

ECONOMIC NEWS FROM INDIA

Period: Upto –30 Sep. 02

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MACRO ECONOMIC INDICATORS

- The closing **exchange rate** of the rupee to the US \$ in the spot market stood **eight month high at 48.37 on 27th September 2002**. The appreciation in the rupee has come on the back of dollar inflows from foreign funds that picked up 16 per cent stake in ICICI Bank in one of the biggest secondary market operations in the country.
- The **inflation rate** for the week ending 14th September, 2002 rises to **4.03 per cent as compared to 3.77 per cent the previous week**. The rate of inflation for the corresponding week in 2001 was 4.60 per cent.
- The **foreign exchange reserves shot up to \$62.52 billion** in the week ended 20th September 2002 from \$62.02 billion in the previous week, the RBI said in its weekly statistical supplement released by the RBI.

India's GDP shoots to 6% in Q1 FY03

India's gross domestic product (GDP) grew **6 % in the first quarter** of the current financial year ending March 2003 **compared to 3.5 per cent in the corresponding period last fiscal, making it one of the world's fastest growing economies**. Ironically, in a fiscal marred by erratic monsoon, **the first quarter jump in GDP has been attributed to the strong agriculture sector output**. The agriculture sector grew by **4.4 per cent in the first quarter of FY03 against 1.1 per cent in the previous fiscal**.

Q1 trade gap falls 36.8%

The **merchandise export for the first quarter** this fiscal has risen to **\$11.41 billion** against \$10.34 billion in the same period last year, **a jump of 10.34 per cent**.

The imports have risen only marginally by **1.29 per cent to \$12.95 billion** from \$12.78 billion in the year-ago period. Due to the small rise in imports, **the trade gap has fallen by 36.8 per cent during the April-June period**. Trade deficit fell to \$1.54 billion from \$2.44 billion during the first quarter.

India's Jan-Jul FDI inflows surge 68%

Foreign direct investment into India has surged 68.6 per cent during the period January-July 2002 to \$2.68 billion from \$1.59 billion in the corresponding period the previous year.

FDI inflows in April-July 2002/03 jumped by 69 per cent to \$1.47 billion from \$0.87 billion in the year-ago period. During FY02, India attracted \$4.06 billion in foreign direct investment.

Service sector grows in Q2:CII-ASCON Survey

The latest CII-ASCON Services survey for the period April–September 2002 over the period April-September 2001 has indicated continued impressive growth of the service sector – particularly **Housing Finance (34%), Cellular Services (80%) and Software Services (20%)** recorded excellent growth in April-Sep 2002 as compared to the corresponding period last year. **With the rural telephony creating a lot of scope for cellular services, new subscribers for the sector are expected to grow by 65% in the next six months.**

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POLICY MEASURES AND PROPOSALS

Importers needn't seek RBI nod for short-term credit

Indian importers have been allowed to avail **short-term credit for periods less than three years without prior approval of the RBI provided the amount does not exceed \$20m per import transaction.**

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GEO-ECONOMIC

BILATERAL

India allows duty-free access to around 40 items from Bangladesh

India and Bangladesh achieved a major breakthrough, when **India allowed duty free import of around 40 items from Bangladesh including pharmaceutical products, leather and vaccines.** A notification by the Finance Ministry said India will allow duty-free access of transformers, dry cell batteries, electronic goods such as plastic cabinet of television, voltage stabilisers, artificial flowers and aluminum products from Bangladesh. Other products which will be allowed to be imported duty free include vaccines, cosmetics and toiletries and leather products.

India, Afghanistan to enter in special trade pact

India has decided to enter into a preferential business agreement with Afghanistan in order to boost trade between the two countries, said Indian foreign secretary Kanwal Sibal. He was inaugurating a four-day 'Made in India' show organised by CII at Kabul. **There are proposals in the field of information and broadcasting, technology, road construction, power and infrastructure building to boost the existing trade relations between the two countries.**

MULTILATERAL

ADB loan to help Railways lay tracks to ports

Asian Development Bank (ADB) has indicated that \$ 300-million loan for the Railways to complete the last mile railway projects and strengthening of the Golden Quadrilateral will be concluded by the end of November. Investments will also be made for strengthening rail connectivity to ports. The Golden Quadrilateral would enable the Railways to run more long-distance freight and passenger trains at a higher speed.

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CORPORATE SECTOR NEWS

L&T bags \$25 mn EPC contracts

Cement and engineering major, Larsen and Toubro Ltd (L&T) has bagged two engineering, procurement & construction (EPC) contracts from Kuwait National Petroleum Company (KNPC) for revamp of Sulphur Recovery units at their refineries at Shuaiba and Mina Abdullah in Kuwait. The two projects, valued at \$14.1 million and \$10.7 million respectively, have been awarded to L&T against international competition.

Eleven firms submit Expression of Interest for Nalco

11 companies have submitted their expression of interest to buy the stake being divested by the government in NALCO . The bidders include the biggest names in the aluminium and mining industry such as Alcoa Inc of the US, Alcan Inc of Canada, CVRD of Brazil, Russian Aluminium, Aluminium Pinchney of France, Glencore International of Switzerland and BHP Billiton of Australia. The government will now refer the EoIs to an inter-ministerial group of officials to check the eligibility of the companies for making a bid for the 29.15% stake in Nalco that's on offer.

Infosys, Sun in tech alliance

Infosys Technologies, India's No 2 software services exporter, and network computer maker Sun Microsystems have announced a technology and marketing partnership targeting the banking industry.

As part of the alliance, Sun's technologies will power Infosys' 'Finnacle' suite of banking products, the companies said in a joint statement. Both firms will take up joint marketing and technology initiatives for banking customers, the statement said.

Microsoft launches academic programme in India

Microsoft India announced the launch of its **academic developer programme in India under a strategy to work with the academic community globally.**

Under the programme, **Microsoft announced eight key initiatives over the next one year aimed at empowering universities, faculty members and students with necessary skills, resources, training and real life experience, to leverage the emerging XML web services revolution.** Under the MoU, Microsoft would provide 102 colleges affiliated with the university access to .Net development tools and technologies.

Ranbaxy gets US nod for generic Augmentin

Ranbaxy Laboratories has received approval from the United States Food and Drug Administration (FDA) for a generic version of blockbuster antibiotic **Augmentin**. Ranbaxy has received approvals for the 875 mg and 125 mg tablets of the drug, whose patents are controlled by Britain's GlaxoSmithKline.

The Indian company, along with Israel's Teva Pharmaceuticals and Novartis's unit Geneva Pharmaceuticals Inc, are fighting patent infringement allegations in the United States.

GE plans to invest 130 mn to set up R&D centre

Multinational **GE plans to invest \$130 million to establish a research and development centre at Bangalore.** This was announced by Union Minister for Chemicals and Fertilisers S S Dhindsa. He said foreign companies were willing to invest in India due to a strong network of research laboratories and educational institutions.

Crown Worldwide to invest \$6 mn into India

Crown Worldwide Movers (CWM), part of Hong Kong-based \$300-million Crown Worldwide Holdings (CWH), has set aside \$6 million for expanding operations in the country. The investment will go towards setting up records management facilities in Delhi, Chennai and Hyderabad. Records management includes cataloguing, storing and retrieving of physical documents which companies do not frequently access, but still retain for legal or disaster recovery purposes. The company plans to invest \$2.45 million each in these cities.

FII's picked up 16.5% stake in ICICI bank for Rs. 1318 crore

In a \$26.36 million (approximately) deal, ICICI has sold over 10 crore of its own shares, held in a trust, on 26 September. **The deal, made with a series of foreign institutional shareholders, is one of the largest secondary market placements to have taken place in India.** Out of the 16.5

per cent equity that was offloaded, Hamblin Watsa Investment Council, an affiliate of the Canadian insurance group Lombard has picked up seven per cent. Government of Singapore has picked up seven per cent stake, while the balance 2.5 per cent has been acquired by five other FIIs. After this transaction, **total foreign holding in ICICI Bank has moved up from 45.85 per cent to 62.35 per cent, making it the bank with the highest foreign holding in India.**

Wipro planning to expand in north Asian region

Wipro infotech, after bagging key orders from Saudi Arabia, Dubai and Taiwan during the first half of the fiscal, is planning a major expansion in North Asia. The software-giant has started its operations in Singapore, Taiwan, Australia, Malaysia, Dubai and Hong Kong over the last ten months. Recently, the company bagged the prestigious orders of an end-to-end ERP implementation from Saudi Polyefins Ltd, an e-governance software development project from Dubai, and a portal development for a major telecom company in Taiwan.

Cadila Healthcare plans US & Brazil subsidiaries

Cadila Healthcare, the \$ 11.76 million (approximately) flagship company of the \$ 50 million (approximately) Ahmedabad-based Zydus Cadila group, has decided to set up wholly owned subsidiaries in the US and Brazil. As part of its international business strategy, the company will form Zydus Healthcare Brazil as a wholly owned subsidiary of Zydus International of Ireland. Zydus Healthcare (US) LLC will also be floated as a wholly owned subsidiary of Zydus International of Ireland to develop the overseas business.

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