



NICCI e-Newsflash

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Naturally Nepal



Rara Lake in Mugu District

NRB proposes facilities aimed at reviving sick industries

Nepal Rastra Bank has proposed a number of facilities that the financial sector could extend to help sick industries turn around their fortunes. By categorising the industries into two categories, one with the possibility of reoperation and the other no possibility of revival, the central bank has proposed five types of facilities for the industries that can be revived. The facilities include restricting of loan based on the business plan of sick industries, waiver of extra interest taken as fine for limited period and non capitalization of general interest into the principle.

The NRB has also proposed the continuity of the existing facility of refinancing at 4.5 percent from the banks and financial institutions (BFIs) after receiving the amount from the central bank at interest rate of 1.5 percent.

"If the bank manages to recover the loans for two years as per the timetable set after loan restructuring, the BFIs are entitled to make just one percent provisioning for such loans," states the draft of the proposed facilities. If a loan is paid back regularly for two years from the day it is restructured, such a loan will be treated as a good loan allowing a provisioning of just one percent.

As for the sick industries that cannot be revived and are willing to settle their loans, the investors of the concerned industries will have one year to sell the assets put as collateral, instead of

auctioning such properties by the BFIs.

"The move is aimed at maximising the value of collateral to be sold as buyers do not give high value for auctioned properties," said the NRB. However, the sick industries would have to submit necessary documents proving that borrowers could sell their properties to pay the loan.

After proposing these facilities, the central bank has sought suggestions from stakeholders on the proposed facilities. NRB spokesperson Bhaskarmani Gnawali said that the central bank proposed the possible facilities for sick industries on the request of the government.

When asked whether the monetary policy to be presented soon would accommodate these proposed facilities, Gnawali said that the NRB would take a decision on it after receiving feedback from the stakeholders. "Proposed facilities could be incorporated in monetary policy after certain revision," he added.

To benefit from the facilities, the concerned debtor needs to file an application at the concerned bank by clarifying his or her intention. The concerned financial institutions can offer such facilities on the basis of the existing legal provision and their working procedure.

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NRB proposes facilities aimed at reviving

To avail these benefits, the sick industries will be required to show evidence that the government has declared them sick. Ever since the government introduced policies on sick industries 12 years ago, the NRB has been making provision of various facilities including refinance facility, loan restructuring

and waiver of interest and fine interest. However, these measures have been inadequate to revive the sick industries although 'a few hotels and industries have benefited from the facilities.'

New plan highlights reservoir-type projects

The proposed Approach Paper for the 13th Three-Year Plan has envisioned that at least 30 percent of the new hydropower projects will be reservoir-type projects. The document will serve as the basis for the 13th Plan which will run from 2013-16.

It is the first time that the percentage of reservoir type projects to be developed has been mentioned in the plan. Since run-of-the-river projects produce more electricity during the rainy season (when demand for electricity is low) and less during the dry season (when demand is high), it has been felt necessary to build reservoir-type projects like Kulekhani to ease the power deficit in the winter. Currently, there is only one reservoir type project — Kulekhani — that produces 92MW power.

The Approach Paper has also envisioned fixing a separate rate for power purchase agreements (PPA) for reservoir-type projects. Pushpa Lal Shakya, joint secretary at the National Planning Commission, said that reservoir-type projects had been accorded priority to deal with energy shortages in the winter. "This policy will be applicable for projects developed by both the government and the private sector," he said.

The Approach Paper has sought to reduce load-shedding and increase people's access to electricity. As per the document, the domestic private sector will be encouraged to develop small and medium-level hydropower projects. With regard to large and multi-purpose projects, the new plan will focus on attracting more foreign investment and aid. The Approach Paper has planned to provide a certain share to the local people living in the area of big projects.

Meanwhile, considering the lack of transmission lines which poses a problem to evacuating the power produced by the projects under construction, the Approach Paper has proposed encouraging the private sector to erect power lines as a public-private partnership under the Build and Transfer, Build, Operate and Transfer (BOT) or Build, Own, Operate and Transfer (BOOT) schemes.

At the end of the 13th Plan period, it is expected that the country will have an additional power generation capacity of 668 MW and new transmission lines totaling 400 km. Similarly, the percentage of the population getting electricity from the national grid is projected to increase to 65 percent as against 50 currently. "The target for electricity generation is reasonable as it is certain that the 456 MW Upper Tamakoshi project will come online by the next plan period if work continues at the current speed," said Shakya.

Alternative Energy Plan

Meanwhile, the Approach Paper has also given priority to producing renewable energy. It aims to increase power production from renewable energy sources to 22 MW from the current 5.71 MW from micro-hydro and 10 KW from wind power.

Among the measures mentioned to boost the production of renewable energy are bio-fuel, solar energy in urban areas and energy production from waste and wind. The power generated in this manner will be used for irrigation in the Tarai region.

As far as road infrastructure is concerned, the Approach Paper has sought to expand the road network by 3,000 km during the plan period. "An additional 310 strategic bridges will be constructed and the standard of 2,100 km of roads will be enhanced," said the Approach Paper.

Roadways/Railways

Major focus has been given to completing the postal road, Mid-Hill Highway and Kathmandu-Tarai Fast Track currently under construction. "There will be standard enhancement of other strategic roads connecting these mega road projects," stated the Approach Paper. The document has envisioned adopting the policy of attracting private investment through the BOT and BOOT modalities to build the strategic roads.

Meanwhile, as per the target for aviation infrastructure, construction of two regional international airports in Pokhara and Bhairahawa will be started and the runways at 22 airports will be blacktopped. With regard to the development of railways, the Approach Paper said a detailed project report of the proposed Mechi-Mahakali railway would be completed and construction would begin on the Simara-Bardibas section.

Communication

Regarding, infrastructure related to information and communication, Nepal will launch its own satellite, broadband and optical fibre networks will be expanded extensively and a film city will be constructed.

Under infrastructure development for planned urbanization, unified infrastructure development will be carried out at 16 municipalities. "It is expected that 1.2 million people will benefit from the initiative when the plan expires," stated the Approach Paper.

Other Infrastructure

The document has also given high emphasis to local infrastructure development. It has aimed to build 3,250 km of new rural roads by the end of the new plan. An additional 35,000 hectares of land will be irrigated benefiting 550,000 people, and 500,000 people will enjoy basic drinking water supply at the end of plan period, according to the Approach Paper.

IPB nod to Super Madi, Bottlers Nepal plans

The Industrial Promotion Board (IPB) on Wednesday decided to allow foreign investment in 44MW Super Madi Hydropower Project and endorsed a proposal from Bottlers' Nepal on increasing its capital to increase production capacity of the Chitwan-based plant. The decisions were made during the IPB meeting chaired by Minister for Industry Shankar Prasad Koirala.

Super Madi, which holds a construction license for electricity generation, is seeking to bring foreign investment from its Costal Project Limited India. The project, being developed by Himal Hydro and General Construction, had sought the government's permission to bring foreign investment for the project.

According to information posted on Himal Hydro's website, Costal Projects India has a majority share holding (82.21percent) at Nepal Jalabidyut Prabardhan Tatha Bikas Ltd which in turn has 78 percent stake in Himal Hydro. Industry Ministry said in its press statement that the total capital of the project is Rs 6.35 billion. The run-of-river project is located at

the bordering area of Namarjun and Parche Village Development Committees in Kaski district.

Meanwhile, Bottlers Nepal, is seeking to increase the production capacity of its Chitwan-based plant with massive investment.

The IPB approved the company's plan to increase its capital to Rs 3.12 billion from the existing Rs 121 million. "More capital was required for adding new facilities to our Chitwan plant," said Salman Latif Rawn, the managing director of Bottlers

Nepal. The company expects the planned upgradation to increase the production by four times on its current capacity. The 205th meeting of the board asked the Finance Ministry to do necessary amendment to the existing laws for ensuring the reimbursement of excise duty for export oriented industries as per the court order. The court had ordered the government to refund excise duty paid for raw materials that are used for producing packaging stuff.

Indian entrepreneurs urged to explore business in Nepal

The Embassy of Nepal in New Delhi has urged the business community from the Indian state of Madhya Pradesh to explore business opportunities in Nepal.

Speaking at the seminar on 'Tourism, Trade and Investment Opportunities in Nepal' organized by Embassy of Nepal in New Delhi on Saturday, Chargé d'Affaires Counsellor (Political) at the embassy in New Delhi Tirtha Raj Wagle also spoke of the strong ties at the people to people level while noting the close link between Lumbini to Sanchi and also between Pashupatinath to Kedarnath.

The embassy organized the seminar in association with Federation of Indian Chambers of Commerce & Industry (FICCI) and Federation of Madhya Pradesh Chambers of Commerce and Industry (FMPCCI) at Bhopal, Madhya Pradesh.

Minister (Economic) of the Embassy of Nepal Bishnu Prasad Lamsal had made a detailed presentation on opportunities of trade, tourism & investment in Nepal, highlighting the priority

sectors.

"Lamsal also persuaded business community to invest in Nepal and assured of government's support and facilitation measures to boost business relations," according to the press release.

Director of Madhya Pradesh Tourism Rajesh Gupta made a presentation on tourism management in Madhya Pradesh and also drew similarities of indigenous, cultural and eco-tourism prospects between Nepal and Madhya Pradesh. He had further encouraged for learning the best practices from each other's experiences.

Managing Committee Member of FMPCCI Vijay Agarwal, Chief Coordinator of FMPCCI Sushil Kumar and Assistant Director South Asia Division of FICCI Loknath Acharya also spoke at the gathering noting the close relations between the peoples of Nepal and India.

29 Hydro Projects Get Generation License

The Department of Electricity Development (DoED) has issued power generation licenses to 29 hydropower projects in fiscal year 2012/13 so far. The total installed capacity of the 29 projects is 794 MW. The department has issued generation licenses to 65 projects so far.

"As generation licenses are issued only after the hydropower projects fulfill certain criteria set by the government, we are hopeful that these projects will be completed on time," Gokarna Raj Pantha, information officer of DoED, said.

Hydropower producers should complete feasibility study and Environment Impact Assessment /Initial Environment Examination, sign Power Purchase Agreement or Connection Agreement, attain financial closure and submit industrial registration

documents to apply for general license.

Major projects that have received power generation licenses this year include Lower Arun (400 MW), Rasuwagadhi (111 MW), Kabeli A (37.6 MW), Nyadi Khola (30 MW) and Khani Khola (30 MW).

The generation licenses are issued for 35 years for projects meant for domestic consumption and 30 years for export-oriented projects.

This year, the DoED scrapped survey licenses of some four dozen companies to discourage the trend of occupying rivers. According to Pantha, as many as 75 firms holding survey licenses had applied for the generation license.

Power Summit in the offing

The Independent Power Producers' Association, Nepal (IPPAN) is organizing Power Summit 2013 in Kathmandu in the last week of August with the objective of giving momentum to hydropower development.

The event, which will be held on August 26-27, is being jointly organized by IPPAN and India's Power Trade Corporation. The Ministry of Energy and Investment Board of Nepal are supporting the event.

"The private sector also feels the need for 'energy' and motivation to plough ahead in order to deliver on its critical role to an energy starved economy," IPPAN said in a statement.

The main objectives of the conference are to conduct a critical review of where IPPAN has reached since 2006, what it lacks,

and what it needs to put in place to gear up the hydropower sector. The contents of the summit cover all the major areas such as political landscape, legal and regulatory framework, accurate demand forecast, project financing infrastructure, including transmission lines and access roads, and managing local expectations.

Government officials of both Nepal and India as well as private sector power producers and development partners will take part in the event. IPPAN is expecting to build a status-report, a clear picture of the state of affairs and establish a plan of action with designated roles and responsibilities for the hydropower sector in the power-strapped country, according to the statement.

Industrial Enterprises Act to be amended to include SEZ issues

The government has been working to amend the Industrial Enterprises Act 1992 to turn it into an "umbrella act" which will include a legal provision on the Special Economic Zone (SEZ). The Ministry of Industry is preparing to introduce the act through an ordinance.

Earlier, the government had planned to bring a separate act for the SEZ with the aim of boosting industrial production, banning labour protests in such areas and providing tax exemptions. However, the draft SEZ Act prepared by the Industry Ministry was opposed by the Finance and Labour ministries regarding taxation and labour relations. The government now wants to abandon the plan to create a separate law for the SEZ by incorporating the related provisions in the umbrella act.

"As there is no situation for introducing a separate law for the SEZ, we will include the issues in the umbrella ordinance," said Krishna Gyawali, secretary of the Ministry of Industry. He added that the new ordinance would also incorporate provisions related to sick enterprises and relief packages for them.

Last week, a cabinet meeting had decided to bring the much awaited Industrial Act through an ordinance. After three years and three months of the introduction of the Industrial Policy, the government is now preparing to issue the ordinance to implement the policy. Currently, the Industry Ministry is collecting feedback on the draft act from the Finance, Commerce, Labour and Home ministries.

Government of India to scale up manufacturing, textile exports

With an aim of boosting manufacturing and exports amid sharp fall in the rupee, the government Tuesday decided to take a slew of steps, including enhancing steel production capacity to 300 million tonnes and raising textile exports by 30 per cent this year.

At a meeting of high level committee here, it was decided that push should be given to creation of domestic manufacturing capabilities, with Prime Minister Manmohan Singh saying sustained growth in manufacturing is critical if the country has to grow at 8-9 per cent. He talked about the need to remove "bottlenecks that hinder" progress in manufacturing.

Singh also gave a go-ahead to building of 70-100 seater civilian aircraft, a dream project which has been in the pipeline for years and a pilot project for electric and hybrid vehicles in Delhi by August.

The High Level Committee on Manufacturing decided that steps will be taken to build 300 million tonnes of steel capacity through Special Purpose Vehicles (SPVs) of Central Public Sector Enterprises with states by 2025.

The Steel Ministry would prepare a road map with time lines for the purpose in eight weeks. This will be a significant jump

in the targeted capacity- building as steel production this year is expected to be 120 million tonnes. The capacity was 89 million tonnes in 2011-12.

The meeting also decided that quick decisions would be taken on raising textile exports by 30 per cent this year. In the last fiscal, textiles exports were about USD 34 billion. An Inter-Ministerial Group under Secretary (Textiles) will work out the Action Plan in four weeks.

These decisions are crucial as these come against the backdrop of the government's keenness to boost manufacturing and exports amidst falling value of the rupee. The rupee on Monday hit the all-time low when it crossed the 61 mark.

Addressing the meeting, Singh said manufacturing has to be the backbone of the growth strategy over the next decade. "We are witnessing a major shift in the structure of our economy. Agriculture, which continues to account for more than 50 per cent of our population, today constitutes less than 15 per cent of our GDP." He said. "If we have to grow at 8-9 per cent in the future, this has to come through sustained growth in manufacturing, particularly labour-intensive manufacturing. Manufacturing and manufacturing alone can absorb all those who need better livelihood opportunities," he further said.



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Govt of India notifies sugar import duty hike to 15% from 10%

The government of India Tuesday hiked import duty on sugar to 15 per cent from 10 per cent to help the industry clear Rs 9,000 crore cane arrears to farmers-- a move that would make the sweetener costlier for the common man.

In a notification issued by the Central Board of Excise and Customs (CBEC), the duty of both raw and white (refined) sugar have been raised to 15 per cent. The sugar imports have been putting pressure on domestic prices and have prevented millers from clearing cane arrears to farmers.

Currently, millers in Uttar Pradesh are selling sugar to wholesalers at rates lower than even the production cost, according to the industry experts. The hike in duty is aimed at curbing import of sugar and improving the bearish sentiment in domestic market.

This would, however, lead to rise in sugar prices across the country. Currently prices of sugar (loose) is ruling at Rs 40 per kg and packed sugar at Rs 50/kg in Delhi.

Finance Minister P Chidambaram, Agriculture Minister Sharad Pawar and Food Minister K V Thomas had a meeting on July 4 to review the import duty.

After the meeting Thomas had said there was an agreement to increase the duty to 15 per cent to help industry in clearing outstanding payments to sugarcane farmers, which have risen to Rs 9,000 crore from Rs 5,000 crore in the last one year.

Industry associations like ISMA and NFCSF have been demanding a hike in import duty to 30-40 per cent, saying the country is having surplus sugar production.

PTI -New Delhi

Import of power made easy in India

In a significant move, the central government of India has decided to free the import of electricity. It has now been decided to allow import of power without the need for authorisation. The move to "free" import of electricity was announced through a notification (Notification NO. 27 (RE-2013)/2009-2014) by the Union Ministry of Commerce and Industry of India on Friday evening.

The "freeing of import" is done through an amendment in the import policy of electrical energy. The move comes even as the country is facing severe power shortage. "Import of electrical energy will not require authorisation," Director General of Foreign Trade (DGFT) said in a notification. It said that the "import policy of electrical energy is revised from



'restricted' to 'free'."

The gross electricity generation in the country from various conventional energy sources during April 2012-January 2013 was 7,62,668 million units as against the target of 7,71,866 million units. This generation is mainly from thermal, hydro and nuclear sources and import of hydro power from Bhutan during 2012-13. Nuclear power registered a generation of 27,450 million units as compared to the target of 35,200 million units.

The hydro power generation during the period was 99,071 million units as against the target of 1,22,045 million units. India imported 4,710 million units of hydro

power from Bhutan against the target of 5,480 million units.
The Hindu/PTI

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

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