

NICCI e-Newsflash

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Pranab Mukherjee is India's 13th President

Veteran Congress leader Pranab Mukherjee, who is often portrayed as a 'Nepal-expert' in New Delhi, has been elected India's 13th President.

The candidate from India's governing Congress party, former Finance Minister Pranab Mukherjee, was declared winner Sunday, 22nd July, in voting for India's president, a largely ceremonial position.

Election official P.K. Agnihotri said Mukherjee, 76, had received more than twice as many votes as his rival in last Thursday's balloting by national and state legislators.

"I express deep gratitude to the people for electing me to this high office," Mukherjee said. He said he would try to justify the people's trust.

His rival, Purno Agitok Sangma, conceded defeat before the counting was complete Sunday. "I congratulate Mukherjee on his victory and I wish him success," he told reporters.

Mukherjee and Sangma, a former speaker of Parliament, were competing to succeed India's first female president, Pratibha Devisingh Patil. He joined the office as 13th President of India after



*His Excellency President of India
Shri Pranab Mukherjee*

Nepal-India Chamber of Commerce & Industry, on behalf of the Business Community of Nepal extends hearty congratulations to His Excellency Shri Pranab Mukherjee on being elected to the President of the Republic of India and best wishes for further prosperity of India as well as further augmentation of fruitful bilateral relationship between Nepal and India, during his tenure.

sworn in on Wednesday, 25th July.

Mukherjee has served previously as foreign minister, defense minister and finance minister. His latest term was as finance minister from 2009 until earlier this year.

His personal relationship with Nepali leaders had, to a large extent, helped discussions on bilateral concerns in a candid way.

NRB unveiled monetary policy for the fiscal year 2012-13 - aims to ensure financial stability

Nepal Rastra Bank (NRB) on Wednesday, 25th July unveiled the monetary policy for the fiscal year 2012-13. The policy has laid high emphasis on increasing lending in the productive sector, financial inclusion and healthy financial system. It has also liberalised foreign exchange-related provisions. However, the policy hardly speaks of real estate and share market.



Unveiling the policy, NRB Governor Yuaraj Khatiwada said the policy concentrates on ensuring financial stability, expanding access to finance, helping achieve economic growth of 5.5 percent and controlling inflation.

In order to expand credits to the productive sector, the policy has reduced interest rates of refinancing it provides to banks and financial institutions (BFIs) to 6 percent from the current 6.5 percent in the agriculture and hydropower and 7 percent in other productive sectors. "In turn, the BFIs will have to re-lend the amount at not more than 9 percent," the policy says.

The central bank has also made a provision whereby BFIs must maintain a 'base rate' of interest by using the method fixed by the central bank. The BFIs will have to determine their interest rates on the basis of the base rate. This is expected to reduce the interest rate gap between deposit and credit. BFIs will have to publish such base rates on a regular basis, the policy says.

Khatiwada said the move has been taken to make the interest rate transparent and competitive. Although the much expected interest rate corridor was not introduced immediately, the central bank said it will implement the system gradually.

The central bank has also increased the deprived sector lending for BFIs. Now, commercial banks, development banks and finance companies must lend 4 percent, 3.5 per-

cent and 3 percent respectively of their total loan portfolio. "It is the continuation of last year's policy of gradually increasing the limit to 5 percent," said Khatiwada.

To meet its objective of increasing access to finance, the central bank has increased the limit of collateral free loans that a group can take from BFIs to Rs 100,000 for each member. They can get up to Rs 300,000 by putting collateral too.

Besides making mergers more effective, the central bank also said it will make efforts to introduce policies on acquisition.

As the Nepali banking system has an abundance of liquidity and foreign exchange reserve, the NRB has opened doors for

commercial banks to invest up to 30 percent of their deposits in foreign banks, in call deposits, certificate of deposits and other instruments with low risks for two years. "As the Nepali financial system is also becoming part of a global financial hub, we have been flexible in this regard," said the governor.

The NRB has further removed the maximum limit of foreign exchange availability against a passport for a year, while allowing people to get up to \$2,500 at a time. "It means a passport holder can get up to \$2500 at a time, irrespective of the frequency of travel," said a senior NRB official. People travelling abroad for various purposes such as medical and other purposes will get up to \$10,000 from the existing provision of \$6,000.

Those importing goods from third countries other than India through draft/TT will get up to \$30,000 at a time, up from the \$25,000 earlier, according to the new monetary policy.

Nepalis having foreign currency deposits will now be able to utilize up to \$5,000 from their accounts in foreign currency without going to the central bank for approval. "The move was taken to attract more people to open foreign currency deposit accounts," said Khatiwada.

TARGETS OF MONETARY POLICY 2012/13

GDP Growth: 5.5%

Inflation: 7.5%

BFI's deposit growth:
15.1% (to Rs 1,160b)

Domestic credit growth: 16%

Forex reserve:
Enough to finance at least 8 months

Investment Board looking for experts to advise on hydro projects

The Investment Board (IB) has begun scouting for national and international experts to be able to better negotiate and monitor the five hydro projects that it has been assigned to look after. The five projects the government has given to the IB to handle are West Seti, Upper Karnali, Upper Marsyangdi, Arun III and Tama Koshi III.

IB sources said it would be forming three panels—an international expert panel, an international technical expert panel and a domestic expert panel.

According to the IB, the international expert panel will help during negotiations for the 750 MW West Seti project. "Since it's a mega budget project, a small error may cause a massive loss to the country," said Radesh Pant, chief executive officer of the IB. "The panel is necessary to ensure maximum benefits during the negotiation process." The expert team will consist of lawyers, top engineers, economists, sociologists and project finance specialists, among others.

"Globally, an international expert team is basically hired during negotiations for large projects. As we do not have an adequate number of experts, we have to look abroad for competent people," added Pant.

According to the IB, the panel of international technical experts will help in conducting negotiations and monitoring all the hydro projects. This panel will also have experts from different areas including sociology, engineering, environment and project development.

The IB will also form a panel of local experts which will have representatives from government ministries, departments and other agencies, the private sector and independent researchers.

This panel will also help to improve the projects and provide an example of how international experts work on project negotiations and project development. "The overall idea behind having this panel is transferring knowledge from the global level to the local level, said the IB.

According to the IB, the process of forming these three panels and selecting experts have started and donor agencies have been asked for financial support. "As we cannot pay the experts on our own, we have to rely on international donors," said Pant. According to the IB, the expert groups will begin work by the end of August.

The IB said it would start work on the five hydel projects and begin negotiations with China Three Gorges Corporation (CTGC) for West Seti once these three panels are formed. Meanwhile, the IB has sent the template of the project development agreement (PDA) for the other four projects to the respective investors.

The IB said it had been discussing ways to make West Seti a multipurpose project. "We have been considering aspects that need to be included in the project to make it a multipurpose one," said Pant, "Once these issues are settled and the expert team has been formed, we will sit down for the final negotiations."

A high-level official said that pursuant to CTGC's assurance to help Nepal get a soft loan from the Exim Bank of China, the board would ask for a larger loan. When the project MoU was signed, CTGC executive vice-president Wang had said that CTGC would help the government to get a concessional loan from Exim Bank to finance the project.

Butwal-Gorakhpur cross-border transmission line : Government initiates homework

The government has begun homework for the construction of the second cross-border transmission line between Nepal and India.

The Ministry of Energy sent a letter to its Indian authorities through the Ministry of Foreign Affairs a few weeks ago in this regard. The Foreign Ministry however, has asked the Energy Ministry to get Finance Ministry's approval first for the construction of the Butwal-Gorakhpur cross-border transmission line.

"We are moving with the second cross-border transmission line project as there will be a number of hydropower projects in the Western Nepal in future and we need transmission lines to evacuate electricity generated by them," said Energy Secretary Hari Ram Koirala. He said the Energy Ministry will soon seek the Finance Ministry's approval and



then send letter to Indian authorities. "As power trade between the two countries has immense potential, we should not delay the second cross-border transmission line," Koirala said.

Nepal and India had agreed for the construction of the 400KV transmission line during the first meeting of the ministerial-level Joint Commission on Water Resources (JMCWR) held in New Delhi in the second week of February.

According to Energy Ministry officials, the Indian side has sought Nepal's commitment on when and how much energy will be traded. "The Indian government will not invest in the transmission line unless we assure that we are extending power trade in future," said senior ministry officials, adding that the ministry is also preparing a

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Butwal-Gorakhpur cross-border transmission line.....

detailed proposal of the additional power exchange between the two countries.

A feasibility study conducted by the Nepal Electricity Authority in 2006 had suggested the transmission line's length of 130 km (30-35 km on Nepali land) and estimated the cost at Rs 4.25 billion. "The study was conducted for 132 KV transmission line, but it has been upgraded to 400 KV," said Anup Kumar Upadhyaya, spokesperson for the Energy ministry. He said as there is a huge settlement in the area, another feasibility study should be conducted. The government had previously identified four transmission lines between Nepal and India, including Siligurhi-Anarmani and Duhabhi-Kataiya.

The Energy Ministry is planning to seek loans from the Asian Development Bank (ADB) for the transmission line. "The ministry will approach ADB for the loan after the Finance Ministry approves the proposal," said an official.

Upadhyaya said about 1,200MW electricity can be evacuated from the second transmission line. "The construction of the second transmission line is necessary especially because more than five big hydropower projects with a collective capacity of around 20,000 MW are conducting feasibility study in Gandak basin in the West," he said. "As the country cannot alone consume the total energy generated, it is necessary to export the surplus power to India."

Soil test complete for metro railway in Kathmandu

Following the government's endorsement of the preliminary inception report of the metro railway in Kathmandu Valley, the consulting companies have completed the soil test, which shows how the rail track should be laid - underground, on the surface or overhead - in major areas including Ratnapark, Kalanki and Sinamangal. Traffic survey in major junctions inside the Valley, meanwhile, is in progress.



The companies, however, haven't submitted the soil test results. "The consulting companies have only submitted interim report of the feasibility study," an official at the Department of Railways (DoR) told Republica on Thursday. "Soil test report and traffic survey report will come together."

Korea Transport Institution, Chungbuk Engineering Company, Kunwa Consulting and Engineering Company, Korea Rail Network Authority and two local companies BDA Nepal Private Limited and EMRC Private Limited are conducting feasibility study of the project.

"The companies have to submit two interim reports before submitting the draft report of the feasibility study," Rajeshwar Man Singh, superintendent engineer at the DoR said, confirming the progress. "They submitted the first interim report."

According to Singh, the first interim report, however, doesn't provide any conclusive result. "It is a kind of a progress report," Singh said. "The second interim report gives the result of the soil test and statistics on traffic survey."

The metro railway connects various locations in the valley via a 66-km track with 5 lines and 31 stations. A complete feasibility study report of the project is expected within the next

six months. "Once the feasibility study report is ready then we can estimate the total cost of the metro railway," Singh said.

The government has paid Rs 60.5 million to the firms to conduct the feasibility study. The government had approved the inception report last March and cleared the way to conduct the feasibility study for the companies.

The project requires technical precision and dedicated power system to ensure uninterrupted power supply and has been listed in the national pride project by the government.

The government last May handed over the project along with 13 other mega projects to the Investment Board.

SAARC commerce secys agree to expedite tariff

Commerce secretaries of SAARC countries have agreed to speed up the process of tariff liberalization and integration of the region through harmonization of communication, transport, capital market and movement of people.

The 15th meeting of Committee on Economic Cooperation (CEC) under South Asian Association for Regional Cooperation (SAARC) held in the Maldives last week also held discussion issues of least developed countries (LDCs) and non-LDCs.

"The meeting was fruitful toward making the regional market more integrated," Naindra Prasad Upadhyaya, joint secretary at the Ministry of Commerce and Supply (MoCS), who was also present in the meeting, told Republica on last week Wednesday.

"The officials from the region have agreed to harmonize customs operation that will lead to the smooth movement of goods and cargos in the region."

Officials from the LDCs of the region including Nepal and Bangladesh urged officials of non-LDCs to remove items that are export interest of LDCs from their sensitive list, said Upadhyaya. The meeting also reviewed the of status sensitive list and agreed to work together again to shorten it in the near future. The two-day meeting also touched on issues related to connectivity, communication and movement of people in the region.

IOC proposes to construct petro pipeline

Indian Oil Corporation has pledged to send the technical, financial and construction details of the much-hyped pipeline project soon, according to state-owned oil supplier Nepal Oil Corporation (NOC). Indian Oil Corporation (IOC) – the sole supplier of petroleum products to Nepal – had recently sent a new proposal for the construction of a pipeline from its Raxaul depot to the Amlekhgunj depot of NOC.

The board meeting of Nepal Oil Corporation has decided to submit the proposal to the cabinet once it receives a detailed break-down of the pipeline construction from Indian Oil Corporation, said acting managing director at the corporation Suresh Kumar Agrawal.

But “The proposal does not cite the word ‘build-own operate and transfer’ (BOOT), but it categorically mentions that Nepal’s cabinet should take a clear decision and give it a mandate for the construction and operation of the pipeline,” said a highly placed official at Ministry of Commerce and Supplies (MoCS).

IOC has said Nepal should solely rely on the pipeline for importing fuel for the 10 years after the pipeline system is readied. After completion of ten years of operations, it then will hand over the pipeline in the Nepali territory to the Nepal government.

“As the cabinet’s clear mandate is necessary for taking any decision on the proposal, we are soon forwarding it to the cabinet for appropriate decision,” said Lal Mani Joshi, secretary at MoCS.

The Indian oil firm will lay down a 10.7 inch-diameter pipeline to match rapidly growing demand for fossil fuels, said an NOC official. As Raxaul is the largest petroleum import point, which fulfills over two-third of national demand, IOC has projected that the pipeline will enable it to recover the construction cost within seven years.

“The revenue it will enjoy for the next three years will be its return on the investment,” said the NOC source. As for benefits to Nepal, the use of pipeline is expected to drastically cut the cost of



transportation, assure uninterrupted import and supplies, check fuel adulteration and cut pollution as it will displace a large number of 500 tankers used so far in transporting fuel.

The proposal sent by IOC has mentioned that it will be responsible for all the technical aspects of the construction, whereas Nepal Oil Corporation will have the responsibility of managerial tasks. NOC has also sought technical details and other financial details, according to it.

Nepal Oil Corporation, through the Ministry of Commerce and Supplies, will submit the proposal to construct the pipeline to the cabinet once it receives a detailed plan from Indian Oil Corporation, Agrawal further added. Indian Oil Corporation sent a proposal with an estimation of a total cost of Rs 1.6 billion. But, NOC has sought a break-down of the expenditure.

Indian Oil Corporation has agreed to provide a loan to construct the pipeline. IOC has made a proposal whereby NOC will have to clear the loan in seven years after the construction of the pipeline is completed, according to the corporation.

The proposed cross-border 41-km pipeline project will have 39-km stretch in Nepal and two-km stretch in India, with pumping and equipment installations in the Indian territory, according to the feasibility study prepared by NOC.

Nepal and India had committed to construct the pipeline almost one-and-a-half decade ago, but had failed to materialize the project because of lack of clarity over the structure, ownership, management and legal provisions required to safeguard the system.

Officials doubted IOC’s proposal of making any headway anytime soon as the Election Commission’s directives bars the government from taking any decision that will have long-term impact in the country.

Loan on 10 percent Interest to additional 16 Hydro Power Projects

Government has prepared to provide 2 crore per MW for additional 16 Small Hydro Power Projects being constructed by the Private Sector. Earlier Government had decided to give such facility to 7 Hydro Power Projects. Under that facility such Projects will get Loan 2 Crore per MW on 10 percent. Source said that the Facility Recommendation Committee under the Ministry of Energy has recommended the additional 16 Hydro Power Projects for providing such facility. Companies with 518 KW of capacity to 22.2 MW of Capacity are there in recommended list for providing facility. PPA rate will also be increased for those companies.

Fixing the 7 Years of payback period on the base of Commercial Operation Date (COD) proposed by the promoter Nepal Electricity Authority will buy the Electricity in Rs. 8.40 per Unit in Dry Season and Rs. 4.80 in Rainy Season, said source. Earlier produced Electricity from such Projects Nepal Electricity had done an agreement to buy on Rs. 7 Per Unit for dry season and Rs. 4 for Rainy season.

For the projects under construction having completed the process Committee had sent recommendation to Ministry of Energy and Ministry of Finance.

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Loan on 10 percent Interest to additional 16 Hydro

To provide the loan from Ministry of Finance for the projects upto 10 MW and from the Electricity Development and Investment Company to the projects having more than 10 MW of capacity the committee has recommended, said the source. A capacity of 22 MW Mai Khola Hydro Power and 22.2 MW capacity of Upper Chaku Hydro Power being constructed by Sanima Hydro Power Company will get the loans from the Electricity Development and Investment Company. As per such provision Mai Khola Hydro Project will get 44 Crore and Upper Chaku Hydro Powre will get 44.4 Crore loan at 10 percent of interest. Though it cost 12/14 Crore Per MW, Government has expected that Small Hydro Power Projects will be benefited by such provision.

For the Projects upto 10 MW of Capacity Ministry of Finance has been now providing such facilities by including the Govt. Banks into the groups of the banks with the consortium and for the Projects capacity of more than 10 MW Govt. has managed to provide the loans from the company.

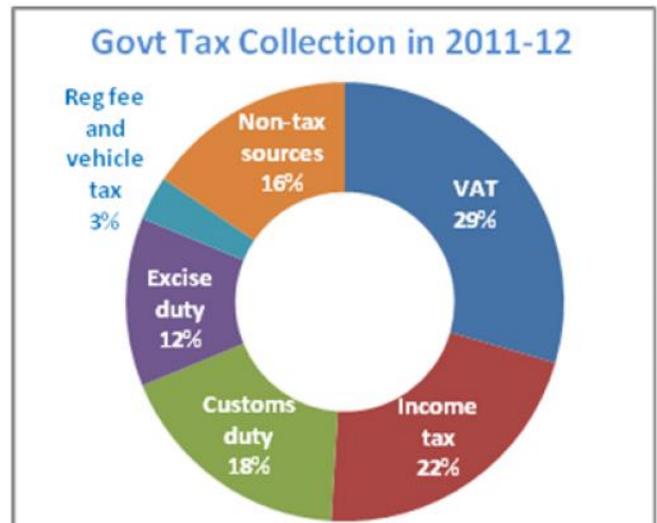
For the projects upto 10 MW which are facing financial crisis and under construction It is managed that the Company Established to invest only on the projects above 25 MW of capacity can invest through Banks that are investing now. Nepal Rastra Bank has already given a permission to the company to invest in Hydro Power Projects.

Revenue collection crosses Rs 244b

Despite initial hiccups, the government mobilized Rs 244.14 billion in revenue in fiscal year 2011/12, exceeding the target by well over Rs 2.37 billion. "The collection was a rise of 22.2 percent over what we had mobilized in 2010/11," said Finance Secretary Krishna Hari Baskota. He attributed the rise in collections to better mobilization of revenue from income tax and customs duty. The finance ministry was trailing the target till the 11th month of the fiscal year.

Likewise, the finance ministry collected Rs 43.41 billion from customs duty - the third largest revenue generator - during the last fiscal year. The collection was above the target by almost Rs 2 billion, according to a MoF statement.

| Revenue Source | Collection (in Bln NRs) |
|----------------------------------|-------------------------|
| VAT | 71.97 |
| Income tax | 52.55 |
| Custom Duty | 43.41 |
| Excise duty | 30.37 |
| Registration fee and vehicle tax | 7.96 |
| Non-tax sources | 37.88 |
| Overall Total | 244.14 |



Breakdown of collection shows, value added tax (VAT) generated Rs 71.97 billion in revenue during the year. Though its collection remained short of annual target, which was set at Rs 72.74 billion, contribution from VAT stood at 29.5 percent in overall revenue collection.

Income tax, the second biggest revenue spinner, generated Rs 52.55 billion during the year, exceeding the target by more than a billion rupees. Its share in overall revenue stood at 22.7 percent.

"This better than anticipated collection of income tax indicates our tax base is gradually widening," said Baskota.

The government further collected Rs 30.37 billion in excise duty, posting a growth of 13.5 percent over previous year's collections.

The breakdown further reveals that the government mobilized another Rs 7.96 billion from registration fee and vehicle tax. Collections from non-tax sources too stood at Rs 37.88 billion, said the statement.

With the rise in collections, country's revenue-GDP ratio in 2011/12 jumped to 15.5 percent. In 2010/11, the ratio was 14.59 percent.

Nepal-Bangladesh trade talks -Stage set

The fourth Nepal-Bangladesh secretary-level talk on trade has been scheduled for July 29-30 in Kathmandu. The meeting would discuss various issues including promotion of bilateral trades.

Secretary at the Ministry of Commerce Lalmani Joshi said that talk, taking place after a gap of two years, would be an extensive one which will discuss issues on bilateral trade expansion and facilitations during the two-day meeting.

Joshi said, "Discussions will be held to allow some goods without customs tax in the markets of both countries." According to him, there is a growing demand of Nepali agriculture products including fruits and vegetables in Bangladeshi market. "However, the exporters have been complaining about high duty," Joshi said, adding that the Bangladeshi side had shown positive sign during the preparatory talks to entertain Nepali agro products like tomato and lentils without any duty. Lentil has been the biggest exports to Bangladesh for long. Other officials said that both sides would seek access to each other's markets.

The other key points in the discussion are full-fledged operation of Kakarbhitta-Panitanki-Phulbari-Banglabandh corridor and allowing Nepali trucks up to the Banglabandh land port and intensive discussions on use of Rohanpur-Singhabad route are also in the list for discussion, Joshi added. "Keeping in view the expansion and promotion of bilateral trade, we will also discuss on other necessary agendas," said Upadhya. Chatgaon-Mongla Port has not been used as yet though the government of Bangladesh provided this port for the international trade.

The last meeting had focused on the much-anticipated transport connectivity between the two countries for expediting trade,

elimination of tariff barriers on commodities of mutual export interests, and duty-free access to market. Joshi also said that during the meeting, the Nepali side will ask the Bangladeshi delegates to endorse the transport agreement which was signed in 2006. "As the agreement had envisaged connecting Nepal and Bangladesh through India, there had been delay in the endorsement of the decision from Bangladesh," he said.

Ministry officials also said that lack of proper connectivity between the two countries is hurting trade and tourism. Nandira Prasad Upadhya, joint secretary at the ministry, said that other agendas in the meeting would be the infrastructure development in the border points of both of the countries, visa on arrival for the Nepalis. "The exporters and traders are facing hurdles due to the poor infrastructure facility," he said, "We will discuss on building quarantine, cold storage and store house, among others in the border points," he said.

During 2010-11, Nepal had exported goods worth Rs 3.47 billion to Bangladesh and had imported goods worth Rs 1.10 billion. Pulse, cardamom, wheat and noodles including vegetable seeds are Nepal's major export items to Bangladesh while Nepal imports industrial raw materials, thread, electrical equipments from Bangladesh. A seven-member team from Bangladesh is arriving here on Saturday for the talks.

The Bangladeshi Commerce Secretary will lead six-member delegates, while Joshi will lead 14-15 member delegates during the meeting.

BB Airways to start direct flight to Tokyo from October

BB Airways, a new airlines promoted by a group of Non-Resident Nepalis (NRNs), announced it will start direct flights between Kathmandu and Tokyo from October 13. A press statement quoting Bhawan Bhatta, Chairman of BB Airways stated that the airlines would operate two flights a week. The duration of the flight will be seven hours.

Return ticket in this sector has been priced around Rs 120,000. BB Airways is preparing to operate 202-seat Boeing 757-200 for the seven-hour long flight. As per the permission, the airline must acquire three aircraft - two in the first phase and the third one must be procured within three years of start of operation.

The airlines is scheduled to start its operation from September 13 with Kathmandu-KualaLumpur-Kathmandu sector. "We will be introducing direct flights to Hong Kong and Taiwan as well from September," the statement added.

Bhatta said that the direct flight between Nepal and Japan would promote tourism industry of the country and also provide easy connectivity to Nepalis residing in Japan. BB Airways, which had acquired the operating license in January, has permission to operate to seven international destinations. The other destinations include New Delhi, Singapore, Doha and Bangkok.

Over 5,000 left for South Korea for EPS jobs in 2010-11

The number of Nepalis leaving for South Korea for jobs under the Employment Permit System (EPS) rose significantly in the last fiscal year, mainly due to increased demand for Nepali workers in Korea. A total of 5,358 individuals left for Korea in 2011-12—up 44.69 percent compared to previous year's figure. In 2010-11, the country had hired 3,703 Nepali workers, according to the Department of Foreign Employment.

Last year, the Korean government increased job quota for Nepali workers from 7,100 to over 15,000, considering better work performance of Nepalis already working there. With the government recently renewing the EPS agreement with Korea, Nepali workers will be able to go Korea for jobs for another two years.

Korea renews EPS for another two years

The Governments of Nepal and South Korea have agreed to extend the term of the Employment Permit System (EPS) for another two years. Korea has been giving priority to Nepali workers for their honest and dedication to work. The EPS labour agreement was first signed between Nepal and Korea in 2007.

The earlier term of the EPS agreement had expired on Tuesday and a decision has now been taken to extend it for two years, said Spokesperson of the Ministry of Labour and Employment, Buddhi Bahadur Khadka.

The ministry received the EPS agreement renewal papers undersigned by the Korean Employment and Labour Minister on June 29 through the Diplomatic Pouch, according to the ministry's spokesperson Khadka. On the behalf of the Nepal

government, Minister for Labour and Employment Kumar Belbase signed the agreement.

Prior to this, the Korean Government has been extending the EPS agreement for a term of three months since the last agreement signed in 2010 expired in December 2011.

Workers willing to go to Korea for work under the EPS agreement need to pass the Test of Proficiency in Korean (TOPIK). It may be noted that nearly 9,000 Nepali youths who have passed the Korean language test are in-waiting to fly to Korea for foreign employment.

Attractive salary and perks and safety standards of workplace have made Korea a principal destination of foreign employment for Nepali youths. Presently some 14,280 Nepali youth are working as migrant workers in Korea under the EPS agreement.

Departure of women migrant workers up 117.5 percent

Departure of Nepali women for overseas jobs more than doubled in the last fiscal year. The surge has been attributed to the increased hiring from major labour destinations and aspirants choosing the legal channel for leaving for foreign employment. A total of 22,655 Nepali women received permission from the Department of Foreign Employment to leave the country for overseas jobs in 2011-12 — up 117.5 percent compared to 10,416 in 2010-11, according to the department.

Women Migrant workers in 2011--12

| Country | 2010-11 | | 2011-12 | | Increase in 011-12 | |
|-----------------|---------------|------------|---------------|------------|--------------------|-------------|
| | Nos | % | Nos | % | Nos | % |
| Kuwait | 5,795 | 56 | 12,495 | 55 | 6,700 | 116% |
| The UAE | 1,911 | 18 | 4,523 | 20 | 2,612 | 137% |
| Malaysia | 1,386 | 13 | 2,210 | 10 | 824 | 59% |
| Qatar | 313 | 3 | 996 | 5 | 683 | 218% |
| Bahrain | 206 | 2 | 532 | 2 | 326 | 158% |
| Others | 805 | 8 | 1,899 | 8 | 1,094 | 136% |
| Total | 10,416 | 100 | 22,655 | 100 | 12,239 | 118% |

Source: Department of Foreign Employment

Women Migrant workers in 5 yrs

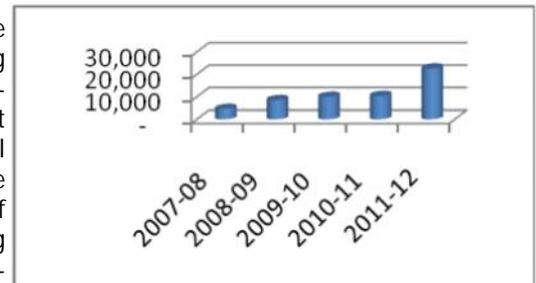
| Year | Number |
|---------|--------|
| 2007-08 | 4,685 |
| 2008-09 | 8,594 |
| 2009-10 | 10,056 |
| 2010-11 | 10,416 |
| 2011-12 | 22,655 |

The officials said the number of women migrant workers posted a healthy growth after the government tightened the

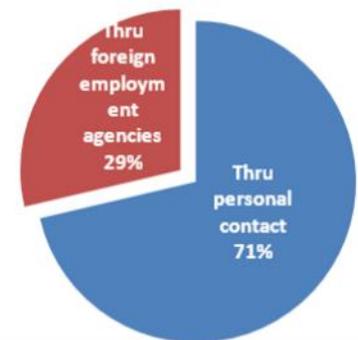
screw on the trend of leaving for foreign employment through illegal channels. "The number of women leaving from the Tribhuvan International Airport with valid documentation has gone up," said Kashi Raj Dahal, director at the department.

In 2011-12, Kuwait hired the highest 12,495 female workers — up 115.61 percent compared to 2010-11. The UAE stood second, recruiting 4,523 Nepali women, and Malaysia took in 2,210. Qatar and Bahrain offered jobs to 996, and 532 Nepali women, respectively.

Issuance of guidelines to send domestic workers to Saudi Arabia, the UAE, Qatar and Kuwait and improvised system of pasting labour sticker on outbound workers' passports have also helped control irregular departure.



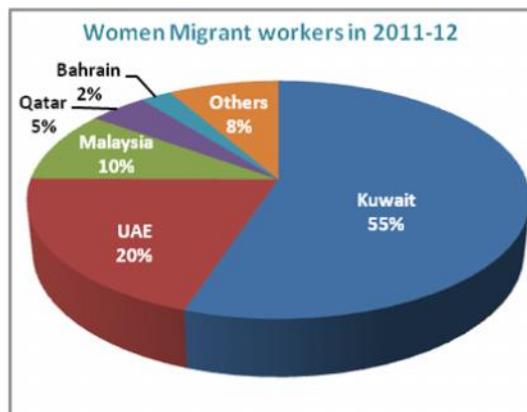
Comparison of departure through personal contact vs employment agency



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Departure of women migrant workers

Although it is usually a tough job for women to get permission from their families to go abroad for work, the department figures show that more and more women are leaving the country for foreign employment each year. "This indicates that women are getting their right to mobility," said Manju Gurung, president of Paurakhi, a non-government organisation, working for the welfare women migrant workers. She added that women were becoming more



aware about safe migration and risks related.

Of the total, 16,165 women left for jobs through personal contact or individual approach, whereas 6,490 made it to labour destinations through foreign employment agencies. Gurung said women leaving through individual approach are more vulnerable to exploitation. She said the government should introduce a provision that allow women to leave the country through institutional medium only, for their safety.

IATA says travel agents should pay airlines weekly

The International Air Transport Association (IATA) has informed travel agents that they will have to pay the airlines for the tickets they sell on a weekly basis instead of fortnightly as has been the practice. IATA has planned to implement the revised provision named "Billing and Settlement Plan" (BSP) or "Bank Settlement Plan" from June 1, 2013.

Agents said the provision would hurt customers and small travel agents, but that it would help to maintain financial discipline and reduce credit exposure of agents. "So enforcement of the BSP has advantages and disadvantages equally," they said.

Agents said that corporate clients, NGO/INGOs and government agencies, among others, had been buying air tickets using corporate credit cards and deferring payment for as long as one to two months. "The new rule will put pressure on agents to collect payment from customers within a week or make payment out of their own pockets," said Madhusudan Acharya, first vice-president of the Nepal Association of Tour and Travel Agents (NATTA). "The positive part is that the provision will maintain financial discipline, reduce credit exposure of agents and ascertain defaulters." Currently, there are 162 travel agencies dealing in international airline tickets in Nepal.

IATA said in a press statement that the provision aimed to increase the frequency of payment to improve cash flow for airlines and reduce credit exposure of agents. According to IATA, the proposal will be submitted to the Passenger Agency Conference (Paconf) for approval after discussion within the Agency

Program Joint Council (APJC). The APJC in Nepal consists of seven airlines and seven agents. The move is in line with the practices in a majority of the countries. China and Korea have adopted a three-day billing cycle, according to a source.

As agents are currently required to provide a financial guarantee to IATA for the amount equivalent to a fortnight's credit period, the revised provision will also reduce their operating costs. The revised provision will also reduce the bank guarantee travel agents have to put up by 50 percent, an airline representative said.

IATA had proposed implementing the provision by June 2012, but agents here had said that they would like to study the practice in neighbouring countries before implementing it in Nepal. "As India is likely to implement the provision by the beginning of 2013, we will do a study whether it is acceptable," Acharya said. Some agencies opposing the move said that it hurt small travel agents because they would have to invest their own money if they fail to collect payment from customers who buy tickets on credit.

IATA stated that at the close of 2009, there were 86 BSPs covering more than 160 countries worldwide, while at the close of 2011, there were 88 BSPs covering 176 countries and territories serving about 400 airlines, with gross sales processed amounting to US\$ 249 billion.

Average Length of stay increased but Indian and Chinese tourists length of stay declined

Nepal received the highest number of tourists from India and China, but their length of stay is the lowest among all the source markets. According to the Tourism Ministry, visitors from the two neighbouring countries spent 7.99 and 10.14 days respec-

tively in Nepal in 2011.

The length of stay of Indian tourists is the lowest among the source markets. Chinese visitors are the third shortest stayers.

Contd on page 10

Average Length of stay increased but

The average length of stay of Indian tourists recorded a drop from 10.10 days in 2010. Similarly, the length of stay of Chinese tourists was down from 15.38 in 2010.

Sri Lankan visitors stayed an average of 10.08 days in Nepal to take the spot between Indians and Chinese. Meanwhile, Sri Lanka sent the third largest number of tourists to Nepal in 2011. Nepal received 154,735 Indian, 75,631 Chinese and 69,241 Sri Lankan visitors last year. The three countries took the first, second and third spots respectively in arrivals last year.

Finnish tourists took the top spot in length of stay, spending an average of 24.50 days in Nepal in 2011. They were followed by visitors from the US, Norway, Australia and Switzerland.

Travel trade entrepreneurs said that the Indian market has

been classified in the mass tourism segment so Indian visitors have a short length of stay. Their favourite places to visit are Kathmandu, Pokhara, Jomsom and Muktinath. Similarly, pilgrimage is the number one purpose of visit for Chinese and Sri Lankan tourists.

Meanwhile, the average length of stay of tourists in Nepal increased to a seven-year high of 13.12 days in 2011. Travel trade analysts have attributed the record growth to a decline in strikes and increased tourist arrivals for trekking and mountaineering, particularly from the US and Europe.

According to the Tourism Ministry, visitors coming for trekking and mountaineering in 2011 increased 11.7 percent against a decline of 47.2 percent in 2010.

Nepal recorded the highest ever length of stay of 13.51 days in 2004.

Sixth agriculture census- CBS for more comprehensive statistics

The Central Bureau of Statistics (CBS) has said the sixth agriculture census will be more comprehensive than previous editions. In addition to pure agriculture-related information, CBS this time has collected data on various facilities available to the community for the National Census of Agriculture.

Besides collecting data on major areas of agriculture like production of major crops and livestock under the Crop and Livestock Survey (CLS), the census will cover new areas such as land utilisation, socio-economic condition, society formation, available facilities for farmers and development programmes being executed at the community level.

It will give a real picture on structure and characteristics of the holding such as size, agricultural land use, land tenure, land fragmentation, area planted to crops and the number of livestock among others. The census will also provide basic data for national, ecological belts and development regions levels for national as well as sub-national policy, planning and decision making purposes.

CBS recently completed data collection from all districts and has collected information about facilities such whether a particular area has all-weather road and how much time is required for locals of that area reach the market. This is the first time that CBS is collecting community-related information in the agriculture census. "The move is aimed at making the report more comprehensive about the state of agriculture and whether community facilities help the sector," said Uttam Narayan Malla, director general at CBS.

The government conducts agriculture census every 10 years to get a clear picture of the agriculture sector and formulate policies accordingly. This time, CBS considered a ward as a unit for collecting information about facilities available to

communities and their assets. It collected information like size of farm land, public pastures, community forestry, community ponds, areas covered by houses and plots in a ward.

CBS also collected information on whether there had been any natural calamities over the last 10 years and whether the natural calamities like floods, landslides and droughts created scarcity of food. Information such as which ethnic group lives in the area, what profession the locals rely on and whether there are sellers of fertilisers, pesticides and seeds, veterinary service, presence of financial institutions, schools and health facilities were also collected.

Under the community questionnaires, CBS collected information on whether is irrigation facility, agriculture production collection centre, electricity, communication equipment and public transport facility. The census will find out whether a particular ward saw development projects related to education, health, income generation, poverty reduction, drinking water, and agriculture among others operated. CBS also collected information about the yield of agriculture products from individuals for the first time.

However, this census is basically to collect information about what farms the farmers are engaged in, how many people work in farming for entire year, whether a family has assigned their land to other families for agriculture production, status of irrigation and how the land is being used, among others. Malla said the information will be helpful for the National Planning Commission, the Ministry of Finance and the Ministry of Agriculture while formulating policies.

The first agriculture census was conducted in 1961-62. Since then, the government has conducted census in 1971-72, 1981-82, 1991-92 and 2001-02.

NRB relaxed FIs one more year to maintain interest fetching call account

Nepal Rastra Bank (NRB) has allowed financial institutions (FIs), including development banks and finance companies, to maintain interest earning account for one more year.

"They can continue maintaining the interest fetching call account till the end of this fiscal year," said NRB Spokesperson Bhaskar Mani Gyawali. However, he said the extension has been provided for the last time. "By mid-July 2013, they will need to close all such accounts," he told Republica.

The central bank last year had barred FIs from depositing their money in other banks and financial institutions (BFIs) for the purpose of earning interest income. Though it allowed them to maintain call account, it had asked them to close such accounts as well from mid-July 2012. But it has relaxed its earlier directive when it issued the Unified Directives at the end of the last fiscal year.

"We welcome the extension. It has salvaged us for the time being," said Rajendra Man Shakya, president of Nepal Finance Companies Association. Under the call account, FIs are currently earning interest in a range of 2 to 5 percent per annum.

The NRB had decided to restrict the FIs from holding the interest fetching accounts at other BFIs mainly after it assessed such accounts were creating anomalies in the financial system and manipulating them to manage their credit-deposit ratio.

"Most importantly, maintaining such account has encouraged the FIs to refrain from core banking activities, such as lending to viable projects," Gyawali said while explaining why the NRB took such a decision.

However, finance companies that were facing severe liquidity crunch and also erosion of their trustworthiness had been consistently requesting the central bank to relax the provision.

The relaxation was much needed, said another CEO of finance company, referring that finance companies over the 2011/12 witnessed decline in their deposits. Data of NRB shows deposits of finance companies over a span of year till mid-May 2012 had declined to Rs 78.91 billion from Rs 85.64 billion.

Star rating for agricultural products on cards

The government is introducing star rating, a grading that will indicate business prospect, for agro-produces promoted under One Village One Product (OVOP) scheme in an effort to ensure their quality for domestic and foreign market.

The Department of Food Technology and Quality Control (DFTQC), which has been monitoring the quality of the OVOP products, is making final preparation for setting quality standard rating that is expected to promote sales of those products.

"We have set a certain standard for OVOP products with huge potential to become popular in both domestic and international market," Pramod Koirala, spokesperson of the DFTQC told Republica.

The government has been promoting around a dozen products under the OVOP program in collaboration with the Federation of Nepalese Chambers of Commerce and Industry (FNCCI). The government has allocated Rs 40 million for the fiscal year 2011/12.

"We are giving one, three or five star rating depending on the quality of the products and their potential markets so that domestic as well as international consumers would be assured of their quality. We will start with the quality rating for food products in the first phase," said Koirala. Under the rating system the DFTQC will monitor the label, coloring, packaging and other quality criteria for the selected products.

The OVOP program that currently covers total 22 districts was formally launched incorporating the policy through the budget for the fiscal year 2006/07 emulating the "One Tambon One Product (OTOP)" concept practiced in Thailand.

Under the quality grading, one-star is for products meant for local market, three-star for nation-wide market and five-star for the export purpose. Out of the total products under OVOP, orchid flower and organic coffee are being exported to Japan whereas rainbow trout fishes are in high demand from Kerung area of Tibet.

Nepali citrus products including sweet orange have better prospect for export to China that has recently signed a pact with Nepal to remove existing hurdles in such products. Strict quarantine provisions imposed by Chinese authorities had been creating problems in the export of Nepali citrus products including orange and sweet orange to the northern neighbor.

Products and service selected under the OVOP are sweet orange and its juice (Sindhuli and Ramechhap), lapsi candy (Bhaktapur), rainbow trout fish (Nuwakot, Rashuwa), bel and its juice (Bardia), organic coffee (Syanjha), orchid flower (Lalitpur), betel nuts (Jhapa) and banana (Chitwan), agro-tourism (in different districts) were selected under the program in the initial year.

Exporters demanded easy access to refinanced loan

Around a dozen associations of Nepali exporters have requested the government to simplify the process for the easier access to concessional credit under the Export Refinancing, which was announced a couple years ago as an effort to boost the slowing export sector.

They have asked Nepal Rastra Bank (NRB) to incorporate strong measures in the upcoming monetary policy to ensure effective implementation of the incentive scheme, which is aimed at reducing the cost of production for exportable goods by bringing down the interest expenditure to make exporters more competitive in international market.

"NRB had instructed all commercial banks to provide export credit to entrepreneurs a couple of years ago. However, banks are showing less interest despite our repeated attempt to secure loan under the scheme. So, we have demanded with the central bank to include measures which will facilitate us to get the fair-interest loan," said Uday Raj Pandey who is coordinating negotiations with different government agencies on behalf of Nepali exporters associations for export promotion.

Associations representing producers and exporter of Ready-made Garments (RMG), handicrafts, carpet, pashmina, silk, herbal products, tea, handmade papers and floriculture met the Governor of NRB Dr Yubaraj Khatriwada to put forward their demands.

The NRB had instructed all banks through a circular on April 6, 2010 to provide refinanced loan to exporters at 4.5 percent interest rate for a maximum of six months.

Exporters have also demanded that the NRB increase the maturity period to clear the loan to at least one year stating that existing six months of repayment period was very short and impractical.

"Non-cooperation of banks to extend the loan under the refinancing scheme and six months to repay the loan have discouraged exporters who are providing direct employment to at least 30,000 people," said Pandey, who is also the president of Garment Association-Nepal.

Exporters have also demanded the central bank to strictly enforce the provision to provide loan for working capital purpose as the BFIs are currently providing loan for only pre-shipment of exportable products. They also demanded to cut interest rate by 0.5 percentage point to 4 percent under the scheme.

"We have also sought NRB's initiation to instruct the BFIs to provide loan against the submission of purchase order, sales contract or any forms of export orders between the potential buyers and exporters in place of existing provision of producing LCs," added Pandey. Exporters also suggested that the NRB make arrangement to provide refinanced loan through Nepalese commercial banks without demanding any additional collateral.

"We are sure that we can increase annual export volume from existing Rs 60 billion to Rs 100 billion within a couple of years providing employment to over 75,000 people if our demands are fulfilled," said Pandey. He said Governor acknowledged the problems facing country's export sector and was positive toward the concern voiced by exporters.

Industries seek raft of incentives in proposed industrial enterprise act

Ministry of Industry, in association with NEAT project conducted by US Aid and FNCCI organized an interaction on "Draft Industrial Enterprise Act 2068" held on Monday, 23rd July in Kathmandu.

In an effort to give a new lease of life to slowing industries, the private sector has asked the government to offer them a slew of incentives that include exemption of income tax, investment subsidy for laying down industrial infrastructures and special additional protection for small and cottage industries.

The demands include exemption of corporate income tax for the industrial sector by at least five percentage points compared to the rate slapped for others and subsidy in investment for developing industrial infrastructure in remote districts.

"Our industries are passing through years of slowdown amid weakening competitiveness. Without incentives we can't increase our contribution to the industrial sector," Dinesh

Shrestha, executive member of the Federation of Nepalese Chambers of Commerce and Industry (FNCCI), said while presenting a set of suggestions on behalf of the private sector for the upcoming Industrial Enterprises Act, at an interaction on Monday.

Shrestha asked the government to provide 90 percent income tax exemption to all national priority industries for seven years from their commencement. As per a provision in the existing act, only select national priority industries such as hydropower, mining, cement and petroleum exploration are entitled to that incentive.

Entrepreneurs have also sought a provision for deducting spending on social service and philanthropic purposes from profits for income tax purposes. Amid increasing cost of production due to exorbitant bank interest rates on industrial credit, the private sector has also demanded credit at a maximum 5 percent interest along with adequate incentives for exports.

Industries seek raft of

Demanding clear procedures for duty draw back on exports, a provision for settling dues within 45 days of application by exporters has likewise been sought in the upcoming act.

The private sector also wants the government to collect one percent customs duty on imports of industrial equipment such as stabilizers, quality testing machines and UPS batteries, in addition to other goods such as machineries, transformers, industrial tools and equipment used by quality testing labs.

With the hope of promoting small scale industry, the FNCCI has also demanded exemption on excise duty and income tax for such firms for up to seven years followed by 75 percent, 60 percent and 50 percent exemption in succeeding years. To ensure easy access to loans at concessional rates an Industrial Bank has been suggested under the upcoming act.

Business people further suggested that the government make a provision for only 80 percent income tax in the years when industries provide at least one-third of total employment to women, differently-abled people, minorities or oppressed people.

In addition to the existing provision under which the government can arrange necessary land for industries, business entrepreneurs have also demanded that the government facilitate the acquisition of private land for industrial proposes.

Establishment of a women entrepreneur fund and a handicrafts and cottage industry village and introduction of a small and cottage industry credit program to provide loans at a maximum of five percent interest are among other suggestions put forth.

Demanding revocation of the existing provision of five million

rupees penalty for those operating without registration or operating permission, the entrepreneurs have suggested a penalty between Rs 5,000 to Rs 300,000 depending on the size of the industry and nature of the offence.

Similarly, recognition of only one authorized trade union at industrial firms and provision of an industrial fund for the social security of entrepreneurs are also sought.

They also suggested that the government designate as sick those industries that face an abnormal situation including losses for the last five consecutive years, frequent strikes, power interruption and blacklisting for defaulting on loans, among other things.

Highlighting the provisions in the proposed amendment to the act, Anil Kumar Thakur, joint secretary at the Ministry of Industry (MoI), announced proposed exemption of income tax for micro enterprises, a five percentage point discount on income tax for industries, and exemption of income tax by 90 percent, 80 percent and 70 percent for 10 years for industries established in the least developed, underdeveloped and less developed districts respectively.

Similarly, Thakur said the proposed act envisages exemption of income tax by 25 percent for a particular year if employment is provided for six months to over 100 people in the case of small enterprises, to over 200 people in the case of medium scale industries and to 500 people in the case of big enterprises. Exemption of income tax by 90 percent for national priority industries for seven years is also proposed in the draft act.

New NEPSE Listing Bylaws

The Nepal Stock Exchange (NEPSE) is making major amendment to Listing Bylaws 1996 to bring about reform in the listing process that would make the listed companies fully compatible to the newly operational Central Depository System and Clearing Limited (CDSCL). The NEPSE board has already approved the amendment which now awaits a final approval from the Securities Board of Nepal (SEBON).

According to NEPSE officials, the newly amended bylaws have made a provision which requires the companies to keep record of their securities in digital form compatible with CDSCL. "Once the new bylaws is approved, entire listing procedure will be in digital form that significantly reduces the operating cost as well as time of the listed companies," said a NEPSE official. "It will also make corporate governance more stringent within the listed companies."

As per the new bylaws, NEPSE needs to intimate the companies with a concrete decision within seven working days from the day they file their applications. "Within seven days we have to decide on whether to list them or ask for additional documents," said

the official. Under the existing bylaws, NEPSE need to take such decision within a month. "This amendment will significantly reduce the time of the listing process," he added.

Similarly, the amended bylaws have scrapped the existing company classification in two categories but under the new bylaws there will be four categories—A, B, C and D, according to the NEPSE source.

The category 'A' will represent companies that generate a high profit and provide higher rate of return to its shareholders consistently. The category 'B' will have companies that are profitable but are not paying dividend to its shareholder. Similarly, the category 'C' comprises newly listed companies, while the category 'D' will include the companies whose performance is degrading and are struggling to sustain.

"Since the categorisation will be largely based on the financial health of the companies, it will be easier for the investors to select the securities in the capital market," said the NEPSE official. "The proposed classification will also make the monitoring of NEPSE more efficient."

UTL launches GSM mobile service

The United Telecom Limited (UTL) is set to launch Integrated License System adding new investments. The system included all the services related with telecom including GSM mobile, High Speed Internet and General Telephone Service (PSTN), a press statement issued by UTL Nepal reads.

The Company is going to acquire Integrated License System because the CDM system could not integrate the increasing competition in the field of telecommunication, in order to adjust growing public demands and the losses, the note reads.

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reads.

According to the press note, the company owns 80 percent of its total share while 20 percent belongs to Nepali company. UTL is the first private company to provide telecom services in Nepal.

The new move has been taken to provide qualitative telecom services to the people at low cost, Madan Singh, General Manager of the company informed. "We are not going to close down. The company bears responsibilities of more than 600 direct employees, hundreds of thousands of clients and investment of billions of rupees in the company," he said. The number of UTL customer has reached 600,000. The UTL has secured third position in telecom services sector. Nepal Telecommunication and NCELL were the first and second in this regard.

Aditya Birla sweetens Northern Iron offer to \$532 mn

Aditya Birla Group has sweetened a takeover offer for Australia's Northern Iron by about 4 percent to A\$518 million (approximately \$532 million), two months after an earlier attempt was rebuffed.

The latest A\$1.40 per share offer, a 75 percent premium to Northern Iron's closing stock price on Monday, July 23, will be considered by the iron ore miner's board and a decision made within a week, the Australian firm said in a statement.

Aditya Birla Group had in May proposed to offer between A\$1.28 and A\$1.35 a share, which Northern Iron said failed to



reflect the improvements in quality and production rates that it expects to achieve at its iron-ore mines in Norway.

Northern Iron, however, later said it would allow limited due-diligence to facilitate a higher offer from the Indian group.

Aditya Birla Group's latest offer, made after the close of trade on Monday, assumes a net debt of A\$90 million for Northern Iron and nil dividend from May 2012, the Australian firm said. Northern Iron shares closed at A\$0.8 on Monday, July 23, and have fallen nearly a fifth since end of May.

Microsoft: Windows 8 will go on sale Oct. 26



Microsoft says Windows 8 will go on sale Oct. 26. The upgrade to its operating system is designed to work better with touch screens and on tablet computers.

Microsoft announced the date in a blog post and at its annual sales meeting Wednesday. The software company had said earlier that Windows 8 would go on sale in October.

Microsoft is releasing the software as a downloadable upgrade that day for PC owners, and letting PC makers start selling computers with Windows 8 the same day.

As an upgrade for users of Windows XP, Vista or 7, Windows will cost \$40. That's much less than Microsoft Corp. has charged for previous operating system upgrades. People who bought a Windows 7 computer on June 2 or later can upgrade for \$15.

Microsoft logs in first quarterly loss in 26 years

Slipping into the red for the first time in nearly three decades, Microsoft has reported a loss of \$492 million in the June quarter due to a non-cash write-down of \$6.2 billion related to non-performance of online advertising business.

The staggering charge is due to non-performance of its internet services division - a Quantive - which Microsoft had snapped up five years ago. This is for the first time since 1986 - when it went public - that Microsoft has clocked a quarterly loss. In the three months ended June 2011, the company had a net income of \$5.87 billion.

"The financial results reflect the previously announced non-cash, non-tax-deductible income statement charge of \$6.19 billion for the impairment of goodwill and the deferral of \$540 million of revenue related to Windows upgrade offer," the company said in a statement.

Nevertheless, Microsoft's 2012 June quarter revenues climbed 4% to \$18.05 billion. The revenue stood at \$17.36 billion in the same period a year ago.

Apart from the 12.6% decline in revenue of the Windows division due to the deferral of Windows upgrade, the company re-



corded 12.5% growth in revenue from its server tool business. Business division too saw a growth of 7%. "The combination of solid revenue growth and rigorous cost discipline drove double-digit operating income growth for the quarter, adjusting for the goodwill impairment and deferred revenue," Microsoft CFO Peter Klein said.

The company is betting big on Windows 8 operating system, which is to be launched later this year. The upgraded version would work on tablet computers and smartphones, the devices that are increasingly replacing personal computers. "We delivered record fourth quarter and annual revenue, and we're fast approaching the most exciting launch season in Microsoft history," Microsoft CEO Steve Ballmer said.

According to him, over the coming year, Microsoft release the next versions of Windows, Office, Windows Server, Windows Phone and many other products and services. "(These) will drive our business forward and provide unprecedented opportunity to our customers and partners," he noted.

The euro zone is not in danger of breaking up despite some analysts' worse case scenarios, European Central Bank President Mario Draghi said, judging that the bloc was inevitably marching towards closer union among its members.

Asked in an interview with French newspaper Le Monde if the euro were in danger, Draghi said: "No, absolutely not. We see analysts imagining the scenario of a euro zone blow-up." "They don't recognise the political capital that our leaders have invested in this union and Europeans' support. The euro is irreversible," he added.

In the long term, the euro would need to rest on a foundation of greater integration among euro zone countries, Draghi said. "All



movement towards financial, budgetary and political union is for me inevitable and will lead to the creation of new supranational bodies," he said.

European leaders took a step towards greater integration last month at a Brussels summit where they agreed to put the ECB in charge of supervising banks and gave the ESM rescue fund the power to re-capitalise troubled banks. However, the summit provided only brief relief to investors.

European and US stocks also fell and the euro hit record lows against the Australian, Canadian and New Zealand currencies in the face of increasing investor fears that the Spanish government may seek a full-blown bailout.

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Lenovo CEO shares his US\$3 million bonus to 10,000 Employees

It will come as no surprise to anyone who follows the technology world that CEOs at major corporations make a ton of money. Often their bonuses are even more than their yearly income.

But, Rather than stuffing that big bonus away in his own bank account, Lenovo CEO Yang Yuanqing gave it away. Yuanqing has chosen to dispense with \$3 million of his bonus is quite admirable.

Yuanqing split the \$3 million among 10,000 junior-level employees, including assistants, receptionists and production-line workers, according to CNN.



That \$3 million sum came from Yuanqing's \$5.2 million bonus for the fiscal year that ended in March 2012. Lenovo had its best fiscal year ever during that period, raising net profit by 73 percent over the prior year.

"We set an all-time high for revenue, shipment, market share and pre-tax income," Yuanqing said in a press release.

It's safe to say that the Lenovo CEO's generosity won't hurt his own financial standing in the slightest. His earnings were about \$14 million in the past fiscal year, a total that includes his base salary, incentives and various benefits. Do you think more CEOs should follow Yang Yuanqing's lead and distribute part of their personal earnings to junior employees?

It's nice to see an executive giving away a huge chunk of money to the employees that had as much to do with Lenovo's successful year as any executive within the company.

Lenovo had its best fiscal year ever, which ended in March. Lenovo saw a 73% increase in net profit compared to the previous year and Yang had previously said that it was a "record-setting year for Lenovo."

Lenovo has recently launched several new products and services, including new no-contract broadband plans for its mobile computers.

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

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