

ECONOMIC NEWS FROM INDIA

Period: Upto –11 NOVEMBER 2002

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MACRO ECONOMIC INDICATORS

- The closing **exchange rate** of the rupee keeping to its continuing upward march, rupee was quoting strong at 48.26 two paise from its previous close of 48.28. Comfortable dollar inflows from all counters and thin demand helped the rupee gain.
- The **inflation rate** for the week ended for the week ended October 26, 2002 moved **upward to 3.02 per cent as compared to 2.89 per cent the previous week**. The rate of inflation for the corresponding week in 2001 was 2.65 per cent.
- The **foreign exchange** reserves jumped **to \$64.621 billion** in the week ended November 1, 2002, compared to \$64.039 billion in the week ended October 25, 2002 and **\$45.568 billion in the week ended November 2, 2001**

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POLICY MEASURES AND PROPOSALS

RBI has told foreign banks not to shut down branches

The Reserve Bank of India (RBI) has told foreign banks not to shut down branches without informing the central bank well in advance. The advice follows sudden decisions taken by a few foreign banks on closure or merger of some of their branches. This notice also left customers with little time to look for alternative service providers. The RBI directive comes close on the heels of an almost-overnight decision by the Bank of Tokyo-Mitsubishi to close its Kolkata branch after dismissing 65 employees. The foreign banks have been further advised by the apex bank to furnish a detailed plan of closure to ensure that their customers' interests and conveniences are addressed properly.

RBI further eases forex norms

In yet another move to liberalise the foreign exchange rules and backed by comfortable forex reserves, the Reserve Bank of India (RBI) has permitted **banks to invest some of their foreign currency funds overseas in long-term bonds** with ratings one grade lower than the highest safety ranking.

Prior to this norm, banks were allowed to invest only in bonds assigned the highest safety rating by international agencies. `Banks may invest un-deployed foreign currency non-resident (B) funds in overseas markets in long-term fixed income securities rated at least AA by Standard and Poor`s, or Aa3 by Moody`s or AA by Fitch IBCA,` the RBI has said.

The central bank has been steadily relaxing foreign exchange rules, gradually moving towards a free-floating currency amid record reserves, currently in excess of \$64 billion. Currently, the rupee is fully convertible on the current account and but only partially convertible on the capital account.

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GEO-ECONOMIC

BILATERAL

Wipro, TCS win \$70mn/yr Lehman deal

One of the biggest IT outsourcing deals to come the way of Indian software services industry is being split between Wipro and TCS. **Blue-chip global investment banker Lehman Brothers will outsource \$50mn-\$70mn worth IT work annually from these companies.** There had been much speculation in the market about the size of Lehman's order and the identity of the Indian vendors it would eventually select. **Lehman's order for Wipro and TCS is the second biggest the Indian software services industry has won after TCS' \$100m order from GE. Wipro had won \$70m systems integration order from the Lattice group of UK a while ago.** Charlie Cortese, managing director, information technology, **Lehman Brothers, said that they considered 10 leading software vendors, from which Wipro, TCS and Infosys were shortlisted.**

D-Link India plans to enter Europe

D-Link (India), the local arm of the Taiwanese networking major, has decided to introduce its **structured cabling products in European markets.** "The company recently test-marketed these products in the Middle East, where it received an encouraging response. Our success in meeting quality standards in this very competitive export market has encouraged us to take these products to Europe," K R Naik, chairman and managing director of D-Link (India), said.

D-Link has subsidiaries in four countries outside of Taiwan. These are China, UAE, India and US. However, it has sales offices in 21 countries, and markets its products in 105 countries. **The cabling business of D-link India currently contributes around 16 per cent to the company's turnover.** D-Link India has a portfolio of over two hundred products catering to different categories in the telecom arena. These include communications, local area network (LAN), wide area network (WAN), virtual private network (VPN), VoIP, intranet and extranet segments.

HCL arm close to bagging \$20m call centre deal

Exult, a US-based BPO company focusing on HR outsourcing, is close to awarding a \$20m per year contract to HCL Technologies' subsidiary - HCL Eserve - for outsourcing HR services. **The contract stipulates HCL Eserve setting up a 1,000-seat call centre exclusively for Exult,** sources familiar with the development said. The tenure and exact size of the contract is not available, but market estimates suggest a figure of \$20m every year.

The market size for BPO activities in India is estimated at about \$1.5bn and is expected to grow to \$21bn by '08, Nasscom has projected. HCL Technologies' BPO arm employs 600 people, and expects to break even within a year, as the number of employees on the bench was nil in the last nine months.

Morphy Richards re-enters India — Launches premium appliances

The UK small appliances major Morphy Richards making its re-entry into the country launched its range of premium appliances. The brand will be marketed and serviced by Bajaj Electricals Ltd (BEL). Through this strategic alliance, BEL aims to tap the estimated Rs 1 billion premium-end of the small domestic appliances market in the country. With the prevailing changes in lifestyles and aspirations of Indian consumers, **the home appliances market is set to grow around 12.5 per cent by 2005-06.**

Reliance buys out Niko stake in 10 oil fields

Reliance Industries Ltd (RIL) has acquired Niko Resources Ltd's 10 per cent stake in 10 out of the 12 oil and gas blocks the RIL-Niko consortium won in the first round of the New Exploration Licensing Policy (NELP) where Reliance holds 90 per cent stake.

According to officials, **the Canadian company has retained its holding in the deepwater block KG-DWN-98/3 in the Krishna- Godavari Basin where Reliance had last week announced a giant gas reserve which would boost the country's gas supply by around 60 per cent.**

Niko Resources had some time back applied to the Government seeking permission for the sale. Officials said that the Government nod was awaited. The RIL-Niko consortium has committed to invest \$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.

India, Canada sign MOU on information sharing

India and Canada signed a MoU for **information sharing between the two countries on issues of geo-formatics, remote sensing and geological survey.** "The signing of the MoU between the Department of Science and Technology and Canada's Department of Natural Resources is a perfect example of the bilateral possibilities and opportunities available for cooperation for development," Herb Dhaliwal, Canada's Minister for Natural Resources, said. "It is the first link between two key departments of our respective countries on the science and technology front. This will open the door for further dialogue," he added.

Dhaliwal, who is currently in India on a trade development mission with representatives from 45 Canadian companies, said the members would interact with their Indian counterparts to explore joint venture initiatives and other investment opportunities in the country. "Canada's leadership in innovative and sustainable development of natural resources and high technology solutions in several areas including forestry, mining, nuclear energy, alternative energy, geomatics, mapping and earthquake monitoring can now be used by India for developmental purposes. Likewise, India's leadership in intellectual capital and earth observation systems is well recognised and we would like to tap it," Dhaliwal said.

India gives \$10 mn line of credit to Cambodia

India extended a **\$10 million line of credit to Cambodia .**

The accord on the line of credit was initiated by External Affairs Minister Yashwant Sinha and Cambodia Finance Minister Kaat Chhoom. **India would also protect and maintain the Tam Pram Temple in the city of Siem Reap, which houses the world's largest temple Angkor Vat.** In a symbolic gesture, Vajpayee gifted to Hun Sen a bag of rice signifying the consignment of 10,000 tonnes of the food grain, which is being sent to Cambodia from India. India is also expected to gift water pumps to Cambodia, one of the least developed countries in the 10-nation Asean.

MULTILATERAL

Anti-dumping measures decline — China `dumps' the most, while India probes the most

The World Trade Organisation (WTO), in its semi-annual report, has noted a decline in anti-dumping investigations in the first half of the current calendar. The WTO Secretariat has reported that in the January 1 to June 30 period, 17 members initiated 104 anti-dumping investigations

against exports from a total of 39 different countries or customs territories. During the corresponding period of 2001, 19 WTO members had initiated 149 anti-dumping investigations. Out of the 104 initiations for the reported period, developed countries initiated 37, while 63 were initiated by developing countries.

India initiated 25 investigations during the first semester of 2002, as compared with 24 investigations initiated during the first semester of 2001. The US had the second highest number of initiation (22) during the first half of 2002, compared with 40 during the corresponding period in 2001. China, with 16 investigations on its exports, is at the top of the list of countries subject to anti-dumping investigations, although this number represents a decrease from the 24 investigations initiated on Chinese exports during the first semester of 2001. India, Indonesia and Russia were next, each with six investigations initiated on their exports in the first half of 2002.

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CORPORATE SECTOR NEWS

Goldstone Tele bags BPO contract from US insurer gets licence

To coincide with the launch of its commercial operations, **the business process outsourcing (BPO) division of Goldstone Teleservices (GTSL) has bagged a three year fixed price contract from a US-based insurance major to offer outbound telemarketing and appointment fixing services.** The contract mandates the company to assign 300 customer service representatives for a period of three years on a two shift basis.

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