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Indian Government is creating an investor friendly environment

India is a safe destination for Foreign Investment as it combines prudent macroeconomic management with a stable domestic financial system .

Foreign direct Investment (FDI) inflows up 13% in December at \$1.5 b

India attracted foreign direct investment (FDI) inflows of about \$1.5 billion during December 2009, an over 13 per cent increase from about \$1.3 billion notched a year ago, according to initial estimates. On a cumulative basis, FDI inflows were almost flat at \$20.9 billion between April and December of this fiscal compared with \$21.1 billion in the corresponding period previous year.

Sector strengths

Services sector (Financial and non-financial services)	\$3.4 billion
Telecom	\$2.2 billion
Housing and Real Estate	\$2.2 billion
Construction Activities	\$1.7 billion

FDI In the first eight months of the current financial year,

Power	\$1.2 billion
Automobile sectors	\$934 million
Computer Software and Hardware	\$575 million
Metallurgical industries	\$309 million
Petroleum and Natural gas	\$219 million

Growth streak

In fact, as the growth streak continues, this is the third month in a row that FDI inflows have posted a robust year-on-year jump. October 2009 recorded a 56 per cent year-on-year rise in FDI inflows at \$2.3 billion, and November '09 turned out even better with inflows surging 60 per cent to \$1.7 billion against \$1.08 billion in the year-ago period.

In a bid to give further fillip to FDI, the Ministry of Commerce and Industry, last month, released a draft document that consolidates foreign investment policy notified so far through 177 Press Notes by the Department of Industrial Policy and Promotion, and various circulars by Reserve Bank of India, into a single regulatory framework.

The consolidated framework is aimed at providing a greater clarity on the existing rules to foreign investors, but will not alter the current FDI norms or sector specific caps

Highlights

- The draft consolidated FDI policy would be issued every six months, incorporating and reflecting all the changes in the regulations during intervening period of six months. The consolidation would ensure the availability of all information on FDI policy at one place, and is expected to lead to: simplification of the policy; greater clarity of understanding of foreign investment rules among foreign investors and sectoral regulators, as also predictability of policy,
- A hike in FDI limits will ensure a more efficient insurance sector, existing players may increase their stake, which, in turn, will enhance FDI inflows. Capital has, so far, not been a major constraint for the insurance industry, given the way they have been expanding their business. Insurers need capital to meet unexpected claims, expense overruns and investment losses.
- Govt to invite bids for mobile TV licence .Licences will be given State-wise and each player will get 8 Mhz spectrum in 585 Mhz and 806 Mhz frequency bands. The Government has accepted the recommendations made by the telecom regulator to permit 74% FDI.
- Rising Up To International Standards-Copyright Act: The amendments are in line with international treaties such as the WIPO Copyright Treaty and WIPO Performances and Phonograms Treaty. Though India is not a signatory to either of the treaty as yet, still it is trying to align its laws with them.



Insurers hope 2010 will open the FDI window

The government had first mentioned raising FDI ceiling in insurance sector to 49 per cent from the current 26 per cent in the 2004 Union Budget and introduced a Bill to do so over a year ago.

The Insurance Laws (Amendment) Bill, 2008, has since been referred to a Parliamentary Standing Committee. The Parliamentary panel's report is expected before the Budget session in February 2010 and passage of the Bill is likely during the same year.

Although the global financial meltdown of last year hit top insurers like AIG, life insurers in India have seen new business premium collections rise 10-fold over as many years. The new premium collection has increased to Rs 86,983 crore in 2009 compared to Rs 8,299 crore 10 years ago when the sector was opened to private players. There are 23 life insurance companies and 21 general insurers operating in the country, but their growth potential has not been tapped for want of capital — which could be addressed through raising FDI ceiling.

Entry of foreign partners enabled the sector to attract Rs 6,000 crore FDI, even as the bill to increase the FDI cap to 49 per cent is still pending in Parliament. The comprehensive amendment of insurance laws among other things also seeks to permit nationalised general insurance companies to go public to raise funds from capital market. The four state-owned general insurance companies — Oriental Insurance Company, New India Assurance, United India Insurance and National Insurance Company — will be able to hit capital markets once the bill becomes law. As far as expansion of the sector is concerned, a number of new players ventured into different segments this year. For instance, Bank of India and Union Bank of India promoted life insurance venture 'Star Union Dai-ichi' started operations during the year. Besides, the general insurance venture of SBI — with Insurance Australia Group got clearance from IRDA. Bank of Baroda-promoted India First Life Insurance Company also got IRDA's approval to enter into the life insurance space.

Govt to invite bids for mobile TV licence

Accepts TRAI suggestion to permit 74% FDI.

Licences will be given State-wise and each player will get 8 Mhz spectrum in 585 Mhz and 806 Mhz frequency bands

The Government has accepted the recommendations made by the telecom regulator to hold a bidding process for issuing licences for offering mobile TV services. It has also been decided to allow operators to decide on the technology to be deployed for offering the service. Mobile TV will enable consumers get live TV channels on a handheld device. Service providers will be permitted to have foreign direct investments of up to 74 per cent.

The Government has also decided that Doordarshan, which is the only player to start mobile TV services, should be permitted to share infrastructure with private players on mutual agreement basis. "Wherever a mobile television service provider has installed its own infrastructure, it should be made available for sharing with other such service providers," said the document.

In addition to the entry fee, operators will have to pay annually 4 per cent of their revenues as licence fee to the Government. While existing telecom operators with unified access licence will not have to bid for a Mobile TV licence, they will have to pay all the levies. The modalities of issuing the licence will be worked out by the Information and Broadcasting whereas the spectrum will be made available by the Department of Telecom.



Amendment to Copyright Act- Protection to Indian Musicians

The Indian government has [approved](#) the introduction of a bill to amend the [Copyright Act of 1957](#) in a far-reaching step that will give artists and musicians protection, long overdue recognition and locus standi. The amendments will usher in a new era for not just composers but creators of literary, musical, dramatic and artistic works in India.

Impact: Clarity, Revenue Share, More Litigation

The rules of the game will completely change: where artists, singers and performers were losing crores to the film, radio and television industry, they will be able to demand royalty fees and their independent rights.

The “Amendment is proposed to give independent rights to authors of literary and musical works in cinematograph films, which were hitherto denied and wrongfully exploited, by the producers and music companies.”

Extending the ownership of songs to FM Radio is also being planned, which will mean that artists will, for the first time, receive a share of revenue from FM stations. The amendment proposes “to introduce a system of statutory licensing to ensure that the public has access to musical works over the FM Radio and Television networks and at the same time the owners of copyright works are also not subject to any disadvantages.”

An amendment “in relation to operational facilities, such as registration of Copyright Societies by providing that only authors can register and procedure for tariff schemes of copyright societies and commercial distinction between assignment and licence,” the government *could* be stating that owners of content could now be exclusive rights holders to their work – only they are allowed to register copyright, which means that broadcasters and companies are not.

Online music stores will be forced to share their revenues with artists and any digital distribution will require the creator's assent. Currently, artists do not reap benefits and this is set to change with the new laws lending clarity to the ecosystem.

The law will make people far more cautious and careful about rights and we can expect more litigation in the industry. Currently, most of the litigations in India are against record label (publishers) companies.

Rising Up To International Standards

- A new section will be added to the Performers' Rights that will provide exclusive rights compatible with WPPT.
- Another new section titled “The Moral Rights of Performers” will be introduced
- The period of copyright for photographers is proposed to be enhanced to “Life plus sixty years” instead of only sixty years as at present.

The amendments are in line with international treaties such as the WIPO Copyright Treaty and WIPO Performances and Phonograms Treaty. Though India has not signed either treaty as yet, it is trying to align its laws with them.

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