India Update: September - October, 2012

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Pricing of imported drugs under regulatory scanner

India's drug price regulator has initiated a process to end the 16-year freedom enjoyed by foreign drug makers to fix the retail price of their imported medicines in the country.

The National Pharmaceutical Pricing Authority (NPPA) has written to the department of pharmaceuticals to amend the Drugs (Prices Control) Order of 1995 (DPCO).

The amendment will allow NPPA to seek details of the methodology adopted by importers to arrive at the landed price of drugs on the basis of which the maximum retail prices of imported drugs are fixed. The DPCO does not allow NPPA to seek such details. The regulator has to go by the landed cost declared by the importer, limiting its pricing authority to merely fixing

There is an impression among some quarters that some companies are launching their drugs in India by declaring a much higher price than the cost of the drug. The government wants to have some control over this in public interest. Verification of the methodology adopted to arrive at the landed cost will help the regulator understand if the maximum retail price in India is near the actual cost of the drug.

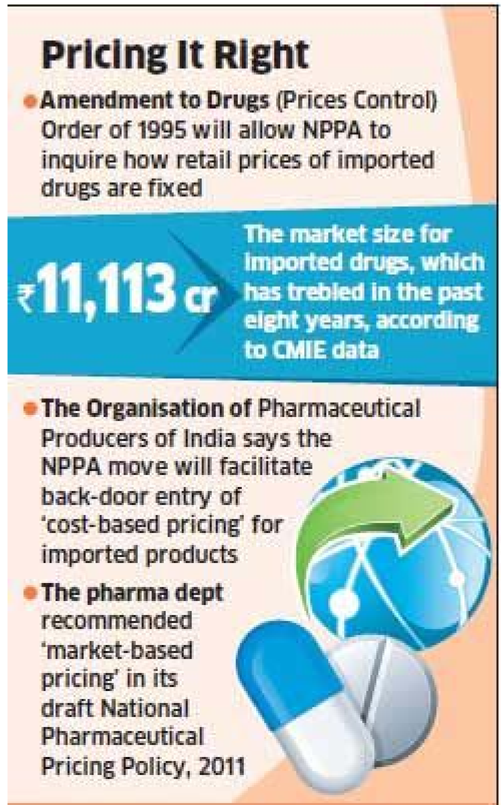
Last year, NPPA tried to seek such details from some foreign drug-makers, but its request was shot down by the Delhi High Court after the law ministry conceded that NPPA had no such powers under DPCO.

Local companies also say this rule is unfair to them as their MRP is fixed after strict scrutiny of the cost of production by NPPA, while no such rule is applicable to imported brands.

The market for imported medicines has trebled to Rs 11,113 crore in the past eight financial years, according to CMIE data. The share of drugs under price control, however, will be small as NPPA regulates prices of medicines made using 74 ingredients alone, which accounts for 20% of the market.

The Organisation of Pharmaceutical Producers of India (OPPI), a representative body of MNC drug firms, however, is of the view that the proposed move of the NPPA contradicts the department of pharmaceuticals' policy.

According to OPPI, the recommendation of the NPPA is tantamount to facilitating back-door entry of 'cost-based pricing' for imported products, when the department of pharmaceuticals, on the contrary, recommends 'market-based pricing' in its draft National Pharmaceutical Pricing Policy 2011



Hershey to take full control of JV with Godrej

American chocolate maker Hershey will acquire the balance 49% stake held largely by Godrej Industries (43%) and a minority shareholder (6%) in the joint venture company Godrej Hershey Ltd. The deal, roughly Rs 200 crore in size, will be completed this year, after which the wholly-owned subsidiary will be called Hershey India. The enterprise value of the JV has been pegged at around Rs 400-600 crore. Hershey would assume about Rs 260 crore of debt as part of the deal.

With full control of the JV now, Hershey is expected to hasten the long-pending launch of its flagship chocolate brand, which shares the same name as the company. It is also expected to rollout popular products such as Kisses and Reese's in the Indian marketplace, which it has identified as key.

Supreme Court ruling on international arbitration order a relief for PE firms

Private equity investors and businesses agreeing to settle disputes through arbitration overseas can rest assured that the Indian legal system will no more be a stumbling block in enforcing awards.

A recent Supreme Court ruling will end the practice of losing companies creating legal hurdles by seeking a stay in the local court of an international arbitration order that is adverse. The ruling restores the sanctity of contracts that incorporate clauses providing for international arbitration since many global companies want to avoid the Indian judicial system which is time-consuming.

The SC ruling may stop the abuse. "In a foreign-seated international commercial arbitration, no application for interim relief would be maintainable under Section 9 or any other provision," said a five-judge constitutional bench overruling a judgment in Bhatia International versus Bulk Trading that allowed interim orders.

The latest ruling said since applicability of the (Indian) Arbitration and Conciliation Act, 1996 is limited to all arbitrations within which no suit for interim injunction would be maintainable in India on the basis of an international commercial arbitration with a seat outside India. This order is effective prospectively. Therefore, it will be interesting to see how the courts deal with pending cases.

Investment application to sell foreign bull semen by Indo-Canadian JV puts DIPP in quandary

An Indo-Canadian joint venture has applied to the Department of Industrial Policy and Promotion (DIPP) to set up a network of stores across India to sell branded bull semen directly to farmers for artificial insemination in cows.

The application has been made by by Semex-Provet Genetics (India) Pvt Ltd, a joint venture with Ontario-based Semex Alliance as a 49% partner .

The venture plans to sell a branded product through a network of 1,800 stores across India in the next three years with a total investment of Rs 360 crore. According to the company "It is a single brand, like Levi's. We will sell only Semex branded semen".

The product will be sold from Semex branded outlets which will house liquid cryogenics containers with temperatures of minus 196 degree Celsius. It will cost between Rs 300 and Rs 5,000 per straw compared with present prices of anywhere between Rs 20 and Rs 600 in India. The company hopes to bring the qualitative difference in bull semen.

Although the DIPP is the agency for clearing retailing proposals and the application is legitimate, experts say this case could prove baffling for it and force it to refer to some other department, probably the animal husbandry department.

Once, and if, the DIPP nod comes through, Semex-Provet Genetics plans to approach the Director General of Foreign Trade seeking permission to import bulls of global pedigree to get on with the business. Semex plans to produce 30-40% of the semen requirement through its local breeding stations, in the process ensuring 30% local sourcing, which is a key plank of India's single-brand retailing policy. In this case, however, the 30% sourcing condition may not apply because the foreign partner involved has a minority stake.

ECB norms eased to repay INR loans, capex, trade credit

The Reserve Bank of India has liberalised norms on using external commercial borrowings (ECBs) to repay loans, capital expenditure and trade credit availed by infrastructure companies.

For availing ECBs to repay rupee loans and fresh capital expenditure, RBI has enhanced the limit to 75 per cent of average foreign exchange earnings realised from 50 per cent of export earning in the last three years.

Under this scheme, the maximum ECB that an individual company or group (as a whole) can use is capped at $3 billion. The limit set for the scheme is $10 billion.

RBI has also permitted infrastructure companies to use trade credit (up to five years) to import capital goods. Trade credit must be contracted for at least 15 months. It should not have elements of short-term credit rollovers.

The all-in-cost ceilings of trade credit will be 350 basis points above six-month LIBOR.

Infrastructure finance companies will be permitted to refinance bridge finance (nature of buyers' and suppliers' credit) with ECB under the automatic route.

Permanent provident fund account number by 2013

From March 2013, salaried employees will be able to switch jobs, without worrying about withdrawing or transferring their savings with the Employees Provident Fund Organisation (EPFO). As the EPFO migrates from a decentralised to a centralised system, it intends to give permanent account numbers to their holders.

Currently, salaried employees need to open new EPF accounts whenever they change jobs. The old PF numbers are either closed, or the money in it withdrawn or transferred into new accounts. It turns more complicated when the employee moves from one state to another for a job. To put an end to this difficulty, the EPFO intends to shift to a permanent account number, akin to a mobile number, to make this possible.

EPFO has about 110 million member. Of this, an estimated 30 million are active members. In many cases an employee has multiple accounts and also a good portion of accounts are lying idle as subscribers have not transferred their funds to their new accounts. Currently, the organisation manages a corpus of at least Rs 4.10 lakh crore.

International Paper must pay non-compete fee to minority shareholders

The Securities Apellate Tribunal (SAT), has upheld an order by market regulator Sebi that directed the US-based International Paper to fork out non-compete fees to all minority shareholders of Andhra Paper, which it acquired last year.

NYSE-listed International Paper and Singapore-based IP Holdings had made an open offer to shareholders of Andhra Paper after buying the promoter's stake of 53.5%, but had paid non-compete fees selectively to the founders.

Sebi's order contended that some promoter entities were not eligible for the non-compete fee as they lacked expertise in the area of operations of AP Paper and were thus not capable of offering any competition to it.

Challenging this directive, International Paper filed an appeal last year. The judgment will benefit a large number of retail investors who tendered their shares in the open offer as they will get around Rs 131 per share. However, shareholders who purchased the shares post the open offer closure will not be eligible to get the non-compete fees.

In 2011, the US-based company bought the LN Bangur Group's 53.5% stake in AP Paper and came out with an open offer. The deal, one of the largest in the paper industry, is worth around Rs 2,000 crore, including the open offer price. The acquirer also agreed to pay 25%, or around $62 million (Rs 280 crore) as non-compete fee to the promoters of the company.

Sebi objected to this on the ground that certain categories of promoters were ineligible to receive the non-compete fee for want of expertise. Some investors had also filed complaints with Sebi, as many as four minority shareholders even filed applications with SAT to intervene in the matter.

Payment of non-compete fee, also known as differential pricing, had turned out to be a contentious issue with Sebi vetting several such cases and the acquirer approaching the SAT, which in many cases ruled in favour of acquirers.

Government opens FDI floodgates for global airlines and retailers

The government has permitted FDI across several sectors ranging from aviation to retail, and media to power. In another step signalling a reform push, which could fetch the exchequer around Rs 15,000 crore, disinvestment in four PSUs — Nalco, MMTC, Hindustan Copper (HCL) and Oil India — was also approved by the Union Cabinet.

Domestic airlines have been allowed up to 49 per cent foreign direct investment (FDI) from global airlines.

FDI in India's multi-brand retail, where global chains like Walmart, Carrefour and Tesco have been waiting for several years to enter, will be capped at 51 per cent; but, it will be up to states to take a final call.

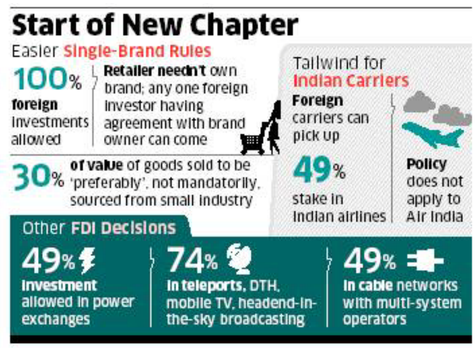
The policy prohibits retail trading through e-commerce by companies with FDI engaged in multi-brand retailing. This means the ban on FDI in B2C e-commerce continues, preventing Amazon and others from entering India. The new rules stipulate that foreign retailers will have to invest a minimum of $100 million, and at least 50% of the total FDI brought in will have to be invested in backend infrastructure. They will have to source 30% of products from small industry within five years of operations, and every year subsequently. If a small industry crosses the $1-million investment mark in plant and machinery, purchases from it will not be counted towards the 30% mandatory sourcing requirement.

Multibrand retailing will be permitted only in cities with a population greater than 1 million. If a state does not have a city with 1 million population, an exemption can be made.

The DIPP has also notified the relaxed rules for single-brand retail trading, allowing.

The policy on single-brand retail, too, has been diluted to clear the way for the likes Swedish furniture company IKEA to set up shop and invest freely in India. The norm mandating 30 per cent sourcing from the country's micro, small and medium enterprises (MSMEs), cleared by the Cabinet last year, has been diluted. Now, it would be 30 per cent mandatory sourcing from India, preferably from MSMEs. The government has also relaxed the condition that the single-brand retailer has to own the brand, allowing any one entity to retail the brand. However, FDI-funded single-brand retailers will not be allowed to sell their goods through e-commerce.

Broadcasting services such as direct to home (DTH) and cable could attract up to 74 per cent foreign investment, up from 49 per cent. Power exchanges have been allowed to receive up to 26 per cent FDI and 23 per cent foreign institutional investment.



FDI policy not bound by bilateral investment promotion agreement: Government

The government has clarified that it is not bound by bilateral investment agreements to force the recent decision to allow 51% foreign direct investment (FDI) in multi-brand retail on unwilling state governments.

The main opposition party, Bhartiya Janata Party, had said that the government cannot leave the decision of allowing FDI in multi-brand retail on states as it was bound by the bilateral investment pacts that it had signed with 82 countries to impose no conditions on foreign investors.

The department of investment policy and promotion (DIPP) - the nodal department for framing FDI policies - explained that the bilateral investment promotion agreement (BIPA) is a post-establishment investment agreement which means that foreign investors have to be treated the same as domestic investors only after they have made investments. Since the FDI policy is a pre-establishment instrument, it is not covered by BIPA.

It admitted that India did have pre-investment commitments with a handful of countries under some of the comprehensive economic cooperation agreements that it had signed, but it did not cover FDI in multi-brand as the policy decision had not been taken when the pacts were entered into.

The DIPP further explained that there is no impact of the policy on the country's commitments under the multilateral trading regime of the World Trade Organisation (WTO).

According to the DIPP, multi-brand retail trading is classified as a service and therefore covered by the General Agreement on Trade in Services (GATS) and India has not undertaken any commitments in this area under GATS.

Lower capitalisation norms for NBFC arms soon

India will soon lower the capital requirement for subsidiaries of non-banking finance companies that have more than 75% foreign direct investment, a step that can help spur foreign investments in the sector.

The Reserve Bank of India (RBI) has agreed to the change in policy that will allow flexibility to NBFCs to expand without bringing any fresh capital. .

The consolidated foreign direct investment policy issued in 2010 by the department for industrial policy and promotion (DIPP) made it mandatory for all NBFCs barring those with 100% FDI to bring fresh capital each time they set up subsidiary. The rule has made the business capital intensive for companies that have FDI, as most of them prefer a subsidiary structure to carry out different types of businesses.

In some cases the legal provisions require them to have separate arms for different activities. For example, an NBFC cannot carry out portfolio management services and housing finance activity from the same entity. NBFCs with more than 75% FDI had to bring in $50 million capital while those with 50% to 75% FDI had to have a capital base of $5 million.

The policy meant that if an NBFC with over 75% FDI which was set up with $50 million capital to do stock broking wanted to set up forex broking subsidiary then it would need to bring another $50 million.

The proposed relaxation would mean that capital requirements will be imposed only for the consolidated entity and nor for every subsidiary.

Foreigners can float NBFCs in 18 areas including merchant banking, credit reference agencies, underwriting, credit rating agencies, portfolio management services.

Drinks be labelled 'caffeinated'

The Food Safety & Standards Authority of India (FSSAI) has stated drinks containing a high level of caffeine should be categorised as 'caffeinated drinks'. It added statutory safety warnings should be clearly stated on the packs of these drinks.

The FSSAI is separating such drinks from other soft drink items, creating a new category called caffeinated drinks. It believes that consumers should have such a drink after knowing what it contains and that labelling these drinks as energy drinks was misleading for consumers.

The draft regulation on energy drinks sets the upper threshold of caffeine in a beverage at 320 mg per litre, or parts per million (ppm). Drinks with caffeine more than that allowed in soft drinks would be labelled as caffeinated drinks. Currently, up to 145 ppm of caffeine is allowed in soft drinks and aerated sugar water.

According to an FSSAI note, packs of various drinks should contain a statutory safety warning stating, "Not recommended for children, pregnant or lactating women, persons sensitive to caffeine and sportspersons."

Withholding tax on foreign loans cut to 5%

The finance ministry has reduced tax on interest paid by companies for foreign borrowings to 5% from 20%.

The ministry also gave approval to all borrowings fulfilling certain conditions, in an effort to reduce the time lag in seeking approvals for such loans. Earlier, it had said approval would be given on case-to-case basis.

The Finance Act, 2012, had provided that interest income of a non-resident investor would be taxed at the reduced rate of 5%. Thus, an Indian company, while paying interest on money borrowed in foreign currency, would be required to withhold tax at 5% and not %. The relief has been provided on borrowings made during July 2012 to June 2015.

For availing the tax benefit, the finance ministry has laid down conditions that in case of long-term infrastructure bonds, the end-use of the proceeds of such issue should be for the infrastructure sector as defined by the Reserve Bank of India under its external commercial borrowing regulation.

Top companies allow contract workers to get unionized

Central trade unions have opened some successful unions for contract workers in the Ghaziabad industrial belt, breaking the myth that it is difficult to bring them under unions' fold.

The fact that they report to their contractors and can easily be sent away if they become members of unions has kept contract workers mostly out of unions. However, the Coca-Cola management is currently in talks with the Centre of Indian Trade Unions (Citu) on various demands made on behalf of contract workers in its factory in Dasna in Ghaziabad, Uttar Pradesh. It is one of the 49 factories the company has in the country.

It has 300 regular workers and 500 contract workers and during the peak production season in the summer, the number of contract workers increases to up to 700. The Communist Party of India (Marxist)-affiliated Citu's union in the factory, which is recognised by the management, has about 300 contract workers as its members. And the good news is that the management is considering their demand to regularise the workers or at least bring parity in the working conditions between regular and contract workers.

At the national level, the Citu leadership is talking to the Coke management on the issue of parity of conditions.

The biggest victory for the contract workers at Coke so far has been concerning parity. This had to do with the canteens the workers ate at. There were earlier three canteens among which only one was open for the contract workers. After protests, the management has closed down two of the canteens and there is now a single canteen for all. The workers also get their food coupons from the same place.

The case of Allied Nippon, the brake shoe factory in Ghaziabad which was in the news after workers were accused of lynching a management personnel, is another instance where a central trade union has successfully opened a union for contract workers.

The union made a comeback of sorts when it called a strike on September 7, 8 and 9. It took two years to rebuild the union after the violent death of the management personnel.

There are 160 permanent workers out of the 1,150 workers in the Allied Nippon plant. The demand there is for parity of wages. While regular workers are earning Rs 15,000, the contract workers earn Rs 3,500 for the same job. Contract workers have begun getting provident fund and bonus now.

In Uttar Pradesh Power Corp, the Communist Party of India-affiliated All India Trade Union Congress (Aituc) has a union which has 20,000 regular workers and 20,000 contract workers.

Mother Dairy's Hapur plant, which has 1,100 contract workers and 150 permanent workers, has a trade union of Aituc where these workers have membership.

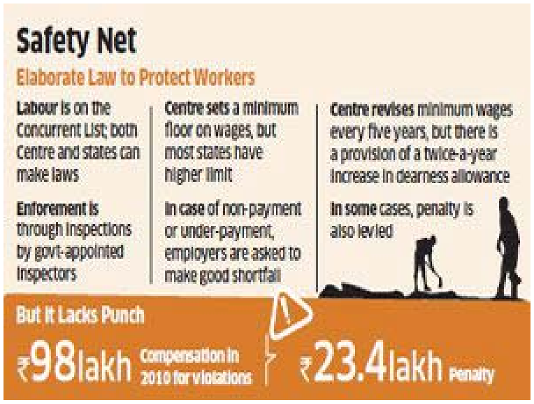
Commerce ministry opposes labour ministry's minimum wages proposal

The commerce and industry ministry has opposed labour ministry's move to give statutory backing to the national minimum wages, which it claims could impose a hefty burden on the industry.

The labour ministry, however, wants to press ahead with the proposal and is hoping to soon put out a Cabinet Note for wider consultation after the Cabinet Secretariat gives its comments, setting the stage for a potential showdown between the two ministries on the issue.

In order to persuade state governments to keep the minimum wages above a certain threshold, the Centre announced a national floor-level minimum wage, which has so far been like an advisory lacking teeth. A statutory backing to the minimum wages will give the government powers to prosecute those who pay below this rate and also lift the wages to at least this rate in every state.

While the national minimum wage rate is Rs 115 per day, there are states such as Tripura, Orissa and Tamil Nadu where the minimum wage for certain sectors are considerably lower, touching Rs 60 in some cases.



Tax residency certificate now mandatory for foreign investors

India has made it mandatory for all foreigners to furnish a tax residency certificate of their home country to claim benefits under double taxation avoidance agreements. This will make the process of claiming tax credit easier for foreigners by removing the arbitrariness in the earlier regime.

The Central Board of Direct Taxes, the apex direct taxes body, has notified changes to the Income Tax Act prescribing a tax residency certificate. All non-residents are entitled to claim benefits under the domestic tax law or the relevant tax treaty to the extent it is more beneficial to them.

Treaty benefits in India are available to a person who is a resident of a treaty country. While there was no requirement prescribed under the law to furnish a Tax Residency Certificate (TRC) from the country of residence to claim treaty benefits, the revenue authorities were asking for such a certificate wherever treaty benefit was claimed.

The TRC for availing tax benefits was proposed in the 2012-13 budget. The TRC would have the tax identification number of the assessee, its residential status for the purposes of tax, period for which the TRC is applicable and address of the assessee during that period.

Foreign universities defer India entry plans

When the Foreign Educational Institutions (Regulations of Entry and Operations) Bill was introduced in Parliament in 2010, no less than 50 foreign universities evinced interest in setting up operations in India.

Two years down the line, their interest seems to have dwindled because of delays in passing the bill. Several international education institutions, including Massachusetts Institute of Technology, Yale University, Virginia Tech, Columbia University, University of Southern California and University of Alabama, had earlier expressed interest to have an India presence.

Meanwhile, the Ministry of Human Resource Development (MHRD) has reviewed certain clauses in the Foreign Education Providers (Regulation) Bill to attract more overseas institutions looking to set up shop in India. The recommendation by the standing committee has led to a revision in the minimum corpus of Rs 50 crore for a foreign institution to set up campus in India. However, the corpus will not be Rs 50 crore for every institution as envisaged earlier. Instead, the corpus will be based on certain classifications. For instance, for engineering, vocational and other programmes, it could be less than Rs 50 crore whereas for medical programmes, the corpus could be more than that, which the health ministry will decide.

The norms have been tweaked after education institutions, including community colleges, vocational training institutions, professional colleges, general education institutions and medical institutions had expressed interest in setting up operations.

The MHRD will also review the pre-condition that stipulates that a foreign education institution can't utilise more than 75 per cent of the corpus fund towards development of the institution in India. The ministry might allow these institutes to invest the surplus in growth of the institution after a certain lock-in period.

Several important Bills, such as the Educational Tribunals Bill, Foreign Education Institutions (Regulation of Entry and Operations) Bill, 2010, and National Council for Higher Education and Research, 2011, among others, are still pending before Parliament.

Telecom tower business gets infrastructure status

The government has granted infrastructure status to the telecom tower provider industry. Infrastructure status will make tower providers eligible for viability gap funding, higher limit on external commercial borrowing, lower import duties and exemptions on excise duty on telecom infrastructure equipment.

Actis in talks with Tesco, 7-Eleven for Nilgiris stake sale

Taking advantage of the government's move to open the retail sector to foreign players, private equity major Actis has opened talks with global retailers such as 7-Eleven, Lawson and Tesco to sell its 40 per cent stake in South India-based retail company, Nilgiris.

The government of Singapore owns another 23 per cent stake in the company while the rest is owned by the founders, the Mudaliar family. Actis was earlier negotiating with private equity players such as Temasek and Advent to sell stake but changed its strategy to go slow on the sale so that it could get a better valuation from the foreign retail companies planning to set up shop in India. Actis is looking at a valuation of $150 million for Nilgiris but the final call will be taken after it receives firm offers from foreign companies.

Founded in 1905, Nilgiris Dairy operates 120 neighbourhood convenience retail outlets through the franchisee network. Half of those are in Bangalore and the rest in various cities of south India.

Apart from the US-based 7-Eleven, Japanese firm Lawson and British retailer Tesco, a Thai retail player has also evinced interest in the company, according to the source. The valuation has gone up since FDI has been allowed and so the entire sale process has become slow as there are many conditions attached to the entry of foreign companies.

Foreign stake cap of 10 per cent to include both FDI and portfolio funds

Foreign investors straddling the direct as well as the portfolio routes to buy stocks in India using the same vehicle for both will be barred from holding more than 10% equity in a single company.

The Reserve Bank of India (RBI) has recently spelt this out to custodian banks which hold shares on behalf of offshore investors.

Many global investors, particularly private equity funds, initially infuse money into a local company by subscribing to preferential offering of shares. Such transactions are foreign direct investment (or FDI).

But often later, they buy the company's shares from the secondary market - deals where they come in as foreign institutional investor (or FII) - to consolidate holdings in a bearish market.

In order to avoid multiple structures and gain tax efficiency, several investors have used the same vehicle they had set up in tax havens like Mauritius for both investments.

But the rule now says that if the combined FII and FDI holdings in such cases exceed 10%, the investors are in violation of foreign exchange regulations. This is the central bank's interpretation of the law.

These investors will have to go through compounding procedure, which could be a warning or a fine. So, if a PE that holds 15% through FDI, purchases another 4% from the open market using the same investment vehicle, it will find that the 9% it owns over and above 10% is unauthorized holding.

The conflict owes its origin to the reading of the Foreign Exchange Management Act, 1999 (FEMA). Till now, foreign investors were under the impression that the various schedules of the Act were 'investment specific' and not 'investor or entity specific'.

The six schedules in FEMA deal with FDI, FII for equity, NRI for repatriable investment, NRI for non-repatriable investment, FII in securities other than stocks and foreign venture capital investment.

Many overseas investors had felt that since the schedules were a self-contained code for various investments, the choice of the investment vehicle made no difference

But for RBI, the various schedules relate to different investor categories or entities. It is an interpretation that has crept into the last RBI master circular on foreign investment and has made life difficult for those who understood it differently.

RBI softens stand on FDI with in-built options

The Reserve Bank of India has considerably softened its stand on foreign direct investments that have in-built options, settling for a one-year lock-in on such investments as opposed to three years it wanted earlier.

The compromise solution will help government put in place a policy that should address concerns of potential overseas investors, and end the uncertainty over the investment proposals that the RBI had refused to clear.

In-built options give foreign investors a right to buy more stake or sell back equity. The RBI has favoured tight regulation of any FDI inflow that has in-built call or put options arguing that such investment is essentially debt masquerading as equity, which should be closely regulated like external commercial borrowings. The department of industrial policy and promotion, it its consolidated FDI circular last September, had even inserted a clause that any equity investment that had in-built option would be treated as external commercial borrowing subject to RBI provisions. It, however, withdrew it within a month after uproar from investors.

Industry argued that put options, which gave foreign strategic investors a 'right' to sell back shares if the company failed to provide them exit through stock exchange listing or failed to meet performance benchmarks, increased investor confidence and helped attract inflows. The RBI till now had not bought this logic and continued to regulate them as per its 2007 circular.

Doing business remains tough in India: World Bank

India and China were the only two countries amongst the BRIC members to rank in the top 50 improvers since 2005.

After establishing its first credit bureau in 2004, India focused mostly on simplifying and reducing the cost of regulatory processes in areas such as starting a business, paying taxes and trading across borders.

The report noted that India reduced the time required to obtain a building permit from 227 days in 2012 report to 196 days in the latest report. The report attributed this to establishing strict time limits for pre-construction approvals by India.

However, India's ranking declined one notch to 182 in 'Dealing with construction permits' in the latest report from 181 in the Doing Business 2012 report.

It takes 67 days in getting electricity in India, said the report, and India ranks 105 in getting electricity, which involves 7 procedures. In terms of dealing with construction permits, India is ranked 182 and it takes 196 days for that, involving 34 procedures. However the report also named India among countries that reduced time for processing permits in 2011-12.

India was the second most difficult country to enforce contracts. Ranked 184, India takes 1,420 days to enforce contracts.

The report cited a study which said simpler entry regulation and labour market flexibility led to better growth in some Indian states. The number of companies in the informal or unorganized sector decreased and real output grew in states compared to the ones with less flexible regulations.

Another study was referred to in order to conclude that in India the establishment of specialized debt recovery tribunals had a range of positive effects, including speeding up the resolution of debt recovery claims, allowing lenders to seize more collateral on defaulting loans, increasing the probability of repayment by 28% and reducing interest rates on loans by 1–2 percentage points.

Doing Business analyzes regulations that apply to an economy's businesses during their life cycle, including start-up and operations, trading across borders, paying taxes, and protecting investors. The aggregate ease of doing business rankings are based on 10 indicators and cover 185 economies.

India may soon become a digital communications hub

The Information and Broadcasting Ministry is considering steps to make India a teleport hub to send and receive signals and data through satellites, enabling the country become a major centre for digital communication like Hong Kong and Singapore.

The ministry will soon hold consultations with the media and entertainment industry to discuss modalities, challenges and roadmap for making India a teleport hub.

This will help the country attract accelerated flow of foreign direct investment and state-of-the-art technology, and move up in the value chain in content generation. The recent decision to allow up to 74% FDI in digital and Internet platforms such as DTH, IPTV and mobile TV was taken in this direction.

Source

Press clippings

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