

FDI, FII reforms on the anvil: FM

As capital inflows made the rupee depreciate against the dollar in recent days, Finance Minister P Chidambaram today said the government will take a call on further reforms in foreign direct investment (FDI) soon, while market watchdog Sebi will decide on easing procedures for foreign institutional investments.

The Finance Minister will also meet Prime Minister Manmohan Singh today on coal and gas pricing reforms.

"The (Arvind) Mayaram committee will submit its report on Monday or Tuesday on FDI. After that I will meet Anand Sharma and take it to the Prime Minister. We are looking at every sector, including defence, and every cap. If it seems that a cap no longer serves any purpose, it should be reviewed," Chidambaram told a press conference here.

The Finance Minister's statement came at a time when the government is struggling hard to increase FDI cap in the insurance sector from the current 26% to 49% as it involves amendment to the Insurance Act.

FDI inflows in India declined 38% to \$22.42 billion in 2012-13 against \$35.12 billion in the previous year.

Chidambaram said the Securities and Exchange Board of India (Sebi) will decide on the Chandrasekhar committee report at its board meeting on 25th of this month, but he hoped that authorities are in favour of the reforms.

"I am of the view that we are in favour of the reforms. Our representative on the Sebi's board will present the government view when the Sebi meets on June 25."

The committee has recommended doing away with prior direct registration of FIIs and sub-accounts with Sebi. It has also recommended merging of FIIs, sub-accounts and qualified foreign investors (QFIs) into a new investor class to be called the 'Foreign Portfolio Investor.'

FIIs remained net seller on every single day of June in the capital markets. They withdrew \$2.49 billion till yesterday on net basis.

Chidambaram's statements, however, had a little bearing on markets. BSE Sensex remained 250 points down (at about 11.45 hours), while rupee was lower at 58.42 against a dollar compared to 57.79 yesterday.

Chidambaram said the rupee will find its level and he is concerned about the volatility. He hoped that authorities will take measures to ensure there is no

volatility. The direct role of arresting the rupee slide comes in the domain of the RBI.

The finance minister said he along with economic affairs secretary Arvind Mayaram and chief economic adviser Raghuram Rajan will meet the Prime Minister later today to take up the issue of coal and gas pricing reforms as well as the Chandrasekhar committee report on FIIs.

As green shoots of economic recovery remained elusive after industrial growth crawled at 2% in April despite a low base (the numbers for the same month last year) of de-growth, Chidambaram said he will assess the situation of banks not transmitting the lower rates to customers after RBI's rate cuts at his meeting with bank chiefs to towards end of this month.

As output of three core sector industries-- oil, natural gas and fertilizers-- contracted in 2012-13, the finance minister said, "We need to get our act together (to tackle the slide)."

Output in natural gas declined by a whopping 14.5% in 2012-13, a second year in a row to witness contraction. In 2011-12, its output had declined 8.9%. Fertilizers production fell 3.4% in 2012-13 against a growth of 0.4% in the previous financial year. Crude oil output also moved down by 0.6% against a growth of 1% over the period, according to data by the Commerce and Industry ministry.

The finance minister said though widening CAD is a matter of concern, it is likely to be financed without drawing down on forex reserves.

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