

## ECONOMIC NEWS FROM INDIA

Period: Upto –04 Nov. 02

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### MACRO ECONOMIC INDICATORS

- The closing **exchange rate** of the rupee bounced back to end the week November 1, 2002 at a three-week high of 48.33 – a gain of five paise from its previous week's close of 48.38 to the dollar.
- The **inflation rate** for the week ended October 19, 2002 moved **upward to 2.89 per cent compared to 2.83 per cent in the previous week**. This was due to sharp rise in petrol and diesel prices in the week. The rate of inflation for the corresponding week in 2001 was 2.72 per cent.
- The **foreign exchange reserves slipped marginally to \$64,039 million as on October 25 against \$64,058 million on October 18, 2002.**

### Fiscal deficit drops in the first half of the Year 2002-3

The fiscal deficit for first half of the current fiscal stands at **42.6** per cent of the budgeted estimates, **compared to 49.2 per cent of the budgeted estimates last year** for the same period. **This improvement is mainly due to an increase in revenue receipts collection.**

### Cabinet nods 10th Five year plan recommendations

The union cabinet approved the 10th five-year plan recommendations with an outlay of Rs 6,711 billion ( about US\$ 135 billion) for the states involving gross budgetary support to the tune of Rs 7,060 billion ( about US\$ 140 billion) . Among the most ambitious target that the tenth plan has set is to **boost annual growth from a stagnant 5.5 per cent to eight per cent over the next five years .**

The three-volume document proposed to carry forward key reforms, particularly in agriculture, **to generate 50 million jobs in the next five years, raising FDI inflow to \$7.5 billion annually and mop up Rs 780 billion ( about US\$ 16 billion) through**

**disinvestment** notwithstanding stiff resistance from within the NDA to privatisation. The public sector outlay has been pegged at Rs 1,592 billion including Rs 9,212 billion central plan outlay.

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## EVENTS

### India to debut in Dubai IT show

An Indian pavilion with prominent IT companies will make its debut at the Gitex Dubai 2002 show, to be held from October 13-17, at the Dubai World Trade Centre. The show would enable Indian ICT players to explore joint ventures and strategic alliances with the West Asian companies. **The current value of the Indian IT sector is \$13.5 billion (2001- 02). Out of which, \$7.7 billion constitutes the export, which in percentage term translates to 56 per cent.**

Among the important players in the Indian IT sector who have confirmed their presence at the show are OrbiTech Solutions Ltd, Nucleus Software Exports Ltd, Tayabi Tags, Newgen Software Technologies Ltd, MicroWorld Technologies Inc, KLG Systel, Summit, Steller Altech, Wings, Innosoft, and Duraline. The show would enable Indian ICT players to explore joint ventures and strategic alliances with the West Asian companies.

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## POLICY MEASURES AND PROPOSALS

### Expats' pay to be taxed at normal rate, rules ITAT

Indian companies that employ foreign technical personnel can now breathe easy, as a recent ruling has clarified the tax treatment of salaries of expatriate employees. A recent ruling by the Income-Tax Appellate Tribunal (ITAT), Delhi Bench, has held that **payments to expatriate employees would be taxed as 'salaries' under the Income-Tax Act and not as 'fees for technical services'.**

If the payments made to the employees were considered as FTS, the entire amount paid for transfer of technical know-how and for paying salaries would be subject to tax deducted at source (TDS) under Section 195, at the rate of 15%, in accordance with the Indo-US DTAA (double tax avoidance agreement). Royalty would be subject to 15% TDS on the gross amount.

**With the tribunal's decision, this amount would be considered as salary, and tax will be deducted on a monthly basis, under Section 192 of the I-T Act, which applies to the normal tax rates for individuals.**

The tribunal made these observations in the case of HCL Infosystems vs DCIT. In this case, HCL, the Indian company, and Hewlett-Packard, US, entered into an agreement by which a 'licensing and technical assistance agreement' was renovated in favour of HCL and all rights and obligations were transferred to it.

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## GEO-ECONOMIC

### BILATERAL

### **Reliance acquires Niko stake in 10 oil and gas blocks**

Reliance Industries has acquired Canadian Niko Resources' 10 per cent stake in 10 out of the 12 oil and gas blocks the consortium won in the first round of New Exploration Licensing Policy. Niko has retained its holding in the deepwater block KG-DWN-98/3 in Krishna Godavari Basin where **Reliance last week announced discovery of world-class giant gas reserves, estimated at 7 trillion cubic feet.** The Canadian company has also retained its holding in North East coast shallow water block NEC-OSN-97/2. RIL-Niko consortium (RIL 90 per cent and Niko 10 per cent) has committed investing \$760.49 million in three phases of oil and gas exploration and production in the 12 blocks it was awarded in the first round of NELP.

### **HAL, Israeli co in marketing tie-up**

**Israel Aviation Industry will be co-marketing HAL's star product to date, the ALH or the advanced light helicopter.** HAL and the Israeli agency are on the verge of formalising a marketing tie-up for the helicopter, which is HAL's showpiece.

During the second year of the production of the helicopter, the company will be taking it up from seven to 11. **HAL, the Rs 20 billion-plus defence PSU is also about to finalise a joint venture with French major Snecma to manufacture aircraft engines for military, civilian uses and for the export markets.** The facility would be set up in Bangalore, possibly as a 50:50 venture.

HAL has graduated from being a supplier and is now being recognised by international aircraft majors as a partner to reckon with.

### **Corel, Trifin sign pact for distribution**

Canadian software maker, Corel Pty Ltd, has signed a distribution agreement with Trifin Technologies to strengthen its operations in India. Corel said it partnered with Trifin because of its strong relationships with the Desktop publishing, Web and animation market segments along with its valuable relationships with channel partners across the country.

### **South Korea's Daelim wins \$120-mn order from India**

**South Korea's Daelim Industrial has won a \$120-million order to build an oil refinery in India,** the Korea Stock Exchange said. The company, in a notice to the exchange, said construction would be made on a turnkey basis by December 2004.

### **Singapore Comp eyeing stake in Indian cos**

Singapore Computer Systems Ltd (SCS), a provider of information and communication technology (ICT) services, is planning to pick up equity stake in Indian software companies. **The company is taking this route to gain access to the Indian market and use India as a platform to service the European market.** SCS, which operates from Singapore and eight other countries including the US, has recently launched its wholly owned subsidiary in India. **To begin with, the company has set up a small development centre with about 30 engineers in Chennai by investing close to \$300,000.**

## **MULTILATERAL**

### **Shanta Bio gets Rs 1-cr worth Unicef order**

**Shanta Biotechnics, the indigenous producer of the recombinant hepatitis B vaccine**, has bagged a Unicef order to **supply 1.6 million doses of the vaccine to Albania, Tajikistan and Turkmenistan**. The company received the order worth nearly Rs 10 million after it got the WHO certification for supplies to the UN agencies.

### **BBUNL bags African order**

Bharat Bhari Udyog Nigam Ltd (BBUNL), the largest railway freight wagon manufacturing entities has bagged a **\$5.5- million order from Societe DEMBA et Fils of Bamako, Mali, for supply of 350 four-wheeler units of container flat and tank wagons**.

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## **CORPORATE SECTOR NEWS**

### **Corporates cautiously upbeat, says FICCI survey**

India Inc is "cautiously optimistic" about business prospects in the next six months even as weak demand tells on current performance. **The findings of Federation of Indian Chambers of Commerce and Industry (FICCI) show that the hardening oil prices and general slowdown in the pace of second-generation reforms have not cast a pall of gloom over the Indian industry. Further, the Standard & Poor's downgrade of India's sovereign local currency rating has been given a thumbs-down, with 51 per cent of the respondents saying that the downgrade is not justified.**

### **Ranbaxy gets licence to market UK firm's drug**

The dynamic Rs 1 billion anti-cancer drugs segment is witnessing the entry of a new player in Ranbaxy Laboratories Ltd. **Ranbaxy today announced an exclusive marketing right (EMR) with UK-based biopharmaceutical company K.S. Biomedix (KSB) Ltd for the latter's brain-cancer product, TransMID**. The EMR allows Ranbaxy to market the product in India, with an option to extend this arrangement to China and other South-East Asian markets.

### **Mentorix bags \$20-m contract from Pearson**

Mentorix learning Technologies has announced that it has won a \$20 million, three-year contract from the Pearson group company, Pearson Education Technologies (Pearson Ed Tech) to develop integrated software solutions for the education market. As per the contract, **Mentorix will set up a dedicated development centre at, Mumbai to develop new technology-based solutions as well as update and maintain Pearson Ed Tech's existing portfolio of products in curriculum, assessment and enterprise data management systems.**

Mentorix was set up in 2001 as a result of a merger between Aptech Ltd's computer training division and TurboGrad Inc, an e-learning company and received funding from eVentures.

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