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The 2006 Policy Manual

Here are eight of the year's most far-reaching reforms on the policy front, in chronological order.

January 5: Railways Open up Container Services to the Private Sector

The railways kicked off the reforms agenda for the government by allowing the private sector entry into railway container services, hitherto a monopoly of the Container Corporation of India. The stipulation: new entrants must have a minimum net worth of Rs 100 crore. Expectedly, several large companies -like Reliance Industries, the Adani Group, Maersk and P&O Ports, among others-are considering forays into this sector. The benefit to the end consumer: their entry will not only increase competition (thereby, reducing prices), but also increase efficiency.

January 24: FDI in Single-Brand Retailing

The government took the first tentative step towards opening up the retail sector to foreign direct investment by allowing 51 per cent FDI in single-brand retailing. Fashion houses like Armani and sports goods makers like Reebok will benefit greatly as they could, under the earlier norms, operate only through franchisees. More to come? Watch this space.

January 26: RBI Allows Banks to Appoint Business Correspondents

No. Banks are not suddenly rushing to launch dedicated rural newspapers. Business correspondent is banking lingo for channel partners like NGOs, self-help groups, micro-finance institutions, post offices and NBFCs who can now provide their principals with last-mile connectivity in rural India where setting up branches is unremunerative. Banks can outsource lending and deposit-taking activities to these partners, who will earn commissions. However, RBI has asked banks not to appoint any NBFC as a business correspondent till it finalises the eligibility criteria for them.

June 28: ADR, GDR Rules Relaxed for Unlisted Companies

Finally, something for promoters of unlisted companies. The government has permitted such firms to sponsor ADRs or GDRs with overseas depositories against the shares held by their shareholders. This will offer an opportunity to investors to unlock the value in their companies. Tata Sons, Bennett Coleman & Co and the state-owned BSNL are some of the large unlisted companies in India.

April 3: Foreign Companies can Issue IDRs

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Foreign companies may soon start listing on Indian bourses like the BSE and the NSE, following the Security and Exchange Board of India guidelines on the issue of Indian Depository Receipts (IDRs). The rules stipulate that overseas companies should be listed in their home country to become eligible to issue IDRs, which can be subscribed by qualified institutional buyers. The minimum IDR issue size is Rs 50 crore and the minimum application size Rs 2 lakh.

November 1: Overseas Investment Limit for MFs is Up

RBI has increased the ceiling for overseas investment by mutual funds from $2 billion (Rs 9,000 crore) to $3 billion (Rs 13,500 crore). It has also done away with the earlier requirement of Indian MFs investing only in overseas companies having a minimum 10 per cent shareholding in a listed Indian company. Incidentally, Principal PNB AMC was the only fund in the country to offer an international scheme for domestic investors, but the scheme failed to take off. Now, many AMCs, including UTI Mutual Fund, are lining up overseas schemes for domestic investors.

November 3: Banks Cannot Hold More than 10 per cent in Deposit-taking NBFCs

Banks, including foreign ones, cannot hold more than 10 per cent of the paid-up equity capital of deposit-taking NBFCs. The rule will not apply to investments in housing finance companies. This guideline will force banks to either reduce their stake in NBFCs to 10 per cent or prompt the latter to stop accepting public deposits.

December 22: RBI Allows Foreign Investments in Indian SEs

Nasdaq or NYSE can now pick up a stake in the Bombay Stock Exchange (BSE), Asia's oldest bourse, or depository service providers like NSDL or CDSL. RBI has permitted foreign direct investment in stock exchanges, depositories and clearing corporations, with an FDI cap of 26 per cent and an FII limit of 23 per cent. However, no single foreign entity can hold more than 5 per cent in the paid-up equity capital of a stock exchange. FIIs will also not get any board representation on the bourses.