

CCI Business Bulletin - INDIAN ECONOMY
November 6 – November 12, 2004

MAJOR MOVEMENTS			
Major Indices	November 5, 2004	November 12, 2004	% Change
BSE Index	5,891.38	5,964.01	1.23
NSE Nifty	1,852.30	1,872.95	1.11

POLICY WATCH

Excise exemption for new units in Kutch extended by one year

THE Centre has extended by yet another year the validity of excise duty exemption for the manufacture of specified goods by new units in Kutch district of Gujarat. According to an official statement, the time limit for setting up new units and starting commercial production now stands extended to December 31, 2005 which would give sufficient time for the completion of ongoing projects. Following the massive earthquake in Gujarat in January 2001, the Government had then notified an excise duty exemption scheme to attract investment in the Kutch region. The exemption was available only to new units that were set up and which commenced commercial production on or before December 31, 2003.

DoT imposes licence, entry fees on ISPs

THE Department of Telecommunications (DoT) has imposed a licence fee on Internet Services Providers (ISPs) amounting to 8% of their annual gross revenue. The Government has also set a one-time entry fee ranging between Rs 10 Million and Rs 100 Million on ISPs, depending on the category of their licence. However, ISPs have been allowed to offer leased line-Based Virtual Private Network (VPN) services as part of the licence. Until now, ISPs did not pay any licence fee and were required to pay a token amount of Re 1 only as entry fee.

Insurers can invest in big ticket IPOs

THE Insurance Regulatory and Development Authority (IRDA) has relaxed the investment guidelines for the insurance companies, especially with regard to the big-ticket Initial Public Offers (IPOs). The insurance regulator has decided to consider investments by insurance companies in IPOs of not less than Rs 5,000 Million as 'approved investments'. As per the current regulations in force, investment in equity shares through IPOs is categorised as 'other than approved investments' and the insurance companies cannot invest more than 25% in this category. IRDA has, however, fixed certain conditions for considering investments in equity shares offered through IPOs as 'approved investments'. Equity shares have to be 'listed' through IPO and the size of the issue of equity shares through IPO, including offer for sales, should not be less than Rs. 5,000 Million. Further, the number of shares offered through IPO should not be less than 5 Million shares.

Web site for investor protection launched

THE Ministry of Company Affairs on November 9, 2004 launched a new Web site www.watchoutinvestors.com created by the Prime Investors' Protection Association and League (PIPAL). The Investor Education and Protection Fund under the Ministry has provided financial assistance to PIPAL to set up the site. It will provide a grant of Rs 3 Million every year for maintenance of the site. The Ministry has also taken many steps towards investors' education and awareness. A separate cell in the Ministry has been created to process investors' complaints. Further, the details of the nodal team in the Ministry and field offices for dealing with the investors' grievances have also been put on the Ministry's Web site.

Ministry wants RBI to review ownership norms for private sector banks

MINISTRY of Finance (MoF) has suggested the Reserve Bank of India (RBI), that when a bank is looking at investing in an Indian private sector bank, the central bank should also consider the equity structure of the investor bank to determine the extent of holding it will be permitted to acquire in the investee bank. Currently, the RBI's focus is solely on the holding

pattern in the investee bank. To ensure diversified holding, the central bank has proposed stringent caps on the extent of holding permitted for investors. However, the Finance Ministry believes that if an investor bank has a sufficiently diversified holding, it should be allowed to automatically acquire a higher than 5% stake in the investee bank. The 5% cap has been proposed for both domestic and foreign bank wanting to acquire shares in an Indian private bank.

Transfer of ownership of disputed trademark invalid

A person, who is not a bona fide user of a registered but disputed trademark "openly and continuously" for a considerable period is not entitled for registration of the said trade mark, the Intellectual Property Appellate Board, Chennai has ruled on November 10, 2004. Disposing of an application filed by a Gujarat-based firm, New Nandi Seeds Corporation, praying for setting aside an order dated April 27, 1998 of the Registrar of Trade Marks holding that an Andhra Pradesh-based organisation, Nandi Seeds, was the subsequent proprietor of the trade mark, the board held that there was absolutely no bona fide on the part of the Andhra Pradesh organisation in filing the application for registration of the disputed trademark.

Mauritius, India finish talks on draft pact on trade

MAURITIUS and India have finished negotiating a draft pact to bolster trade and investment, which officials, on November 9, 2004, said would boost Mauritius' threatened trade portfolio and provide India with access to bigger African markets. The trade pact recommendations will be submitted to both governments for approval, although no date has been set for the signing of the agreement. "Mauritius and India agreed on a framework for a Comprehensive Economic Cooperation and Partnership Agreement last week, which will hopefully lead to more trade and investment between the two countries," an Indian official told Reuters. Although India's exports to Mauritius increased to \$ 203 million in fiscal year 2003-4 from \$164.36 million, Mauritian exports to India have decreased to \$ 8 million from \$ 16.13 million over the same period.

Dumping duty on lead acid batteries to be discontinued

THE Designated Authority in the Anti-Dumping and Allied Duties wing of the Department of Commerce has recommended discontinuation of the anti-dumping duty it recommended and imposed in December 2001 on all imports of lead acid batteries from Bangladesh, China, South Korea and Japan. In its recent notification, after undertaking a mid-term review probe, the authority held that originally Exide Industries Ltd and Amara Raja Batteries Ltd sought the application for anti-dumping probe on behalf of domestic industry, which together qualify the standing in terms of the provisions of the anti-dumping rules. In its elaborate mid-term review after obtaining public disclosure statement from the exporters, importers and domestic industry, the authority held that the import from the subject countries has decreased in absolute terms during the Period of Investigation (PoI). In terms of market share in imports, the share of subject countries in this probe has decreased from 59.62% during ! 2000-01 to 41.85% during the PoI.

INDUSTRY WATCH

Car sales up 31% in October 2004

PASSENGER car sales jumped by 31.2% in October 2004. A total of 73,770 units were sold in October over 56,222 units last October, according to data released by the Society of Indian Automotive Manufacturers (SIAM). Maruti Udyog sold 33.7% more vehicles at 37,544 units, while its nearest rival Hyundai Motor India posted a 17% rise in sales at 13,239 units. Tata Motors registered a jump of 40.5% at 13,332 units. However, the increase in sales in October was only marginal at 4.6% when compared to September 2004 sales of 70,492 units.

Mobiles overtake landlines - Subscriber base crosses 44 Million

THE mobile subscribers' base in India has crossed that of fixed-line numbers to touch 44.5 million users as of October 2004. Close to 1.5 million new subscribers were added in the month, helping the overall base to overtake the 43.9 million fixed line users. According to

Director-General, Cellular Operator's Association of India (COAI), the mobile-fixed crossover coming within just nine years of the introduction of cellular mobile services in the country demonstrates the power of mobile telephony to drive India's tele-density and economic objectives. The GSM industry continues to maintain its dominance in the mobile market accounting for 78% of India's total mobile subscribers and nearly 80% of the subscriber additions in October 2004.

Industrial growth up at 7.9% in H1

INDUSTRY grew at 7.9% in the first six months of the current fiscal compared to 6.2% in the same period last year. According to quick estimates of the Index of Industrial Production (IIP), the manufacturing sector, representing nearly three-fourths of the weightage of IIP, grew by a whopping 8.2% during April-September 2004 over 6.7% in the same period last fiscal. In September this year, the industrial sector registered a growth of 7.7% as against 7.5% in the year-ago month. Mining sector grew at 4.9% in April-September 2004-05 over 4.2% in the same period last year. Electricity sector registered a 7.7% growth in the first half of the current fiscal as against only 3% last year.

India 68th in economic freedom

INDIA has been ranked 68 out of 123 countries by Vancouver-based Fraser Institute's Economic Freedom of the World (EFW) Index 2004. The index measures the "degree to which policies and institutions of countries are supportive of economic freedom" (freedom to compete, personal choice, voluntary exchange and security of private property). Among the 10 top ranking countries, Hong Kong retained the first position with a score of 8.7, followed closely by Singapore at 8.6. New Zealand, Switzerland, the UK and the US tied for the third position with 8.2. The other countries that made it to the top 10 are Australia, Canada, Ireland and Luxembourg. However, India has come out with flying colours among neighbouring Saarc countries. It has the highest score of 6.3 out of 10, while Nepal has the lowest (5.6).

India racing ahead in product development

ACCORDING to the National Association of Software and Service Companies (NASSCOM), India is slowly but steadily proving its mettle as a thriving market for innovative ideas and new products development. In the \$180 million global market, India has only 0.3% market share and according to a market study, global sourcing of product development will no longer be an option by 2007-08, said the apex body in its latest report on offshore products development. The Indian IT industry's export revenues from product and technology services have grown from Rs 1,210 Million in 2001-02 to Rs 1,660 Million in 2002-03, registering a growth of 37.2%. Its share in the total software and services export market has risen from 15.8% in 2001-02 to 17.4% in 2002-03. The product and technology services market in India is expected to grow to \$8 billion by 2008, the report pointed out.

India emerging as leather hub

INDIA, along with China, is emerging as the leather production and tanning hub for the \$85 Billion (around Rs 3,836,900 Million) world leather industry. With over 10% of the raw material base of hides and skins, India is clearly becoming a dominant player in the world leather market as the producer of high quality leather footwear and garments and, more recently, as a processing and design hub for leather goods. China, with exports over \$10 billion (around Rs. 451,400 Million), leads the world leather trade, while India, with exports of about \$2 Billion (around Rs. 90,280 Million) last year, comes second.

Satisfaction level of BPO staff rising

THE domestic business process outsourcing industry's employee satisfaction score has risen 9% despite a massive growth in employee base, according to a latest survey. According to the Dataquest-IDC India BPO Employee Satisfaction Survey 2004, the \$4 billion Business Process Outsourcing (BPO) services industry in India has managed to defy the equation. Despite over 45% growth in the number of employees in India's BPO industry in 2003-04, overall employee satisfaction actually improved in 2004. The satisfaction score rose 9% over last year."

Public sector banks disburse 51% of credit projection

PUBLIC Sector Banks (PSBs) have disbursed Rs 303,038 Million followed by co-operative banks at Rs 168,252 Million and Regional Rural Banks (RRBs) at Rs 64,616 Million, out of the total Rs. 535,907 Million credit to agriculture and allied sectors as on September 30 this year. This forms about 51% of the Rs 1,050,000 Million credit flow projected by the United Progressive Alliance government at the Centre by the end of current fiscal.

CORPORATE HIGHLIGHTS

Marico net profit up at Rs 162.6 Million

THE Marico Group reported a higher profit after tax of Rs 162.6 Million for the quarter ended September 30, 2004, as against the previous corresponding Rs 135.8 Million. Its revenue from sales and services stood at Rs 2,554.8 Million (Rs 2,223 Million for the year ago period). The company's consumer products business posted a profit after tax of Rs 186.4 Million (Rs 155.3 Million) on income from sales and services of Rs 2,505.5 Million (Rs 2,204.1 Million).

IDBI, 18 month net at Rs 4,650 Million

INDUSTRIAL Development Bank of India reported a net profit of Rs. 4,650 Million during the 18-month period ending September 2004. The institution had recorded a net profit of Rs 1,170 Million in the second quarter of the current fiscal. The board of directors also proposed a dividend of 15%.

Shrenuj H1 net up at Rs 41.2 Million

SHRENUJ & Company Ltd posted sales of Rs 2,267.9 Million for the first six months ended September 2004, up from Rs 1,842.6 Million for the corresponding period of the previous year. Correspondingly, the profit before tax went up to Rs 64.9 Million from Rs 48.7 Million.

Central Bank H1 net up 21%

CENTRAL Bank of India reported a 21.12% increase in its net profit for the half-year ending September 30 at Rs 3,310.6 Million compared to Rs 2,733.3 Million in the corresponding quarter of the previous fiscal. Total income moved up by 5.36% to Rs 31,901.9 Million.

Gati board clears 1:2 rights offer

GATI Ltd decided to issue 41,78,250 equity shares of Rs 10 each to the existing shareholders of the company. It will be on a rights basis in a price band of Rs. 45 to Rs. 54 per equity share in the ratio of one equity share for every two equity shares held by the shareholders.

Pawan Hans pays Rs 175 Million dividend

PAWAN Hans Helicopters Ltd paid a dividend of Rs 175 Million for the financial year 2003-04 at 15.38% of its paid up equity to its shareholders. This is the highest ever amount of dividend paid by Pawan Hans since its inception to its shareholders, which is 33.21% of the net profit after tax.

Graphite among 200 best small companies outside US

FORBES Global has selected Graphite India Ltd. amongst 200 best small companies, outside the US in 2004 with annual sales below \$1 billion. This is the second year in a row that Graphite India has won this recognition. Graphite India is the largest electrode-maker in south Asia and has a 60% market share in India

LIC sells 9.6 Million policies till October 2004

LIFE Insurance Corporation of India (LIC) has sold 9.58 Million policies up to October 31, 2004 for a sum assured of Rs 729,920 Million, with a first premium income of Rs 40,571.7 Million. In the eastern region, LIC has sold 2.2 Million policies for a sum assured of Rs. 147,690 Million, with the first premium income of Rs 7,146.8 Million. The premium income in the eastern region constitutes 17.6% of the LIC's total premium income. This is despite the decline in business suffered over the last couple of months as Development Officers (DOs) have lost interest in selling policies, following the dispute over their incentive scheme.

DHL acquires 68% stake in Blue Dart

DHL Express (Singapore) Pte Ltd has entered into definitive agreements to acquire 68.21% stake in Blue Dart Express Ltd at Rs. 350 per share. The 68% stake was bought for Rs 5,665 Million. The entire acquisition, including the open offer, is estimated to cost Rs 7,326 Million for DHL.

Chinese firm gets FIPB nod for motorcycle engines plant

CHONGQING Lifan Industry (Group) Company Ltd, the largest private sector motorcycle manufacturer in China, has received the Government's permission to manufacture motorcycle engines in the country. Initially, the company had sought permission for a wide range of activities such as assembly, manufacture, commissioning and maintenance of motorcycle engines, motorboats, scooters, automobiles, automobile engines, petrol/diesel/LPG/CNG engines, generators, water pumps, lawn mowers, tractors, electrical bikes, non-land vehicles and its engines, as well as carrying out R&D activities.

Lotte to pick 70% equity in JV with DS group

JAPANESE conglomerate Lotte will pick up 70% equity in the proposed Food & Beverage (F&B) joint venture with the Delhi-based Dharampal Satyapal (DS) group. This will be Lotte's second venture in India after it acquired around 80% stake from the Murugappa group in Parry's Confectionery a few months back.

Bobst opens EOU in India

THE 1.8-Billion Swiss Franc Bobst group from Lausanne, Switzerland, opened its 100% EOU in India. Bobst India will be manufacturing models of flexible packaging machines for markets across the globe. Andreas Koopmann, CEO, Bobst Group, said India was among the biggest and fastest growing markets in the world for flexible packaging.

GE sells 60% stake in BPO arm for \$500 Million

GENERAL Electric (GE) has announced its decision to offload 60% stake in its BPO operation - GE Capital International Services (GECIS) - to leading private investment firms General Atlantic Partners and Oak Hill Capital Partners for about \$500 million.

Deutsche Telekom unit opens centre in Pune

T-Systems, a division of the \$71.83-billion Deutsche Telekom, has set up its second off-shore development centre out of Germany, in Pune city as part of its internationalisation programme. T-Systems India is a 100% export-oriented unit.

BSNL bags contract to install rural phones in 66,000 villages

BHARAT Sanchar Nigam Ltd. (BSNL) has bagged the contract for setting up rural telephones in 66,000 villages with support from the Universal Services Obligation (USO) fund. The villages, spread across 12 States, do not have any telephone connections as yet. The support from the USO fund comprises a front loaded subsidy and an equated annual subsidy over a period of five years.

Source: CORPORATE CATALYST (INDIA) PVT LTD

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