

ECONOMIC NEWS FROM INDIA

Period: Upto – 16th Dec. 02

MACRO ECONOMIC INDICATORS

- The closing **exchange rate** of the rupee ended the week at a steady trading of 48.19 for a US Dollar.
- The **inflation rate** for the week ended November 30th, 2002 decreased to **3.40** per cent as compared to 3.45 per cent the previous week. The rate of inflation for the corresponding week in 2001 was **2.14 per cent**.
- **Foreign exchange reserves** have risen to a record high of \$67.75 billion in the week ended December 6 against \$ 66.92 billion in the week-ago period. The same stood at \$42.42 billion in the corresponding week in the previous fiscal.

Industrial production up 6.2% in Oct

The industrial production in October surged by **6.2 per cent as against 3.2 per cent in the corresponding period last year**. The index of industrial production (IIP) grew by **5.5 per cent in April-October 2002-03 compared to 2.5 per cent in the corresponding period last year**. The manufacturing sector registered a growth of 6.4 per cent in October 2002 as against 3.5 per cent in the year-ago period.

The mining sector grew 3.8 per cent as compared to 3.7 per cent in the previous year, while the electricity sector grew 7.4 per cent compared to a fall of 0.2 per cent in October last year. The consumer non-durable sector registered a growth of 14.6 per cent in October as against 2.1 percent in the corresponding period last year, while the consumer durable, on the other hand, declined by 5.9 per cent compared to 25.2 percent a year ago. The capital goods sector grew a healthy 12.2 percent in October compared with a decline of 0.3 percent in the same month a year ago.

Apr-Aug exports growth to Latin America highest

The sharpest increase in India's exports this year has been to the Latin American countries. While the volume to trade with this region is not very high, **exports have jumped 40 per cent to touch \$566 million between April-August 2002 as compared to the corresponding period in 2001**. Brazil has been the biggest buyer in the region, with exports to the country rising 131 per cent over April-August 2002. Exports to Mexico have risen 25 per cent, while those to Argentina have fallen 49 per cent in the first five months of the current financial year.

Exports to North America have gone up 28 per cent, with the US accounting for the largest chunk. **Sales of goods to Asia and Oceania have risen 26 per**

cent between April-August 2002 and the corresponding period in 2001. The latter region is the largest buyer of India's goods with total exports to the region touching \$8423.4 million.

GEO-ECONOMIC

BILATERAL

Parent company ups Otis Elevator pie to 96%

Otis Mauritius, the offshore investment vehicle of United Technologies of the US, and its associate firms have **increased their stake in Otis Elevator India to 96 per cent from the earlier 80.62 per cent** through the second open offer that closed recently.

Yamaha sees India as component hub

Japanese two-wheeler major Yamaha Motor Company has plans to develop India into a component hub. According to Mr Masahiko Shibuya, Chief Executive Officer, Yamaha Motor India Pvt Ltd , " the components would be exported to Yamaha's subsidiaries in other global markets. We have already arranged visits of our vendors to our group subsidiaries in several countries including Japan and Thailand. This gives them the chance to sell elsewhere also".

An indication of the Indian operations' increasing importance for Yamaha could also be discerned from the fact that **the company is planning to outsource smaller size bikes from its Indian subsidiary for the global markets. Yamaha is already the largest two-wheeler exporter from India, and is currently exporting to markets in Africa, South America and West Asia.** Currently, Indonesia is the largest producer of economy bikes for Yamaha Motor Company, with India coming in second. However, with the current rate of growth in the domestic bike market, combined with the aggressive initiatives of the Indian arm, India is set to overtake Indonesia's feat in this regard.

India, Kuwait to widen ties in telecom, IT sectors

India and Kuwait have agreed to a mutual widening of cooperation in the telecom and IT sectors, with the focus now being on the **development of telecom infrastructure and ICT training.**

Ranbaxy's 2nd generic drug to hit US soon

Ranbaxy is all set for its second biggest generic drug launch in the US market — the generic version of GSK's blockbuster antibiotic drug Augmentin — in the first week of January '03.The company, which will be launching two variations of the drug, 875 mg and 500 mg tablets through its US subsidiary, is learnt to have set a sales target of about \$80 million in the first full year of its launch. **Ranbaxy's first big time generic drug in the US market, Cefuroxime Axetil, has already mopped up close to \$90 million since its**

launch in March '02. Ranbaxy got the US FDA approval for its generic version of Augmentin in September this year.

Pierre Cardin ties up with Dr Morepen for beauty range

The President of Pierre Cardin, Mr Enrico Isenburg, launched his company's colour cosmetic line at Dr Morepen's Lifespring, though Pierre Cardin's cosmetic range has been available in the country since 1991 and has been retailed through a distributor in Mumbai, this is the first time the company has had a marketing tie-up with a specialised store for beauty products. Mr Aravind Nagarajan, CEO, Lifespring, described it as a "mutually beneficial arrangement" where Indian women will have a new avenue to experience well known international brands in the health and beauty category.

MULTILATERAL

India will be the 4th economy by '20: World Bank

Where do you see India in 2020? The World Bank estimates that the country will be the fourth largest economy in '20. A Planning Commission panel in a vision document prepared for '20 says, if the country registers a sustained GDP growth of 8.5-9% over the next 18 years and maintains its population growth rate at about 1.6%, it would join the league of upper middle income countries such as Argentina, Chile, Malaysia, Mexico and South Africa. The real per capita income of the citizens is expected to quadruple by '20; the percentage of population below the poverty line is expected to halve to 13% from the present 26%. The India Vision 2020, which is being given finishing touches says that India would add another 300million to its total population, which is expected to grow to 1,330 million by the end of the second decade of this century.

India seeks more disclosure by MNCs

In a significant development, **India and China have joined hands to demand a legally enforceable code of conduct for foreign investors to check their abuse of economic power in host countries.** They have also asked for greater transparency in accounting disclosures by multinational corporations, besides obligations from home countries like prohibiting corrupt foreign practices by their corporations.

A paper on investor and home country obligations drafted by India and submitted to the World Trade Organisation's (WTO's) working group on trade and investment has called upon the group to consider incorporating legally binding measures to ensure corporate responsibility and accountability on the part of multinational corporations. Co-sponsored by Pakistan, Cuba, Kenya and Zimbabwe, besides China, the paper has encountered stiff opposition from developed countries.

India seeks greater market access

India has filed initial requests to 62 countries for increased market access in six service sectors, including computer related service sectors and health and maritime services under the WTO's on going negotiations in services. India has

also submitted a detailed proposal on horizontal requests in respect for mode 4, which relates to movement of natural persons, official sources said.

Australian bank seeks nod for NBFC

Australia-based South East Asia Bank has sought permission from the Foreign Investment Promotion Board (FIPB) to establish a wholly-owned non-banking finance company (NBFC) in India. The company, in its application filed with FIPB, has stated that it will invest Rs 2.50 billion in the equity of the proposed NBFC. The investment, according to the proposal, will be spread over a two-year period. The proposed NBFC will be primarily engaged in project financing and also take up related financial services. The Australian bank said in its application that the Reserve Bank of India had permitted it to open a representative office in India in May 1998 for a period of three years.

5 Indians in WEF list of global leaders

Five Indians are on the list of 100 "Global Leaders For Tomorrow" (GLT) 2003 announced by the World Economic Forum last week. The Indians on the GLT list include Kinetic Engineering joint managing director Sulajja Firodia Motwani, Srivatsa Krishna, the man behind the infotech initiatives in Andhra Pradesh, Vikram Chandra, senior editor and CEO NDTV.com, and two Indians who are based in the UK — Reuben Singh, founder and CEO Alldaypa.com and Jitesh Gadhia, director, corporate finance with ABN AMRO Corporate Finance. The GLT Programme was started in 1993; some past GLT members include chairman and chief software architect of Microsoft Bill Gates, UK's prime minister Tony Blair and Dell chairman and CEO Michael Dell.

CORPORATE SECTOR NEWS

Indian position in global software strong: PwC

India's position in the global software service sector is very strong, says professional services firm PricewaterhouseCoopers (PwC). **"Israel and Ireland, the two countries which can threaten India's position in the global software services market, are yet to gather a critical mass in this area"** said Rajarshi Sengupta, partner (technology practice), PwC. According to Sengupta, China, which is projected to cause a major threat to India's position in the global software services and IT enabled services area, are far behind due to its lack of capability in English. "The biggest advantage that India has over China is the language. In areas like embedded software and hardware, where language is not an issue China will pose a threat to India," Sengupta said. On markets like Philippines, he said, "These markets are yet to reach the level of sophistication that the Indian companies are at present. He said that software is getting more importance in the schemes of companies and is becoming a major business driver for many companies.

GE Plastics to set up export unit at Vadodara

GE Plastics India, a part of General Electric Co, has decided to set up an export-oriented unit at its Vadodara facility to manufacture engineering thermoplastics to

cater to the Asia-Pacific market. **GE Plastics has already set up its first development centre outside the US at the John F Welch Technology Centre in Bangalore**, and employs around 200 scientists and engineers for research and development work. The company manufactures and markets engineering thermoplastics, including Lexan (polycarbonate resins), Noryl (modified PPO resins), Valox (thermoplastic polyester resins), among other things.

Samsung may turn India into export hub

Close on the heels of strengthening its manufacturing base in the country, Samsung India sees a possibility of making India an export hub. "We are already **exporting colour TVs to destinations in Europe and to some countries in Asia**. In fact, we are expecting exports of two hundred thousand units this year," Mr R. Zutshi, Vice-President (Sales), Samsung India, said. Mr M.B. Lee, Vice-President (Marketing), said, "There is a possibility **of making India into an export hub for smaller size refrigerators**. The Korean parent has taken its India operations on priority basis." Apart from the available categories the company is now **focussing on the audio category also**. Next year will see a whole new range of audio products from Samsung, Mr Zutshi said.

Selloff gains speed, EIL clears hurdle

The government will soon invite final price bids for Engineers India Ltd (EIL) with the disinvestment ministry withdrawing its reservations on the project consultancy firm's sale following a clear roadmap for the privatisation of HPCL and BPCL. The core group of secretaries on disinvestment recommended calling final price bids for EIL.

Living Media applies for Indian edition of Golf Digest

Barely a month after the government announced guidelines for FDI in the non-news category and opened up the segment for Indian editions too, one **application from the Living Media group has come in to start an Indian edition of a speciality magazine published in the US, Golf Digest**. Since there is no foreign investment involved, the recently liberalised policy stipulates that such proposals be examined on a case-by-case basis in consultation with an inter-ministerial group.