

ECONOMIC NEWS FROM INDIA

Period: Upto –7 Oct.20 02

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MACRO ECONOMIC INDICATORS

- The closing **exchange rate** of the rupee to the US \$ in the spot market stood at 48.36 on 4th October, 2002. The rupee gained only one paisa from its previous close. All major dollar inflows were mopped up by state-run banks.
- The **inflation rate** for the week ending 21st September, 2002 **marginally down at 3.58 per cent** as compared to 4.03 per cent the previous week. The rate of inflation for the corresponding week in 2001 **was 4.79 per cent**.
- The **foreign exchange reserves continued to surge upwards to reach \$62.721 billion up** by \$ 200 million for the week ended 27th September 2002. That compares with \$62.521 billion in the week ended September 20, 2002 and \$44.769 billion on September 28, 2001.

April-August deficit at 40.9% of budgeted estimate

India's fiscal deficit stands at **40.9 per cent of budgeted estimates till August 2002, compared to 48. 2 per cent in the same period last year. This improvement in fiscal deficit is mainly due to increase in tax collection to the tune of Rs. 41,138 crore (approximately \$ 8.2 billion) till August 2002. The tax collection has jumped to 23. 8 % compared to 19 per cent last year.**

Tax-GDP ratio improves to 7.74% in Q1-03

The good news for the Indian economy continues to trickle in. India's **tax to GDP ratio has improved to 7.74 per cent in the first quarter of the current fiscal from 5.72 per cent in April-June 2001-02.** The improvement in the crucial indicator is mainly due to **a phenomenal 25.43 % rise in direct tax collection during the period under review.** There has also been a corresponding improvement in the **direct tax-GDP ratio, with the ratio climbing up to 3.34 per cent in April-June 2002 from 2.61 per cent in the last fiscal.**

Direct tax mop-up records 21 % surge

The Centre's **net direct tax collections posted a 21.2 per cent increase up to the end of September** this year as compared to the same period last year. Net direct tax collections topped Rs 29,757 crore (approximately \$ 6 billion) up to September 30 as compared to Rs 24,550 crore in the corresponding period last year

India's Apr-Jun BOP surplus \$1.67 bn

India's **balance of payments (BOP) surplus in the April-June quarter was \$1.67 billion against a surplus of \$1.46 billion in the same period last fiscal year** , reveals the latest data

released by the Reserve Bank of India. **This indicates a year on year increase of 14 per cent.** This increase is mainly due to **increase in services income especially miscellaneous account.** **This account includes receipt from software exports.**

Capital account has also recorded positive trend in period April-June 2002 of \$527 Million compared to deficit of \$358 Million a year ago. The Reserve Bank of India also reported **an annual current account surplus, at \$1,351 million, for the year 2001-2002,** reiterating the trend of its provisional figures over the last few quarters.

April-Aug exports up 13% to \$19,766 mn

India's exports for the first five months of the current financial year , the April-August period, grew **13.37 per cent to \$19,766.26 million** from \$17,435.88 million in the same period last fiscal, according to the latest data released by the government. Exports during August rose 6.55 per cent over the same month last fiscal because of steady orders from the key markets of the United States and the European Union.

India's imports during April-August 2002-03 stood at \$22,468.68 million, a rise of 1.76 per cent against \$22,2080. 33 million in April-August 2001-02. **India's April-August trade deficit fell to \$2,700 million from \$4,640 million.**

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EVENTS

Business summit with ASEAN

To strengthen business ties with the Association of South East Asian Nations (ASEAN), policymakers, businessmen, technocrats and professionals from India will hold talks with Asean member-countries on areas of mutual interest at **the first India-Asean business summit on October 17 and 18.** The summit, to be inaugurated by Prime Minister Atal Bihari Vajpayee, will be hosted by the Federation of Indian Chambers of Commerce and Industry (Ficci) along with the external affairs ministry and the commerce ministry.

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POLICY MEASURES AND PROPOSALS

Deemed public firms can now revert to private status says DCA

In an notification the Department of Company Affairs (DCA) has clarified that Indian subsidiaries of overseas companies that had acquired a deemed public company status under the erstwhile section 43A of the Companies Act can revert back to their private company status . **The Indian subsidiary can retain its private company status if the parent company holds 100% of its paid-up share capital outside India.** The notification clarifies that **foreign subsidiaries whose paid-up capital was not entirely held outside are not eligible for the exemption.**

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GEO-ECONOMIC

BILATERAL

Ukraine keen on turnkey projects in power sector

Ukraine is keen to participate in turnkey power projects in India. In its recent visit to India, Ukraine President Mr. Leonid Kuchma spelled the vast potential for co-operation in investments, joint ventures and privatisation. **Ukraine is keen in participating its enterprise in turn-key projects for the construction of hydro and thermal power plants and energy generation facilities.** In an another development, India and Ukraine have agreed to accord **most favoured**

nation (MFN) treatment to each other in the field of merchant shipping. The agreement aims to promoting development of contacts between shipping organisations and enterprises.

India and Armenia sign programme of co-op in science / education

India and Armenia signed programmes of cooperation in the fields of education and science and technology. To begin with, **seismology and astrophysics** have been identified as two major areas of collaboration.

Australia in talks with Indian companies for LNG supply

Australia is actively in talks with Indian companies to supply LNG on the eastern coast of India , according to Ms Penny Wensley, Australian High Commissioner to India. **Australia's proximity to the eastern coast of India gives it the price advantage over West Asian suppliers .**

MULTILATERAL

ADB to raise annual lending to India to \$2 bn by 2005

The Asian Development Bank has planned to raise its annual lending to India to about \$2 billion by 2005 from its present level of about \$1.5 billion. The increase would be used to fund infrastructure projects to reduce poverty in the country. These projects include those for renewable energy, power and gas and the construction of railways, road and inland waterways.

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CORPORATE SECTOR NEWS

L&T wins Lafarge contract for conveyor belt

Larsen & Toubro has bagged a **\$23m contract from Lafarge Surma Cement - the French cement giant's joint venture in Bangladesh - for construction of a 17 km long cross-national conveyor belt connecting Lafarge Surma's proposed 1.2m tonne cement unit in north-east Bangladesh with limestone reserves in Meghalaya.** Lafarge Surma, where the world's largest cement maker has a 51% stake, is setting up a 1.2m tonne cement unit at Chhatak (Syllhet) in Bangladesh. The facility, which is being set up at \$240m, is also slated to start production of roofing materials and aggregated concrete by early '04.

Bank of America inks pact with Infosys, TCS

Bank of America has entered into agreements with three strategic partners - Infosys, Tata Consultancy Services and Accenture - to deliver application maintenance and development services to the bank's internal information technology groups . This agreement will the bank to align its own resources to higher value-added work.

Continental, Metro Tyres in production joint venture

Continental AG of Germany is entering the Indian two-wheeler tyre market in collaboration with Metro Tyres. **Metro Tyres will manufacture and market Continental-Metro brand of two-wheeler tyres in India, while Continental will provide technological support.** Metro already has a long-term offtake agreement with Continental, whereby the German tyre giant has agreed to source 'Continental' branded motorcycle and scooter tyres and tubes from Metro for its international markets.

SBI, Canara bank form 60:40 JV in Moscow

SBI and Canara bank have formed a joint venture-commercial bank of India. SBI will hold 60 % stake while Canara bank will pick up the remaining 40% stake in commercial bank of India. The new venture in Moscow is part of efforts to facilitate trade and commerce between India and Russia.

BPCL-IOC jetty commissioned at JNPT

A state-of-art liquid oil jetty developed jointly by Bharat Petroleum Corporation Ltd (BPCL) and Indian Oil Corporation Ltd (IOC) at the Jawaharlal Nehru Port Trust (JNPT) was formally commissioned. **Built at a cost of Rs 150 crore (about \$30 Million) , the jetty is already**

operational for the last nine months and was completed in 30 months, six months ahead of schedule. The setting up of this jetty has ensured uninterrupted availability of petroleum products in the country, especially through Mumbai for handling increased volume of import/export of crude and petroleum products to meet the demand projection in 2006-07.

TCS bags SBI's CTF System Project

State Bank of India (SBI) has selected Tata Consultancy Services (TCS), a software solutions and IT consulting company, to supply, customise and implement the Centralized Trade Finance (CTF) System. **The project is one of the largest in the world in terms of the number of branches, customers and transaction volumes involved.** It involves supply and installation of trade finance software, customisation of the trade finance software, implementation, rollout of the software at SBI branches, training to SBI personnel and support.

PIL and Allergan to strengthen JV

Pharma major Nicholas Piramal India Ltd (NPIL) and the US-based pharma player, Allergan, Inc, have decided to strengthen their joint venture by undertaking joint manufacturing and development efforts. In the coming months, **Allergan India will utilise the manufacturing skills of NPIL to manufacture formulations for the global market and expand the drugs portfolio for export, both in bulk and formulations**, while NPIL will utilise the R&D facilities of Allergan to develop new ophthalmic products for the JV.

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