Vol 2, Issue 28 Weekly September 20, 2012

NICCI e-Newsflash

Inside this issue:

IB to start TIA upgrading project afresh	2
High-level team to visit Beijing to finalize regional airport in Pokhara	3
NEA to hold study on 10 reservoir projects	3
Independent debt mgmt office proposed	4
Govt starts Agricultural Dev Strategy consultation, to be launched next year	5
Private sector calls for apt farm policy	5
Nepal to push for simplification of quarantine rule, fertilizers supply	6
Govt mulling for house pooling project in Kath in 1 billion investment	7
MRP provision officially comes into effect7	7
NRB bans traders from extending hire purchase loans	8
NADA Auto Show opens in high gear	8
Nepal asks China for $633m to build Upper Arun, Tamakoshi	9
Domestic airlines carry 801k passengers in H1, 2012	10
KL Tower to open on Oct 8	10
India Opens Door to Foreign Investment	11
FDI in retail sector to create 10 million jobs in 10 years: Report	11
FDI in aviation will increase risk of competition: Report	12
India fourth most economically confident country in world: Ipsos	12
Delhi, Mumbai world's cheapest cities – survey	13
Food ministry planning to sell additional 5 million tonne wheat	13
IDFC Alternatives invests Rs 155 crore in Parag Milk Foods	13
Demand for star rated consumer appliances soars	14
Infosys may replace Tata Consultancy	15
Mercedes Benz to launch B class with sub-IRs 25 lakh price tag	16
'China GDP growth seen 7.7-7.8 percent in 2012'	16
Eurozone finance ministers optimistic	17
Austerity prompts general strike in Greece	17
120th Bank of England Governor's job through advertisement for first time	18

Government agencies can promote local goods

The Finance Ministry is currently studying the technical aspects of using domestic products at government agencies, according to it. "The ministry is carrying out a technical study to identify the possibility of using domestically produced goods at public entities," said spokesperson of the ministry Rajan Khanal.

"The ministry is studying the possible legal hurdles in using domestically produced goods at public entities," he said, adding that it will recommend the government to remove such hurdles to encourage domestic products at public entities.

A legal hurdle, especially created by the Public Procurement Act, is the main problem in promoting domestic products at public enterprises, according to Khanal.

Government agencies cannot buy domestic products at present if the products manufactured in the domestic market are costlier than foreign products, according to the Public Procurement Act.

Similarly, the ministry will also study the provisions of Public Procurement Regulation and international bidding practices, he said.

The government's policy should also be compatible with the norms and regulations of World Trade Organisation (WTO), said Khanal, adding that the ministry's study will also present detailed aspects on whether or not WTO provisions will allow the country to promote domestic products at government agencies.

Earlier, caretaker prime minister Dr Baburam Bhattarai had vowed to introduce a provision for government entities to mandatorily purchase domestically produced goods if even if they are up to 15 per cent costlier than similar imported products.

Bhattarai – who is largely believed to be a 'populist' — had introduced similar policies earlier too to encourage domestic products at government agencies. During his tenure as finance minister in 2008, he had planned to develop the Hetauda Textile Mills as a factory producing textiles to be used by Nepal Police, Armed Police and Nepali Army. Similarly, he had also planned to make it mandatory for government agencies to purchase tyres manufactured by Gorakhkali Rubber Industries in the budget of 2008-09.

According to the Finance Ministry, the latest provision will help promote cottage and small industries in the country.

Currently, around 110,000 cottage and small industries are operating in the country, and have been contributing in creating jobs and also to the national economy, the Finance Ministry said.

According to entrepreneurs, of the total merchandise imports of Rs 461.67 billion during the last fiscal year, the government spent around Rs 70 billion in imports. "If the government could reduce the figures by half, the domestic industries could benefit as they will receive a moral boost apart from creating more employment in the country," they argued. ♦

Nepal in International Railway Network

Nepal has been formally connected with the international railway network from 4th June 2012. United Nation's Inter-Government Agreement about Trans-Asian Railway Network has been implemented from that date in Nepal. "After having approved the agreement under the UN Economic and Social Commission for Asia Pacific (UNESCAP) Nepal was connected with worldwide railway network" said Ram Kumar Lamsal, Director General of Department of Railway. "Now the expansion of railway line by Nepal has been an obligation" he added.

Contd on page 2

Nepal in International Railway ....

The agreement was signed at minister level conference on transit of UNESCAP held in Busan of South Korea in year 2006. The then minister of physical planning and construction Gopal Man Shrestha and secretary Narayan Silwal had participated in that conference. "As per the UNESCAP provision, once the agreement duly ratified by the government with the signature of President, Prime Minister or Minister of Foreign Affairs, it has to be sent to United Nations and it becomes automatically effective 90 days after arrival of the agreement to the table of the Secretary General of United Nations. As per this provision, the agreement has been implemented in Nepal with effect from 4th June 2012 and it is treated as international treaty" said Lamsal. After being member of the railway network, any Asian and European countries can use the railway network of Nepal without hindrance.

In the beginning of 1990's decade UNESCAP had decided to make international railway network in Asian countries. Asian countries had agreed in this agreement to use such railway networks to extend their trade in Asian-European countries. To give proper formality, minister level conference on transit held in Busan had announced the manifesto on transit development in Asia-Pacific region. "If the railway network developed properly in Nepal that agreement can be very helpful for the expansion of trade" said Lamsal. ♦

IB to start TIA upgrading project afresh

The government is preparing to start afresh the process of selecting a contractor for upgrading and handing over management of the Tribhuvan International Airport (TIA) after its bid to handover the project to an Indian firm failed.

The Investment Board (IB), entrusted to execute the project, preferred to go for the fresh bidding after Attorney General (AG) Mukti Pradhan and other experts suggested it shelve the previous initiative and restart the procedures again.

The IB previously had prepared to handover the project to the Indian company Infrastructure Leasing & Financial Services Limited (IL&FS) in July. But the decision drew strong criticism mainly as the contractor was handpicked, without inviting bid. The Supreme Court too issued a stay order on the decision, citing that the move was against the Investment Board Act - 2012.

Following the hiatus, the Board had recently expedited consultations with the AG and other lawyers on how to move ahead the TIA project.

"The suggestion of the AG and others to the IB was to move forward the project through a new bidding process. Hence, it is presently undertaking exercises in this direction," a high level source at the Office of the Prime Minister and Council Minister (OPMCM) told.

CEO of the IB Radhesh Pant confirmed consultations with the AG and senior government officials. "The project is an important one. Hence, we are serious about executing it," said Pant.

He also confirmed that the opinion of the experts he consulted was to go for competitive bidding. But he did not shed light on IB´s position on the case. "We have not yet taken any concrete decision on whether to go for new bidding," he said and also preferred not to divulge IB´s plan.

Upgrading and management handover of the TIA was one of the 14 high-priority projects that the government handed over to the IB in May. The IB was entrusted to implement them under fast-track mode.

"The three projects, namely Second International Airport at Nijghad, Kathmandu-Tarai Fast Track and TIA Upgrading and Management Handover Projects complement each other. Hence, our opinion is that these projects should go hand-in hand in order to maximize their utility and generate profit," said Pant.

Presently, the Civil Aviation Authority of Nepal (CAAN) is looking after the TIA management. The project to upgrade and enhance the capacity of the sole international airport is being carried out under Asian Development Bank´s (ADB´s) assistance of $ 80 million, including US$ 70 million in loans and US$ 10 million in grants. The government has also invested $30 million in the project.♦

High-level team to visit Beijing this week to finalize regional intn'l airport in Pokhara: PM

Prime Minister Baburam Bhattarai on Monday said a high-level Nepali delegation will visit Beijing this week to resolve complications in the proposed regional international airport in Pokhara.

Work on the project has stalled since the revelation that the lowest bidder quoted 85.5 percent higher than the government's estimated cost. Bhattarai said the team will be mandated to sign a project agreement in China after resolving all technical and legal complications. "The construction of the airport will begin under a new process," the Prime Minister said. "The national priority project will be constructed at any cost."

He said due to some procedural complexities, the government was unable to take a concrete decision on the project. "We held a discussion with the Chinese ambassador on Sunday on the issue," he said. The Tourism Ministry and the Civil Aviation Authority of Nepal (CAAN) were in a dilemma after the lowest bidder, a Chinese company, quoted $305 million for the project, against the government estimated $170- $180 million.

Bhattarai said the confusion on the airport model and bidding system complicated things. Under the Public Procurement Act, procurement is done after signing a contract, but under the Engineering Procurement and Construction (EPC) model, contractor is selected first and rest of the work is done latter. Contradiction between the two Acts created the confusion.

Similarly, a misunderstanding on the project model prompted Chinese companies to bid high, he said. The construction of airport was planned under the 4D model, but the Chinese companies understood it as 4E model. Project cost for a 4D model airport is estimated to be around $169 million, while the cost for a 4E model airport stands at around $287 million. "Now both sides are clear about the airport model," said the Prime Minister.

A 4D model airport can accommodate Boeing 757 and Airbus 320, while a 4E model can also accommodate wide-body aircraft like Boeing 777. Bhattarai said the team will also hold a discussion with the EXIM Bank of China. The government plans to borrow loans from the Bank to develop the project. The bank has pledged soft loans for the project.

Pokhara locals have been staging a relay hunger strike for several weeks to pressure the government for an immediate decision. PM Bhattarai also urged the agitating groups to withdraw their protests.

On February 9, 2012, CAAN had invited bid for the execution of the project under the EPC model, and extended the deadline twice following the intervention by the Commission for Investigation of Abuse of Authority. The government was scheduled to sign a loan agreement with the Exim Bank of China on August 20 after selecting a contractor. However, the project ran into controversy over its spiraling cost.

The government and the Japan International Cooperation Agency conducted a detailed study for the project in 1989. It had proposed a runway 2,500m long and 50m wide, a terminal and a cargo building. Construction of the airport, which was expected to be completed in four years, was estimated to

NEA to hold study on 10 storage-type projects

The Nepal Electricity Authority (NEA) has selected 10 storage-type hydropower projects with a collective capacity of 2,652MW to carry out a feasibility study.

The 10 projects are among the 31 projects approved by the Japan International Cooperation Agency (JICA) for further study. NEA had conducted a pre-feasibility study on 65 projects last year under the funding from JICA, of which 31 projects were approved, NEA officials said.

"As these projects were found to be the most appropriate and viable in terms of financial, technical and geographical aspects, a feasibility study will be carried out on them," said Sunil Dhungel, director of NEA's Power Development Division.

Currently, NEA does not have a project that can immediately go into the construction phase. "In the absence of a project at hand, NEA is not in a position to open survey licence for project development," said a high-level NEA source, adding that JICA will fund feasibility study.

The NEA source said among the 10 projects, five are located in the Western River Basin area, while Eastern River Basin and Mid River Basin areas will have three and two projects, respectively.

"These projects have been identified as per the set criteria," said Dhungel. "Among them, the most significant projects will be studied with first priority."

The 10 storage-type projects are:

Project	Capacity
Madi Khola	199 MW
Lower Jhimruk	142 MW
Nalsinghgadh	400 MW
Chehera-I	149 MW
Naumure	245 MW
Dudhkoshi	300 MW
Sunkoshi-III	536 MW
Khokhajor	111 MW
Adhikhola and	180 MW
Lower Badhigad	380 MW

Contd on page 4

NEA to hold study on 10 storage-type ....

NEA officials said the feasibility study will begin within the next three months and is expected to be completed by 2014.

Anup Kumar Upadhya, spokesperson for the Ministry of Energy, said an action plan on the development of storage projects was prepared with JICA's technical and financial support during Gokarna Bista's tenure as energy minister. "Other projects will also be studied gradually," he said.

NEA, of late, is concentrating on storage-type projects as the traditional run-of-the-river projects have proved ineffective during the dry season. "Storage-type projects will be an effective long-run solution to power crisis," said Upadhya.

NEA so far has issued survey licences to independent power producers for projects with a collective capacity of 11,645MW electricity, but all the projects are run-of-river (ROR) type.

NEA is also studying 14 projects with total capacity of about 4,000MW. Of them, 11 are storage-type projects. Among the 14 projects, Desk study is being carried out on three projects, pre-feasibility study on two, and feasibility study on seven. NEA is preparing a detailed project report (DPR) on two projects. ♦

Independent debt mgmt office proposed

A report prepared by the Financial Comptroller General´s Office (FCGO) has recommended formation of an independent debt management office to ensure efficient handling of the country´s debt burden and activities related to debt servicing.

The advice comes at a time when the government has started to feel that traditional debt management practices, the absence of a central body to maintain the country´s debt records, lack of market research prior to issuing debt instruments and inability to generate public awareness about debt instruments have increased the risks and cost of fund-raising for the state.

"A separate yet unified structure of debt management would streamline related responsibilities, make monetary management independent of debt management and improve the debt management capacity of the government," the report says.

Once such an office is created the government may start raising funds from international capital markets to finance the development needs of the country and support deficit financing, which is the difference between the state´s income and expenditure for a given year.

The ability to tap international capital markets for funds is considered crucial as evidence shows that domestic debt is costlier than foreign debt.

For instance, little more than two-fifths of the country´s debt stock is domestic. But interest cost for domestic debt servicing makes up 77 percent of the total amount allocated for debt repayment, the report says. "This makes domestic debt four times costlier than foreign debt," it adds.

Although the report acknowledges that foreign debt is prone to exchange rate vulnerabilities, it says proper research and analysis can minimize such risks, for which "a different debt management is required."

The need for an independent office has been felt as the current credit management function is scattered, with Nepal Rastra Bank keeping tabs on domestic debt, while the Ministry of Finance´s Foreign Aid Coordination Division keeps records of foreign aid and debt. The FCGO, meanwhile, keeps records of both foreign and domestic debt.

The draft of the report, which has been forwarded to the Finance Ministry for further consultations, has suggested that the responsibilities of different government bodies, with regard to debt management, be transferred to the proposed debt management office. These would include debt management tasks performed by the Finance Ministry´s Economic Operations and Policy Analysis Division, according to the report.

"In addition, the scattered legislative arrangements and regulations need to be streamlined and recast so that debt management responsibility is efficiently discharged through one window," the report says.

To ensure that the responsibilities of the debt management office are equally divided, the report has suggested creation of front, middle and back offices at the proposed office.

"The front office should be responsible for debt mobilization and management functions. This office should also see whether laws, rules, regulations and guidelines are being followed while negotiating new loans and issuing new debt instruments," says the report.

The middle office, on the other hand, should be responsible for analyzing risk, the report says. This office should be entrusted with the task of conducting portfolio analysis and debt sustainability studies, formulating borrowing policy, plan and strategy, and designing policy for issuance of government guarantees, the report adds.

Lastly, the back office should be responsible for maintaining debt database, debt servicing and preparing statistical reports.

According to the report, the proposed office should be headed by a civil servant with an accounting background. ♦

Govt starts Agricultural Development Strategy consultation, to be launched next year

The government has started consultation for the planned Agricultural Development Strategy (ADS). "The strategy study has identified potential for the country's agriculture sector to achieve higher productivity, competitiveness, inclusiveness, and sustainability while making it more resilient to climate change impacts," said ADB's country director for Nepal Kenichi Yokoyama during a workshop to discuss vision and policy options for Agricultural Development Strategy organised by Ministry of Agriculture Development, with financial assistance from Asian Development Bank (ADB) and 11 development partners here today.

Agriculture is the main source of livelihood for most of the Nepalis but traditional agriculture offers few opportunities for the rural youth, prompting more than 1,600 to leave the country every day in search of greener pastures in foreign job destinations.

"The government recognises the importance of transforming agriculture," he said, adding that the discussions during the workshop have brought the government, stakeholders including farmer organisations, and development partners closer to shaping a viable strategy for the sector.

Agriculture is the main source of livelihood for most of the Nepalis but traditional agriculture offers few opportunities for the rural youth, prompting more than 1,600 to leave the country every day in search of greener pastures in foreign job destinations.

Nevertheless, Nepal has high potential for exporting high-value agricultural products such as fruits and vegetables, seeds, tea and coffee, medicinal plants and essential oils, and dairy products. It would increase opportunities for farmers and agribusinesses.

Strategy currently being developed by government aims to guide the process of agricultural transformation over the next 20 years by increasing labour and land productivity while promoting exports.

Started in April 2011, it has so far completed thorough sector assessments, and drafted a sector vision and policy options, which were discussed during the workshop. On the basis of these, a comprehensive strategy and implementation plan will be developed by March 2013.

"Successful reforms require enthusiastic supporters and champions to drive the process forward, hailing the enthusiasm and commitment at high political level across all political parties to carry the reform process forward. Over the next months the strategy must develop a detailed strategic plan to translate political commitment into effective implementation. The plan must reflect the highly diverse opportunities and needs across Nepal from lowland Terai to the high Himalayas," former prime minister of New Zealand James Bolger said.

Chaired by vice chair of National Planning Commission Deependra Bahadur Kshetry, the workshop saw the participation of the former prime minister of New Zealand James Bolger, finance secretary Krishna Hari Baskota and representatives from various organisations.

In 2011, ADB, in a co-financing partnership with the International Fund for Agricultural Development, provided the initial grant to help the government prepare the strategy.

Preparation of the strategy has been financially assisted by 10 additional development partners. Presently its implementation is driven by Ministry of Agriculture Development, and guided by a high powered steering committee co-chaired by Finance Ministry and Ministry of Agriculture Development. ♦

Private sector calls for apt farm policy

The Nepal Chamber of Commerce (NCC) on Monday said the government should encourage private sector investment in agriculture through appropriate policy. NCC stressed on the need for amending the existing agriculture policy to create conducive environment for the private sector's engagement in the agribusiness. "We are ready to work with the government for the development of the agriculture sector under the public-private-partnership model," said NCC's President Suresh Basnet at an interaction on 'Agribusiness Promotion'.

Contd on page 6

Private sector calls for apt farm ……………

The private sector body also said the existing policy does not address the risks inherent in engaging the private sector in the farm sector and as a result, the country has not been able to take advantage of the opportunities in the agriculture sector. NCC urged the government to bring a policy that facilitates both the private sector and farmers to market access, provide loans in nominal interest rates, set up organic and chemical fertiliser factories, among others. "The government should initiate the process for setting up fertiliser factories in collaboration with the private sector," Basnet said. NCC underscored the need for setting up a buffer stock of food grains. "The private sector is ready to invest in the buffer stock under the PPP model."

Uddav Adhikari, representative of farmers' associations, said the country imported seeds worth Rs 5 billion last fiscal year, which clearly shows that the country has a huge potential in seeds production. Adhikari said the agriculture sector employs the country's large population, but discouragingly, 70 percent farmers hold only 30 percent of arable land.

Highlighting the importance of research and extension in the farm sector, the Nepal PhD Association, a multidisciplinary research group of professionals and experts, said they are ready to work with NCC and the government for the development of the country's agriculture sector.

Nepal to push for simplification of quarantine rule, fertilizers supply

Amid frequent problems faced by the Nepali traders in exporting animal products due to strict Chinese quarantine rules, Nepal is preparing to push the northern neighbor to simplify its quarantine procedures when the two sides convene for agricultural ministers´ meet in two weeks in Kathmandu.

Senior officials at the Ministry of Agriculture Development (MoAD) said the issues and agendas of the high-level bilateral talks scheduled from September 30 to October 2 are yet to be finalized. "But quarantine related hassle faced by Nepali exporters will definitely feature at the top of our agenda," said the source.

Dr Ganesh Raj Joshi, secretary of MoAD will be leading the talks on behalf of the Nepali government, while Niu Dun, Chinese Vice Minister for Agriculture will be leading the Chinese seven-member delegation. They are expected to discuss areas of cooperation and also focus on addressing problems seen in trade of agriculture products between the two neighbors, the source told.

The MoAD have decided to raise problems of quarantine mainly after sporadic cases of disputes surfaced over the quarantine of Nepali animal products by the Chinese officials. "Our efforts will be aimed at convincing the Chinese sides to simplify the rule so that Nepal´s animal products could find access to the Chinese markets," said the source. Despite huge potential to export animal products, mainly meats from Nepal to Tibet, its exports have not been smooth due to complicated quarantine system put in place by the Chinese customs officials.

Similarly, Nepali officials are also requesting China to sell chemical fertilizers to Nepal, which has been facing frequent shortage due to unreliable sources of imports. "Amid increasing demand from our farmers and absence of reliable sources of supply, we are proposing China to sell chemical fertilizers, as an alternative source," said the source.

Though Nepal has been importing chemical fertilizers from India and other countries, the process of procurement has been lengthy and unreliable. This has led to acute shortage of fertilizers across the country during major farming seasons.

Similarly, Nepal is also requesting Chinese officials to support strengthening the capacity of Nepal´s agriculture resource centers, improving farm infrastructures and enhancing capacity of agriculture human resources. The officials said Chinese officials have already conveyed their interest to support Nepal in enhancing its farm productivity and commercializing the animal farming, fishery and boosting agro production in hill areas in Nepal.

The official also said China´s proposed supports include commercialization of animal farming through use of improved breeds of animals such as yak, sheep and mountain goats to boost production. "Besides cooperation in animal farming, China has also shown interest in supporting us to expanding fish farming and boosting citrus fruits production and cereal products in hill districts of the country," said the source.

Nepal suffered a trade deficit of around Rs 44 billion with the world second largest economy during the fiscal year 2010/11 due to weak supply strength from Nepali sides. Major commodities being imported to China, which is Nepal´s second largest trading partner, are live plants, milled rice, wheat flour, noodles, incense sticks, hides, jewelries, mattress and vegetables, among others. Similarly, Nepal´s has been importing electronic goods, electrical items, garments, shoes, vehicles, machineries, home appliances, fruits and vegetables from China. ♦

Govt mulling for house pooling project with pvt. sector in Kath in 1 billion investment

Government is adopting a new concept of House Pooling plan for Urban Development in Nepal. "This procedure is being adopted aiming to reconstruct the houses of old residential areas" said Suresh Prakash Acharya, spokesperson of ministry of urban development. According to Acharya house pooling will be done in the investment of private Sector and government will play the role of coordinator. He also informed that the consultation with FNCCI has been completed to start that program.

"In the house pooling plan, first of all houses of old residential area will be integrated. Big and multistoried buildings will be built after pulling the integrated houses to the pool for which even single rupees need not to be paid by the local residents. After completion of the construction of buildings, apartments will be distributed to those house owners free of cost proportionately to the space with commercial value they owned earlier."

"In the house pooling plan, first of all houses of old residential area will be integrated. Big and multistoried buildings will be built after pulling the integrated houses to the pool for which even single rupees need not to be paid by the local resident" said Acharya. "After completion of the construction of buildings, apartments will be distributed to those house owners free of cost proportionately to the space with commercial value they owned earlier. The rest of the apartments after distribution to the local residents will be sold and raise the investment of the investors" said Ministry, and added that the local residents will also get certain percent of dividend proportionately to the space they earlier occupied and owned.

As a pilot project of house pooling with procedure and feasibility study has been conducted at Daisa lane at Chikamugal, one of the oldest and congested areas of mid Kathmandu,

As a pilot project of house pooling with procedure and feasibility study has been conducted at Daisa lane at Chikamugal, one of the oldest and congested areas of mid Kathmandu, Ministry said. "Preparation for integration of 86 residential houses of that area is going on" said Acharya. According to him, including house pooling and construction of buildings, an estimated cost has been calculated at Rs 1 billion and with this investment, Rs 1 billion profit margin has been expected after completion of the project after compensating distribution of apartment and sale of remaining apartments.

According to their plan, ground floor to 2nd floor will be reserved for commercial purpose and rest of the apartments will be will be distributed/sold for residential purpose. Building of housing by pulling down the old houses will make enough land remained there and that will be separated for free space with required infrastructure he said. "However, it is yet to be decided the number of storey and units of the buildings, said Acharya. He further informed that this project is to make people prosper with modern facilities like play ground, swimming pool, basement parking etc. "Having possibility of massive loss of lives and wealth by the natural disasters due to unplanned urbanization this kind of programs likely to start" Acharya said. He said such program would help maintaining the environmental balance as well. "House Pooling has been very successful in old cities of developed countries like America and other countries" said Government officials.

Convener of the Urban Development Forum and Central Committee Member of FNCCI Om Rajbhandari said "Private sector is ready to invest in well planed urban development. We are ready to invest in the project like house pooling not only in Kathmandu but other cities of the country also." He said Nepali private sector would join hand with government for such positive projects. ♦

MRP provision officially comes into effect

The government-set maximum retail price (MRP) of 15 essential daily commodities came into effect on Monday, with the government publishing a notice in the Nepal Gazette. Last Thursday, the government had fixed retail prices for rice, pulses, beans and flour and decided to offer 2 percent discount on edible oil after consultations with the Nepal Chamber of Commerce and Nepal Retailers Association. The prices were set as per the provision in the Essential Goods Control Act to control artificial price hike of daily commodities during the festive season.

"The MRP provision is now legally implemented," said Lal Mani Joshi, secretary at the Ministry of Commerce and Supplies. He said action would be taken against any trader is found overcharging customers during market monitoring. The notice also has a provision that the Department of Commerce and Supply Management would review the prices after consultations with traders' organisations every fortnight. "The department will continue market inspection especially focusing on big traders," said Joshi.

"We have not only fixed the MRPs but also set out the plan to intensify the monitoring of markets to minimize the cases of black marketeering. And, the gazette will pave the way for the government to review the MRPs every 15 days in consultation with traders," said Subedi.

As per the existing laws, those defying the MRPs will have to face up to five years in prison.

Contd on page 8

MRP provision officially comes ………..

A joint meeting chaired by Chief Secretary Lila Mani Poudel on Thursday in the presence of high ranking officials of the Ministry of Commerce and Supplies (MoCS), home ministry, agriculture ministry and representatives from private sector fixed the MRPs of four varieties of rice and two varieties each from mas pulse, lentil and mung pulses. As per the government direction, the Salt Trading Corporation (STC) is also preparing to set a maximum price for sugar and offer discount on salt.

However, private sector organisations—the Federation of Nepalese Chambers of Commerce and Industry (FNCCI) and the Confederation of Nepalese Industries (CNI)—have criticized the government move, terming it 'against the liberal economy'. Both the private sector bodies have demanded that the government roll back its decision.

FNCCI on Friday termed the government move 'against the spirit of the free market economy'. It asked the government to check illegal practices, improve supply systems and leave the market to set prices based on demand and supply. In a statement, CNI said the fixation of prices was not practical. "Fixing retail prices to control price hike will not yield desired results until the production and supply system is improved," the statement read. On the other hand, the consumer rights activists, who have been demanding for fixation of MRP have also condemned the move, saying that the pricing was much higher. ♦

NRB bans traders from extending hire purchase loans

Automobiles and electronics traders will no longer be allowed to extend hire purchase loans to customers by opening their own company in coordination with the banks and financial institutions (BFIs).

By issuing a circular on Wednesday, Nepal Rastra Bank (NRB) barred such practice making it clear that only licensed banks and financial institutions (BFIs) can collect deposit and provide loan legally.

Automobile and electronic traders have been providing hire purchase loans to their customers by opening their own company after receiving such loans in bulk from the BFIs. NRB spokesperson Bhaskarmani Gnawali said that some traders were found to have cheated borrowers under such practice for playing inter-mediatory roles. Given that the ordinary people finding it uncomfortable to approach the BFIs for loans, the traders arrange loans for with their own efforts

The central bank has barred directors, chief executive and managerial level employees of the BFIs from taking out any other types of loans except education, hire purchase, home and household loans.

In the circular, the central bank has also instructed the BFIs to adjust such loans, which had been already disbursed, within mid-July 2014. The central bank's move is aimed at discouraging them from taking out personal loans.

However, the NRB has opened the door for them to get loans against government's securities and credit card. It means a person holding government bonds can take out loans by putting them as collateral.

The central bank has also barred shareholders of any BFIs, whose stake in the BFI concerned is one percent or more and his or her firm as well as his or her partner firms, from auditing the firms that have borrowed loans from his or her BFI. "Having found such malpractices, we issued this directive to ensure corporate governance," said Gnyawali. The central bank allows 'D' class financial institutions to work as insurance agent for their loanees charging only insurance premium. ♦

NADA Auto Show opens in high gear

The eighth edition of NADA Auto Show 2012 kicked off on Wednesday at Exhibition Hall, Bhrikuti Mandap. Jointly organised by the Nepal Automobile Dealers Association (NADA) and Global Exposition and Management Services (GEMS), the five-day expo was officially inaugurated by Finance Minister Barsha Man Pun.

The auto show offers visitors information about the latest four-wheelers from half a dozen automobile brands, latest technologies, accessories, auto components, financing, insurance and exchange facilities, among other things. A total of 43 automobile companies including 24 automobile brands from China, Germany, US, Czech Republic, Malaysia, Taiwan, Japan, India and Nepal are participating in the event.

In this year's auto show, automobile dealers have spent hefty amounts in branding their stalls and given the fair an international feel. To promote automobile products manufactured in Nepal, a separate pavilion has been dedicated to Nepal-made vehicles, lubricants and auto components. There is also a collection of vintage cars targeting automobile enthusiasts.

Contd on page 9

NADA Auto Show opens ……..

Addressing the inaugural ceremony, Minister Pun appreciated the initiative of the association to uplift the overall automobile sector by organising such events. "Nepal has come along a long way in the automobile sector. However, there are various issues still to be taken care of," he said. The government will always value the contribution of the sector in nation building and come up with improved policies for the development of this sector, he added.

Focusing on issues related to the customs duty structure, Pun assured auto traders that the government would examine them and come up with a concrete agenda. "The government does not have a policy to control automobiles. Issues related with taxation have been coming around time and again. I assure you that the government will take the issue seriously and do the needful," Pun said.

NADA president Saurav Jyoti said that the relatively easy availability of auto loans and inflow of remittance had helped the automobile industry to survive. "However, the government's harsh taxation policy against the sector has been a setback for the industry," he said. He added that the government should think about road expansion rather than imposing high duties on automobile imports. Saying that vehicles were the backbone of the national economy, Jyoti urged the government to discuss the issues with the private sector before issuing new rules so that they can be implemented promptly without hassles.

"The latest initiative of the government to implement Euro 3 standard is good in itself. However, we object to the way it has been introduced," Jyoti said. "The government should give time for us to upgrade service facilities and technical manpower and assure us about the purity of petroleum products."

Senior vice-president of the Federation of Nepalese Chambers of Commerce and Industry (FNCCI) Bhaskar Raj Rajkarnikar said that automobiles in the context of Nepal cannot be identified as a luxury as most of the population is still deprived of transportation.

Meanwhile, two seminars on the two themes of the auto show—road safety and green city—will be held. "We have come up with this initiative to create awareness among the general public about road safety, traffic discipline and keeping our city clean and green," said Shekhar Golchha, vice-president of NADA. He added that all the stakeholders related to road security and green city would be included in the event. The auto expo is expected to draw more than 50,000 visitors. ♦

Nepal asks China for $633m to build Upper Arun, Tamakoshi

The government has requested the Chinese government to provide a soft loan of US$ 633 million to develop two projects, 335 MW Upper Arun and 87 MW Tamakoshi. The Finance Ministry has written to the Chinese government asking for the money as per the recommendation of the Nepal Electricity Authority (NEA).

The request for the soft loan was made as per the interest shown by the Chinese government to invest in one of the two hydropower projects in Nepal.

Finance Ministry officials said that the Chinese government had asked the ministry to identify one of the two appropriate projects for the credit. The Foreign Aid Division of the ministry had asked the NEA to propose two projects mentioning that the Chinese government was willing to provide a soft loan through China Exim Bank. Ministry officials, however, said that though the request for the soft loan had been made, its interest rate has not been determined.

"Once the Chinese side approves our request for the soft loan, negotiations will be held to fix the interest rate," said a source at the Finance Ministry. "As per the Finance Ministry's request, we have recommended the Upper Arun and Tamakoshi V projects which will be significant in reducing the growing hours of load-shedding," said Ram Chandra Pandey, general manager of the Generation Construction Division at the NEA.

He also said that these two projects had been recommended for the soft loan as their feasibility studies have been completed. "After the Finance Ministry sent the names of these two projects, the Chinese government has been learned to be positive to finance their construction.

Previously, the NEA had requested the Ministry of Energy (MoE) to finance these two projects in September 2012. NEA officials said that if the Chinese government approves the loan request, the transmission line for the projects could also be developed from it. The NEA has been planning to develop the projects on its own after the loan request is approved.

Contd on page 10

Nepal asks China for $633m to build ………

As per the proposal of the Finance Ministry, the Chinese Exim Bank will provide 85 percent of the requested amount while the government of China will provide the rest. The NEA had carried out a feasibility study for both these run-of-the-river (ROR) projects in 1999. "We have already asked the MoE for permission to develop the projects on our own," added Pandey.

The Upper Arun Hydropower Project lies in Sankhuwasabha district in the Eastern Development Region. It has a firm capacity of 250 MW which is about 75 percent of the installed capacity. The total cost of the project is estimated to be US$ 500.79 million. "This project will add 2,050 GWh of energy annually to the national power grid which will be a milestone to fulfill the power demand of the load centres of the Eastern Region minimizing transmission loss, according to a report of the feasibility study. The construction duration of the project will be four and a half years.

Meanwhile, the total project cost of Tamakoshi V is estimated to be US$ 131.99 million, and it will take four years to be completed. This cascade project is located in Dolakha district of Janakpur Zone in the Central Development Region. The total power generation of this project will be 428.26 GWh per year. ♦

Domestic airlines carry 801k passengers in H1, 2012

Domestic air passenger movement grew 5.35 percent to 801,769 in the first six months of 2012 compared to the same period last year. Aircraft movement, however, dropped 9.42 percent during the same period. Aviation watchers have attributed the trend to airlines, particularly Buddha Air, flying larger aircraft and carrying more passengers at a time.

According to Tribhuvan International Airport (TIA), 794,828 passengers flew on seven commercial airlines and the rest on helicopters and single engine aircraft in the first six months of 2012. The Nepali skies witnessed 35,418 flights in the review period, which means that 197 domestic aircraft took off and landed in the country daily.

The first half of 2012 has been good for two airlines—Buddha Air and Yeti Airlines—in terms of passenger occupancy. The other five airlines saw a negative growth. Buddha Air recorded the strongest growth in passenger movement. The carrier flew 420,311 travellers in the first two quarters, up 33.28 percent compared to the same period last year.

The airline's fleet expansion drive has allowed it to consolidate its market share in domestic aviation. Buddha Air held a 52.42 percent market share in the first half of 2012. The carrier has targeted securing 60 percent of the market by inducting another 72-seater ATR 72-500 turboprop aircraft into its fleet.

Buddha's nearest competitor Yeti Airlines saw its passenger movement grow 2.02 percent during the review period. The carrier flew 229,292 passengers.

Yeti Air's subsidiary Tara Air saw a drop in passenger carriage of 18.13 percent in the first six months. The carrier flew 34,435 passengers during the period.

Agni Air, which recorded a growth of 7.76 percent in the first quarter of 2012, saw its passenger carriage fall 19.11 percent in the first six months. Similarly, Nepal Airlines, Guna Airlines and Sita Air saw their passenger movement drop 21.30 percent, 77.30 percent and 57.79 percent in the first half of 2012 compared to the corresponding period last year. ♦

KL Tower to open on Oct 8

KL Tower, a shopping mall-cum-multiplex, is all set to open formally in Chuchchepati, Kathmandu, on October 8. The 10-storey mall has already opened a departmental store on its ground floor, while branded stores, a revolving viewing tower on top of the building, and a conference hall will be opened on the official launch day.

Mainly targeted at local residents, the almost completed tower, is now working on interior and almost all the shopping units have received booking. Spread over 150,000 sqft, the mall has allocated the ground floor a departmental store; first floor for branded showrooms; and second and third floors will showcase readymade garment and other accessories. While a game zone will be the attraction on the fourth floor, the fifth will house a food court with 15 stalls capable to serve 1,500 people at a time.

The revolving viewing tower on top of the building with a standard restaurant, which the company claims to be the first of its kind in Nepal, will allow visitors to view the panoramic view and cultural heritage of the Kathmandu valley using telescope. ♦

India Opens Door to Foreign Investment

The government of India ushered in the biggest economic reforms in two decades on Friday and opened the FDI floodgates — across sectors ranging from aviation to retail, and media to power — allowing big foreign retailers like Walmart, foreign broadcasters and foreign airlines to invest in the country, in a single stroke, among other reforms. In another step signaling a reform push, could fetch the exchequer around Rs 15,000 crore, disinvestment in four PSUs — Nalco, MMTC, Hindustan Copper (HCL) and Oil India — was also okayed by the Union Cabinet.

The central government, led by the Congress Party, is under heavy pressure to kick-start India's slowing economy, boost employment and improve the country's shambolic infrastructure. Bringing in big foreign brands, like Walmart which can now open stores in India in partnership with a local company, is expected to help.

"The objective of the policy was to attract investment, create local manufacturing and employment," said Anand Sharma, the minister for commerce and industry, during a press conference in New Delhi Friday evening, explaining the changes.

Mr. Sharma noted that the implementation of the new policy has been left entirely to the "decision and discretion" of the state governments. The government has allowed single-brand foreign retailers, like Gap or Ikea, to open stores in India that they will own 100 percent. So-called "multi-brand" retailers, or stores like Walmart or Tesco, will be allowed to open stores in India and own 51 percent of these (Walmart already has a wholesale store in India).

Domestic airlines, in screaming need of funds, 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 on single-brand retail, too, has been diluted to clear the way for the likes of the euro 25-billion Swedish furniture company IKEA to set up shop and invest freely in India.

The government's FDI spree didn't end there —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.

The move comes a day after the government showed its guts by raising the diesel price by Rs 5 a litre and capping subsidised LPG for a consumer at six in a year. ♦

FDI in retail sector to create 10 million jobs in 10 years: Report

Foreign direct investment in the retail sector is likely to create as many as 10 million jobs in a span of 10 years, making it the largest sector in organised employment, says a report.

According to Indian Staffing Federation (ISF), an apex body of the flexi staffing industry in India, FDI in retail can create around 4 million direct jobs and almost 5 to 6 million indirect jobs including contractual employment within a span of 10 years.

ISF welcomed the government's move to allow entry of Foreign Direct Investment (FDI) in the retail sector and said that this will give a boost to organised retail and will have a positive impact on employment generation.
In a big ticket reform measure, the Cabinet and CCEA on last Friday, cleared FDI in multi-brand retailing and aviation as well as disinvestment in four PSUs.

"It is expected that the impact of the FDI in retail will have a much wider impact on organized employment than what happened in IT 12 years back as it shall open doors for less skilled and less educated people as well. The impact shall be far and wide and all across country," ISF said.

Logistics and supply chain companies are also expected to grow as they will be the link between small manufacturers, producers and farmers and the organized retail chains, and thereby help them get higher returns for their supplies.

This close integration with the organized retail chains will also help small-time producers in gaining access to the latest technologies, systems and processes, hence, enabling them to maximize their profits. After the opening up of the retail sector the only challenge there will be is to create enough skilled workers to cater to the demand that shall follow, ISF said.

However, the complexities involved could delay this process, with benefits not expected to accrue in the next two to three years. India Ratings at present has a negative outlook for the retail sector, and the recent guidelines though prove positive in the longer term may not alleviate debt pressures in the short term.

The new policy is approved in nine states - Delhi, Assam, Maharashtra, Andhra Pradesh, Rajasthan, Uttarakhand, Haryana, Manipur and Jammu & Kashmir and two union territories - Union Territory of Daman & Diu and Dadra and Nagar Haveli. Retailers planning to partner with foreign investors would be able to operate stores in states approving of the FDI policy. ♦

PTI, New Delhi / TNN, Mumbai

FDI in aviation will increase risk of competition: Report

"With the government of India permitting foreign airlines to take up to 49% in domestic carriers, this would not necessarily change the operating environment or the financial stress the industry is facing in the near term. Also, in longer term when operating environment eases, this would lower the entry barrier into the sector thus increasing the risk of competition," a recent report by Bank of America Merrill Lynch said.

Moreover of the five private domestic carriers, three can be potential targets for foreign carriers, namely SpiceJet, Go Air and Kingfisher. Indigo and Jet already have more than 49% foreign stake making them ineligible for any further foreign investments.

"Among the eligible carriers, we believe SpiceJet is best placed to attract foreign direct investmenton account a wider network and better market share," the report said.

The report also stated that Kingfisher would struggle to attract investment in the near term on account of a large outstanding debt ($1.8 billion), a smaller market share and a large proportion of impaired fleet. And even though India is one of the fastest growing aviation markets, many foreign carriers haven't still evinced interest in investing in the Indian aviation sector on account of higher taxes and levies, tough regulatory environment and government support to Air India.

"However, some of the Gulf based carriers may like to take stake in Indian carriers in order to get additional traffic from India to their hubs in the Middle East," the report added. ♦ TNN, Chennai

India fourth most economically confident country in world: Ipsos

India's economic confidence has shot up by 8 points to 68% in the month of August compared to the previous month, according to the 'Ipsos Economic Pulse of the World' survey. This makes India the fourth most economically confident country in the world after Saudi Arabia, Sweden and Germany.

India's economic confidence, said a report by Ipsos, has got a major boost due to recent big-bang economic reforms such as the hike in diesel prices, FDI in retail, aviation and broadcasting, disinvestment in 4 public sector undertakings and cut in cash reserve ratio (CRR) by the ReserveBank of India (RBI).

Mick Gordon, CEO of Ipsos in India said, Union Government of India unleashed a burst of economic policy reforms that included steep rise in heavily subsidized diesel price, limit on cooking gas subsidy for consumers and foreign investments into critical sectors such as aviation and retail, raising the hope that expected fiscal breach will now be lower and investments will pick up.

Borrowers could see better days ahead as banks are expected to cut lending rates following the RBI's decision to unlock Rs 17,000 crore by slashing CRR by 25 basis points. The liquidity infusion would ensure adequate flow of credit to productive sectors of the economy.''

Slightly less than a half of Indian citizens (48%) believe their local economy which impacts their personal finance is good, a marginal rise of 2 points and an optimistic 53% people expect that the economy in their local area will be stronger in next six months.

The online Ipsos Economic Pulse of the World survey was conducted in August 2012 among 20,915 people in 24 countries.

The average global economic assessment of national economies remains static from last month as 38% of global citizens rate their national economies to be 'good'. Countries with the strongest proportion of citizens expecting their local economies to be 'stronger' six months from now include Brazil (65%) followed by India (53%), Saudi Arabia (47%), Mexico (41%), Argentina (40%) and China (38%).♦

Delhi, Mumbai world's cheapest cities – survey

Oslo is the most expensive city in the world, ahead of Zurich and Tokyo, but the well-paid residents of the Swiss financial hub enjoy the greatest purchasing power, according to a study released on Friday. The cheapest places to live were Delhi and Mumbai.

The annual survey of 72 cities by Swiss bank UBS(UBSN.VX) found its own hometown had the world's highest average wages and the biggest purchasing power.

The study examined the price of a basket of 122 goods and services, adjusted for currency fluctuations. The cost of living index was calculated by dividing the price of goods by the weighted net hourly wage in 15 sectors.

"In Tokyo it takes nine minutes of work to earn enough to buy a Big Mac, while in Nairobi it takes 84 minutes," it said.

Zurich residents must work 13 minutes for the hamburger, but other goods were relatively cheaper than in Tokyo, putting the Swiss city top of the purchasing power index.

"Workers in Zurich can buy an iPhone after 22 hours work; in Manila, by contrast, it takes around 20 times longer," UBS said.

Workers had to toil 42 minutes in Istanbul and 29 minutes in Shanghai for a Big Mac, while in New York and Hong Kong just 10 minutes were required.

The cheapest places to live were Delhi and Mumbai. New York was the sixth most expensive, Moscow came in at number 40 and Shanghai at 49.

The survey also looked at working hours and found the shortest were in Paris, Lyon and Copenhagen. Workers in Asia, Africa, the Middle East and South America toil the longest, at over 2,000 hours per year, it found. ♦

Food ministry planning to sell additional 5 million tonne wheat

The food ministry is planning to sell additional 5 million tonne wheat in the open market to bulk consumers like flour millers and biscuit makers in a bid to check rising prices and offloading the surplus stock.

We are planning to release another 5 million tonnes of wheat to bulk consumers under the open market sale scheme (OMSS)," food minister KV Thomas told reporters.

In June, the government had allocated sale of 3 million tonne wheat from its godowns under the OMSS to ease storage pressure during the monsoon season. If the proposal to sell additional 5 million tonne is approved by the government then the total quantity of wheat to be sold would reach 8 million tonne in this fiscal. So far, the government has released about 1.3 million tonne wheat since mid-July, with another 1 million tonne to be released in this month.

Food Corporation of India (FC), the government's nodal procurement agency, sold wheat initially at a floor price of Rs 1,170 per quintal under OMSS through a tender process. The base price was hiked to Rs 1,285 a quintal in August. The government's move to release wheat under OMSS has helped in checking the rising wheat prices that are in the range of Rs 15.50-22 per kg in the wholesale market as against Rs 16.25-23 per kg last month.

India harvested a bumper wheat crop of 93.90 million tonne in the 2011-12 crop year (July-June) with government procurement hitting a record 38.1 million tonne. The stocks of wheat in the central pool stood at 46.16 million tonne at the end of August 2012. ♦

IDFC Alternatives invests Rs 155 crore in Parag Milk Foods

IDFC Private Equity Fund III, managed and advised by the Private Equity (PE) Group of IDFC Alternatives (previously known as IDFC Private Equity) , has invested Rs 155 crores in Parag Milk Foods. This is one of the largest PE deals in the dairy sector in the country.

This is the second investment for the fund in rural infrastructure and the first by IDFC PE in the dairy sector. Parag is one of the leading private dairy companies in the country and markets its products under the 'Gowardhan', 'GO' and 'Pride of Cows' brands.

Contd on page 14

IDFC Alternatives invests ......

The proceeds from the deal will be used to build capacities in various product lines, strengthen the procurement infrastructure and provide part exit to existing investors-Motilal Oswal PE, who invested in the company in 2008.

"Parag Milk has created strong pan-India brands. It has strengths across procurement, processing and distribution which are unique among private sector dairy companies," said Girish Nadkarni, Partner, IDFC Alternatives. "Parag is committed to bring new and exciting products to the market and emerge amongst the top value-added food companies in India," said Devendra Shah, Chairman, Parag Milk Foods.

Parag, which has a strong market position in cheese and ghee with many leading pizza chains as its customers, processes close to 11 lakh litres of milk per day across its two plants in Manchar near Pune and Palamner in Andhra Pradesh. The company, which closed last fiscal with a turnover of Rs 880 crore, has one of the largest cheese plants in Asia with a capacity to produce 40 tonnes per day. ♦

TNN, Coimbatore

Demand for star rated consumer appliances soars with rising power tariffs: ASSOCHAM

With inflated electricity bills pouring in since July 1, 2012 onwards in Delhi, an interesting positive outlook for growth is emerging in the star-rated energy efficient products and services for homes and industries according to a survey by apex industry body ASSOCHAM

The Associated Chambers of Commerce and Industry of India (ASSOCHAM) conducted a quick random survey of home, electronics and kitchen appliances' dealers, store managers in leading markets of Delhi to ascertain if the recent move of the Delhi Electricity Regulatory Commission (DERC) to allow electricity distribution companies in the city to raise the domestic, commercial and industrial power tariff by 24.15%, 19.49% and 20.2% respectively has had any effect on the sales of energy efficient appliances and consumer durables.

The ASSOCHAM representatives interacted with about 80 dealers, manufacturers and store managers of consumer appliances at Ashok Vihar-Model Town (North Delhi), Darya Ganj (Central Delhi), Vikas Marg (East Delhi), Yusuf Sarai (South Delhi), Rajouri Garden-Tilak Nagar (West Delhi) and sought their feedback on the massive electricity price hike by the Delhi government. "About 56 respondents of the total said that the sector comprising energy efficient home appliances has witnessed a surge of about 15-20 per cent as households in Delhi are gradually discarding their excessive energy consuming appliances considering that household electricity bills in Delhi have risen by as much as a quarter since July 1," highlights the ASSOCHAM survey.

"This move by the DERC is likely to generate significant revenue opportunities for the players in the consumer appliances' sector who of late have been grappling with a double whammy of soaring input cost inflation and rupee depreciation," said Mr D.S. Rawat, secretary general of ASSOCHAM while releasing the findings of the survey. Majority of respondents said they have witnessed a huge demand after introduction of power saving appliances as ever-rising costs of power are eating into the household budgets and adding to the input costs of common man and the industries respectively which are thus fast switching to eco-friendly and energy-efficient electrical appliances.

"The awareness levels of energy efficient products have evolved significantly and the whole concept has worked out both for the companies and the consumers,"said Rawat. "Besides, it has also triggered sales of premium segment goods in this domain and considering that everyone understands the underlining benefits of energy saving products, the demand for these products is likely to surge overwhelmingly."

According to an ASSOCHAM study titled ' Encashing Lighting Energy Efficiencies', the penetration of energy efficient products in India has been growing about 65 per cent in mandatory products like air-conditioners, refrigerators and others and about 30 per cent in other consumer products. The light emitting diode (LED) lighting market will replace the conventional lighting services considering that it cuts down power consumption drastically, emits very little heat and no UV or IR radiations, are eco-friendly, available in a range of 2700K to 6500K range of colours, last for a longer period (have a life of about one lakh burning hours).

Contd on page 15

Demand for star rated consumer appliances soars ………………

On an average, one 5 watt LED bulb can provide enough luminosity as a 40 watt normal incandescent bulb. Besides, there is a price difference of about IRs 400-450/- between a CFL and a LED bulb and while the former would last about one to one and a half years the latter can shine upto 15 years. Clocking a compounded annual growth rate (CAGR) of about 45 per cent, the light emitting diode (LED) lighting market in India is likely to reach nearly IRs 2,570 crore by 2015 from the current level of about Rs 600 crore, according to the ASSOCHAM study.

As per a simple arithmetic logic, if each person in India (about 100 crore) uses a single LED bulb capable of saving an average of about 50 watts of power in each household, according to the ASSOCHAM study, thus, usage of LEDs might save nearly 35,000 mega watts (MW) of new capacity amounting to about Rs 3.47 lakh crore.

LED lights account for a meager four per cent of the Rs 11,500 crore worth Indian Lighting Industry which is likely to reach Rs 19,700 crore by 2015, according to the study. As per a simple arithmetic logic, if each person in India (about 100 crore) uses a single LED bulb capable of saving an average of about 50 watts of power in each household, according to the ASSOCHAM study, thus, usage of LEDs might save nearly 35,000 mega watts (MW) of new capacity amounting to about Rs 3.47 lakh crore.

The Bureau of Energy Efficiency (BEE) is taking requisite measures to define standards so as to encourage local manufacturing of LED lights. "LEDs have a huge potential for growth in India due to rising power outages and sky-rocketing energy bills, but its relatively high costs might prove to be a deterrent," said Mr Rawat. "The government must subsidise the costs of LEDs to make them more affordable for the price-sensitive Indian consumers and encash on their energy saving potential."

Installing reflective glasses on windows by putting a solar or tinted film on the house or office windows can help reduce the room temperature by 15 per cent, ASSOCHAM suggested the Delhiites the way to reduce the carbon footprint and save money in the process as well. Besides, appliances like water heaters, lights, refrigerators, water purifiers and cookers can be run on solar power which can result in increased savings over the years.

The consumer electronics and durables industry is currently poised at about IRs 34,000 crore and is growing at a compounded annual growth rate (CAGR) of about 15 per cent, according to ASSOCHAM estimates.

"Demand for consumer electronics and durables is driven by a young demographic population, coupled with rising disposable incomes amid skilled and highly educated workforce," said Rawat. "Besides, low penetration levels, easy availability of finance options, growing prominence of consumer electronics' retail stores, online retail industry and a robust 400 million plus Indian middle class with a comprehensive rise in level of affluence is also fuelling the demand in this industry." TNN,NewDelhi

Installing reflective glasses on windows by putting a solar or tinted film on the house or office windows can help reduce the room temperature by 15 per cent. Besides, appliances like water heaters, lights, refrigerators, water purifiers and cookers can be run on solar power which can result in increased savings over the years.

Infosys may replace Tata Consultancy Services in new phase of MCA-21 project

Within months of bagging a landmark contract from India Post, Infosys is positioning itself as a serious player in India's e-governance arena by beating bigger rival Tata Consultancy Services to win the next phase of a flagship project by corporate affairs ministry.

The second-largest Indian IT company is likely to displace its bigger Mumbai-based rival TCS to bag the new phase of theMCA-21 project of Ministry of Company Affairs (MCA), beginning January 2013, according to a government official who did not want to be identified.

Since its inception in 2002, MCA-21 has made it easier for companies to register, change ownership details, and file balance-sheets and profit and loss statements online. "We received bids from top IT firms for continuance of MCA-21 project. The new term will be for 6 years, post which if the ministry so desires, we can look at an extension of 2 years," said a senior MCA official involved with the project.

According to sources, Infosys bid about IRs 260 crore outsmarting incumbent TCS which bid IRs 320 crore, for the six year long contract starting in 2013. ET Bureau, NewDelhi

Mercedes Benz to launch B class with sub-IRs 25 lakh price tag

Mercedes Benz is launching the B class, a compact sports tourer, with a sub-IRs 25 lakh price tag, its cheapest car in India yet. And it will go further down the price spectrum in the first quarter of 2013 when it launches its entry-level model, the A class for under IRs 20 lakh.

The B class will have two variants, one priced at just under IRs 22 lakh and the other closer to IRs 25 lakh. These launches will enable Mercedes to take on rivals BMW and Audi, both of which have begun exploring the bottom half of the price spectrum to step up sales.

Currently, most of the models of these three luxury carmakers are priced above IRs 30 lakh. These iconic car brands are attempting to appeal to the younger and highly aspirational salaried class. In five to six years, Mercedes Benz India expects cars priced in the IRs 20-25 lakh band to account for 40-50% of total sales.

Luxury car makers expect growth in the lower-priced segment to more than double as against the traditional luxury range, which is expected to grow at between 5% and 10%.

"The B-Class marks the start of a new innings for Mercedes-Benz India. This is the first of Mercedes-Benz's compact cars and will be followed up by the A-Class next year. We have other models also in pipeline over the next few years," says Peter Honegg, managing director & CEO, Mercedes-Benz India.

The B-Class is India's first sports tourer. Globally the sports tourer category comprises of cars like the Audi A3 Sportsback, BMW Active Tourer 1 series and VW Tiguan and Touran and Ford C Max. Mercedes is using social media to create hype pre-launch.

Recently, it launched the 'ultimate touring trails' campaign - which exhorts people to "explore your passion" and to "sport a lifestyle that defines you" - with young celebrities in association with Discovery channel.

The company claims the campaign received close to 3,000 entries. "Mercedes-Benz was successful in harnessing the response for the B-Class from customers and the car's initial allotment is already sold out," says Honegg.♦

'China GDP growth seen 7.7-7.8 percent in 2012'

China's annual economic growth will reach between 7.7 percent and 7.8 percent this year and begin to stabilise in the second half as pro-growth policies gain traction, a government researcher said in remarks published on Saturday. Fan Jianping, chief economist at the State Information Centre, a prominent government think tank, said China's economy would grow 7.6-7.8 percent in the July-September period from a year earlier, staying flat or picking up from the second quarter's 7.6 percent.

Analysts forecast in a Reuters poll that China would slow further in the third quarter but regain some momentum late in the year as the impact of earlier policy easing fully kicks in. Still, even if activity rebounds modestly in the fourth quarter, it would drag full-year economic growth to below 8 percent, a level not seen since 1999.

The pace of growth this year would be above the government's target of 7.5 percent, but policymakers are facing a dilemma due to concerns about property inflation, Fan was quoted by the official Xinhua new agency as saying. "It will be a little difficult to strike a balance this time around," Fan said.

China has not unveiled any large-scale new government stimulus this year, despite mounting evidence the economy needs more prodding to regain momentum, as policymakers fret that a surge in prices could stoke social unrest at a politically sensitive time ahead of a tricky leadership transition. In the absence of any stimulus package, Beijing has fast-tracked some infrastructure projects and injected cash into the economy via central bank's open market operations.

China's economy growth would stay at relatively low levels for a while, with a V-type recovery unlikely as policymakers have to make some progress in restructuring the economy, Fan added. China's economy expanded at its slowest pace in more than three years in the second quarter, growing 7.6 percent on year as demand at home and abroad slackened.♦

Eurozone finance ministers optimistic about new Greece deal

Eurozone finance ministers seemed to have prepared the way for a new deal with Greece as they praised Athens for progress in implementing the terms of its bailout agreement at an informal meeting in Cyprus on last Friday.

"We have been encouraged by the progress achieved by the Greek government and we have high hopes that the target will be reached," said Eurogroup President Jean-Claude Juncker at a press conference after the meeting.

This was echoed by International Monetary Fund (IMF) chief Christine Lagarde who said "it seems to us quite clear that Greece has already produced a huge effort, but it will have to continue to do so."

The Greek government is locked in tough negotiations with technocrats from the troika - the European Commission, the European Central Bank and the IMF - on a revision of its 130 billion euros (170 billion U.S. dollars) bailout program with a view of securing the release of a 31 billion Euros tranche in October.

Greece is fighting to lengthen the time span in which to implement tough terms of the bailout program. Greek Finance Minister Ioannis Stournaras said after the Eurogroup session that the time factor seemed to be on the table, but he did not envisage an agreement before the second half of October. "We are on the right track, though we do not agree on all aspects. We will try to finish everything by the end of October," Stournaras said.

Juncker also said that a report on progress in the troika negotiations with Greece is expected within the first week of October, but a final Eurogroup decision will not be in place before the second half of the month. Juncker also categorically denied Greece would quit the eurozone. After discussing the situation in Spain, Juncker said he expected Portugal to return to the markets next year and also praised Ireland as proof that bailout programs are delivering results.

Host country Cyprus, the fifth Eurogroup country to apply for bailout, informed other eurozone countries on its efforts to draw up an austerity program in exchange for financial support by the European Union (EU) and the IMF to help it recapitalize its banking system, battered by its exposure to Greek debt.

The Cypriot government is insisting that the need to recapitalize its two major banks is the only reason it has applied for bailout, but EU Commission officials have stressed that its economy needs to be radically restructured.

Cyprus President Dimitris Christofias is reportedly seeking a 5 billion euro loan from Russia. Eurogroup countries do not object to a bilateral loan but are insisting on a speedy implementation of an economic consolidation program.

Cyprus may only need between 10 to 15 billion euros to meet its immediate financial obligations, a small amount for European institutions and the IMF, but a huge burden on the island with a GDP of 17 billion Euros. ♦

Austerity prompts general strike in Greece

Greece's largest labor unions have called a general strike for Sept. 26 in response to a new government austerity package that is expected to worsen hardship in the recession-hit country.

The date of the 24-hour strike was decided Thursday, a General Confederation of Greek Labor spokeswoman said, adding that the strike would be joined by a civil servants' union.

Rescue creditors are demanding that Greece's conservative-led government slashes a further €11.5 billion ($14.8 billion) in budget costs over the next two years — resulting in a new round of wage and pension cuts — if the country is to continue getting vital bailout loans.

The austerity measures already imposed as part of this bailout deal have held back growth, pushing the country into a three-year recession. Government figures released Thursday reveal unemployment in Greece has risen further to 23.6 percent in the second quarter of 2012 — up from 16.3 percent the previous year.

Athens is seeking more time to fix public finances, arguing that austerity measures will be counterproductive if forced too swiftly on the country's weakened economy. Prime Minister Antonis Samaras took up the issue Thursday with visiting French Finance Minister Pierre Moscovici.

About 200 disabled people gathered outside the Finance Ministry Thursday to protest proposed benefit cuts.

"What we are saying is obvious: Blind and disabled people are not to blame for this crisis," Paraskevas Lambrou, a blind man from the central Greek city of Volos, told the AP at the demonstration.

"It is humiliating to be driven into poverty this way," he said. ♦

**Nepal-India
Chamber of Commerce & Industry**

Text /Compilation /Dissemination
Marshal Rathour

Concept/Text / Research / Analysis/ Design /Edit
K M Singh

***GPO Box 13245
Ace Apartments,
Narayanchaur, Naxal
Kathmandu, Nepal.***

***Phone: 977-1-4444607
Fax: 977-1-4444608
Email: secretariat@nicci.org***

***We're on web!
www.nicci.org***

120th Bank of England Governor's job through advertisement for first time

The British government will pick a replacement for Bank of England Governor Mervyn King by the end of the year, through "fair and open competition", Chancellor George Osborne has said, with advertisements for the job that run from last Friday. Mr King, who takes home a £302,885 salary, is due to step down as governor on June 30, 2013, after two five-year terms in office. But the new Governor, the 120th office holder in the Bank's 300 year history, may pocket a smaller salary than the salary paid to Sir Mervyn due to the UK's economic difficulties.

His successor will serve a single eight-year term and take on greater responsibility for keeping the financial system stable and regulating banks, as well as managing inflation and the economy through monetary policy.

The new governor will face the 375 billion pound ($602 billion) question of when and how to start unwinding the BoE's unprecedented money printing program, intended to breathe life back into a stagnant British economy.

Formally advertised for the first time, the post calls for "a person of undisputed integrity and standing" - a sign that any commercial bankers tainted by this year's market rate-setting scandal need not apply. "

Mervyn King is due to step down as governor on June 30, 2013, after two five-year terms in office

*Who will be the next Bank of England Governor.
Clockwise from the top: Lord Adair Turner,
Stephen Green, Sir Gus O'Donnell, John Varley and Paul Tucker*

As with Mervyn King, we are seeking a governor of intelligence, independence, and integrity. We intend to announce the successful candidate by the end of the year." finance minister George Osborne told parliament on last Tuesday.

Financial Services Authority Chairman Lord Adair Turner, Britain's former top civil servant Gus O' Donnell and BoE Deputy Governor Paul Tucker have been touted as potential replacements for King, who is due to step down next year.

Some respected figures from the world of commercial banking, such as former Barclays chief executive John Varley, have also been mooted as possible candidates.

The appointment will be made by Queen Elizabeth on the recommendation of finance minister Osborne and Prime Minister David Cameron. Officials from the Treasury and Bank of England will interview candidates after applications close on Oct.8 and report back to Osborne. The successful applicant will face questions from parliament's Treasury committee before taking up the appointment. A decision could come around Dec.5.

The first ever Bank of England governor was appointed in July 1694 and was Sir John Houblon. The Bank was nationalised in 1946 and is now responsible for managing inflation.

We solicit suggestions/feedback from all members and readers for NICCI e -Newsflash at
secrtariat@nicci.org