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NICCI E-NEWSFLASH

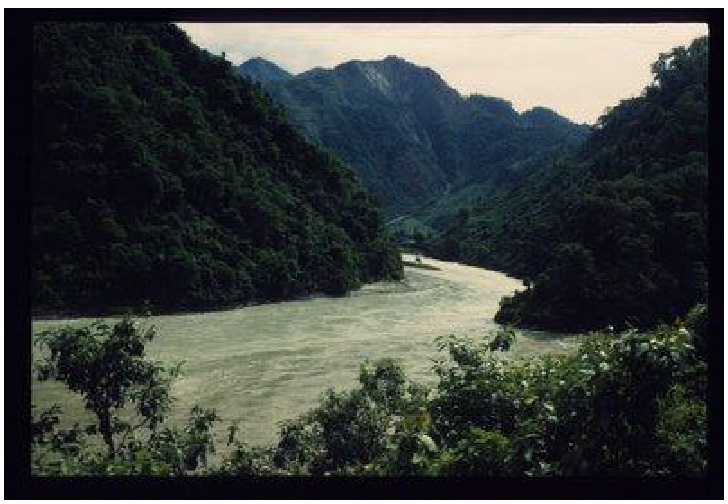
Investment from Korean Companies and IFC in Upper Trishuli-1

216 MW Upper Trishuli-1 Hydro Power Project being developed by Nepal Water & Energy Development Company will now have an investment from 3 Korean Companies and IFC. For this, Share Purchasing Agreement has been done with Korean Companies, said Bikash Pradhananga, Director of the Company. Now soon, formal agreement will be done with IFC also, according to Mr. Pradhananga.

Construction cost of this project is estimated at Rs 25.5 billion (US $. 500 million) including interest of project phase. Out of total equity, Korea South East Electronic Company will have 50%, Daelim Industrial Company 15% and Careyong Construction 10%. Nepalese Investors will have 10% and IFC will have 15% of equity in this project.

Company claimed that the Korean Companies investing 75% share in this project have 11.5 billion US $ Annual Turnover. "Negotiation with established Korean Companies have strengthened our confidence", said Mr. Pradhananga.

Dam of this Hydro Project will be in Haku VDC of Rasuwa District and the Power House will be in Mailung Dovan. As per company sources, the project being owned based on BOOT modality for 35 Years including 5 years of construction period will generate 105 MW continuously even in winter also.



According to Mr. Pradhanang, an understanding reached on 22nd March 2012 to make IFC, one of the equity holder, the leading financer for long term loan, and an initial approach has been made with ADB, Korea Development Bank, German Investment Corporation (DEC) and Proparco of France. Since letter of intent have been received from these investors, DRP is being prepared by Korean consultants including equity investors, which is expected to be complete by end of 2013, and geographical mapping is already complete, the company is optimistic to start construction by end of 2013.

DRP of Budhi Gandaki to restart in One Month

A DPR of 600 MW capacity of Reservoir/basin base Budhi Gandaki Hydropower Project will re-start within one month as the appointment of consultant is now in final stage.

Since the review of technical proposal presented by the companies selected based on detailed selection have been completed, DPR will be started through Consultants. Amongst the 26 Companies who have presented Technical and Financial Proposal, only Six Companies have been selected in detailed selection.

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DRP of Budhi Gandaki to restart ……..

Review Committee under the convener ship of Dr. Krishna Prasad Dulal, Board Member of Nepal Electricity Authority comprising Dr. Ravi Shrma Aryal, Jt. Secretary of Ministry of Energy- Department of Law, Mr. Rajeshwor Man Sulpya, General Manager of Nepal Electricity Authority-Transmission Department as a member respectively has submitted the report to the Board completing the assignment.

Selected companies will be put up to the forthcoming Board meeting of the Nepal Electricity Authority for approval, and then DPR study will be proceed appointing the consultant after completing the evaluation work of Financial proposals, said Dr. Dulal.

Mr. Leelanath Bhattarai, Head of the Project said that the work has been delayed than the target due to the Policy procedure. Mr. Bhattarai said any way, a consultant will be appointed within a month for the detail study. The Govt. had allocated 240 Million Rupees for detail Study of the project in the current fiscal year Budget. Though it has been targeted to start construction work by 2013, so far, not even one fourth of its total work has been completed.

As per the pre-feasibility study completed in year 1984, the reservoir of the project will be of 50 Square Kilometers. A Dam with 225 Meter height will be made and from that 2495 GW hour Electricity will be generated, the pre feasibility study has shown. Total Cost estimate of the project expected to be 1.20 Billion US$.

Nepal attempts to lure Indian investors at Kolkota conference

In an effort to lure more Indian investment to Nepal, a crucial conference between Nepali business community and over five dozen big Indian investors is being organized in Kolkata Thursday, 5th July. Nepal is marking the year 2012/13 as the Nepal Investment Year to bring in increased foreign direct investment (FDI).

Chandra Ghimire, Nepali consul general in Kolkata said the conference aims to invite increased investment in Nepal from renowned Indian business houses including those involved in hydropower, tea, coffee and herbs processing, and tourism as well as iron and steel production sectors.

"This event, which is bringing together eminent figures from business community from both India and Nepal, will provide a platform to us to inform to the big Indian investors about potential investment sectors in Nepal and ongoing efforts made to create favorable investment climate in Nepal," said Ghimire.

India, which is the largest investor with more than 45 percent of total FDI in Nepal, has joint-venture investments in mainly banking, manufacturing, tourism, hydropower, agriculture, among other sectors.

Nepal had signed Double Taxation Avoidance Agreement (DTAA) and Bilateral Investment Protection and Promotion Agreement (BIPPA) with the southern neighbor last year to create favorable environment for promoting trade and investment between two countries.

Nepalese Consul General´s Office in Kolkata and Confederation of Indian Industries (CII) -an umbrella body of Indian business sector - and Nepalese Embassy in New Delhi are jointly organizing the one-day conference.
According to Ghimire, the meeting will target Indian investors mainly based in Kolkata and other parts of West Bengal state of India. "We will inform the investors about viable and potential projects showing Nepal as one of the vibrant investment destinations," Ghimire said. "Besides Nepali participants, around 60 big investors from India will take part in the event," he said.

On the occasion, Nepali delegates will inform Indian investors about the potentiality of hydropower, herbal, manufacturing, agro-processing industries for tea, coffee, ginger, cardamom and tourism, education, engineering related service sectors in Nepal.

Nepal Investment Board (NIB) - a government´s focal agency that oversees and coordinates investment in Nepal - representative will make a presentation about the government´s priority projects for foreign investment while Indian investors will inform about their interests of investment in Nepal.

CDS begins from July 16

The much-hyped Central Depository System (CDS) and Clearing Company Ltd. Will come into operation from Shrawan 1 (July 16, 2012).

The operation of the CDS will be possible after enlistment of five issuer companies in the CDS Company. Earlier, the CDS had rendered the transaction permission to the two depository participants- Civil Capital Market and ACE Capital as per the license provided by the Security Board of Nepal (SEBON), the regulatory authority of the Nepalese capital market.

According to Subodh Sharma Sigdel, Chief Executive Officer at CDS and Clearing Company, five issuer companies- Shikher Insurance, Everest Bank, Lumbini General Insurance, Ace Development Bank and Agriculture Development Bank have been enlisted in CDS, so far. Additional three companies are under documentation to enlist in the CDS, he informed. After the operation of the CDS, investors could open their d-mat account in the CDS Company to dematerialise their manual certificates of shares.

Though we are officially coming into operation from the start of the new fiscal year, its test operation will begin from the last week of the current fiscal year, for this, technicians from India are arriving by the last week of Ashadh (2nd week of July) he said.

The CDS for Nepal was developed in technical assistance of Center Depositary System Ltd. India - project consultant - and vendor CMC of Tata Consultancy.

The implementation of CDS is supposed to be able to wipe out inconsistency and manipulation in stock trading making the Nepali secondary market more transparent. But the transaction cost in the automated system is expected to be higher in comparison to the existing manual system.

NRB starts receiving BFI data online

The Nepal Rastra Bank (NRB) on Friday, 29th June, started receiving data from banks and financial institutions (BFIs) on liquidity and inter-bank transactions online.

Earlier the central bank used to receive the data only after BFIs submit them in the Microsoft excel format. But after the installation of the new software, NRB can have direct access to the data once BFIs update their figures in the software.

The central bank, however, will operate both old and new systems simultaneously for the next two weeks to clear bugs in the new software, if any. “We will then implement the new system entirely,” said a senior NRB official.

According to the official, NRB had planned to install this system only after purchasing the software for the automation of the central bank. “But we installed this software beforehand because of the delay in the procurement of the major software,” he said. “Also, these data are crucial for effective monitoring of BFIs.”

NRB is in the process of procuring three software — one for online data access, another for financial information unit (FIU) and general leaser software.

Earlier, the central bank was being criticized for lagging behind BFIs in terms of adopting new technologies. “We are now semi-automated and we have taken steps to get fully automated,” said NRB Spokesperson Bhaskar-mani Gyanwali.

NRB, however, has come a long way in terms of automating itself as it used to get information from BFIs in hardcopies. “Currently, we receive most of the information through email in excel format,” said the NRB official. “After NRB gets fully automated, we can have access to all necessary information from BFIs online.”

Carpet exporters enjoy earning 40% up

Despite the drop in volume of exports, Nepali hand-knotted carpet exporters enjoyed 40 percent rise in their income over the first ten months of 2011/12, thanks to strengthening of the US dollar.

Owing to almost 25 percent depreciation of Nepali rupee, Nepali exporters during the period received on average Rs 8,018 per square meter of hand-knotted carpet. They were receiving on average just Rs 5,103 per sq meter and Rs 5,669 per sq meter in the same period of 2009/10 and 2010/11 respectively.

"Thanks to the exchange rate gain, hand-knotted carpet fetched a total of Rs 4.84 billion over the first ten months of 2011/12, even though the export volume remained low at 603,631 sq meters," reads a report of Trade and Export Promotion Center (TEPC).

During the same period last year, Nepal had exported 698,517 square meters of carpet that fetched foreign currency worth Rs 3.96 billion only. In the same period of 2009/10, Nepal had exported 652,517 sq meters of woolen carpets earning Rs 3.33 billion.

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Carpet exporters enjoy earning ....

TEPC data shows that Nepali exporters mainly received a blow from European markets as demand there shrank in the wake of Euro zone crisis. But exporters found new markets in the US, which for the first time emerged as the biggest single importing country of Nepali carpets.

So far, Germany used to be the largest importer of Nepali hand-knotted carpet. "But US overtook Germany this year," reads the TEPC report.

Nepal exported 223,582 sq meters of woolen carpet worth Rs 2.1 billion to the US during the period. Exports to Germany, on the other hand, remained at 207,821 sq meters and amounted to just Rs 1.29 billion.

Carpet exports to other major European markets also fell during the period. For instance, exports to the United Kingdom dropped to 29,333 sq meters from more than 32,000 sq meters, Belgium to 12,077 sq meters from 13,479 sq meters, France to 7,984 sq meters from 11,945 sq meters, and the Netherlands to 9,951 sq meters from 11,410 sq meters.

Rajendra Bahadur Shrestha, executive member of Central Carpet Association (CCA), attributed the drop in European exports to prolonged economic crisis there. Owing to the crisis, he said, buyers there are importing cheaper carpets from countries like Turkey.

"Good thing for us is our persistent efforts to explore new markets in the US have started to yield positive results, and salvaged the industry. Otherwise, such a sharp drop in European exports would have hurt the industry badly," said Shrestha, who is also the proprietor of Pari Carpet - a leading producer and exporter of Nepali hand-knotted carpet.

According to exporters, Nepali-hand knotted carpets are fast replacing traditionally dominant Iranian carpets in US because Nepali carpets are of better quality.

"Rise in earnings from carpet export is the result of strengthening of US dollar against Nepali currency and also rise in the prices of Nepali carpet on the back of growing production cost," added Shrestha. According to exporters, they have increased the export price of carpet by around 20 percent this year to cope with rising production cost.

Likewise, Nepali rupee had weakened to Rs 85 per US dollar in mid-May from Rs 72 per US dollar recorded in mid-May last year.

Jan-June tourist arrivals reach 294k

Tourist arrivals via air to Nepal in the first half of 2012 have increased 19.8 percent to 294,019 as against the same period last year.

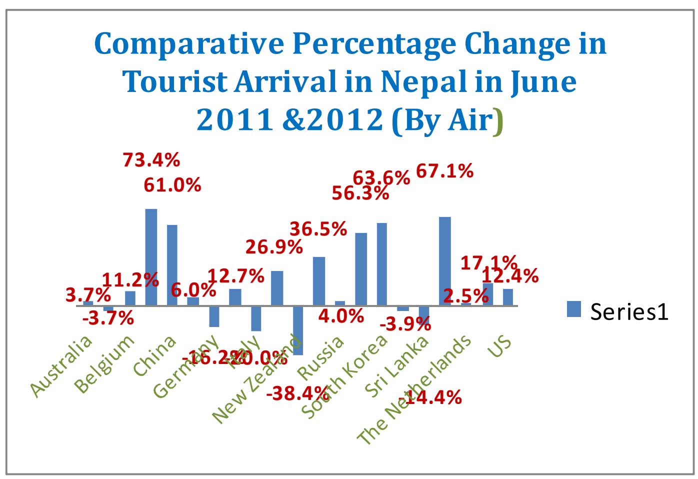
According to the figures released by the Immigration Office, Tribhuvan International Airport (TIA), tourist arrivals rose 16.2 percent in June compared to the same month last year. Nepal welcomed 43,238 foreign visitors in June.

All source markets except Oceania have shown a positive growth in the sixth month of 2012. In aggregate, the South Asian segment registered a positive growth of 12.2 percent.

India, which constitutes the major market for Nepal, recorded a healthy growth of 12.7 percent. Also, arrivals from Pakistan jumped 36.5 percent. However, arrivals from Bangladesh and Sri Lanka declined 3.7 percent and 14.4 percent respectively.

Arrivals from Asia other than South Asia recorded a jump of 45.8 percent in aggregate. Visitor arrivals from China soared 61 percent compared to the same month last year. Similarly, arrivals from Japan, Singapore, South Korea and Thailand surged 26.9 percent, 56.3 percent, 63.6 percent and 67.1 percent respectively.

An overall positive growth of 3.7 percent has been observed from the European market with arrivals from the UK, France, the Netherlands, Belgium and Russia up by 17.1 percent, 6.0 percent, 2.5 percent, 11.2 percent, and 4.0 percent respectively.



However, arrivals from Germany, Spain and Italy declined 16.2 percent, 3.9 percent, and 20 percent respectively compared to the same month last year.

Tourist arrivals from Australia, Canada and the US increased 3.7 percent, 73.4 percent and 12.4 percent respectively. Meanwhile, arrivals from New Zealand plunged 38.4 percent.

A total of 51,397 foreign tourists departed from TIA in June 2012. The number of Nepali arrivals stood at 52,976 while 77,000 Nepalis departed from TIA in June 2012.

Demand for workers strong in Gulf: Study

Despite regional political turmoil and global economic slowdown, demand for foreign workers remains high in the Gulf region, according to a study by Western Union, a leader in money transfer and global payment services.

The study titled 'The Economic Impact of the Uprisings in the MENA Region' said economic forecasts for Gulf Cooperation Council (GCC) countries are much better that those for the Middle East North Africa region (MENA) as a whole, and in fact have been positive. GCC countries are Bahrain, Kuwait, Oman, Qatar, Saudi Arabia and the United Arab Emirates.

"Despite the political uprisings and civil unrest in some parts of the Middle East and North Africa, the region is still witnessing moderate growth, and in the Gulf countries there is an even stronger imperative to sustain economic growth and meet social needs. We expect opportunities for international workers to remain strong and with that remittance flows from host to home countries." said Jean-Claude Farah, Western Union's senior vice president for the Middle East and Africa "The Asia Pacific region has been a significant source of labour for Gulf countries — led by India, Philippines, Bangladesh, Indonesia, Sri Lanka, Malaysia, Thailand and Nepal.

This study should instill greater confidence for global workers seeking employment in these countries", said Drina Yue, Western Union's managing director and senior vice president, Asia Pacific. The study's lead author, Ahmed Farouk Ghoneim, professor of economics at Cairo University, said the real GDP growth in the GCC was expected to remain strong despite short-term disturbances. According to Ghoneim, countries in the region have limited exposure to the international financial crisis. "In relative terms, the financial crisis and oil and food price increases have had only mild effects on MENA economies, owing to their limited integration into the world economy," he said.

China banks took 29 pct of 2011 global profit - study

Three Chinese banks topped the profit table, led by Industrial and Commercial Bank of China (ICBC) (601398.SS) for the second successive year, with pretax earnings of $43.2 billion, according to The Banker.

ICBC was followed by China Construction Bank (601939.SS), which delivered a $34.8 billion profit, and Bank of China (601988.SS), with earnings of $26.8 billion.

JPMorgan (JPM.N) was fourth with a profit of $26.7 billion, while HSBC (HSBA.L) was the most profitable European bank, with earnings of $21.9 billion.

Bank of America (BAC.N) topped the magazine's Top 1,000 list for the second year, which uses Tier 1 capital as a measure of a bank's ability to lend on a large scale and endure shocks.

JPMorgan was second in that table, with four Chinese banks in the top 10 for the first time - ICBC ranked third, CCB was sixth, Bank of China ninth and Agricultural Bank of China (601288.SS) 10th.

National Bank of Greece (NBGr.AT) reported the biggest loss last year - $17.4 billion, followed by Belgian group Dexia (DEXI.BR).

Euro zone banks accounted for 6 percent of global profit last year, compared to 46 percent five years ago and their 45 percent share of global assets, the Banker estimated.

In contrast, Chinese banks accounted for 29.3 percent of global profit last year, the magazine said.

It said the Tier 1 capital of Bank of America was $159 billion at the end of 2011, slightly down from a year before but $9 billion more than JPMorgan.

Bank of America also topped The Banker's first Top 1,000 list 42 years ago, when it was based on assets rather than capital. (Reuters)

Chinese limits new car

China's booming southern city of Guangzhou has imposed a cap on the number of cars allowed to be sold in an effort to curb worsening traffic and pollution, state media reported on Monday.

Guangzhou, one of the biggest cities in China with a population of more than 16 million according to the Chinese press, will issue registration plates for only 120,000 small and medium-sized passenger cars for the next 12 months.

The policy is aimed at "ensuring the effective flow of the city's transportation and protecting and improving the air quality," said a city government statement posted online after the weekend announcement.

The number of cars that will be allowed to be sold over the next year is roughly half the total sold in 2011, according to reports in the state media.

Guangzhou had 2.4 million cars by the end of May, more than double the number five years ago, according to a report in the China Business News.

It becomes the third Chinese city, after the capital, Beijing, and Guiyang in the country's southwest, to introduce registration plate limits in an effort to combat the escalating number of cars on China's roads. -AFP

Spices export cross US USD 2-billion mark: Jayathilak

Spices Board India Chairman, Dr A Jayathilak, said India, the largest exporter, producer and consumer of spices was marching towards its goal of three billion US Dollar by 2017 having crossed two billion USD in 2012.

In a release in Kochi, Dr. Jayathilak said spices export registered an all time high in terms of both quantity and value crossing the mark two billion USD in 2012, he said.

The financial year 2011-2012 saw a total of 5,75,270 MT of spices and spice products worth Rs 9783.42 crore being exported as against 5,25,750 MT valued at Rs 6840.70 crore in the financial year 2010-11.

This represented an increase of nine percent in volume and 43 percent in value in rupee terms and 36 percent increase in dollar terms over the previous year, he added.

Chilli with 241000 MT worth Rs 2144.08 crore topped the chart of spices exported from India in quantity terms.

Although there was only a slight increase in terms of quantity when compared to the previous year (240,000 MT), there was a massive increase (40 percent) in value terms (Rs 1535.54 crore).

Mint products (mint oils, menthol and menthol crystal) registered Rs 2223.72 crore in value terms (14,750 MT) followed by spice oils and oleoresins at Rs 1304.38 crore with 7265 MT being exported, he said There was a decrease in quantity when compared to the previous year but the value increased almost 43 percent compared to the previous year.

Regarding Turmeric (79,500 MT valued at Rs 734.34 crore), Cumin (45,500 MT valued at Rs 644.42 crore), Coriander (28,100 MT valued at Rs 164.01 crore), Pepper (26,700 MT valued at Rs 878.13 crore), Ginger (21,550 MT valued at Rs 204.20 crore) continue to be toppers when it came to quantity exported.

Indian debt fund buys $72 mln of Kingfisher airline debt

A debt fund managed by India's finance firm SREI Infrastructure Finance has bought $72 million worth of debt of the beleaguered Kingfisher Airlines, its officials said on Monday.

The Kolkota-based SREI Infra Finance group chief financial officer Sanjeev Sancheti said- it was "a good buy as it is a fully secured debt". The debt was bought from lender ICICI Bank.

Private carrier Kingfisher, controlled by liquor baron Vijay Mallya, reported a net loss of 11.52 billion rupees ($208 million) in the three months to March, a tripling of losses, and has a total debt of at least $1.4 billion.

The airline has never posted a profit since its launch in 2005 and scaled down its operations in recent months, including shutting down overseas operations.

Kingfisher desperately needs at least $600 million to stay in business and pay the amount it owes to suppliers, lenders, other creditors and staff.

It now has the smallest market share among Indian airlines, at 5.2 percent.

Mallya has been unable to find strategic investors who are willing to pump money into the airline. He also hopes that the government may soon clear a stalled proposal, which would allow foreign carriers to invest in domestic airlines.

Japan finds major rare earth deposits

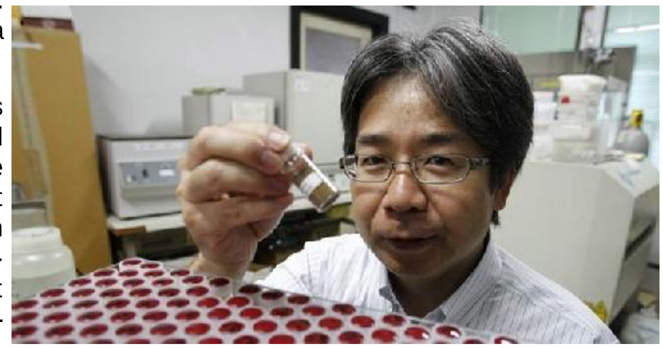
Japan has found a large deposit of rare earth minerals in its Pacific seabed, enough to supply its hi-tech industries for more than 200 years, a scientist said Friday, June 29. Around 6.8 million tonnes of the valuable minerals, used in electric cars, iPods and lasers, are sitting under the seabed near a far eastern Japanese island, Tokyo University professor Yasuhiro Kato.

He said mud samples taken from an area near Minamitorishima island, some 2,000 kilometres (1,250 miles) southeast of Tokyo, indicated deposits amounted to around 220 times the average annual amount used by industry in Japan. The seabed contained a substantial amount of dysprosium -- a rare earth mineral used in the engines for hybrid cars, he said.

"Specifically on dysprosium, I estimate at least 400 years worth of Japan's current consumption is in the deposits," said the professor, who examined mud samples taken from the seabed around 5,600 metres (18,300 feet) down. "We can start drilling in the mud, using oil extraction technology, within three years at the earliest and start producing rare earth minerals within five years," he said. The find would be the first time large scale rare-earth deposits had been discovered inside Japan's exclusive economic zone, local media said.

Rare earths are used to make a wide range of high tech products, including powerful magnets, batteries, LED lights, electric cars, iPods, lasers, wind turbines and missiles. "I would like to see the Japanese government recognise the existence of the rare earth deposits and soon start making investment in developing the area," said professor Kato.

China currently produces more than 90 percent of the world's supply of rare earths, but has clamped down on exports of them in a move Beijing says is aimed at protecting its environment and conserving supplies. The confirmation of a significant find of rare earths in Japanese territory would be welcome news for Japan's hi-tech industries. (AFP)



Yasuhiro Kato, an associate professor of earth science at the University of Tokyo, displays a mud sample extracted from the depths of about 4,000 metres (13,123 ft) below the Pacific ocean surface where rare earth elements were found. – Reuters

Japan economy faces same risks as Europe: PM

Japan faces the same risks that plague financially-embattled European states, Japanese prime minister Yoshihiko Noda warned Saturday,30th June.

Noda's statement comes a day after leaders from the 17 countries sharing the euro struck a deal to direct emergency measures at Italy and Spain and boost the ailing economy. "Countries like Italy and Spain have made desperate efforts towards financial recovery," said Noda.

The European accord paves the way for the eurozone's 500-billion-euro ($630 billion) bailout fund to recapitalise ailing banks directly, without passing through national budgets and adding to struggling countries' debt mountains. The eurozone bailout funds would be used to stabilise markets by buying countries' bonds to drive down high borrowing costs that in recent weeks have crippled Spain and Italy.
Japan also has accumulated a huge public debt, which at more than double the GDP, is proportionately the world's largest, and Noda has warned that the future of the world's third-largest economy rests on tackling it. Noda, who has staked his premiership on a tax rise widely believed to be a sensible way for Japan to begin plugging its fiscal hole, on Tuesday¸3rd June, passed legislation to double consumption tax in the powerful lower chamber.

"Japan is now hanging on the edge of whether it can grab the chance of being a role model in the world by overcoming this challenge or becoming a far eastern state without vigour, where many old people live," he said.

Opponents of the planned tax rise from the current five per cent to 10 per cent by 2015, including a sizable rebellion in his own Democratic Party of Japan, say any increase in household bills would derail Japan's uncertain economic recovery.

The bill will now go to the upper house where it is expected to pass after deals Noda reached with opposition parties to navigate a chamber his party does not control.

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Personal Solar-Powered Floating Island Home

Have enough money and one can do just about anything these days, including buy your very own solar-powered transportable floating island. The luxury Orsos Island is pretty much a floating home resort and designed to "combine all the positive aspects of mainland real estate and luxury yachts."

Designed for personal use or for the hotel industry, it doesn't matter, just as long as you have upwards of $4.6 million. Coming in at just over 20 metres wide (65+ ft.) and more than 37 metres in length (121+ ft.), the Orsos Islands have enough accommodation to comfortably house 12 guests.

It is completely sustainable (except for food and drinking water) with recycled water, solar power, and a noiseless wind energy system. It also takes heat from the sea water around you and converts it into power to run the heating and air conditioning. Everything is controlled by an intelligent computer system that monitors the entire process.

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