the corporation's official statement said.

The coming event falls under relatively new campaign category formed by the HSIIDC, Once a client is offered a loan, he or she has to share the information relating to the project report with the corporation, which keeps abreast of the progress made," said another official.

UPSIDC

Govt hosts maiden meeting of Udyog Bandhu to address woes

The Uttar Pradesh government recently hosted a tripartite meeting between officials of Udyog Bandu, concerned departments and entrepreneurs to address industry-related grievances that have been pending for about nine years.

Udyog Bandhu dealt with pending issues relating to UPSIDC, department of energy. house tax, Greater Noida, labour, PWD, pollution, forest, trade tax, stamp and registration and mandi. Taken up on a case-to-case basis, the meeting was attended by industrialists and senior officials of the concerned government departments. The agenda comprised a range of specific issues pertaining to concession from electricity duty, power connection, relocation of power transmission lines passing over industrial plots, setting up of fire stations, physical possession of industrial plots.

After meeting with the senior officials, UPSIDC agreed to prepare an updated directory of unallocated and unoccupied industrial plots and to make appropriate changes in its manuals for ensuring that industrial units may be set up within a reasonable time period. The UPSIDC was also asked to prepare models, in association with industrial bodies, for proper maintenance of industrial estates. The Corporation was asked to conduct specific, industry-related fire hazard assessments based on the nature of industrial units. Explicit directions to related departments to comply in a time-bound manner to the satisfaction of entrepreneurs were given.

"The secret of success in life is for a man to be ready for his opportunity when it comes."

–Benjamin Disraeli

QUESTIONS OF CYBERQUIZ ~ 39

Q.1 What is a doorway ?

[a] A page made specifically to rank well in search engines for particular keywords, serving as an entry point through which visitors pass to the main content;

[b] A web page that looks very similar to another one;

[c] The alternative web page meants to serve the visitors when the main domain is shut down for maintenance;

[d] An old discarded web page which has a link to the new web address of the owner.

Q.2 Which website is said to be 404-compliant ?

[a] A website that complies with all the recommended ethical practices;

[b] A website that has been removed by the administrators due to Net abuse by the website owners;

[c] A website that has not been updated since a long time;

[d] A highly attractive website.

Q.3 Which is the first temple in India to instal terminals of online commodity exchanges to get commodities at market prices rather than through annual contracts involving fixed prices?

[a] Tirumala Tirupati Devasthanam;

[b] Golden Temple, Amritsar;

[c] Guruvayoor Shrine in Kerala;

[d] Jagannath Temple in Puri.

Q.4 What does the email acronym bcc stand for ?

[a] Better complete copy;

[b] Better carbon copy;

[c] Blind courtesy copy;

[d] Blind confidential copy.

Q.5 Biff is a utility that issues a signal when new mail has arrived. What is the origin of the term ?

[a] From the word beep;

[b] Name of a University of California graduate student's dog;

[c] Name of the developer's cat;

[d] Name of the developer's pet pigeon.

For Answers See **Page No. 29**

SUCCESS STORY OF THE PRADESHIYA INDUSTRIAL & INVESTMENT CORPORATION OF UTTAR PRADESH LIMITED {PICUP}

The Pradeshiya Industrial & Investment Corporation of U.P. Ltd. {PICUP} was established in 1972 as a company under the Companies Act and notified as Public Financial Institution under section 4 A of the Companies Act, in 2004. PICUP's objective is industrialization of the state by providing financial assistance to medium and large scale industries by extending medium term loans as well as investment in their equity. The Corporation extended financial assistance till 2001-02 and played a pivotal role in industrialisation of the state.

PICUP had been giving loans to the MSME Sector since inception i.e. from 1972-73 to 2002 and played a very important developmental role in the Industrialisation of the State. Thereafter, PICUP had been facing liquidity problems like other State Level Institutions and Banks. It had, therefore, decided to stop the lending activity and improve the recovery by liquidating NPAs and explore other non-fund based activities. PICUP also reduced its administrative and operating costs.

It reduced its interest bearing liabilities from about Rs.700 Crores (along with interest over dues) in 2002 to a principal amount of Rs.5 Crores only as on 31.12.2012. The financial expenses which were about Rs.100 Crores per annum in 2002-03 have been brought down to only Rs.5 Crores in 2011-12.

The Corporation which was running in losses from 1996-97 to 2003-04 is earning profit for the past 8 years continuously i.e. from 2004-05 onwards. The Corporation has now implemented 6th Pay Commission Recommendations, ACP and other facilities to its employees.

Industrial Promotion Efforts of PICUP

Since inception PICUP has provided financial Assistance to 1100 industrial concerns amounting to Rs.1,420 crore. 870 concerns amounting to 85% of the loans, have repaid their dues with outstanding of only Rs.232 crore of 230 units.

The Corporation has also set up a number of joint-sector projects such as Indo-Gulf Fertilizers, India Polyfibers Ltd., (now Reliance), Raunaq Automotive Components Ltd., Upcom Cables ltd., Phoeniz Lamps Ltd. etc.

Strengths

Actively Associated in Industrial & Infrastructure Promotion Efforts of Government of UP

- PICUP was co-consultant with SREI in Ganga Expressway projects
- Conducted a number of consultancy assignments for GoUP departments such as for Transport Department,

Shri Devender Singh, DMD PICUP

- GoUP's agency work in 'Industrial Investment Promotion Scheme, 2003', Trade Tax Deferment Scheme, etc.
- Nodal Agency of GoUP's sick BIFR-registered companies portfolio.

Ready Availability of Professional Expertise

- Important Government bodies such as Udyog Bandhu, UPEIDA, etc are being manned by PICUP's officers and staff.
- Has a large base of skilled and professional manpower and no additional establishment costs will be incurred for taking up substantial new activities.

Rationale For Revival

- PICUP is prepared to act as the main body for implementation of Infrastructure & Industrial Investment Policy, 2012 which provides for availability of infrastructure and MSME financing through State Level Institutions. Poor C-D ratio of the State of Uttar Pradesh can be partially improved by better availability of finance through PICUP. With 20% margin to be brought in by PICUP, 80% funds can be availed from central agencies for infrastructure and industrial development in State. This will lead to partial bridging of the gap in C-D ratio in U.P., presently very low as compared to other states.
- All India financial institutions such as India Infrastructure Finance Company Ltd., SIDBI and HUDCO etc. have reposed confidence in PICUP, subject to its meeting certain stipulations that call for GoUP support.

DO YOU KNOW ?

USES OF PEPPERMINT OIL

- **Alertness :** Use oil of peppermint to wake up your senses first thing in the morning, or during the mid-day slump by using it aromatically or topically.
- **Antioxidant :** Great for immunity, you can use it aromatically, topically or probably best yet, find empty capsules, add one drop of peppermint and create your own peppermint oil capsules. Or add a drop to a large glass of water.
- **Asthma :** May help open the airways when used aromatically or by rubbing a single drop onto the chest.
- **Autism :** Some parents have found it helps autistic kids balance strong emotions and increase positive feelings when used topically. Dilute one drop in 1-2 TB of coconut oil and dab a little on the chest. Avoid getting anywhere near the eyes.
- **Bacterial Infections :** May help fight off infections when applied over the infection. Be sure you know your own skin sensitivity before apply to already sensitive skin.
- **Brain Injury :** Because of the links oil of peppermint has shown to the nervous system, it's also thought to be helpful with brain injuries when diffused or used topically.
- **Chronic Fatigue :** Peppermint is uplifting and invigorating and will aid in increasing energy levels and alertness. Diffuse through the room or apply to the skin.
- **Cold Sores :** Because of the antiviral properties (described above), oil of peppermint can be dabbed directly onto a cold sore. Only a small amount is needed!
- **Congestion :** It's incredible at clearing the sinuses and breaking up phlegm. Inhaling from the bottle, diffusing through the room, using topically or even gargling in warm salty water for sinus drainage causing congestion in the throat.
- **Constipation :** Dilute 1 drop of peppermint in a small dollop of carrier oil and massage the abdomen in a slow, clockwise motion.
- **Cooling to the body :** Rub a small drop or dilute it in oil, or even a small spritz bottle to cool the body down during hot weather. Avoid close proximity with the eyes though!
- **Cramps :** Massage the oil into the muscle with or without a carrier oil, depending on your own skin sensitivity.
- **Diarrhea :** More peppermint oil uses for the digestive system include taking it internally or applying it topically to the abdomen in a counterclockwise direction to soothe the digestive system and help fight any infection with its anti-everything properties.

- **Gastritis :** Peppermint oil uses are best known for their soothing the digestive tracts and can be used topically and internally for gastritis.
- **Halitosis :** The best way to use peppermint here is by adding a drop to your toothbrush or digesting a drop in a glass of water.
- **Headaches :** Peppermint oil seems to increase blood flow by dilating blood vessels. use just a tiny dab over the source of the pain, being careful to avoid the eyes, or use aromatically through the room with a diffuser.
- **Heartburn :** Although oil of peppermint can be taken internally, it's generally suggested to use it topically for heartburn by rubbing it into the chest.
- **Heatstroke :** Rub topically on the back of the neck as soon as heatstroke may be a concern.
- **Hypothyroidism :** According to Modern Essentials, you can use peppermint topically or aromatically to support a healthy thyroid function.
- **Indigestion :** Soothe the digestive system by taking oil of peppermint internally, massaging into reflex points and over abdomen in a clockwise direction or diffusing in the air.
- **Irritable Bowel Syndrome :** It's suggested to add 1 drop of oil to each glass of water you drink throughout the day. You may also massage it into reflex points or over the stomach.
- **Itching :** Peppermint oil uses include soothing itching skin. I'd recommend diluting it in a small amount of coconut oil and gently massaging it into the affected areas.
- **Memory :** Oil of peppermint is mental stimulating. Use while you're studying or working on stressful projects to increase mental processes.
- **Migraines :** Massaging a small amount over the areas of pain can increase blood flow and relieve pain with its analgesic properties. You can also diffuse it through the room if the aroma is too strong otherwise.

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"I don't know the key to success, but the key to failure is trying to please everybody."

–Bill Cosby

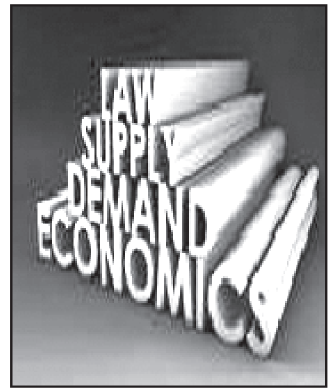
Direct Tax Collections up 6.59% in April-Oct

Direct tax collections rose 6.6% in the first seven months of the current financial year from a year ago. However, net direct tax revenue rose 14.6%, ahead of the target of 13.9% rise assumed in the budget. Indian companies paid 2% higher tax in April-October 2012 over the comparable period last year, suggesting stagnant profit growth because of the economic slowdown. The government expects that in the worst case scenario growth could drop to 5.5% in the current year, a ten year low. Personal tax payments were up by 15.8% in April-October, as slowdown tends to impact salaries with a lag.

Net wealth tax collections rose 26% but securities transactions tax was down 15.4%. Net direct tax collection in the April-October was Rs 2.5 lakh crore, nearly 44% of the budgeted amount for the year, almost same as last year.

ECB window to widen

The government has broadened the ambit of external commercial borrowings (ECB) by including sectors incorporated in the new definition of infrastructure, approved by the Cabinet committee on infrastructure. The Cabinet committee approved a harmonised list of sectors to be identified as infrastructure. The list has outlined five main sectors and 29 infra sub-sectors. The five sectors are transport, energy, water sanitation, communication and social and commercial infrastructure. The infra tag allows companies to claim benefits such as access to easier borrowing overseas, raising funds through tax-free bonds, tax concessions, and access to dedicated institutional lenders and debt funds.



Educational institutions, hospitals (including medical colleges, paramedical training institutes and diagnostic centres), three-star or higher category hotels located outside cities with a population of more than a million, common infrastructure for industrial parks, SEZs, tourism facilities and agriculture markets, capital investment in fertilisers, post-harvest storage infrastructure for agriculture and horticultural produce, including cold storage, terminal markets and soil-testing labs, are now included under social and commercial infrastructure. The communications head covers telecom towers along with telecommunications networks.

Indian companies are looking at the ECB route to lower the cost of borrowing. Currently, companies in India pay 11-12.5 per cent interest on bank loans. A similar loan through an ECB is available at under four per cent interest rate. The government liberalised ECB norms in the Budget this year for sectors including power, roads, civil aviation and affordable housing.

Further, to provide low-cost funds to stressed infrastructure sectors, the rate of withholding tax on interest payments on ECB has been reduced from 20 per cent to five per cent. The sectors are power, airlines, roads and bridges, ports and shipyards, affordable housing, fertilisers and dams.

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Success is a journey, not a destination."

–Ben Sweetland

ACTIVITIES OF COSIDICI

Vastra – An International Textile & Apparel Fair 2012

COSIDICI's Member Corporation viz. Rajasthan State Industrial Development & Investment Corporation Limited (RIICO), Jaipur organized an International Fair from 22nd to 25th November, 2012 at Sitapura Industrial Area, Jaipur titled "VASTRA – An International Textile and Apparel Fair 2012" which was supported by the Ministry of Textiles, GoI and Government of Rajasthan. Federation of Indian Chambers of Commerce and Industry was the co-organisers. VASTRA 2012, a comprehensive trade fair and conference on Textiles and Apparel has been planned to showcase the best and latest in textiles from – Fibre to Fashion, be it technology, machines, products or accessories.

Objectives of VASTRA :

- Showcasing India as sourcing Hub and Investment destination;
- Showcasing the entire value chain – Fibre to Fashion;
- Presentation business opportunities;
- Showcasing latest in technology and applications;
- Bridging gap between Indian and Global companies through joint ventures;
- Setting up of R&D base and strategic alliances;
- Creating platform of interaction with experts, scientists, technocrats, Govt. agencies for Textile and Garments
- Showcasing infrastructure availability for Textile Industry;
- Discussions and deliberations on product and process improvement, new applications, research and development, new trends and fashion, environmental concern.
- Offers a host of business opportunities to the exhibitors and visitors.

Highlights of the Event

- First ever international exhibition on Textile & Apparel in Rajasthan;
- More than 10000 sq. mtr. Exhibition area;
- More than 500 exhibitors across entire textile value addition chain products, machineries, technology;
- International participation;
- State's Pavilions;
- Supporting facilities – Business Centre/ Lounge, Business Information Centre, Information Desk, Travel & Transport Desk etc.

Jury Members of Vastra 2012

A jury to adjudge the stalls and award them was constituted. Shri V.S. Rathore, Secretary General, COSIDICI was one of the Jury Members of the VASTRA 2012. Over 360 buyers from 61 countries participated in Vastra -2012. The Event received an overwhelming response from the participants, customers, visitors etc.

Awards were also given in five categories. The winners were Shipa Decor for 'aesthetically designed stall'; Ratan Textiles for 'range of products'; R V Exports for 'best ethnic category'; Ahuja Overseas for 'best contemporary presentation'; and Banswara Syntex Ltd. for the 'best manufacturing unit'.

COSIDICI National Award Function, 2013 :

COSIDICI is set to hold its 'National Award Function 2013' on 15th February 2013 for felicitating such units financed by State Level Financial Institutions [SLFIs] which have excelled in various areas. The day would also be celebrated as the 'Foundation Day' of COSIDICI. It was also felt that this activity would give exposure to the SLFIs and would serve to highlight their importance in today's financial scenario. It would also motivate the successful units to continue with their good performance.

COSIDICI hopes to make this award function a regular feature to enable all the deserving units to get their due recognition and enable the SLFIs to showcase their achievements. * * *

Gujarat pharma SMEs export to Africa & LatAm

To gain higher margins, Gujarat-based small and medium-sized pharmaceutical manufacturers are focusing on export markets in especially emerging economies such as African and Latin American nations. While overall exports from pharma SMEs are growing by 12-15 per cent a year, exports to these markets are clocking a compound annual growth rate of 30-35 per cent.

SMEs based in Gujarat exported pharma products worth Rs.400-500 crore in 2011-12. The figure is expected to grow by 15 per cent this year. Of the net exports by SMEs, the share of emerging markets is 50-60 per cent, and it is rising yearly by 30-35 per cent because they are relatively easier to penetrate.

MSME Min for tightening loan norms

The micro, small and medium enterprises (MSMEs) ministry has called for stricter implementation of loan norms for micro and small units, and asked the finance ministry to ask banks to give collateral-free loans of up to Rs.10 lakh.

Ambala cluster to get Rs 15 cr to set up tool room

The scientific instruments cluster of Ambala may soon get a tool room for micro, small and medium enterprises (MSMEs). The directorate of industries is working to approve a grant of Rs.15 crore for the cluster for the setting up of a tool room, said Shri Amarjeet Singh, the president of ASIMA (Ambala Scientific Instruments Manufacturers Association). The building will be provided by the scientific instruments industry and 10 per cent of the total cost will also be contributed by it. The cluster had been lagging behind due to lack of technology upgradation and this initiative will help the MSMEs to learn better techniques.

The units at Ambala manufacture scientific, educational, electrical, electronic, test and measuring instruments and the instrumentation required by research laboratories, universities, educational institutions, engineering colleges, medical institutions and industrial establishments. The industry organises a trade exposition every year (the third global expo was held on December 1, 2012) to create an interface between buyers and sellers. The cluster has a turnover of about Rs.800 crore, and MSMEs are now gearing up to adopt state-of-the-art marketing strategies to scale up their businesses.

SMEs yet to embrace the social media

The social media is yet to be embraced by small and medium enterprises (SMEs), who are still to develop a sense of comfort in the use of information technology (IT).

This is despite the fact that the social media is considered an effective tool for engaging customers in innovative ways and making them stakeholders in the value-creation process. Experts say factors like low awareness and fear of losing information is the root cause of this.

Shri Hemant Seth, additional director, MSME at Ficci (Federation of Indian Chambers of Commerce and Industry), says the social media is still in a nascent stage in India and it will take time for Indian companies to take to it. Creating awareness of the uses of social media is the biggest challenge. To help SMEs leverage the use of social media as a potent business tool, Ficci has launched a campaign with Facebook called 'Technology and Technology Financing for MSMEs'. Two cities have been covered under this programme, and the drive will be taken to other cities across India.

Besides fear of losing control over information is holding SMEs back from embracing social media. Cost is another factor. Shri Siddharth S Singh, associate professor of marketing at the Indian School of Business (ISB), says social media is a double-edged sword. While it can provide quick benefits, it can also do quick and significant damage if not handled carefully. A company needs to employ significant resources to use social media effectively. These resources take the form of dedicated employees and use of analytics, and finding these resources is a challenging task.

Credit to MSEs in Haryana grows 47%

Credit advanced by banks to micro and small enterprises (MSEs) in Haryana has grown by 47 per cent — from Rs.15,596 crore at the end of September 2011 to Rs.22,951 crore at the end of September 2012. A review of bank loans given to the MSE sector reflects year-on-year growth of 47 per cent, compared to the target of 20 per cent. The number of MSEs which were provided credit during this period also grew by 16 per cent, against the target of 10 per cent. The share of advances to micro enterprises was 37 per cent at the end of September 2012, against the stipulated target of 60 per cent to be attained by March 2013. Banks in Haryana have been asked to gear up to achieve the target.

The government figures also reveal that collateral-free loans of up to Rs.10 lakh provided to MSEs were only 62 per cent of the stipulated target for such loans. The state government has told banks in the state to focus on 19 identified clusters of MSEs in the state for prioritised lending. While some clusters like rice milling and agricultural implements in Karnal, stone crushing and engineering clusters in Faridabad and the plywood industry cluster in Yamunanagar have received adequate credit, others need to be financed in keeping with the stipulated targets, the state government has stressed.

Faridabad SMEs to buy power from pvt discom

For industrial units – especially small and medium enterprises – who are faced with bleak power situations that hurt their efficiency, a new model of buying power has been worked out. Many SMEs in the Faridabad region, who are members of the Faridabad Small Industries Association (FSIA), are joining hands for collective power purchase from a private electricity distribution company. FSIA members said this could be the country's first example of a SME cluster buying power from a private electricity distributor.

'MSMEs need more sources of funding'

Micro, small and medium enterprises (MSMEs) are facing a double whammy — erosion of profitability due to the current economic downturn, and the increasing reluctance of banks to lend due to an increase in risk perception. However, banking experts say that there still are funding solutions that can help both MSMEs and banks. It is felt bank lending to MSMEs must be incentivised, considering the higher risks involved in this space. Cash-flow problems are accentuated because big companies give them the lowest priority when it comes to paying for supplies in time. To overcome this issue, banks should adopt cash flow-based lending in place of asset-based lending, says Shri P Rudran, CEO, Asset Reconstruction Company of India Limited. Citi Bank is started approaching big players to identify their backend supply chain. It will link its lending to MSMEs to the invoices they generate from their supplies to big companies. It is felt that MSMEs need multiple sources of funding to ensure better access to capital. These include capital markets, NBFCs and microfinance institutions.

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Second Quarter Review of Monetary Policy 2012-13

Dr. D. Subbarao, Governor, Reserve Bank of India, presented the Second Quarter Review of Monetary Policy for the year 2012-13 on October 30, 2012. The highlights of the Review are:

Projections

- Baseline projection of GDP growth for 2012-13 revised downwards from 6.5 per cent to 5.8 per cent.
- Inflation for March 2013 raised to 7.5 per cent.
- M3 growth for 2012-13 projected at 14 percent.

Stance

- To manage liquidity to ensure adequate flow of credit to the productive sectors of the economy.
- To reinforce the positive impact of government policy actions on growth as inflation risks moderate.
- To maintain an interest rate environment to contain inflation and anchor inflation expectations.

Monetary Measures

- Bank Rate retained at 9.0 per cent.
- Cash reserve ratio (CRR) of scheduled banks reduced by 25 basis points from 4.50 per cent to 4.25 per cent of their NDTL.
- Repo rate under the liquidity adjustment facility (LAF) retained at 8.0 per cent.

Expected Outcomes

The policy actions and the guidance are expected to :

- Facilitate a turnaround in credit growth to productive sectors so as to support growth.
- Reinforce the growth stimulus of the policy actions announced by the government.
- Anchor medium-term inflation expectations on the basis of a credible commitment to low and stable inflation.

Important Banking and Financial Developments in 2012

January

- Cash reserve ratio (CRR) of scheduled commercial banks reduced by 50 basis points from 6.00 per cent to 5.50 per cent of their net demand and time liabilities (NDTL) w.e.f. January 28, 2012.
- Foreign direct investment (FDI) up to 100 per cent permitted in single brand product.

February

- Bank rate realigned w.e.f. February 13, 2012, with the marginal standing facility (MSF) rate.
- The limit for foreign exchange remittance towards imports without any documentation formalities, raised from USD 500 or its equivalent to USD 5000 or its equivalent from February 21, 2012.

March

- The average CRR required to be maintained by every scheduled commercial bank reduced by 75 basis points from 5.50 per cent to 4.75 per cent of its NDTL w.e.f. March 10, 2012.

April

- Repo rate under the LAF reduced by 50 basis points from 8.50 per cent to 8.00 per cent.
- Reverse repo rate under the LAF automatically adjusted to 7.00 per cent
- Bank rate adjusted by 50 basis points from 9.50 per cent to 9.00 per cent from April 17, 2012.
- Banks advised to allow customers to also choose NEFT as one of the electronic modes of making payment towards equated monthly instalments (EMIs)/repayments of loans, etc.
- ECBs allowed for capital expenditure under the automatic route for the purpose of maintenance and operations of toll systems for roads and highways provided they form part of the original project.

May

- Interest rates on FCNR(B) deposits revised from the close of business in India as on May 4, 2012.
- With a view to increasing the availability of funds to exporters, banks allowed to determine their interest rates on export credit in foreign currency from May 5, 2012.
- The limit for foreign exchange remittance for miscellaneous purposes without documentation formalities, raised from USD 5000 to USD 25000 from May 7, 2012.

June

¨ The interest subvention scheme of 2 per cent on rupee export credit extended from April 1, 2012 to March 31, 2013 on the same terms and conditions as earlier, to the following sectors - handicrafts, carpets, handlooms, small and medium enterprises (SMEs), readymade garments, processed agriculture products, sports goods and toys.

- The eligible limit of the export credit refinance (ECR) facility for scheduled banks (excluding RRBs) enhanced from 15 per cent of the outstanding export credit eligible for refinance to 50 per cent, w.e.f. June 30, 2012.
- State level bankers' committees (SLBCs) mandated to prepare a roadmap covering all unbanked villages of population less than 2000 and notionally allot these villages to banks for providing banking services, in a time-bound manner.

July

- Guidelines on priority sector lending - targets and classification - revised and became operational from July 20, 2012.
- Customer charges levied by banks for NEFT transactions rationalised.

August

- Banks advised to offer a 'Basic Savings Bank Deposit Account' to all their customers.
- Statutory liquidity ratio (SLR) for scheduled commercial banks reduced from 24 per cent of their NDTL to 23 per cent from the fortnight beginning August 11, 2012.
- Taking into consideration the availability of processing infrastructure for clearing outstation cheques at all clearing locations across the country and to bring about further efficiency in cheque clearing, all CBS enabled banks advised to issue only "payable at par"/ "multicity" CTS 2010 standard cheques to all eligible customers.

September

¨ Pursuant to the Government of India extending the scheme of 1 per cent interest subvention to housing loans up to Rs.15 lakh where the cost of the house does not exceed Rs.25 lakh, banks advised to implement the scheme vigorously.

- ♦ CRR required to be maintained by scheduled commercial banks reduced by 25 basis points from 4.75 per cent to 4.50 per cent of their NDTL from the fortnight beginning September 22, 2012.
- ♦ Foreign direct investment permitted up to (a) 100 per cent in single-brand product retail trading by only one non-resident entity, whether owner of the brand or otherwise, under the government route; (b) 51 per cent in multi-brand retail trading under the government route; (c) 49 per cent by foreign airlines in the capital of Indian companies in civil aviation sector, operating scheduled and non-scheduled air transport, under the automatic/government route; and (d) 49 per cent in power exchanges registered under the Central Electricity Regulatory Commission (Power Market) Regulations, 2010, under the government route.
- ♦ Companies in the infrastructure sector, where "infrastructure" is as defined under the extant guidelines on external commercial borrowings (ECBs), allowed to avail of trade credit up to a maximum period of five years for import of capital goods, subject to conditions.

October

- ♦ The Reserve Bank to consider financial restructuring proposals submitted by UCBs involving conversion of deposits into equity/ IPDI, even if the net worth of the bank does not become positive after such conversion of deposits.
- ♦ CRR of scheduled banks reduced by 25 basis points from 4.50 per cent to 4.25 per cent of their NDTL from the fortnight beginning November 3, 2012.

November

- ♦ Definition of 'infrastructure lending for the purpose of financing of infrastructure by banks and financial institutions' harmonised with that of the master list of infrastructure sub-sectors notified by the Government of India on March 27, 2012. The revised definition of 'infrastructure lending' to be effective from November 20, 2012.

December

- ♦ ECB allowed for low cost affordable housing projects as a permissible end-use, under the approval route. ECB can be availed of by developers/builders for low cost affordable housing projects. Housing finance companies (HFCs)/NHB can also avail of ECB for financing prospective owners of low cost affordable housing units.

Bank credit to MSMEs up 9% in 2011-12

Credit flow to MSMEs by public and private sector banks increased by nine per cent in 2011-12. According to Minister of State for Finance Shri Namo Narain Meena, banks disbursed Rs.7.12 lakh crore in 2011-12, as compared to Rs.6.53 lakh crore in 2010-11. The allocation of 60 per cent of advances to micro and small enterprises (MSEs) is taking place in three stages — 50 per cent in 2010-11, 55 per cent in 2011-12 and 60 per cent in 2012-13.

Meanwhile, the government has formulated several policies, programmes and schemes to facilitate promotion and development of MSMEs in the country, the minister said. In the Union Budget for 2012-13, capital gains tax on sale of residential property was exempted, if the sale consideration is used for purchase of new plant and machinery. Restrictions on venture capital funds that tied them down to investing only in nine specified sectors ware removed. Another key initiative is the implementation of the Public Procurement Policy for MSEs Order 2012. Other major schemes include the Credit Guarantee Scheme, Credit Linked Capital Subsidy Scheme, Cluster Development Programme, and National Manufacturing Competitiveness Programme.

Public sector banks willing to offload Rs. 1,500 crore stressed loans

Banks are willing to offload their stressed assets to asset reconstruction companies (ARCs) at discounts of about 30-40% of the outstanding amount. Bankers say at these levels of discount, it is viable to make the sale of distressed assets as it offsets the provisioning and legal expenses that banks have to otherwise incur to maintain these accounts in their books.

RBI changes definition of sickness for assessing MSE viability

The Reserve Bank of India (RBI) has modified the definition of sickness and the procedure for assessing the viability of sick micro and small enterprises (MSEs). According to a notification issued by RBI in November, "An MSE is considered sick when any of the borrowal account of the enterprise remains NPA for three months or more or there is erosion in the net worth due to accumulated losses to the extent of 50 per cent of its net worth."

The stipulation that the unit should have been in commercial production for at least two years has been removed by the RBI.

Earlier, an MSE was considered sick if any of the borrowal accounts of the unit remains substandard for more than six months. This means if principal or interest, in respect of any of its borrowal accounts has remained overdue for a period exceeding one year. RBI had also said it would be considered sick if there was erosion in the net worth due to accumulated cash losses to the extent of 50 per cent of its net worth during the previous accounting year; and the unit had been in commercial production for at least two years.

Earlier, there was no stipulated time frame for deciding the viability of a unit. However, now the decision on viability of the unit should be taken at the earliest but not later than three months of becoming sick under any circumstances.

RBI has also laid down the procedure for declaring a unit unviable. In fact now incipient sickness or handholding stage has been defined by the regulator.

IIFCL seeks $12-billion ADB credit enhancement facility

India Infrastructure Finance Company (IIFCL) has approached the Asian Development Bank (ADB) for a $12-billion credit enhancement facility that could help the firm complete several long-gestation infrastructure projects held up due to funding problems. The facility could be valid for a period of three years.

The Centre has already given an in-principle approval to IIFCL to start a pilot scheme for credit enhancement facility under which it will provide a partial credit guarantee to infrastructure projects to enhance their bond rating to "AA" and make them eligible for financing from insurers and pension funds. At present, infrastructure SPVs and projects face funding problems from the debt market due to the absence of credit rating.

While IIFCL may start with $1 billion for the pilot project in December, it is trying to raise more resources as demand for such funds will pick up in the coming years. India needs close to $1 trillion to ramp up its infrastructure. The IIFCL was set up as an SPV to facilitate infrastructure funding given the mismatch between the tenure of normal bank loans and the long-gestation infrastructure projects. IIFCL is mandated to mobilise resources from various sources, including ECBs, and also allowed to tap into India's forex reserves to reduce the cost of finances.

Time and cost overrun due to delays in environment clearances, difficulties in land acquisition, lack of fuel supply agreements, high-borrowing costs and inadequate long-term funds are making infrastructure projects difficult. While the government is trying to address the problems of forest clearances and other bureaucratic delays by setting up a nodal agency — National Investment Board – it has asked infrastructure financiers such as IIFCL to look for long-term funds and help in the development of corporate bond market.

Handhold ailing MSEs: RBI to banks

In a bid to help ailing micro and small enterprises (MSE) bounce back, the RBI has asked banks to "handhold" them. The RBI said MSEs that have seen delays beyond six months in commencement of production, or incurred losses for two consecutive years or their capacity use is less than 50% of projected level, can be considered eligible for handholding. In the handholding stage, banks must provide timely credit, counselling services, monitor operations of the MSEs and also help in sorting out non-financial difficulties.

Rising NPAs in SHGs

The number of self-help groups (SHGs) obtaining a loan from banks has been coming down over the years, indicating weakening of the movement in India. Bad loans are also increasing from SHG portfolios which is keeping commercial banks from lending to them. Nabard has already raised an alarm over rising non-performing assets (NPAs) in SHG lending, in its recent report called Status of Microfinance in India, 2011-12.

The number of SHG borrowers declined by around four per cent, from 11.96 million to 11.48 million between March 2011 and March 2012, according to the Nabard report. Also, in percentage terms, the gross NPA from SHGs increased from 4.72 per cent as on March 2011 to 6.09 per cent as on March 2012. However, the amount of fresh loans issued to SHGs by banks rose 13.70 per cent to Rs.16,535 crore in 2011-12, against Rs.14,548 crore in the previous year.

The report points out the cautious attitude of commercial banks towards SHGs. While commercial banks accounted for 63 per cent of the savings of the SHGs, their share in fresh lending against total lending to SHGs was just 60 per cent. In contrast, while regional rural banks had a savings share of just 20 per cent from SHGs, their share of fresh lending to them was close to 30 per cent.

PSBs may not meet agri-lending target

Public sector banks (PSBs) in the country, including State Bank of India, Union Bank of India and Bank of Baroda, will need at least 2-3 years to meet the agri-lending targets stipulated by the RBI.

RBI has said lending to the agri-segment should constitute 18% of the total loan book of a bank, but most PSBs are short of their targets. RBI has set targets for direct and indirect agriculture credit components at 13.5% and 4.5%, respectively. Direct finance includes short, medium and long-term loans given for agriculture and allied activities directly to individual farmers, self-help groups or joint liability groups of individual farmers. Indirect finance includes lending to corporates, partnership firms and institutions for taking up agriculture or allied activities.

Cooperative model leads to inclusive growth

The cooperative banking business is resilient. This structure ensures cooperatives are not enterprises run just for short term profits, but a business model for long-term sustainability and inclusive growth," Shri D. Subbarao, Governor, RBI, said while speaking at 'Leveraging Cooperative Advantage', an international conference on cooperatives. "The recent financial crisis has taught us some very important lessons. Globally, the cooperative movement covers over a billion people, generating economic activity, resources and jobs.

Hence, the cooperative philosophy is an excellent example of a value-based business model. The countries with the most significant number of people in the cooperative membership are India, China and the US. The countries in which the presence of cooperative banks is significant are Germany, France, the Netherlands and Italy.

Credit-deposit growth gap widens

The gap between credit and deposit growth widened for the fortnight ended October 19. Deposits fell by Rs.22,427 crore for the fortnight and loans grew by Rs.6,554 crore. On an year-on-year basis, credit growth was 16 per cent and deposit growth was 13.6 per cent. RBI has projected 16 per cent growth in advances and 15 per cent growth in deposits for this financial year.

The central bank reduced the cash reserve ratio by 25 bps during its second quarter review of monetary policy October 31, 2012 to 4.25 per cent. This was expected to infuse Rs.17,500 crore of primary liquidity in the system.

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Southern states want more leeway from PSU banks

The finance ministers and chief ministers of the four southern states have told Union Finance Minister Shri P Chidambaram that there should be more leeway from public sector banks in terms of collateral for priority sector lending. In a meeting with Shri Chidambaram and heads of PSU banks on November 20, 2012 the leaders said there had been a good uptake in credit growth for the priority sector, but much more could be done if PSU banks reduce the collateral requirement.

Kerala to usher in India's first policy for start-ups

The Kerala government is set to unveil the country's first-ever policy framed to encourage start-up companies. As part of the policy Kerala will invite leading venture capitalists from Silicon Valley, Israel, Russia, China, etc, to partner the state in setting up angel investment funds. The policy has also outlined handsome tax-breaks. Three such early-stage investment funds will be made operational by March 31, according to chief minister Shri Oommen Chandy. The programme — Startup Kerala — will roll from January, 2013. The returns from the initial three rounds will be reinvested to start more such funds in the state. "This move is expected to attract the best of Indian start-ups to set up their base in Kerala. We are looking to create 3,000 IT product start-ups in Kerala by 2020," the Chief Minister said.

The policy is looking at zero rating VAT on goods supplied to the incubators (similar to the current exemption in SEZs); exemption from VAT on sale or leasing of goods by the incubator similar to service tax exemption; exemption from stamp duty payment; and exemption from payment of duty and surcharge on electricity charges. The government-owned IT and industrial parks at Kinfra, Technopark and Cyberpark are designated as co-nodal agencies for creating incubation infrastructure.

As part of the policy, host institutes of Technology Business Incubators (TBIs) , recognised by the National Science and Technology Entrepreneur Development Board, will be entitled for lease of land and space for setting up infrastructure at government owned IT parks. A lease holiday will be granted for an initial period of five years. The state planning commission has allocated funds to the Kerala State Industrial Development Corporation (KSIDC) for setting up incubation infrastructure in engineering colleges.

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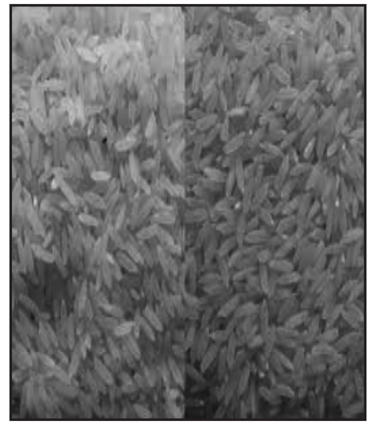
"A strong, positive self-image is the best possible preparation for success."

–Joyce Brothers

Reduced Salt And Slim Diet - Understood As The Rice Diet Plan

The Rice Diet was established in 1934 by Dr. Walter Kempner, a medical professional at Duke University hospital who treated clients with malignant hypertension in addition to renal illness. When there was no other treatment readily available, he started managing them with what came to be understood as the Rice Diet.He offered clients a bowl of white rice at every meal. The rice diet plan is basically a very low salt diet plan. No salt is enabled to be contributed to any food. The reduced fat content of the diet also improves success for these individuals who had significant medical conditions that no other treatment could possibly cure.Today, the rice diet is provided as an outpatient program with the Rice Diet Clinic in Durham, NC. The exact same low sodium reduced fat diet plan philosophy is abided by. Clients concern Durham today with conditions like morbid obesity, heart problem, high blood pressure, diabetes, congestive heart failure and kidney condition and find hope.The common American diet plan gives you 4000 to 7000 mg. When you go on the rice diet plan, you begin to feel much better immediately since you get rid of the extra salt and water you are carrying around. Salt makes you feel bad.Patients at the Rice Diet Clinic are seen everyday by medical personnel. They have 3 meals a day at the Rice House and go to everyday activities of anxiety management, yoga, group therapy, and dietary lectures.The clinic provides a way of life program with a safe and supporting atmosphere which motivates profound changes resulting in life time health in the clients who come. More than merely consuming three healthy meals a day the Rice Diet Program offers progressive courses and workshops lead by medical professionals.



People attending the clinic have typically been incapable to work out for a long times as a result of their conditions. At the clinic, they find a supporting environment to reengage with movement. Yoga and Tai'Chi courses are provided daily. Many participants restart walking while at the Rice Diet Clinic.The meals at the Rice Diet Clinic are different. For the first few days, the menu is restricted. Afterwards, clients pick from a big choice of items including fresh vegetables and fruits, grains, fish, and beans. The menu option changes daily to ensure range. Regardless of the name, Rice is not the center of the menu. While many dishes of rice are served, they are simply part of the numerous (30 plus) products readily available at any type of meal.The Rice Diet Program at the Durham Clinic takes 4 to 8 weeks to finish.

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The author is Roderick S. Davis Sean Anderson, Source : ArticleBiz.com

"Success does not consist in never making mistakes but in never making the same one a second time."

–George Bernard Shaw

POLICY POINTERS

Companies Bill approved by Lok Sabha

The Lok Sabha approved the Companies Bill, 2011 on December 19, 2012 making it mandatory for profit-making companies to spend on activities related to corporate social responsibility (CSR). Some of the key amendments are as under : -

- CSR: Spending 2% of average net profit on CSR made mandatory for firms
- Pay: A director's remuneration should not exceed 5% of a company's net profit
- Compensation: If a firm winds up operations, it must pay two years' salary to its employees
- Auditors: The number of firms an auditor can serve capped at 20
- Ratification: Appointment of auditors for five years to be ratified annually
- SFIO: More statutory powers given to SFIO to tackle corporate fraud

Banking bill to make way for new banks, foreign investment

The Government cleared the Banking Laws (Amendment) Bill, 2011 on December 19, 2012. It allows the, RBI to initiate the process to issue new banking licences and widened the window for infusion of capital into the banking sector. Highlights of the Banking Laws (Amendment) Bill, 2011 are as under :-

ACTION

- RBI gets more powers, can supersede bank board
- Voting rights of shareholders in banks go up
- Banks not allowed to trade in commodity futures
- RBI to be banking regulator, CCI to regulate M&As

- IMPACT

- Industrial houses to get licences to operate banks
- More foreign and domestic investment to flow in
- Could have proved to be a hedging tool for banks
- Bank M&As may need clearance by two regulators

New land Bill allows original owner 40% share in value

Land Acquisition Rehabilitation and Resettlement (LARR) Bill, which got the Union Cabinet's approval in December' 2012, seeks to give greater rights to original land owners. The revised Bill stipulates the original land owners a 40% share in the appreciated land value as opposed to 20% earlier, besides allowing the return of unutilised land to either the land bank or the original land owner. This is in contrast to the provision in the earlier draft of the Bill that required the unused land to be returned to the land bank only.

According to sources there are four major changes in the revised Bill. These pertain to consent, retrospectivity, return of unutilised land and share in appreciated land value. The revised Bill asks for 80% consent for acquisition for private projects, 70% consent for public-private partnership (PPP) projects and no consent for infrastructure projects fully owned and executed by the government.

Debt recovery Act passed in Lok Sabha

A Bill to change the system of debt recovery was passed in The Lok Sabha on December 10, 2012, with Finance Minister Shri P Chidambaram assuring the House that the problem of mounting non-performing assets (NPAs) of banks was not insurmountable and certainly not alarming. The Enforcement of Security Interest and Recovery of Debts Laws (Amendment) Bill, 2011, seeks to convert any part of debt of a defaulting company into shares by the asset reconstruction company.

Conceding that NPAs had indeed been going up — it was now approximately 3.5 per cent of total loans — the finance minister said this was a result of the country's economic performance. "Because RBI is very strict in requiring the banks to make provisions, the net NPA is only 1.62 per cent (of advances). Units which are genuinely stressed must be helped.

PSUs need to explain CSR funds

The government has made it mandatory for state-run firms to explain under-utilisation of funds earmarked for corporate social responsibility (CSR) projects and use the unspent amount within two fiscal years. According to a senior official, if a company fails to fully utilise the fund within the stipulated time, the unspent money will be transferred to a 'Sustainability Fund', which will be set up for this purpose. The move follows government data that pointed to underutilisation of CSR funds by blue-chip public sector companies.

Data from the ministry showed that the country's five 'Maharatna' PSUs had spent only up to 49% of their funds allocated to CSR activities for the three fiscal years to 2011-12. PSUs will also have to undertake at least one major sustainability project in an underdeveloped district. To steer their CSR initiative, these firms will have to set up a two-tier structure: a board-level committee to be headed by an independent director, and a group of officials headed by a senior executive.

Under the new guidelines, central public sector enterprises with profit after tax of over Rs 500 crore will have to earmark a minimum of 1% of their net profit in the previous year for CSR activities. The upper limit of 2% remains unchanged. PSUs say the new revised norms will help them utilise their CSR fund effectively. "One of the cornerstones of the revised policy is that only two projects, instead of 10, will now be considered for evaluation at the time of signing an MoU with the government," a chairman of a state-run firm said.

"This will help us focus and ensure that these projects are viable and have a greater socio-economic impact." The new norms also allow PSU employees to avail of the infrastructure facilities created by their company from its CSR and sustainability budget, provided the facilities are originally created essentially for the external stakeholders.

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"All of us are born for a reason, but all of us don't discover why. Success in life has nothing to do with what you gain in life or accomplish for yourself. It's what you do for others." --

–Danny Thomas

Green Ministry Eases SEZ Clearance Norms

The environment ministry has simplified the procedures for granting clearances to special economic zones. A recent order issued by the environment ministry states that the environmental clearance process for SEZs will now follow the system laid out for National Industrial and Manufacturing Zones under the National Manufacturing Policy 2011. Under the new system, the central and state governments will delegate power to the State Pollution Control Board official posted in the zone to implement environmental laws and regulations.

The ministry has exempted individual units from meeting the requirement of public hearing in cases where the entire SEZ has gone through the public hearing process.

In practice, clearance is mandatory for 30 notified industries. These include petroleum refineries, chemical fertilisers, pesticides, petrochemical complexes, bulk drugs and pharmaceuticals, oil exploration, synthetic rubber, distilleries, raw skins and hides, dyes, cement, foundries and electro-plating. However, if new units in the SEZ project area are not of the type for which clearance was given in the first place, then fresh public hearing would be required for the unit.

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ANSWERS OF CYBERQUIZ ~ 39

Ans. 1[a] A page made specifically to rank well in search engines for particular keywords, serving as an entry point through which visitors pass to the main content : A doorway page generally has a button “click here to enter” in the middle of it. It is also called a Gateway page. If it is a domain with the same purpose, then it is called a dorrway domain.

Ans.2.[b] A website that has been removed by the administrators due to Net abuse by the website owners : According to an entry in Wikipedia, “the 404 or Not Found error message is an HTTP standard response code which indicates that the client is able to communicate with the server, but the server is either not able to find the file that has been requested, or it is configured not to fullfill the request. The expression 404-complaint is a tongue-in-cheek reference to the standard “301 complaint” Murkowski Bill disclaimer used by spammers”.

Ans.3.[a] Tirumala Tirupati Devasthanam: Tirumala Tirupati Devasthanama took to hi-tech purchase of commodities, like rice, wheat, ghee and gur, etc. in April, 2005.

Ans.4.[c] Blind courtesy copy : Also known as blind carbon copy. It allows sending a recipient a copy of the mail without the other recipients knowing that this has been done.

Ans.5.[b] Name of a University of California graduate student’s dog : The dog used to bark at the postman. When a name was being thought of for the utility, the dog’s name was eventually picket for the purpose.

WHAT IS THE ROLE OF FINANCE COMMISSION

The government last week constituted the 14th Finance Commission under the chairmanship of former Reserve Bank of India Governor YV Reddy. The commission will submit its report by October 31, 2014. A primer on what the commission does and why:

What Is The Role Of Finance Commissions?

A finance commission is set up every five years by the President under Article 280 of the Constitution. Its main function is to recommend how the Union government should share taxes levied by it with the states. These recommendations cover a period of five years. The commission also lays down rules by which the centre should provide grants-in-aid to states out of the Consolidated Fund of India. It is also required to suggest measures to augment the resources of states and ways to supplement the resources of panchayats and municipalities.

Why Does The Constitution Provide For Sharing Of Tax Proceeds?

Under the federal structure envisaged in the Constitution, most of the taxation powers are with the Centre but the bulk of spending is done by the states. Such a federal structure requires transfer of resources from the Centre, which levies and collects the big taxes such as income tax and indirect taxes like excise and customs, to the states. Canada and Australia, which also have federal governments, have a similar tax-sharing system.

Can The Commission Examine Other Fiscal Issues As Well?

Yes. The government can ask the commission to make suggestions on specific fiscal issues that it may want addressed. For instance, the government has asked the 14th Finance Commission to deliberate on the level of subsidies and explore statutory measures to insulate pricing of public utility services like drinking water, irrigation, power and public transport from policy fluctuations. The new commission will also look at the impact of GST and suggest a mechanism to compensate states in case of revenue loss. Besides, it will deliberate on listing, disinvestment and sale of state-owned companies.

What Is The Force Of The Commission's Recommendations?

The Constitution does not make the recommendations of the Finance Commission binding on the government of the day. However, there is a strong precedent that governments generally go by the suggestions as far as sharing of revenues is concerned. These recommendations relating to distribution of Union taxes and duties and grants-in-aid are usually implemented by a presidential order.

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Source : The Economic Times