

## ECONOMIC NEWS FROM INDIA.

Period: Upto –16 Sep. 02

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### MACRO ECONOMIC INDICATORS

- The closing **exchange rate** of the rupee to the US \$ in the spot market stood at 48.42 on 13<sup>th</sup> September 2002.
- The **inflation rate** for the week ending 31<sup>st</sup> August, 2002 **falls to 3.46** per cent as compared to 3.59 per cent the previous week. The rate of inflation for the corresponding week in 2001 was 4.93 per cent.
- The **foreign exchange reserves rose to \$62.06 billion** in the week ended 6<sup>th</sup> September 2002 from \$61.51 billion in the previous week, the RBI said in its weekly statistical supplement released by the RBI.
- **Foreign currency assets** stood at **58.84 billion, after increasing by \$591 million**. Gold reserves declined by \$40 million to reach \$3.2 billion. Special drawing rights remained unchanged at \$10 million.

#### 6.4% industrial growth in July

According to the Central Statistical Organisation (CSO), **Indian industry registered a 6.4 per cent growth during July**, compared to the growth rate of 2.6 per cent for July 2001. The **cumulative increase in the 'general' IIP for April-July 2002 amounted to 4.7 per cent**, which was also higher than the corresponding growth rate of **2.3 per cent recorded during the first four months of the previous fiscal**.

Further, **all the three major sectors constituting the general index - manufacturing, mining and electricity - registered higher growth rates, indicating that the current revival trend seems to be across all major industrial sectors.**

#### 30 FDI proposals, worth Rs.212 cr. Cleared

Union minister of commerce and industry Murasoli Maran has cleared **30 foreign direct investment (FDI) proposals worth Rs 212 crore (around \$43 million)**. The major investment proposals cleared pertain to infrastructure development, textiles, providing services to farmers through franchise networks, consumer goods, heavy machinery, operating TV channels, software development and IT-enabled services.

The proposals cleared include that of **UK-based Kodak's, to increase stake in its Indian operations from 74.76 per cent to 100 per cent**. The stake hike would involve an investment of Rs 99 crore (around \$20 million). In a deal worth Rs 10.5 crore, GE Capital Equity Investment, a Mauritius-based venture capital arm of **General Electric, is acquiring 7.50 per cent stake in TV Today's news channel, Aaj Tak**. The ministry has also approved a proposal by Netherlands-based GVK International NV to acquire 51 per cent in Chennai-based GVK Infrastructure Investments.

### **New markets for India as wheat prices rise**

Rising global wheat prices on fears of a supply squeeze is likely to open up new markets for Indian exports. Dry weather has slashed Australia's wheat crop to 15.5-17.5 million tonnes, the lowest since 1994-95. The US crop is headed for some **45 million**, the smallest in 30 years, and the Canadian crop has been cut to 15.45 million tonnes, the lowest since 1974.

India is sitting on a **huge wheat stockpile of 41 million tonnes**. So far sales by India, a relatively new entrant in the wheat export market, to mainly Southeast Asia and the Middle East.

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## **EVENTS**

### **Asean, India set long-term goal to set up regional FTA**

Economic ministers of Asean and India agreed at a "landmark meeting" on a long-term goal to establish a **regional free trade area** and directed the establishment of a task force to make a draft blueprint. The first meeting with India was held on the final day of the annual Association of Southeast Asian Nations (Asean) meeting here, as **the 10-member regional bloc opened the door to engage the world's second most populous country**. Brunei's Minister of Industry and Primary Resources Adbdul Rahman Taib described the session with Indian Minister of Commerce and Industry Murasoli Maran as a "landmark meeting because it has produced some outstanding results". Maran said the meeting was a "very good beginning on the future **economic cooperation and integration between India and Asean**".

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## **POLICY MEASURES AND PROPOSALS**

### **ECB investment in realty, full pre-payment allowed**

The Union Government has further liberalised the guidelines for External Commercial Borrowings (ECBs) to allow 100 per cent pre-payment of outstanding commercial debt by companies and also utilisation of ECB proceeds for investment in the real estate sector.

It also allowed companies located in the Special Economic Zones (SEZs) to access ECB funds without any restrictions on maturity. This would mean that the average maturity norm for ECB loans will not be applicable to SEZs.

### **IRDA Act: Rider on foreign equity may be scrapped**

The Government is considering moving an amendment to the Insurance Regulatory and Development Authority (IRDA) Act to **delete the provision on the 26 per cent cap of foreign equity as the first step towards raising the foreign investment limit for the sector**.

Removal of the provision from the Act would have long-term impact since it would provide flexibility in making adjustments to the foreign equity cap through executive action, in consultation with the insurance regulator, as and when necessary in future. The IRDA Act proposes that foreign capital from all sources, which would include FDI, FII investment, in an insurance company should not exceed 26 per cent of the paid-up capital.

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## **GEO-ECONOMIC**

### **BILATERAL**

### **CIDEX, Germany to hold 14 trade fairs in India in 2003**

**CIDEX Trade Fairs, a German company set up in India to hold international trade fairs in India, will hold 14 fairs in India in 2003**, Mr Norbert Schmidt, Managing Director, CIDEX, said.

Fairs include those on food processing, garments, pharma, construction business etc. CIDEX is also involved in the construction of HITEX, a new and sophisticated trade fair ground in Hyderabad.

## **MULTILATERAL**

### **\$10-mn World Bank loan for Cosmo Films**

International Finance Corporation, the private sector lending arm of World Bank, has agreed to provide a **\$10-million loan to Cosmo Films, a leading manufacturer of BOPP** (biaxially oriented polypropylene) films. The IFC loan is part of a \$22-million (about Rs 105 crore) investment plan finalised by Cosmo Films for expanding its manufacturing capacity. Cosmo Films is currently in the process of expanding its BOPP manufacturing capacity from 36,600 to 46,600 tonnes per annum. BOPP is used for packaging and lamination applications.

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## **CORPORATE SECTOR NEWS**

### **TCS ties up with Chinese IT company**

**Tata Consultancy Services, Asia's largest software services company, has tied up with a Chinese company to tap the \$ 5-billion Chinese software services market.**

**Zoom Networks**, an IT and telecommunications service provider in China, will partner TCS in what is being touted as the first formal relationship between an Indian IT company and Chinese company.

TCS will sign an Memorandum of Understanding with Zoom Networks to deliver IT consulting and system integration services to local and multinational companies operating in China.

### **CashTech Solutions enters into marketing tieup with IBM India**

CashTech Solutions has entered into a marketing tieup with IBM India to deliver comprehensive solutions to the financial services industry. Under the terms of the agreement, the two companies will market and sell CashTech's branded solutions on IBM platforms and IBM WebSphere software. Besides, IBM India will also provide infrastructure support for porting CashTech products on IBM platforms.

### **Hyundai to step up exports**

Hyundai India Motor Ltd plans to **scale up its exports from 7,000 cars to about 7,500 cars**. Countries such as to Indonesia, Nepal and Algeria figure prominently in the export targets. Seventy per cent of the exports comprise Santros and the rest are Accent cars. Gradually, it will increase exports to other countries.

### **Tatas to buy out Jardine in Concorde Motors**

The Tata Group has reached an agreement with Jardine Motors to acquire its 50% stake in Concorde Motors. CML is a 50:50 joint venture between the Tata group and Jardine Motors. After the buyout, Tata Industries will hold 44.4%, Telco 49% and Tata Finance the remaining 6.6%.

### **Shapoorji Pallonji, L&T in JV to build Cyber Tower in Mauritius**

Construction majors Larsen & Toubro and Shapoorji Pallonji have formed a joint venture to construct a **12-floor Cyber Tower at Ebene Cyber City in Mauritius**. The Cyber Tower is part of the Mauritius government's ambitious project 'Cyber City' in Ebene, near Port Louis. These two companies have formed a 50:50 joint venture to execute the project for the Mauritius government-owned Business Parks of Mauritius.

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