

ECONOMIC NEWS FROM INDIA

Period: Upto – 9th Dec. 02

- Macro economic indicators
- Events
- Weekly Focus
- Policy measures and proposals
- Corporate & sector news
- Geoeconomic
 - Bilateral
 - Multilateral

MACRO ECONOMIC INDICATORS

- The closing **exchange rate** of the rupee ended the week at a 10-and-half-month closing high of 48.26. Comfortable dollar inflows from all counters and thin demand helped the rupee gain.
- The **inflation rate** for the week ended November 23rd, 2002 increased to **3.45 per cent** compared to 3.14 per cent in the previous week. The rate of inflation for the corresponding week in 2001 was 2.47 per cent.
- **Foreign exchange reserves** have risen to a **record high of \$66.92 billion** in the week ended November 29 against \$ 66.58 billion in the week-ago period. The rise in the forex reserves can be attributed to the rise in the foreign currency assets, which rose to \$63,640 million in the week ended November 29, 2002 from \$ 63,303 million last week. The same stood at \$ 44,024 million in the corresponding week in the previous fiscal.

FDI proposals worth Rs 4. 90 billion cleared

The government cleared 15 proposals envisaging foreign direct investment of Rs 4.90 billion, including one worth Rs 4 billion by liquor major Scottish & Newcastle Plc to set up a wholly-owned subsidiary for providing technical consultancy to manufacture, market and distribute beer.

[Back to index](#)

EVENTS

Over 30 nations to take part in Indiasoft 2003

The largest IT global networking event in India, INDIASOFT 2003, is to be held in the capital from February 20 to 22 next year under the aegis of the Electronics and Computer Software Export Promotion Council (ESC).

The event, comprising international exhibition and conferences, will sharply focus on software and IT-enabled services, IT financing and IT infrastructure.

More than 150 senior executives from over 30 countries, apart from a host of Indian companies, are expected to participate in this business-to-business partnering forum. Among the business delegations would be teams from the US, the UK, Italy, South Korea, China and Hong Kong,

Indonesia, Thailand, Japan, Australia, Singapore, the United Arab Emirates, Netherlands and Canada.

Despite the global slowdown, particularly in the US, Mr Sareen said that export of IT-enabled services had grown by 37 per cent in 2001-02 as compared to the previous year. India has increased its export of IT and IT-enabled services to the US by two percentage points, mainly due to the emergence of new markets. In the US, for instance, the east coast and mid-west States are the emerging markets for India, despite the slowdown in the Silicon Valley.

[Back to index](#)

WEEKLY FOCUS

Govt sees growth at close to 5.5% — Mid-year review downplays drought impact

The Finance Ministry says Indian economy will register a growth of "close to 5.5 per cent" this year, notwithstanding the widespread monsoon failure and uncertainties arising from tensions in West Asia and a generally sluggish global trade environment. "Prospects for the current year appear brighter than the initial, rather subdued, estimates that followed in the aftermath of a seriously deficient monsoon," the Mid-Year Review, tabled by the Finance Minister, Mr Jaswant Singh, in Parliament, has stated. **In fact, GDP growth during April-June 2002, at six per cent, was markedly higher than the 3.5 per cent rate recorded in the first quarter of the previous fiscal.**

The other plus points are buoyant exports (up 13.5 per cent in dollar terms during April-September 2002), accumulation of foreign exchange reserves to over \$66 billion and a revival in industrial growth (5.2 per cent in April-September 2002 against 2.4 per cent in April-September 2001).

[Back to index](#)

POLICY MEASURES AND PROPOSALS

SEBI may allow foreign VCs to invest in listed firms

Stock Exchange board of India (SEBI) **may relax investment norms for foreign venture capital funds, whereby foreign VCs would be allowed to invest up to 30-50% of their corpus in domestic listed companies and also in ADR/GDR of local companies.**

There are a total of 57 funds actively investing in the Indian market at present, of which more than 90% are foreign funds.

Disinvestment process to restart after March 2003

The disinvestment of PSUs has been stalled till March 2003, Disinvestment Minister Arun Shourie announced in Parliament. The process will be restarted after that, he said. Hindustan Petroleum will be to be sold to a strategic partner while the shares of BPCL will be sold to the public, the minister said making a statement in Parliament on the disinvestment of oil PSUs.

[Back to index](#)

GEO-ECONOMIC

BILATERAL

India, Russia sign eight agreements

During his recent visit to India , Russian President Vladimir Putin said he wanted the Indo-Russian trade deficit to be corrected **through investing part of the Indian debt towards joint ventures in India and Russia. The two countries signed eight agreements, including the Delhi Declaration and a joint protocol to strengthen economic, scientific and technical cooperation.** The Delhi Declaration was signed by President Putin and Prime Minister Atal Bihari Vajpayee.

Oracle in big spread plan in India

Oracle Corporation is on a major expansion spree in India, said Keith Budge, regional managing director, South Asia. The company, which runs a development, consulting, sales and support operation in the country is planning a front office centre under the brand of Oracle Direct. **The software major is also shifting part of its back-office operations from other international centres to Bangalore.** Oracle Direct is a global programme, which includes remote services, diagnostics and online problem resolution between Oracle and customers in an effort to immediately examine issues and assess the right to tools for swift resolution.

Budge said, front-office apart, **in Hyderabad the company has acquired a 7-acre land for expanding facilities in the service centre.** However, the detailed plan for Hyderabad is yet to be finalised. The expansion programme being charted out by Oracle will be complemented by adequate recruitments in the coming months. **Currently, with an employee strength of 2,500, Oracle expects to add another 1,500 by the end of 2003.**

Ranbaxy shifts Asia-Pacific base to Singapore

Ranbaxy Laboratories, India's largest pharmaceutical company, has moved its regional office for Asia-Pacific, Latin America and Canada from New Delhi to Singapore. "Geographically, it makes strategic sense for this region to be serviced out of Singapore," a Ranbaxy spokesperson said. "The move is in line with the goal of turning Ranbaxy into a true international pharmaceutical company and will ensure better contact with these (around Singapore) markets. The contribution of the region to global sales is also growing and **markets like China and Japan look extremely promising,"** he said.

S&N plan for fully-owned arm cleared

The proposal of the **UK-based Scottish & Newcastle Plc** to set up a **wholly-owned subsidiary in India with a capital base of Rs 4 billion in order to form strategic partnership with domestic liquor producer UB group** was among the foreign direct investment (FDI) proposals cleared by the Minister for Disinvestment, Commerce and Industry, Mr Arun Shourie.

RIL close to acquiring South Korean petrochem firm

Reliance Industries, India's largest private sector company, has emerged as the front-runner to acquire a South Korean petrochemical company called KP Chemicals in what could be its maiden overseas acquisition.

Apart from RIL, Japanese major Mitsubishi Corporation and Korean financial investor Young An are in the fray to acquire control over the assets of KP Chemicals, which have a book value of over \$750-800m (Rs 40 billion). KPC, currently in the midst of a restructuring programme initiated by the lenders, has been spun off from Kohap Petrochemicals. Ernst & Young (South Korea) is managing the entire transaction for the Korean bankers. KPC has annual sales of \$1bn (Rs 50 billion).

If RIL is successful in acquiring the company, it will become the world's largest producer of paraxylene, the second largest producer of purified terephthalic acid (PTA) and the fourth largest producer of PET. While paraxylene and PTA are basic polyester intermediates, PET is one of the fastest growing products in the polyester chain. While KP Chemicals has a PTA capacity of 1 million tpa, its paraxylene capacity is around 800,000 tpa. The company has a PET capacity of 400,000 tpa. Its plants are located in the Korean petrochemical hub Ulsan.

RIL is currently the world's third-largest producer of paraxylene and the world's fourth largest producer of PTA. While RIL has a paraxylene capacity of 1.3 mt, its PTA capacity is at 1.1 million tpa. RIL controls 80% of the domestic PTA and paraxylene markets. Over 52% of the capacities are consumed by RIL itself. RIL has been steadily increasing the capacities in line with the upsurge in demand for polyester products. During the last financial year, RIL has announced expansion of PET capacities to 300,000 tpa.

Escorts ties up with Sentec for injection systems

Escorts Auto Components Ltd (EACL) announced that it has signed a technical collaboration agreement with Sentec E&E Company Ltd of Taiwan (Sentec) to manufacture secondary air injection systems (SAI) for two-wheelers.

TCG Soft buys services arm of US co NextGenix

Purnendu Chatterjee promoted TCG Software Services has gone in for its third acquisition. The company has recently acquired the services arm of US-headquartered IT company NextGenix. Now, the entire software services unit of NextGenix in California as well as in Mumbai will be merged with TCG Software's operations. Third in a row, TCG Software had earlier acquired Mumbai-based Flexex Technologies around June this year. Prior to that the company acquired Hyderabad-based Iton Infoway in '01.

MULTILATERAL

Assocham signs MoU with French body

The Associated Chambers of Commerce and Industry of India (Assocham) has signed a memorandum of understanding (MoU) with Alsace Development International (ADI), France.

The MoU, aimed at promoting commercial and cultural relations between India and the Alsace Province, was signed by the Assocham President, Mr R.K. Somany, and the French Senator, Mr Francis Grignon, on behalf of ADI.

The MoU provides for exchange and sharing of information on a regular basis on bilateral trade, investment opportunities and business cooperation between the two organisations.

World Bank seeks ITC's e-choupal skills for Africa

The World Bank (WB) has approached **tobacco-to-hotels major ITC Ltd to share its e-choupal expertise for providing access to information and farming advice to farmers** in Africa.

ITC has set up around 1,300 e-choupals till date and the target is to commission 100,000 e-choupals..

CORPORATE SECTOR NEWS

Software exports may grow 30%

India's software exports are likely to surge over 30% on a year-on-year basis in the year to March '04 because of a likely pick-up in the US economy next year, an industry body said. Software and allied exports, which bank on a growing pool of low-paid engineers and English-speaking graduates, rose 29% on a Y-o-Y basis to about \$7.5bn in the year to March '02. **The industry expects 30% growth in '02-03 (April-March).**

Home Store plans shops in Asean

The Home Store (THS), the largest retail chain in India, is expanding its operation into six neighboring countries. Arif Shiekh, president, THS, said the company would open one Home Stores in each neighboring countries by 2003. "The next stop for THS would be Thailand, Nepal, Sri Lanka and three other countries in Asean region," Shiekh said.

Presently, there are 55 Home stores in India and 16 abroad. Presently, it does business worth of Rs 6.39 billion. The turnover is expected to go up to Rs 10 billion by 2003 end.