

POWER

Disinvestment in Power PSUs.

The Cabinet Committee on Economic Affairs (CCEA) has approved the proposed public issues of three public sector power companies—PowerGrid Corporation, Rural Electrification Corporation and Power Finance Corporation. These three companies are expected to go public by March 2007, funds from which will go to the power firms and not to the government. But the Power Grid Corp IPO is not to exceed 24% in paid-up capital. The Power Finance Corp IPO is also to be 10.22% post-issue capital, while the Rural Electrification Corp IPO of 15.6 crore shares is to be 20% in paid-up capital. The current plan includes disinvestment of 10% government stake in these three companies.

Nuclear Energy

According to a projection by the Central Electricity Authority (CEA), nuclear energy will be the predominant form of energy in the next five decades and account for up to 35% of total power generated in the country by 2050. The total energy requirement for India in 2050 in the integrated energy policy is 1.1-1.2 million MW. The Indo-US civilian nuclear deal is expected to play significant role in this. The decision on whether to pursue the large capacity addition programme based on nuclear power will now be determined by economics.

India's biggest drawback has been limited availability of uranium. The deal will remove sanctions by the nuclear suppliers' group and open up imports of nuclear fuels and power plants. The Integrated Energy Policy argues that "nuclear energy theoretically offers India the most potent means to long-term energy security." The policy argued that nuclear power must be pursued as a strategic option; now with the Indo-US deal almost done, the decision to pursue it is economic.

The NPCIL (Nuclear Power Corporation of India Limited) has been designing its own reactors and the power equipment manufacturer BHEL has the capability to provide for the conventional part of the plant. It has also manufactured some components of the reactor. India will now have to import machinery, definitely for the nuclear reactor, and depending on the number of projects the conventional plant as well. India's ability to strike technology transfer arrangements and indigenise technology would go a long way in cutting costs. However, experts say that levelised tariff would work out to Rs 2 per unit. However to ensure that nuclear power remains viable, economies of scale will have to be relied on so the preference would be to set up large plants of 1000mw or more, such as the Koodankulam plant being built with Russian help in Tamil Nadu. Also players would need to rely on proven technology with shorter gestation period, say three years or so. Recently, India, China, Japan, South Korea, Russia, the US and the European Union signed the agreement of the International Fusion Energy Organisation to build the 12.8 billion-dollar reactor after a decade of negotiations.

Sasan, Mundra projects

Changes in ground rules have led to delay in the second round of bidding for the Sasan and Mundra ultra mega power projects. The second round of bidding - the last date for submission request for proposal - has now been postponed from November 22 to December 7. The second round of bidding for the 4,000 MW Sasan ultra mega power project had to be delayed after the ministry of coal revised royalty rates for coal. The royalty rate for coal would have a direct bearing on the proposals submitted. Therefore, the ministry of power decided to extend the last date for submission to allow qualified bidders to work out their proposal.

The Mundra project faces similar situation. The Gujarat government was to work out the port charges that are the charge per tonne of coal that the developer of the Mundra ultra mega power plant would have to pay the Mundra port authority. Once again, the rate of charges would have a direct bearing on the proposal submitted by the bidders. Hence, it was decided to postpone the second round to December 7.

The two projects will be awarded by the end of December. The selection for the two projects, to be executed on the build-own-operate' (BOO) basis, is expected to be completed by December with the roll-out slated for '12. In all, 11 firms, including Adani Exports, CLP Power and Sumitomo Corporation, have qualified as bidders for the second round of bidding for the Sasan project, while 13 companies have successfully qualified for the Mundra project. Reliance Energy, Tata Power, NTPC, L&T, Essar Power and Jindal Steel and Power are among the bidders.

The ministry of power has entrusted PowerGrid with the task of setting up the transmission system for the Sasan and Mundra ultra mega power projects. The transmission system for these two projects will cost Rs 100 billion. Some 22 lines costing Rs 80 billion will be set up in the western region, while another nine lines costing Rs. 20 billion will be set up in the North. The transmission charges for the Sasan and Mundra systems will be borne by the northern and western regions. The charges will be split as a ratio of their allocation from the Sasan and Mundra plants and pooled into the regional transmission charges of the respective regions. Delhi, Maharashtra, Uttar Pradesh and Punjab have emerged as big buyers of power from the 4000mw projects at Sasan (MP) and Mundra (Gujarat). That is besides the host states of Madhya Pradesh and Gujarat. For Sasan project, MP has committed to an offtake of 1200MW, while Punjab will buy 600MW, Delhi and Uttar Pradesh will buy 500MW each. Uttaranchal, Haryana, Rajasthan are among the other states that will buy power from this project. In the case of Mundra , Gujarat will buy 1600 MW, Maharashtra 800MW, Punjab 500MW while UP will buy 300 MW. Rajasthan and Haryana will buy 400 MW each.

JV for PowerJV for steel plants

Tata Power Company (TPC) and Tata Steel have decided to form a 74:26 joint venture (JV) for captive power plants at the latter's proposed steel plants in Chattisgarh, Orissa and Jharkhand. The JV will set up plants with a cumulative capacity of 5,900 mw, at Rs

230 billion. The JV aims to meet power requirements of Tata Steel at its upcoming plants. Tata Steel is setting up three greenfield projects in addition to the 5 MTPA (million tones per annum) expansion plan in Jamshedpur. TPC will initially set up a 120 mw captive power plant in Jamshedpur, utilising waste gases from the steel making process. The project is expected to be commissioned by July '08. According to the memorandum of understanding (MoU) with Jharkhand government, a 12 MTPA greenfield integrated steel plant will be set up in two phases and will include captive power plant of 1,000 MW. The first phase of 6 MTPA is likely to be set up in 36 months to 54 months from the date of obtaining all statutory clearances. The plant is expected to be spread over 5,000 acres and the total cost of the green field expansion is estimated at Rs. 400 billion.

In Brief>>

- In the first competitive tariff-based international bidding in India's transmission sector, Reliance Energy Transmission (RETL), has outbid domestic and global majors for setting up Rs 1,800-2,000 crore fully-independent private power transmission lines in Maharashtra and Gujarat.
- Among the steps being taken to minimise slippages in the Eleventh Plan period, the Government has got Central Electricity Authority (CEA) to identify a shelf of thermal projects totalling 88,000 MW and hydro projects worth 34,000 MW to increase options and create a buffer. A chain of coastal power plants adding up to 10,000 MW based on imported or blended coal are proposed to be set up, in addition to the proposed ultra mega projects. All the coastal States have been asked to prepare the action plan to meet this target.
- With the government's promise of power for all by 2012 just five years away, the Planning Commission has in its approach paper to the Eleventh Plan, "Towards A Faster And More Inclusive Growth", provides a road map for the sector. Emphasising the often ignored sectors like transmission and distribution, the Panel paper also highlights the need for rehabilitation and renovation of existing plants to improve efficiency.
- Access to new technology, along with tariff, may emerge as the determining factor for the 4000mw ultra mega power projects. Taking a cue from BHEL, which has argued on the importance of accessing supercritical technology for India, foreign power equipment manufacturers like Mitsubishi and Doosan have entered into technology transfer agreements with Indian manufacturers/power developers. BHEL has a technology transfer agreement for the 800mw supercritical technology with Alstom and Siemens.

Oil & Gas.

NELP-VI

An empowered committee of secretaries (ECS) on Thursday overruled the Directorate General of Hydrocarbons (DGH) and said 12 deep-water oil and gas blocks be awarded to state-owned ONGC since it was the highest bidder. The DGH had recommended that ONGC should not be awarded these blocks given its dismal past record. It had said the government could negotiate and award these blocks to global oil and gas companies participating in NELP-VI. The ECS, which comprises finance, petroleum and law secretaries, however, upheld the DGH recommendation of not awarding four onshore blocks to ONGC, despite it being the winning bidder. This was done because these blocks were recently relinquished by ONGC. It said these blocks should be awarded to the second-highest bidders, which included Valdel, Kuwait's KUFPEC, HOEC and Adani.

The ECS also denied any negotiation on the fiscal package to be offered by the winning bidders to the government. The DGH had pushed for renegotiation for the package offered by the winning bidders in 21 blocks, including seven deep-water blocks, won by Reliance Industries. A winning bidder is declared according to the evaluation criteria laid down under the notice inviting tender. There will be no negotiations whatsoever with the winning bidder.

Cairn IPO

Cairn India Ltd, which was planning India's largest initial public offering (IPO), had raised \$822.47 million (Rs 37 billion) through pre-IPO placement of shares. The issue is expected in December, 2006. The placement was equivalent to 11.88% of the issued share capital of Cairn India and valued the company at \$6.92 billion (Rs 31,154 crore). The placement also reduced the net offer of shares to the public from 538.47 million to 328.80 million. The IPO is now likely to be in the region of Rs 58 billion. The pre-IPO placement, where 209.67 million Cairn India shares were placed at a price of Rs 176.48 per share, closed on Nov.22, 2006. A wholly owned subsidiary of Petroliam Nasional Berhad (Petronas) emerged the largest investor in the pre-IPO placements, subscribing to 176.53 million shares (representing nearly 10% of the post-floatation share capital).

The remaining 33.14 million shares will go to a combination of Indian and international institutional investors. The placement was conditional upon the allotment of shares before February 10, 2007. Cairn India, which had spent about \$2 billion in India over the last 10 years and was planning to spend \$1.5 billion in the next three, developed the Ravva oilfield in 1995.

Gas Pipeline from Myanmar.

In Brief> The North-Eastern States have asked the Petroleum Ministry to route the proposed gas pipeline from Myanmar to India through the region. GAIL (India) Ltd, which is the preferred buyer of gas from Block A-1 in Myanmar, has also favoured

routing the pipeline through Mizoram, Assam, Bihar and West Bengal. The trunk pipeline for importing gas from Myanmar will be connected to the proposed Jagdishpur-Haldia gas pipeline at Gaya in Bihar after passing through Aizwal, Guwahati, Jalpaiguri and Siliguri. The pipeline will also have the provision to transport gas from developing gas fields in Tripura and Assam. The proposed pipeline will traverse a length of 1,400 km if it bypasses Bangladesh and 900 km if it goes through that country.

ICT

Telecom Tariff

The government has indicated its resolve to reduce the annual revenue share or licence fee that operators pay to it to a flat 6% from the present rate that almost touches 6-10% of their aggregate gross revenues (AGR). Therefore it is expected that telecom tariffs are likely to fall post Budget '07. As of now, metros and A circle states Maharashtra, Tamil Nadu and Gujarat pay 10%, B circle states Kerala, Rajasthan and West Bengal are charged 8%, while C circle states such as Bihar, Assam and J&K pay 6% of their revenues as licence fees. The levies paid by the Indian operators add up to a whopping 30% of total revenues, as against 0.5-7% in other Asian countries. The DoT, Trai and the industry have been seeking this reduction for the last two years. The DoT favours a flat 6% revenue share as this would bring telecom services in line with the licence fees paid by national and international long distance (NLD/ILD) operators. The DoT had slashed the license fee for the NLD and ILD sectors to 6% from 15% from January '06. The telecom licence fee is among the highest contributors to the government kitty — the government has estimated this figure at Rs 60.24 billion for '06-07. Addressing concerns raised by the finance ministry, the DoT has also pointed out that despite a 9% reduction in the revenue share for NLD and ILD operators, the licence fee for '06-07 is expected to decline only marginally, due to phenomenal growth in the sector. Another indicator for the reduction is that the government is now assured of between Rs 70-100 billion from the auctioning of 3G spectrum during the next fiscal. Any decline in the licence fee collection on account of the reduction can be made up here..

Restructuring VSNL

Videsh Sanchar Nigam Ltd (VSNL) which is the third largest player in voice traffic worldwide after AT&T and MCI, plans to prune the number of its subsidiaries as part of a major restructuring exercise. Currently with over 50 international subsidiaries, VSNL has already begun the process of restructuring to reduce the number of its subsidiaries to 30. The company has begun talks with tax and legal advisers to complete the restructuring plan in the next four to nine months. The restructuring exercise would be completed in about four-nine months. The majority of these subsidiaries have come into

the VSNL fold after the acquisition of Bermuda-based Teleglobe International Holdings in February this year. These companies were formed to comply with existing laws that stipulated the formation of such country specific subsidiaries in order to carry out operations. VSNL also provides broadband services besides operating landing stations and undersea cables.

Telecom Infrastructure in rural areas

The government has invited bids from operators to set up telecom infrastructure in villages using subsidy from the Universal Service Obligation (USO) Fund to take mobile and landline services to rural areas. The USO Fund will be used to set up and manage the infrastructure sites and provide mobile services in select areas. The government had recently included cellular mobile services in the ambit of USO Fund in order to replicate the urban telecom revolution in rural areas too. The process would be completed in two rounds of financial bidding and the bidders have to submit their request for subsidy on per site basis and declaration of successful bidders at each stage of bidding will be done district/group of districts wise for a service area.

The Universal Service Provider has to provide mobile services within two months of commissioning of the infrastructure site. Under the two schemes, the operators would be required to set up infrastructure sites including tower, electrical connection, power back up, boundary walls and security cabins and provisioning of mobile services for BTS equipment, associated antennas and backhaul, both of which will be supported by USO Fund.

ICT in Indian Railways.

As part of its initiative to improve ticket-booking facilities for passengers, the Railways would soon enable buying of reserved train tickets from ATMs, which are being set up at railway stations. The ATMs would have Internet access facility, using which passengers can book e-tickets. The ATM site design and kiosk design for Internet access (to be used for e-ticketing) have already been approved. Setting up of ATMs with e-ticketing facilities will help in reducing long queues at the counters. After entering into an agreement with the State Bank of India to set up 682 ATMs at railway stations, Indian Railways has entered into an agreement with six nationalised banks to set up another 711 ATMs at railway stations for passengers to withdraw cash. Out of the 711 ATMs, 473 will have e-ticketing facilities. The banks include Canara Bank, Bank of Baroda, Dena Bank, Union Bank of India, Indian Bank and Punjab National Bank. Currently, 86 ATMs have been installed at various stations and by the end of 2006-07, 250 ATMs are expected to be operational. The Railways aims to set up 4,000 ATMs at various stations.

It has already taken steps to increase points of ticket sales and facilitate online bookings through Internet cafés and post-offices, among others. Earlier, it had tied up with Sify Ltd to enable passengers to book train tickets online at Sify's Internet cafés using cash

payment. As on date, about 60 per cent of tickets booked online are e-tickets whereas the rest are i-tickets (Internet-tickets). In e-tickets, customer takes the ticket printout from a system at his end.

The first of the much talked-about Railways' call-centres will be operational from March 2007 in Delhi while the other three will be operational by May. The call-centres are to be established in Delhi, Chennai and Mumbai. The call-centres would be a paradigm shift in the way Railways interacts with passengers and would answer all railway related queries as well as provide premium services such as hotel bookings and cabs. A special number—139—has been assigned for the service. While train booking and schedule enquiries will be charged at the rate of a local call, premium services will be charged at Rs 6 a minute. The contract is likely to earn about Rs 10 billion over the next 10 years. The call-centres would be managed by a three company consortium—Spanco Telesystems, Stracon and BSNL. Along with technical know-how and manpower, the consortium is also investing about Rs 160 million in the Rs 250 million-project. Spanco would work on a revenue-sharing basis and earn 25% on every call made to its call centre. The call-centres would have an integrated voice enquiry system as well as an automatic speech recognition package.

In Brief>

- Sify Communications Limited, a subsidiary of the consumer internet and enterprise services firm Sify Ltd, has received licenses to operate national long distance (NLD) and international long distance (ILD) services over data networks. Sify has with immediate effect, transferred its VPN business to SifyComm following the telecommunication department's nod. The licenses will enable SifyComm to offer domestic leased circuits (DLCs) and international private leased circuits (IPLCs) in addition to long distance subscriber telephony services.
- Chennai-based Space Hospitals has tied up with Rainbow Hospitals in Hyderabad for setting up telemedicine centers in paediatric care. The company is also in talks with leading hospitals including NIMS and Apollo for setting up satellite medical centers across the country. Presently, the company has formed partnerships with 12 speciality care hospitals (Delhi-based Rock Hospitals, Madras Medical Mission, MOTS Hospitals, Chennai and Hyderabad-based DBR Hospitals) and has 48 telemedicine centers in Tamil Nadu, Andhra Pradesh and Himachal Pradesh and have invested over Rs 100 million for this.
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Transportation

Indians with Wings...

Over 10 million Indians will fly with low-cost carriers (LCCs) this year, a whopping 60% jump over 2005. Cheap fares, attractive promos, more carriers, rising network and improved connectivity are turning millions of Indians into frequent fliers. Targeting destinations and consumers ignored by full-service carriers has helped LCCs post a truly impressive set of numbers — 6.230 million passengers till September. Full-service carriers flew 16.7 million passengers during the same period. LCCs are poised to carry 4 million passengers during the last quarter — October-December. Air Deccan, the leader in the LCC market, is set to double its traffic in 2006. Air Deccan is estimated to carry 6 million passengers for the full year against 3 million in 2005. According to the Directorate General Of Civil Aviation (DGCA), Air Deccan has carried 4.11 million passengers, SpiceJet 1.52 million and Go Air 529,000 till September 2006. Indigo, which launched its operations in August, carried 71,000 passengers till September.

Aiming to expand air connectivity on feeder routes, particularly those connecting small cities to a metropolis, Air Deccan will launch flights to seven new destinations soon. This initiative will help tap the market opportunities in regional routes. The feeder routes have remained unexploited. About 60 per cent of the country's aviation revenue is from the Delhi-Mumbai route. Now less than two per cent of the country's population are travelling by air.

Pratt & Whitney, a US based aircraft engine manufacturer and Kingfisher Airlines have signed a \$300 million contract for engines to power its new fleet of Airbus A330 aircraft. The deal includes 10 PW4000-100 installed engines, one spare and an option for an additional 10 engines. Pratt & Whitney has also bagged a long-term exclusive fleet management programme (FMP) from Kingfisher Airlines to overhaul and repair its PW4000 engines. The total transaction is valued at \$300 million, plus an additional \$200 million if all options are exercised. Pratt & Whitney and Kingfisher Airlines announced the deal with the signing of an MOU earlier this year at the Farnborough International Airshow in London.

Omnibus pact for aviation cooperation

India and the European Union (EU) are planning to put in place a broad horizontal agreement in the near future. This comprehensive agreement will encompass various bilateral pacts that India and EU may sign over the years. As a first step, India and EU has signed a joint declaration and the two sides will discuss various issues like aviation security and safety, air traffic management, technological and industrial co-operation in the two-day India-EU Aviation Summit in Delhi. The joint declaration between India and EU is a first step towards close and confident co-operation in the aviation sector. We expect to sign few agreements in future. The present aviation summit is a follow-up of the India-EU summit that was recently held in Helsinki and was attended by prime minister

Manmohan Singh. Civil aviation minister Praful Patel said that a closer co-operation with the EU will help in boosting the Indian aviation sector.

Various countries have shown interest in the Indian aviation sector, which is showing a phenomenal double-digit growth. Recently, India signed a memorandum of agreement with the Federal Aviation Administration of the US, which will enable the nation to get US assistance on issues relating to aviation safety and technology, including modernising air traffic control procedures, setting safety standards and training of personnel.

CII-KPMG report on India's maritime sector

CII-KPMG report on India's maritime sector. States that productivity-linked reward to major port employees should be determined on the basis of individual port trusts performance rather than on all-India basis. The report, which has highlighted human resource development as one of the five crucial issues for improving maritime infrastructure, has emphasised the need for imparting specialised training in areas where ports face manpower shortage, such as crane and vessel traffic service (VTS) operators. The other areas of concern are global maritime security, hinterland connectivity, ports and ship building and ship repair. The study criticised multiplicity of taxes in the sector. It has recommended introduction of simplified tax procedures and incentives. It has also pointed out the lack of efficient port connectivity. Besides new projects, there is also a need to upgrade infrastructure to improve the load carrying capacity and quality of roads as well as the capacity of rail to match future traffic.

The report indicates that ship building and ship repair industry is facing neglect and Cochin shipyard is the only yard that has the capability to repair and develop large ocean going ships. While China, Japan and Korea are capable of developing highly sophisticated ships which meet international requirements, Indian ship builders lack the capability to match foreign players in technology, it added. The total volume of traffic handled by all Indian ports during '05-06 was 568.93 million tonnes, of which 74% was handled by major ports. Major ports have registered a growth rate of 10.3%, which is higher than the GDP growth, it said. Petroleum crude and products maintain the largest share of total traffic at about 33%, iron ore 20%, coal 14% and container 14%.

Indian Railway Turnaround

It is not long ago, the Rakesh Mohan Committee had termed Indian Railways a 'white elephant' and said it was destined to hit bankruptcy by 2015 with losses of Rs 610 billion. But in 2005-2006, it actually notched up a net profit of Rs 72 billion (\$1.6 billion). Playing on volumes and delegating authority are the twin planks that he used most effectively to turn around the railways. Allowing his GMs a free hand, the Railway Minister declares openly that he is but a rubber stamp. Not only have the world's largest corporations like GE, Bombardier and Alstom shown interest in the Railways' paradigm shift, but international B-schools like Harvard Business School, HEC, Carnegie Mellon and North-Western University have also shown keen desire to understand the magic of this turnaround.

The Indian Railways network is huge, but it was behaving like an accountant doing only resource allocation. The minister-in-charge did two things: play on volumes and delegate power. Instead of raising passenger fares, we reduced them to achieve better occupancy rates, while lowering marginal unit costs by lengthening trains. On the freight side of the business, which accounts for nearly 70 per cent of the revenue, round-the-clock loading was introduced that reduced the train turnaround times from seven to five and increased the network's loading capacity by 25 per cent. The freight loading target is being increased from 635 Million Tonnes (MT) to 668 MT and the goods revenues target from Rs 334.80 billion to Rs 364.90 billion. Tenth Plan targets of 624 mt loading and 396 billion tonne kilometers have been surpassed one year in advance. On the passenger side, it also reduced the losses on catering and parcel services and increased non-passenger fare income. This year it we plan to reduce the ratio of operating expenses to 78 per cent from 84 per cent last year and it will have \$25 billion surplus in the next five years. With lots of new projects, it plans to bring PPP (public-private partnership) of an equal amount with market borrowings of almost \$10 billion and give non-core activities for partnerships under its overall control. Railways has plans to partner with other companies to run container trains, in the wagon investment scheme, construction of ICDs and warehouses, port connectivity works, outsourcing non-core activities like catering and parcel and computerised train enquiry call centres.

The Railways has made it clear that the Government policy allows private sector investment and ownership in rail track, rolling stock, container depots and any other infrastructure related to a railway system, which are not train operations. Policy bars private sector entry in train operations only. Foreign direct investment (FDI) of up to 100 per cent is permitted under the automatic route in railway infrastructure as long as train operations are not involved, according to an official statement issued here today. This view has been corroborated by the Ministry of Commerce and Industry, as recently as in October. The Railways has so far allowed only infrastructure related investment in rail sector, which is consistent with the Government of India's policy, it said. Only railway transport is reserved for public sector under the Industrial Policy. Rail transport is defined as operation of freight and passenger trains, and does not include ownership of track, rolling stock and any other infrastructure related to a railway system. The statement added that investment in container business permitted by the Railways is only to the extent of ownership of rolling stock and provision of container services. Operation of such trains will be carried out by the Indian Railways. Similarly, 100 per cent FDI is allowed in rail track construction.

Indian Railways are all set to morph into a travel operator selling tour packages, taking care of your hotel stay, food, sightseeing and car rentals. Soon seats would be reserved in regular trains connecting popular tourist circuits for special packages targeted at tourists, in association with private players. Moving into the mid-market segment will be a natural progression for Indian Railways that has so far focused its packages on luxury trains aimed at premium high-end travelers. Tour packages on offer — to be available online and through dedicated help-desks — over the next three months will cover popular

domestic tourist hotspots such as Jaipur, Agra, Shimla, Vaishno Devi, Tirupati, Shirdi, Amritsar, Kerala, among others.

Plans also include tie-ups with private car rental players, such as Hertz and India Travel House, and several hotel operators to offer off-the-shelf packages, along with rail tickets. Private tour operators will be encouraged to offer end-to-end packages in association with Indian Railways. While the proposed Bharat Darshan service with dedicated tourist trains criss-crossing the country will largely target the mass market, these value-added packages will essentially be aimed at the mid-segment, comprising LTC-availleurs working with various state and central government departments. Over 300 million Indians travel domestically every year. Many in the travel industry feel that there is a dearth of branded travel products and services in the domestic market targeting leisure and religious tourists. To start with, railways plans to reserve up to two-dozen-odd seats in various classes in specific trains for tourists. These would be tailored with various packages that would include option to stay in different category of hotels, sightseeing tours, along with car rental packages, including pick-ups and drops.

Indian Railways plan to extensively use its online service and call-centre facilities to market these travel packages. Railway officials point out that the popularity of its luxury services, such as the Palace-On-Wheels, has given it the confidence to further its value-added offerings to tourists, targeting the domestic traveler. At the same time, Indian Railways are taking the private-public-participation (PPP) route to run more luxury trains in various tourist circuits across the country.

RITES, the consulting arm of Indian Railways, hopes to increase turnover fourfold to Rs 1 billion by 2010 from its current level of Rs 240 million. It will increase its focus on running and maintaining railways in other countries, with particular emphasis on Africa. Registering 141 per cent growth over the previous year, RITES has recorded a net profit of Rs 990 million for the financial year ended March 31, 2006. It has announced a dividend of 300 per cent, amounting to Rs 120 million. The total dividend payout (including interim dividend) at Rs 200 million for the fiscal is the highest ever so far, said a company release. The dividend amounts to 500 per cent of the paid-up share capital. It registered a turnover of Rs 4.26 billion in 2005-06 fiscal, up 78 per cent from Rs 2.40 billion registered in 2004-05. The Profit before taxes stood at Rs 1.33 billion registering a 95 per cent growth against the previous year.

Railways subsidiary Ircon International Ltd paid a final dividend of Rs 257.3 million to the Government for the fiscal ended March 31 on Friday. The company has paid a dividend of about Rs 162 per equity share to its shareholders for the previous fiscal, according to a company release. The company's turnover for 2005-06 stood at Rs 11.13 billion and its net profit stood at Rs 806 million.

After tying up with several international railways for cooperation, the Indian Railways now proposes to enter into an agreement with the Chinese Railways. The Chinese Railways is embarking on a massive railway expansion programme as well, with plans to invest at least two trillion yuan (\$250 billion) railway expansion by 2020 and construct an

additional 1,00,000 km of track during the time. In the recent past, the Indian Railways has increasingly tied up with several international railways such as the French Railways (SNCF), the Russian Railways, the Austrian Railways, the German Railways (Deutsche Bahn), the South African Railways (Spoornet) and the Italian Railways, for possible cooperation in different areas.

After entering into broad agreements, officials of the Indian Railways and other foreign railways follow up with joint working groups on the agreement to finalise possible areas of cooperation. For example, from the French Railways, the Indian Railways is trying to adopt software that simulates the effect of a fire in the coach. However, since the software is designed for coaches being used by SNCF, it has to be examined if the same can be adapted for coaches used in India. Similarly, the German Railways has had a fairly successful railway reforms programme from which the Indian Railways can learn, said an official. The South African Railway (Spoornet) is interested in sourcing locomotives, trained artisan from the Indian Railways. Austria, on the other end, has a strong industry in rail track equipment.

The Railway Minister is working on a Mission 2015, to make Indian Railways world's number 1. This will include doubling of rail transport capacity, increasing the speed of passenger trains from 55 to 100 kmph and goods train from 24 to 60 kmph, reducing unit cost from 42 paise to 30 paise and delivering world-class services and amenities. Funding pattern would be Rs 1 trillion through internal generation, borrowings Rs 500 billion, budgetary support Rs 500 billion and through PPPs Rs 1.5 trillion.

Cruise Tourism Policy

India, which has a 7,500 km long coastline and nearly 200 ports, will soon come out with a National Cruise Shipping Policy to promote tourism. The draft policy, prepared by a steering group headed by the Shipping and Tourism Ministers, is now being vetted by a Committee of Secretaries (CoS) and would soon go to the Union Cabinet for approval. The policy also seeks to encourage foreign direct investment in cruise shipping space. Under the policy, the government is also expected to spell out measures to upgrade ports and related infrastructure. Government has already proposed having a relook at Section 21 of the Merchant Shipping Act in a bid to relax registration procedures for foreign cruise companies to make India a cruise tourism destination. The Shipping Ministry has even relaxed cabotage for cruise ships for five years from December 2003 to allow foreign flag cruise vessels to call on more than one Indian port so as to enable them carry out cruise shipping along the 7,500 km long coastline. Though India has 12 major ports and 185 minor ports, global cruise industry has not been attracted toward India for cruise tourism due to lack of necessary infrastructure. In this context, government is contemplating developing seven ports as cruise shipping stations. These are - Kochi, New Mangalore, Marmugao, Mumbai, Kolkata, Andaman and Nicobar and Tuticorin. Already foreign cruise liners have started calling on designated Indian ports of Mumbai, Chennai, Kochi and Goa. Besides, Star Cruise has started operating two services between Mumbai and Goa and Mumbai and Lakshadweep. The government is working on

simplifying cruise shipping affairs so that there is greater interest among foreign cruise operators.

Apart from developing seven ports, there was a proposal to link new Mangalore with the tourism circuit of Bangalore, Bellur and Hampi. Similarly, Tuticorin port is proposed to be linked with circuit of temples in Tamil Nadu. Small berthing places are also proposed to be developed at various sites in the coastal areas and Kochi port is planned to be linked with health circuit - ayurveda tourism - and extended backwaters, beaches and hill resort of Munnar in Kerala. With its vast and beautiful coastline, virgin forests and undisturbed idyllic islands, long historical and cultural tradition of architecture, theatre and performing arts, India can be a destination of choice for Western cruise tourists.

Chennai airport

A high-level committee comprising officials from the Centre and State met with Chennai airport authorities for "informal talks" on whether Chennai should get a new airport or whether the existing one should be expanded. With the growth in passenger traffic through Chennai airport, there is an urgent need to either expand the existing airport or to develop a greenfield project. It was decided to rework expansion plans at the Pallavaram-end of the runway to see if the development could take place without disturbing the local populace. Several alternative sites on the GST road were discussed but nothing was firmed up, sources said. A technical committee of the AAI will advise the State Government on this issue as and when required.. In 2000, the Tamil Nadu Industrial Development Corporation, which had commissioned UK-based consultants Scott, Wilson and Kirkpatrick to do a feasibility report for the project, made a presentation to the Civil Aviation Ministry and the Airports Authority of India. The international terminal was then handling about 1.8 million passengers a year against its capacity of 700,000. The State Government hoped to put in place enough capacity to handle international passenger and cargo growth up to 2040-50.

The Airports Authority of India (AAIs) is investing Rs 370 million to develop 19 parking bays in phases at Chennai Airport. In the first phase, five parking bays for Airbus 320 and a taxi track link have been completed. In July this year, two parking bays for B 747s on the international apron were commissioned. Two more bays for B 737 900 in the domestic apron were made operational in September. Work on the remaining 10 bays and two taxi links are likely to be completed by early next year. The new bays are meant to provide the much-needed night parking facility. AAI has also added a 1,000 sq m departure concourse as an extension of the Kamaraj Domestic Terminal.

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- Larsen & Toubro Ltd plans to set up large shipyard at a cost of about 20 billion rupees to capitalise on expected demand for vessels as international trade grows. It is looking for land in the coastal states of Tamil Nadu, Andhra Pradesh, Maharashtra and Gujarat. The company already builds ships at Hazira in Gujarat,

- but this facility could only handle smaller vessels. Larsen & Toubro has been involved in construction of several ports and is active in the dredging segment.
- History truly came alive at the Shalimar railway station on November 17 when South Eastern Railway flagged off one such steam chugging Beyer-Garratt originally withdrawn in circa 1966. This historic Garratt engine had widely chugged across the dark continent and also served in India, Burma, Australia, South America, even parts of Europe, including the British Isles. This engine, numbered 811, manufactured in 1926, was procured by Bengal-Nagpur Railways (now SER) in 1929 from Beyer-Peacock & Co, Manchester. For the past 40 years, this vintage steam engine had been languishing at the Kharagpur works of the Railways till we decided to revive it three years ago.
 - Yudhishtir D Khatau, Managing Director of Varun Shipping Company Limited and President of the Indian National Shipowners Association was awarded the Personality of the Year award at the Lloyds List Middle East/Indian Sub-Continent Awards 2006 function.
 - Container operators plan to represent to the Railway Ministry against its recent policy change that bars movement of some bulk cargo through containers. Late last month, the Railways brought out a directive restricting movement of ores, minerals, coal and coke by containers.
 - The Government would support the efforts to develop Colachel port as a major container port once the feasibility report is completed. Work on the Sethusamudram ship canal project is on.
 - West Bengal Government has appointed a consultant to prepare a feasibility report for the construction of an elevated ring road to ease traffic congestion and improve vehicular movement in Kolkata city. The initial plan for a surface ring road had to be abandoned owing to various practical difficulties. Two issues that remained unresolved were the funding and the technology. Several foreign companies had shown interest in participating in the project.
 - The State Government of West Bengal is constantly in touch with the Union Government to upgrade some of the State's smaller airports located at Cooch Behar, Malda, Jalpaiguri, Basudebpur and Rampurhat.

Water

Irrigation Projects

The Union Cabinet has relaxed several norms including project size, of Accelerated Irrigation Benefits Programme (AIBP) to extend support to a larger number of projects under the scheme. The AIBP extends financial assistance to the States for completion of identified ongoing irrigation projects. The decision allows extending coverage to all approved major and medium irrigation projects in drought-prone, tribal areas, states with lower irrigation potential compared to national average and districts identified under PM's package for agrarian distress, even if they don't satisfy the 1:1 criteria. The 1:1 criterion allows taking up a project in a State only after an ongoing project is completed. The move would help complete ongoing approved projects of any plan, which the State

Governments undertake to complete within four years. It will help achieve the targets as envisaged under Bharat Nirman Programme.

Drinking Water to Rural Areas.

WaterHealth International Inc (WHI), through its India arm, is planning to offer safe and affordable drinking water to rural communities, using a model that included water purification technology. ICICI Bank had announced a Rs 40 million loan to part finance the projects in the rural areas. The rural communities would have to pay a fee, less than Rs 90 a person in a year, to get access to the purified water. The WaterHealth Centres, owned by the communities, would purify the water and deliver it to the people.

Water for Industries

The spate of investments to the west of Chennai in industrial parks promoted by the State Industries Promotion Corporation of Tamil Nadu (SIPCOT) at Irrungattukottai, Sriperumbudur, Oragadam, means over the next two years more people and more industrial processes will need water. Over 6,000 acres of land has been taken up and estimates indicate that an equal area would be needed. After land, SIPCOT is gearing up to meet the demand for water. Industrial processes - printed circuit board manufacturers are water guzzlers. Foxconn alone will need about 30 million litres a day. Also, car manufacturers such as Hyundai, which is expanding, and Saint Gobain, which has expanded, need assured supply.

The real option to this demand is in recycling water for industrial use. Replicate the success model of North Chennai, where industries such as the Chennai Petroleum Corporation and Madras Fertilizers Ltd have implemented sewage water recycling. They have set up their own tertiary water treatment and reverse osmosis facility to meet their needs. SIPCOT is looking at ways to set up a tertiary treatment facility to recycle Chennai's sewage water for industrial use. The options being examined are whether SIPCOT would set up the facility itself or jointly with other industries. Over 90 million litres of secondary treated sewage is available from the Chennai Metropolitan Water Supply and Sewerage Board's treatment plant in Koyambedu and an additional 130 million litres a day from the Nesapakkam treatment facility. Assuming that 60 per cent of this could be recovered, about 120 million litres of freshwater a day, would be available for reuse.

SIPCOT now draws water from the Chembarambakkam lake, a source for the city's water supply. SIPCOT can draw about five million gallons a day, but actually utilises only about one-fifth of that. It has also sought permission from the authorities concerned to draw more water. But in the long run, industry cannot compete with drinking water needs and has to depend on recycling.

Desalination plant for Tata Chem unit

GE Water & Process Technologies, a unit of GE Infrastructure, has bagged the contract for setting up a water desalination plant for Tata Chemicals in Metapur in Gujarat. The mobile seawater project, the first desalination plant in the country, will be set up on a build-own-operate (BOO) basis for a four-year period. The contract is worth \$6.5 million. The plant will supply 5.8 million litres per day of industrial water and reduce energy and overall costs, thus alleviating the water scarcity faced by Tata Chemicals. GE Water & Process Technologies offers a variety of technologies for processing and recycling water - solutions that range from standard equipment suitable for light commercial or large residential applications as well as mobile solutions for temporary requirements. GE Water's business had grown by over 36 per cent in the last one year to \$15 million in India. It is likely to reach \$300 million by 2010.

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- The Minister of Environment and Forests has indicated at a seminar on 'Waste Water Treatment' that the Government would soon come out with a policy to ensure that major rivers and lakes are not contaminated by polluted water including sewage. The Government is seeking active public private partnership to ensure clean drinking water in the most cost effective manner. The consultations with the State Governments are on and the Ministry would soon come out with a policy. He further said that the objective was not only to ensure higher resource flow but also to address the issue of technology and partnership between local communities, public agencies, research institutions, investors and multilateral and bilateral partners.
- The Andhra Pradesh Chief Minister has decided that insurance premium for farm sector borewells will be paid by the State Government. The Government has also said that the failed borewells will be paid compensation. Significantly, the premium already paid by the farmers will be returned. The Rural Development Department, which is implementing the insurance scheme during the current fiscal, will pay Rs 1,200 on behalf the farmers towards premium of their borewells. A failed borewell is also eligible for compensation up to Rs 10,000. During the 2005-06 permission under the AP Walta Act was accorded to 2,566 borewells. The Department of Rural Development has been nominated as the administrator of this insurance-cum-compensation scheme.

Health

Health expenditure in India

It is well known that health expenditure in India is dominated by private spending. To a large extent this is a reflection of the inadequate public spending that has been a constant if unfortunate feature of Indian development in the past half century. There are perceptions that government spending on health in India, which is low by international standards, has been further undermined during the period of economic liberalisation since the early 1990s. It is notable that India has the lowest ratio of public to private health expenditure among all the countries described in this table, including the poorest countries. Further, all the private expenditure in India (as in some other countries) is constituted by out-of-pocket expenses. This is inherently regressive and puts a disproportionate burden for healthcare on poor households.

The first systematic analysis of the distribution of health spending in India by source of funds was published in the National Health Accounts of India, 2001-02. The results confirm the widespread perception that private households account for the bulk of health expenditure. According to this estimate, households accounted for more than two-thirds of health spending in the country, and around three times the amount of all government expenditure taken together, by the Central, State and local governments. Employers (firms) account for only 5 per cent, but what is especially notable is the negligible role played by both external sources and others, including NGOs. Despite the reported increase in foreign aid for dealing with HIV/AIDS and similar issues, all external sources taken together accounted for only 2 per cent of total health spending, while NGOs accounted for only 0.3 per cent. More recent estimates suggest that the role of households has increased even more substantially in the most recent period. According to the Report of the National Commission on Macroeconomics and Health, 2005, households undertook nearly three-fourths of all the health spending in the country. Public spending was only 22 per cent, and all other sources accounted for less than 5 per cent. The exceptionally high burden placed upon households in the Indian context reflects the inadequate quantity and quality of public health service delivery. Even in the mid-1980s, health expenditure of Central and State governments taken together was more than 1 per cent of GDP, but now it is only around 0.9 per cent. Further, it has fallen as low as around 0.8 per cent in 2001-02. It is also significant that a greater proportion is taken up by revenue expenditure (essentially, the payment of salaries) rather than capital expenditure for creating much-needed basic physical infrastructure. The ratio of Central Government spending to total State government spending is currently around 1:2. In the past decade, Central Government expenditure on health and related areas has been relatively flat at around 0.35 per cent of GDP, with a small downturn in the mid-1990s and a small increase in the very recent period. Within this, expenditures on health alone have been completely flat at only 0.1 per cent of GDP. There has been some slight increase in expenditures on family welfare, which include some expenditure for reproductive health. However, spending on women and child development has remained relatively constant as share of GDP. This in turn has been associated with a trend of gradually increasing household expenditure on healthcare. Also spending on health has

been gradually increasing as a proportion of total household consumption. The increase has been especially notable in rural areas, where health now accounts for nearly 7 per cent of total household consumption expenditure. This, in turn, probably reflects three separate trends: the greater valuation placed on health such that even poor households are willing to spend and incur debt to ensure minimal healthcare; the worsening quality and spread of, and therefore the reduced access to, reliable public health services; and the increase in user charges and other effective charges upon consumers even in the public health system, as government-run hospitals and clinics that are starved of public funds resort to making citizens pay more for medicines, diagnostic procedures and surgical aids.

And, as noted earlier, employers (both public and private) account for relatively little in terms of spending on health, and in any case with more than 90 per cent of Indian workers having "informal" or unorganised status, there are few possibilities of ensuring that employers bear at least part of the costs of medical treatment. Therefore instances of accident or severe illness requiring hospitalisation have drastic effects upon the households of the affected persons, even among poor households. This is equally true of urban and rural households but the effects may be particularly sharp among the rural population because of the relative paucity of any publicly provided treatment. For example, recent studies of agrarian distress have also found that health expenditures have been significant in causing or increasing the indebtedness of farmers, which has in turn been a proximate cause of farmers' suicides.

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- Fathima Medical Group (FMG), a leading healthcare provider in UAE, will launch Fathima Healthcare Management services with the support of the Kerala State Government for promoting medical tourism in the State. The company was in the process of forming a network of hospitals in the country to serve patients from UAE and Europe. The services would give health cards to the insured persons to use the network hospital's services.
- Elder Health Care Ltd (EHCL) is looking to make India the manufacturing hub for the Australia-based Rye Pharmaceuticals' BurnAid range of wound-care products. EHCL has recently entered into an in-licensing tie-up with Rye Pharmaceuticals Pty Ltd to develop, manufacture and market in India its advanced wound-care products for first-aid and burn applications. The volumes and viability are being worked-out and the product would be made at EHCL's Uttaranchal facility, which is in the process of getting US regulatory approvals. This would facilitate exports to regulatory markets.

SEZ & Spl. Industrial Complexes

- Pharma majors - Aurobindo Pharma Ltd (APL) and Hetero Drugs Ltd have come forward to be anchor tenants in the proposed Formulations SEZ at Jadcherla in Mahboobnagar district of Andhra Pradesh. The SEZ, approved recently by the

Centre, will come up on a 250-acre land, located about 35 kms from the upcoming International Airport, on the Hyderabad-Bangalore national highway. APL and Hetero Drugs would set up latest formulations facilities with an export orientation. The two companies are expected to invest around Rs 2 billion. The employment potential has been put at about 2,000. The formulations SEZ at Jadcherla is also expected to attract other leading formulations companies in the country. With Hyderabad already a strong centre for pharma formulations and bulk drug industry in the country, the State Government hopes that it will gather momentum quickly. The construction of work of the two units would begin in January 2007 and would be inaugurated in December, 2007 as per initial milestones. The Andhra Pradesh Industrial Infrastructure Corporation Ltd (APIIC), has promoted the Formulations SEZ with an intention of consolidating the State's position in the pharma sector.

- Mr G. Shanmugam, Joint Commissioner (Commercial Taxes) of VAT Cell, Government of Tamil Nadu, has clarified that sales of goods made to units in special economic zones (SEZ) would be eligible for refund of Value Added Tax (VAT). *The cardinal principle behind VAT is tax paid on purchase is deductible from tax payable on sales.*
- The Prime Minister, Dr Manmohan Singh, laid the foundation stone for the Rs 4.7 billion Global Automotive Research Centre (G-ARC) at Oragadam, near Chennai and said that the facility would have the latest infrastructure for automotive testing and homologation and will be developed on 304 acres. Along with the Centres of Excellence being set up, G-ARC would make India a frontrunner in automobile R&D. The G-ARC is part of the National Automotive Testing and R&D Infrastructure Project and will help automobile and auto component manufacturers achieve global standards. The Prime Minister said that the Indian automobile industry has carved out a 7 per cent share in the global market with virtually no State subsidy or support. He said that the Heavy Industries Ministry was preparing an Automotive Mission Plan 2006-2016 to quadruple the turnover of the automotive sector in 10 years. With the setting up of the centre, Chennai will become a full-fledged automobile hub. It would have homologation and validation facilities for all categories of vehicles. It will be a centre of excellence for Infotronics, Emission Measurement Chamber and passive safety. The first phase will be ready for commissioning in September 2008 and the second phase in April 2011.
- Kerala Industrial Infrastructure Development Corporation (Kinfra) is setting up an integrated textile park at Kanjikode in Palakkad district as per the Scheme for Integrated Textile Park (SITP) of the Union Ministry of Textiles. The park, to be developed in 350 acres of land, will have the facilities of international standards and high quality testing laboratory, design centre, training centre, trade centre/ display centre, warehousing facility, raw material department and etc. The Ministry of Textiles has formulated this new scheme by merging the two existing schemes, such as the Apparel Parks for Exports (APE) Scheme and the Textile Centre Infrastructure Development (TCID) Scheme. SITP is aimed at providing the textile industry with world-class infrastructure facilities for setting up textile units. The scheme, which facilitates textile units to meet international

environmental and social standards, envisages the creation of 25 textile parks throughout the country by 2007-08. The Ministry of Textiles would implement the scheme through special purpose vehicles. Industry associations/ groups would be the main promoters of the integrated textile parks (ITPs). The SPVs should have operational autonomy. Kinfra offers to provide land in these places for setting up of the parks. As per the guidelines of the SITP, industry associations/groups will be the main promoters of the textiles parks. The Centre will support the scheme by way of grant or equity limited to 40 per cent of the project cost subject to a ceiling of Rs 400 million. The scheme helps the textile industry to take benefit from the open world trade in textiles that came into existence from 2005. Moreover, it helps in boosting the export turnover from the State and provide direct as well as indirect job opportunities.

- After bio-technology, pharma and auto components, it is now the turn of Pune's clothing manufacturers to organise themselves to form a special economic zone. The city's 200-strong community of garment manufacturers, who make everything from shirts, trousers and bags to high-end lingerie, are now in the process of putting together a plan to form an SEZ and has sought the help of IL&FS, which has helped Tirupur's garment manufacturers to form an SEZ. The city is home to over 200 garment factories, which make between 150 and 200 garments each daily to supply to the domestic market and for large foreign brands. The association has already been approached by landowners and is now zeroing in on Wagholi in the outskirts of the city, as a possible destination for the apparel park. The project is expected to take two years and cost about Rs 100 million once the required 75 acres of land is made available. When the project materialises, this will probably be the first project that will be developed for and by the small and medium (SME) sector, without the benefit of financial back up from large corporate houses. The region already has a fairly large textile belt such as Solapur, Ahmednagar and Kolhapur, which have their own distinctive textile traditions that has brought in global heavyweights such as Italy's Carrera, which is setting up a shuttleless loom manufacturing facility in joint venture with Belgium's Picanol in Maharashtra. Carrera Holdings is also setting up a Rs 6.5 billion textile park at Chincholi , in Solapur with the capacity to process 250,000 garments a day.
- West Bengal State surface transport corporation would soon invite offers from private entrepreneurs to launch shopping malls at various places along the Hooghly river.
- The Associated Chamber of Commerce and Industry (Assocham) has drawn attention to an "inadvertent anomaly" on the taxability of profits of the special economic zone (SEZ) units having multiple locations.
- Three cities, Chennai, Madurai and Coimbatore have been covered under the Jawaharlal Nehru National Urban Renewal Mission.

Land Acquisition Act

The Land Acquisition Act of 1894 is a British legacy and until this law is amended, all procedures and processes of acquiring land for industrialisation should be suspended,

according to Ms Medha Patkar, prominent social activist. This was one of the proposals that Ms Patkar came up with as part of some major interim conclusions after attending a 'people's hearing' organised by Sanghati Udyog and Singur Krishi Jana Raksha Committee on Friday in Singur, in West Bengal's Hooghly district, where Tata Motors is planning to set up a small car factory. Ms Patkar also requested the West Bengal Government to make available in the public domain the documents related to the project such as the memorandum of understanding, the correspondences between the government and Tata Motors as well as other industries and the project report. " The system of prior informed consent must also be followed by every single government," the activist said. Arguing in favour of a proper rehabilitation policy, Ms Patkar said that there should be minimum displacement and that too, with the approval of the local community. She also favoured an all-party consensus to decide on the kind of industrialisation that should be adopted.

VC funding in realty

The Cabinet Committee on Economic Affairs (CCEA) has approved two real estate venture capital funds which will raise about \$1 billion from foreign investors. Both the funds — Urban Infrastructure Opportunities Fund (UIOF) and Peninsula Realty Fund — have already obtained approval from the Foreign Investment Promotion Board (FIPB) to invest in townships, roads, ports and power. Since the proposed FDI in these funds exceeds Rs 6 billion, they were referred to the CCEA. While Peninsula Realty proposes to bring in \$350m, which is approximately Rs 15.96 billion, UIOF is likely to pump in \$450m, which translates to Rs 23 billion. UIOF has a green-shoe option of Rs 4.6 billion, which will take the total inflow to Rs 24.84 billion. Both the proposals were supported by the ministry of urban development.

The proposals attract Press Note (PN) 2 of '05, according to which the capital will have a lock-in period of three years after the completion of minimum capitalisation. As per the FDI rules laid down in PN 2, these projects will have to be completed in five years from the date of obtaining statutory clearances. Even though funds cannot be repatriated before three years, they have an option of going to the FIPB again for any such move. The CCEA also cleared a proposal by international hotel chain Hilton International to enter into a joint venture with DLF. Hilton will hold 26% stake in the proposed JV and will invest Rs 6.43 billion or \$143 million. It has also got the go-ahead for setting up a wholly-owned subsidiary with an investment of Rs 1.3 billion for the operation and management of hotel business in India. The FIPB had cleared the proposal after putting it on hold initially since the foreign investor did not have a no objection certificate (NOC) from its JV partner, Oberoi Group, with which it has a marketing agreement.

Reducing Stamp Duty

While many states have slashed stamp duty rates from as high as 12% to as low as 6%, other states are planning stamp duty cuts to avail of Plan funds under the Jawaharlal Nehru National Urban Renewal Mission (JNNURM). The development comes within a month of the Centre's directive to "reduce duty or face closure of disbursements under

JNNURM". Orissa has slashed stamp duty rate from 12 to 6%, West Bengal (11% -6%), Tamil Nadu (12%-8%), Andhra Pradesh (14%-8%) and Delhi (8 -6%). Some other states that are actively considering to follow suit are Gujarat, Maharashtra and UP. Stamp duty in these states are as high as 12.5%. It is expected that these states will bring stamp duty down to 6-7% by the end of this month.

The centre had asked states to have a uniform 5 % stamp duty across the country. The ministry of urban development had framed a model legislation for all the states to implement. Subsequently, the ministry had called a meeting with the state chief secretaries on the modalities of stamp duty fixation and had also approached ministry of law and justice for considering reduction in registration fees.