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EICC Board of Directors and General Body to meet on 15 October 2013 in Brussels

Chamber's Board of Directors and General Body will meet in Brussels on 15 October 2013 on the eve of the EICC Trade, Investment and Partnership Summit on 16 October. The meeting will be held in the Hotel Sheraton. The meeting will be held in the HOTEL SHERATON TOWER, Place Rogier 1210 Brussels. The meeting will be held in Room PERMEKE. The Chamber will host a dinner for the EICC Members and invited guests. Many new Corporate Members will attend the meeting.

In addition to the Secretary General's Report, the meeting will discuss how to make the Governing Board sustainable, effective and participatory. Special discussion will take place on the issue of membership, formation of committees, developing working relationship with bilateral chambers. As the Chamber's base increases, many new members of the Chamber will attend the meeting.

As at these meetings essential mechanisms for policy issues on trade, investment, economic cooperation and coordination between Indian and EU business are discussed it is important that all members attend the meeting and share their thoughts. The important topics to be discussed will cover areas of EU-India cooperation, general current issues, programme and future meetings and activities, in addition to other topics.

The EICC is all set to host an international conference on trade and investment partnership

The Apex Chamber of Europe is all set to host a major business Summit to enhance trade and investment between Indian and European companies. The Chamber has invited Indian Cabinet Minister for Urban Infrastructure Mr. Kamal Nath to address the EICC Business Summit on 16 October in the European Parliament in Brussels. Chamber's Secretary General called on the Minister in New Delhi on 23rd July and invited him to speak in the Summit as Chief Guest. Mr. Nath had addressed EICC Conference in 2008 and for him EICC is no stranger. Important guest speakers to the TIPS include Minister-President of Flanders Mr. Kris Peeters, high representatives European Commission will address the Chamber's Trade and Investment Partnership Summit (TIPS) on 16 October in Brussels. The European Business Technology Centre, a programme funded by the European Commission and managed by the EUROCHAMBRES, as main collaborator, will be the main collaborator and both are working closely to see that the Summit meets its objectives. Titled as "***Dynamics of EU-India Relations in a Changing Europe: Challenges and Opportunities for Accelerating Trade and Investment"*** the theme of the Summit will also mark the 50 years of India's engagement with the EU. Indian Chamber of Commerce which is collaborating with the EICC will send a business delegation. TIPS will be the largest business event in the context of India and European business relations of 2013 in Europe and will provide the highest level platform for a concrete and constructive dialogue in the context of improving trade and

investment between EU and India and will offer Indian and European companies to build their collaboration. By organizing this international conference, the first of its kind in Europe, EICC aims to stimulate trade and investment between European and Indian businesses.

While the fire-brand Indian Parliamentarian Mr. Sitaram Yechury will speak on social and economic aspect of humanizing trade benefits, Dean of the Cornell University Dr. Soumitra Dutta will speak how Indian companies can make its global imprint through innovation. High representative of the OECD will also speak in the summit. The Summit will be held in the Parliament's Conference Room **A5E2** from 9am to 18.30pm. Chamber will host a Networking lunch for the participants and invited guests in the Parliament.

Over the past three months, the Chamber has been hard at work committed to building a sustainable relation, building a strong participatory framework and foundation for closer cooperation between European and Indian business and how together they can enhance EU-India trade. In the quest for meeting is mission objectives with larger participation of business, Chamber's efforts has been very successful. Business Houses, companies, organisations and agencies who have confirmed their participation include Dalmia Group of Companies (India), Foresight Limited (UK), The FifthVeda Entrepreneurs (India), KHS Machinery (India), Binani Group of Industries (India), Bajoria Group (India), Avantha Group (India), Tata Consultancy Services (India), Poddar Group (India), CMI Group (Belgium), Commonwealth Business Council (UK), FIT (Belgium), Deloitte, PwC, Andras House (N. Ireland), AWEX (Belgium), Captiveway (France), LOYENS & LOEFF (The Netherlands), GIANNI, ORIGONI, GRIPPO, CAPPELLI & PARTNERS (Italy), DLA Piper, Uflex Limited (India), McKinsey and Company, Ernst & Young, Adani Group, EADS (France), Alliance for Natural Health International (UK), BNP Paribas (France), Ransat Group (UK), Total (France), Brussels Invest, JBF-RAK (UAE), Meghmani Group (India) and AIA Group (Spain).

The Summit will bring together leaders from various fields to discuss challenges, opportunities and commitment required by companies to enhance business collaboration. TIPS will seek to bridge trade and economic divide between the two countries will bring policy makers, industrialists, business leaders, and high representatives of the European Commission and heads of trade bodies. The summit will attempt to build better and innovative relationship by exploring the dynamics of changing Europe through discussion and exchange of ideas among high profile business leaders, experts from wide range of discipline from Europe and India. The sessions will focus on some of the leading innovative companies sharting their experience, expertise and concerns on the issue of trade and investment between EU and India. The event will also discuss the broader side of the trade related issues such as regulatory and legal framework, taxation policies and other incentives in India and Europe. The TIPS will make comprehensive overview of India-EU relations in content and context and will suggests ways to give it a strategic dimension. The summit will serve as a key platform offering an unparalleled access to a full spectrum of more than 150 industry leaders, business executives, policy makers, representatives of the European Commission to share their views on issues related to trade and investment. The summit will provide an opportunity for the delegates to access important presentations to engage in discussions and network with specialists across a range of topical issues and suggests ways to give it a strategic dimension. Industrial sectors that will be discussed in depth for bilateral cooperation include Pharmaceuticals, Renewable Energy, Infrastructure and Retail.

Chamber signs Co-operation Agreement with Eurochambres/EBTC

The Apex Chamber has signed the Co-operation Agreement with EUROCHAMBRES/EBTC. This agreement offers the Chamber in the immediate term the following possibilities and benefits:

- Access to EU funding in collaboration with EUROCHAMBRES
- Intense collaboration and cooperation with various national Chambers of Commerce in Europe
- Becoming formal partner of the EBTC
- Drawing up yearly Programme of activities on the following sectors in particular: Biotechnology, Energy, Environment, Transport and IPR.

Building on the success of the Report which the Chamber commissioned early this year, EICC thinks that the immediate opening of this collaboration is the support the EUROCHAMBRES /EBTC would be extending to us in the proposed Report. Chamber plans to prepare in the next Report to be titled:

"European Companies in India: Reigniting Economic Growth". Chamber is looking to engage an Economist/Journalist to make the Report.

EICC is already collaborating with EUROCHAMBRES for our TIPS and in the past too. They had partnered with us for our 2010 Business Summit. The EUROCHAMBRES and EBTC would like us to formally join as partner for our programme and activities in collaboration with them. This opens up a new opportunity for us more so when we now plan to have sectoral activities both in Europe and in India. In fact if we become their partner, they would be sharing expenses on our activities; of course on certain conditions. The Chamber has been discussing this issue off and on with EUROCHAMBRES. Chamber thanks EUROCHAMBRES for this partnership which when inked will allow the Chamber to plan its activities in advance for 2014 and beyond. This will also allow us to enjoy technical assistance on trade and IPR issues that EUROCHAMBRES will provide to us; they being well placed with technical expertise.

India eases FDI norms for multi-brand retail business

The Indian government has eased investment rules for the retail sector liberalising norms for investment, sourcing and location, in an attempt to attract foreign retailers such as Wal-Mart, Tesco etc. The union cabinet approved a proposal to amend the existing FDI policy in multi-brand retail trading (MBRT) easing rules regarding investment in infrastructure, local procurement and location at its meeting.

Accordingly, the 50 per cent FDI to be brought in as the first tranche of $100 million, to be invested in 'backend infrastructure' within three years, will now include capital expenditure on all activities, excluding that on front-end units.

Back-end infrastructure will include investment made towards processing, manufacturing, distribution, design improvement, quality control, packaging, logistics, storage, warehouse, agriculture market produce infrastructure etc.

Expenditure on land cost and rentals, if any, will not, however, be counted for purposes of backend infrastructure. Subsequent investments in the back-end infrastructure should be made by the MBRT retailer as needed, depending upon his business requirements.

The policy that at least 30 per cent of the value of procurement of manufactured/ processed products purchased should be sourced from micro, small and medium industries in India, which have a total investment in plant and machinery not exceeding $2 million stands unchanged.

This valuation, however, refers to the value at the time of installation, without providing for depreciation. The 'small industry' status would be reckoned only at the time of first engagement with the retailer and such industry shall continue to qualify as a 'small industry' for this purpose even if it outgrows the said investment of $2 million, during the course of its relationship with the said retailer, the government clarified.

Sourcing from agricultural co-operatives and farmers co-operatives would also be considered in this category, an official release pointed out. Also, the procurement requirement could be met as an average of five years' total value of the manufactured/ processed products purchased, beginning 1 April of the year during which the first tranche of FDI is received. Thereafter, it would have to be met on an annual basis.

Retail sales outlets may be set up only in cities with a population of more than 1 million lakh as per the 2011 census or any other cities as per the decision of the respective state governments, and may also cover an area of 10 km around the municipal/urban agglomeration limits of such cities; retail locations will be restricted to conforming areas as per the master/zonal plans of the concerned cities and provision will be made for requisite facilities such as transport connectivity and parking.

The amendment in the extant FDI policy relating to multi-brand retail trading in respect of 'small industry' will bring in a balance between the business exigencies of the MBRT entity and intent of the policy, which is to extend the benefits of the FDI policy in multi-brand retail trading to a larger constituency of small industries, the official release said.

The amendment in the provision regarding 'back-end infrastructure' will give more clarity to the policy, it said, adding that the amendment to the provision regarding location of retail outlets will bring in parity in the policy as it is proposed to extend such dispensation to all states.

India, which threw open its supermarket sector to foreign retailers in September 2012, has not yet received a single application from foreign retailers, who cited ambiguity in entry rules.

Foreign telcos can buy out their Indian partners

There may be further consolidation and buyouts in the telecom space, as cash-rich foreign telcos are likely to seek to buy out Indian partners' stakes. The decision to allow 100 per cent FDI in telecom will offer foreign telcos such as British telecom giant Vodafone Group, Norway-based Telenor and Russia's Sistema the option to buy out their Indian partners. It will also enable Indian telcos that are sitting on a cumulative debt of about Rs 2.5 lakh crore -more than 50 per cent of which is foreign debt - to reduce exposure by bringing in cash and retiring debt through equity infusion. "Telenor Group has already expressed interest in raising its stake in the Indian operations to 74 per cent. We are fully committed as a long term investor in India," Telenor spokesperson said in a recent email to Business Standard.

While FDI up to 49 per cent can come via the automatic route, companies would have to get the approval of Foreign Investment Promotion Board (FIPB) for foreign investments beyond that level. At present, India permits up to 74 per cent FDI in the sector - 49 per cent through the automatic route and the rest after FIPB approval.

There may be further consolidation and buyouts in the telecom space, as cash-rich foreign telcos are likely to seek to buy out Indian partners' stakes, but new companies are unlikely to look at the market in the near future, said an analyst with a management consulting firm. "There might be a few small deals as telcos may look at reducing debt."

Vodafone, which had to scout for a new partner after the Ruias decided to sell out, had inked pact with Ajay Piramal. According to the agreement, Vodafone would have to buy back shares at a premium if an initial public offering did not materialise in two years. Vodafone did not respond to Business Standard's queries.

After the approval from a ministerial panel last month, Sistema Shyam TeleServices, which is 56.68 per cent owned by Russia's Sistema, had said: "The much-needed policy decision is a very positive development for the entire industry. With fresh foreign direct investments coming in, this would further catalyse growth and also the process of proliferation of telecom services across the country." Aircel, which is 74 per cent owned by Malaysia's Maxis, has also said in a statement that the move will "undoubtedly have a huge benefit for our customers and (translate into) higher licence fees for the government".

New Companies Bill gets Parliament's approval

The new Companies Bill has received Parliament's approval with the Rajya Sabha passing it on 8 August, after the Lok Sabha gave its approval on 18 December 2012.

The new Companies Bill has received President's assent that will make it into a law replacing the nearly six-decade old regulations that govern corporates in the country. The new Bill, providing for sweeping changes in the way companies operate and are regulated in the country, received Parliamentary approval earlier this month. It would replace the Companies Act 1956.

The new legislation will take effect after the President signs it into law and the corporate affairs ministry issues the necessary notification.

The new bill, which will replace the Companies Act of 1956, seeks to enhance compliance, transparency, encourage self-regulation and make corporate social responsibility mandatory.

The bill, which was first introduced in the Lok Sabha in August 2009, was referred to the standing committee on finance a month later. It was brought back to the Lok Sabha as Companies Bill 2011, but again referred to the standing committee.

The Lok Sabha finally cleared the bill after the standing committee submitted its report in June 2012.
The Rajya Sabha is adopting the bill more than 7 months after the Lok Sabha passed the bill.
The new legislation followed extensive reviews and the final draft incorporates several new provisions for investor protection, better corporate governance and corporate social responsibility etc.

It also defines 33 new terms that have come into vogue in recent times, including associate company, small company, employee stock option, promoter, related party, turnover, chief executive officer, chief financial officer, global depository receipt, etc.

The bill provides for class action suit, which is key weapon for individual shareholders to take collective action against errant companies. It has also streamlined procedures relating to disclosure of transactions with parties related to directors, promoters etc.

It provides for prohibition on forward dealings in securities of a company by key managerial personnel, insider trading rules and restriction on non-cash transactions involving directors.

The new bill provides for new concepts such as a single person company while also raising the cap on the number of persons in a private company to 200. It also provides for e-voting at company meetings.

The salient features of the new Companies Bill, 2012 are:

- Business friendly corporate regulation/ pro-business initiatives
- e-Governance initiatives
- Good corporate governance and CSR
- Enhanced disclosure norms
- Enhanced accountability of management
- Stricter enforcement
- Audit accountability
- Protection for minority shareholders
- Investor protection and activism
- Better framework for insolvency regulation and
- Institutional structure.

Other important features of the Bill are:

- In addition to the concept of independent directors (IDs), the new bill provides for their tenure, liability etc have been provided. Code for IDs provided in a new schedule to the Bill. Databank for IDs proposed to be maintained by a body/institute notified by the central government to facilitate appointment of Ids;
- The bill proposes a corporate social responsibility (CSR) committee of the company's board in addition to other committees of the board, viz, audit committee, nomination and remuneration and stakeholders relationship committee. These committees shall have IDs/non-executive directors to bring more independence in Board functioning and for protection of interests of minority shareholders;
- Provisions in respect of vigil mechanism (whistle blowing) proposed to enable a company evolve a process to encourage ethical corporate behavior, while rewarding employees for their integrity and for providing valuable information to the management on deviant practices;
- New provisions suggested for allowing re-opening of accounts in certain cases with due safeguards;
- Provides for rotation of auditors and audit firms;
- Retains stricter and more accountable role for auditor. Provisions relating to prohibiting auditor from performing non-audit services revised to ensure independence and accountability of auditor;

- National Advisory Committee on Accounting and Auditing Standards (NACAAS) proposed to be renamed as National Financial Reporting Authority (NFRA) with a mandate to ensure monitoring and compliance of accounting and auditing standards and to oversee quality of service of professionals associated with compliance;
- Simplified procedure (through confirmation by the central government), laid down for compromise or arrangement, including for merger or amalgamation of holding companies and wholly owned subsidiary(ies), between two or more small companies and for such other class or classes of companies as may be prescribed. This would result into faster decisions on approvals for mergers and amalgamations resulting effective restructuring in companies and growth in the economy. For other companies, such matters would be approved by Tribunal.
- Rules for acceptance of deposits from public to be subject to a more stringent regime;
- Provisions for class action suits revised to provide minimum number of persons who may apply for such suits. Safeguards against misuse of these provisions also being included;
- National Company Law Tribunal (Tribunal): Keeping in view the Supreme Court's judgment, on the composition and constitution of the Tribunal, modifications relating to qualification and experience etc of the members of the Tribunal have been made. Appeals from Tribunal shall lie to National Company Law Appellate Tribunal.

A third of India's top firms on the verge of insolvency

Economic slowdown and the accompanying demand destruction have taken a heavy toll on India's top companies. The worst-hit are those that had launched aggressive growth plans, largely funded through debt, believing the demand growth in the years to come would be robust.

Many of these firms now find themselves in a spiral of declining profitability, shrinking market capitalisation and rising liabilities. This raises a question mark over their financial viability.

On this parameter, nearly a third of India's top companies are either financially insolvent or on the verge of it. They can't use equity markets to raise enough capital to fund these projects or lighten their debt burden. Of the 406 firms in the BSE-500 list (excluding banking and financial ones) that have declared their results so far, the market capitalisation of 143 is either below their debt or just a notch above. The sample includes companies with average market capitalisation (during July this year) of less than 1.5 times their net debt as at the end of 2012-13.

According to figures from Capitaline, at the end of March this year, these companies were sitting on a debt of Rs 13.2 lakh crore — nearly twice their average market capitalisation in July. Two years ago, however, it was the other way around. In July 2011, their market value was 40 per cent higher than their net debt. Over the past two years, their debt (adjusted for cash and other liquid investments on their books) has risen 61 per cent, while their market capitalisation has declined 40 per cent. This has shut for these companies the equity window for project funding or debt repayment.

The list includes companies like Tata Steel, Hindalco Industries, Tata Power, L&T, Jaypee Associates, Adani Power, GMR Infra, GVK Power, JSW Steel, Reliance Infra, IndianOil, HPCL, Shri Renuka Sugars, Bajaj Hindusthan and Suzlon. Their market-cap-to-debt-coverage ratio will look even worse if deferred tax liability and contingent liabilities are included. Most of these firms also have high debt-to-equity ratio (greater than 1.0), poor interest coverage ratio (less than 2.0) and falling profitability.
The ratio would not come as a surprise but for the fact that these financially-stretched firms account for two-thirds of all projects under implementation by BSE-500 companies. Last financial year, these companies together spent Rs 2,59,000 crore (Rs 2,590 billion) on new projects.

In all, these have commissioned Rs 6.85 lakh crore worth of new projects in the past two years, accounting for 57 per cent off all capex (by value) commissioned by the companies in the sample. These figures are likely to be revised upwards once all these companies declare their audited financials for 2012-13.

According to experts, the mismatch between the project cost and underlying debt and market value suggests investors' poor opinion about the financial viability of these projects, given the current weak economic environment.

"Investors have turned away from capital-intensive companies and sectors, to those that generate disproportionately higher cash flows relative to the underlying investment," says Devang Mehta, senior vice-president & head (equity sales), Anand Rathi Financial Services.

Investors are right in their assumptions. These 143 companies accounted for less than a third of the operating profit of all non-financial companies in the BSE-500 list and less than a fifth of the total cash profits in 2012-13. In comparison, they accounted for 71 per cent of the entire universe of gross debt and around half of all fixed assets. Not surprisingly, these firms accounted for just 14 per cent of the total market capitalisation of all BSE-500 companies in July.

Many, however, caution against painting a grim picture and say this mismatch is routine in an economic downturn. "I would be worried if the underlying projects were unviable or if assets were over inflated. A majority of the corporate debt is tied to marquee projects in sectors like metals & mining, power and oil & gas, among others. Once growth returns, the cash flow from these projects will be more than sufficient to cover debt servicing," says Deep Narayan Mukherjee, director (ratings), India Ratings & Research.
The real problem is for companies in sectors like real estate, retail, education and construction, which have incurred debt to accumulate working capital or economically-dubious assets, such as land and buildings.

FDI policy in pharma set for major overhaul

Government of India is set to make major changes in the current FDI policy in the pharmaceuticals sector to protect domestic generic industry in the wake of increasing acquisitions of homegrown companies by foreign players.

After a high-level meeting held on 17 August, it has been decided that the Commerce and Industry would soon start a consultation process to address the dangers inherent in the current model of FDI in brownfield pharma units.

The meeting looked at two dimensions. One is that the proposals which have come under the existing policy, there are some concerns, particularly with regard to oncology, injectibles and vaccines, where we see there is a critical need which must be met at all cost and that the policy will ensure,: Commerce and Industry Minister Anand Sharma told reporters here.

He further said the proposals before the FIPB would go through the existing policy and if there were safeguards required that will be discussed as what should be the nature of safeguards so that affordable life-saving medicines are available to the people.

Elaborating the steps to be taken up, a top official in the Commerce and Industry ministry said: The Department of Industrial Policy and Promotion (DIPP) will soon start consultations for the proposed changes with the concerned departments, including Health. It will soon move the draft Cabinet note. The changes to be brought will prospective in nature, the official said, adding the current policy was not serving its objectives and it needs to be changed in order to ensure affordable drugs to the general public.
Multi-national companies (MNCs) which are acquiring domestic firms have spent less than one per cent of their total sales in R&D in India. They are doing only clinical trials in India and not actual drug development work, the official added.

As part of the proposed changes, the Health Ministry would be asked to suggest whether any specific critical verticals in the sector should be retained only with the Indian companies in case of M&As, the official said.

Eurozone GDP registers strong growth

The biggest economies in Eurozone, France and Germany, recorded strong growth in Gross Domestic Product (GDP) during the second quarter of 2013, data from European Union's statistics office Eurostat revealed.

Germany recorded the strongest economic expansion in more than a year by registering a growth of 0.7 per cent while the French economy grew by 0.5 per cent.

The UK also registered a growth of 0.6 per cent. In July, the UK's Office for National Statistics said the country's economy has picked up pace in the second quarter by registering a 0.6 per cent expansion over the first quarter, with all its major components registering positive growth for the first time since the third quarter of 2010 (See: UK GDP growth quickens to 0.6% in Q2).

The other major gainers were Czech Republic (0.7 per cent), Finland (0.7 per cent), Lithuania (0.6 per cent), Latvia (0.5 per cent), and Poland (0.4 per cent).

France and Germany's growth figures are good signs for Eurozone's growth, analysts said.
Meanwhile, the Euro area and EU 27 GDP rose by 0.3 per cent during the second quarter of 2013, compared with the previous quarter, according to flash estimates. In the first quarter of 2013, growth rates were -0.3 per cent and -0.1 per cent, respectively.

Compared with the same quarter of the previous year, seasonally adjusted GDP fell by 0.7 per cent in the Euro area and by 0.2 per cent in the EU27 in the second quarter of 2013, after -1.1 per cent and -0.7 per cent, respectively in the previous quarter.

During the second quarter of 2013, GDP in the United States grew by 0.4 per cent compared with the previous quarter. Compared with the same quarter of the previous year, the US GDP rose by 1.4 per cent.
According to another estimates released by Eurostat yesterday, the seasonally adjusted industrial production1 grew by 0.7 per cent in June 2013 compared with May in the Euro area and by 0.9 per cent in the EU27.

In June 2013, production of durable consumer goods grew by 4.9 per cent in the euro area and by 4.2 per cent in the EU27 compared with May.

Capital goods increased by 2.5 per cent in both zones. Intermediate goods rose by 0.5 per cent in the euro area and by 0.8 per cent in the EU27. Non-durable consumer goods fell by 0.6 per cent and 0.3 per cent, respectively. Energy dropped by 1.6 per cent in the euro area and by 1.3 per cent in the EU27.
Among the member states for which data are available, industrial production rose in fourteen and fell in eight. The highest increases were registered in Ireland (+8.7 per cent), Romania (+5.7 per cent), Poland (+3.1 per cent), Germany and Greece (both +2.5 per cent), and the largest decreases in the Netherlands (-4.1 per cent), Portugal (-2.8 per cent) and France (-1.5 per cent).