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“We have long-term strategies for India, which is one of the most important emerging energy markets of the world.”

— Joe Sutton,
President,
Enron International

India's Biggest Companies

Business India, one of the country's leading business magazines, has compiled a list of India's top companies. Its list of the top ten is constituted by 6 public sector organizations and 4 private sector ones. The first two, ONGC and IOC, are oil sector giants. The two look set to stay at the summit for years to come. ONGC has a more than 90% share of the oil exploration and production business. IOC accounts for 40% of the refining capacity and over 55% of the sales.

Reliance Industries is the top private sector concern in the list. Shrugging off depressed petrochemical prices, the company has recorded outstanding results with a jump of 53% in sales and 20% in profits. Software majors were the best performers on the corporate *terra firma*. However, since most of them are relatively small, they do not figure in the top 10 list. Among the biggest software companies in India are: Wipro, HCL Infosystems, NIIT and Tata Infotech.

THE TOP 10 INDIAN COMPANIES

(in \$ million)

Rank	Company	Sales	Profit	Assets	Market Capitalization
1	ONGC	3834	661	5776	6189
2	IOC	13424	422	2978	4081
3	Reliance	2962	397	3051	2821
4	GAIL	1585	251	1371	2082
5	MTNL	1195	282	1242	3189
6	HPCL	3211	173	920	1649
7	Larsen & Toubro	1364	129	1076	1145
8	BPCL	2514	131	751	988
9	TISCO	1464	77	1575	848
10	TELCO	1598	70	863	883

Ambassador Meets Representatives of the India Interest Group

On December 9, 1998, the Ambassador met with the representatives of India Interest Group (IIG). IIG is a select group of representatives from major US companies who have a commercial interest in India. Apprising the members on developments in India, the Ambassador said that the signals are mixed. There are positive signals that the process of liberalization and reform is moving forward, albeit with minor hiccups, but there is no dilution of the commitment. The decision to open up the insurance sector to foreign investment is a classic example, he said. On the other hand, he said that market sentiments remain sluggish partly because of the continuing financial turmoil in East Asia. He said that economic policies have become insulated from political changes that are taking place in India.

On the Indo-US relations, the Ambassador said there still existed some problems in the approach of the two sides. He pointed towards the sanctions imposed by the US on non-basic human need lending of the World Bank and said that, in accordance with their charter, these institutions should not be used by particular countries to serve their political ends. It is also leading to an incongruous situation that while US commercial banks are allowed to lend to India, the World Bank cannot.

IIG representatives stated that there is a lot of interest in India as demonstrated by the large gathering at the meeting. He said that the members of the IIG would try their best to bring out the integration of interests between India and the US. The one year waiver from economic sanctions given by the US Administration demonstrates that the US appreciates the growing commercial relations between the two countries.

Members of IIG also highlighted specific sectoral issues. There were suggestions for restructuring of tariffs and excise duties in respect of some items. Streamlining of infrastructure policies and solving the problems of telecom sector were mentioned. These suggestions were noted by the Embassy officials and forwarded to appropriate officials in India.

India's Foreign Currency Assets Increase to a Record Level at the end of 1998

According to the Weekly Statistical Supplement of the Reserve Bank of India, India's total Foreign Currency Assets reached the level of US \$26,843 million on December 24, 1998. The level of foreign currency assets on December 24, was the highest ever recorded. The peak level of foreign currency assets before the current year was reached on August 29, 1997. Foreign currency assets on that date were US \$26,431 million. Compared with end-December 1997, India's foreign currency assets showed an increase of US \$2,878 million on December 24, 1998.

The level of Foreign Exchange Reserves, which include gold and SDRs, was US \$29,967 million on December 24, 1998. This was slightly lower than the previous peak of US \$30,240 million reached on August 29, 1997. The increase in foreign exchange reserves during the year 1998 (up to December 24) was US \$2,612 million, which was slightly lower than the increase in foreign currency assets during the same period. This is explained by the net change in the value of assets held in the form of gold and SDRs in the reserves during the period.

New York Life will invest \$100 million in Infrastructure Projects

The US-based insurance company, New York Life (NYL), has announced that it will bring in \$100 million for portfolio investment in Indian companies taking up infrastructure projects and is looking for a partner to enter the life insurance business in this country.

It is significant that NYL is bringing in money despite the downgrading of India's sovereign credit rating by international rating agencies, Moody's and Standard and Poor's. Moreover, the US is yet to completely lift sanctions against India. The NYL announcement also shows that the stalling of the enactment of the Insurance Regulatory Authority (IRA) Bill has not deterred prospective foreign investors. President and chief operating officer Michael J. Nocera of New York Life International Inc. said NYL was "very bullish" on India and was willing to commit long-term funds in the country.

Regarding the company's plans to start its operation in India, Nocera said NYL is talking to several Indian companies to form a joint venture company to operate in the life insurance sector. He also said that the portfolio investment fund will be invested in companies venturing into infrastructure sectors like telecommunications and power. It will also invest in software and export related companies. Nocera said it will not buy shares from the secondary market. Instead, he said, NYL will take exposure directly in the project at the implementation level. The fund has been dedicated for 10-year period. Nocera said the company will bring in even more if there are more opportunities available in the country.

Nocera said that being an insurance company, NYL also is very conservative in taking an investment decision. But, this did not lead them to think negatively about India. He said the company's investment decisions are governed by its own prudential norms.

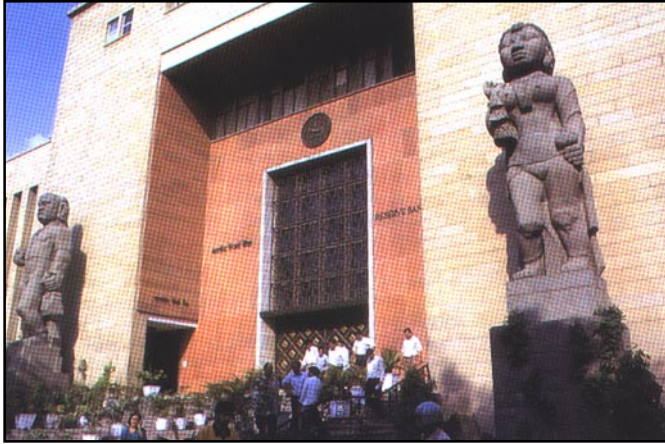
Quantum to expand base in India

US-based Quantum Corporation makes high-end hard disk drives, solid-state disk drives, cartridge tape drives, and tape-drive-related products for such customers as Compaq, Hewlett-Packard, Apple, IBM, and Dell. It has announced its plans for India whereby it will add the latest technology to its existing product range. The new measures are expected to further strengthen the company's leadership position in the Indian hard disk drive (HDD) market. In India, Quantum is the second largest player, next to Seagate, with a 24% market share in the HDD market.

Enron, Mitsui, and Shipping Corporation of India form joint venture

US Power major Enron has formed a new joint venture with Mitsui OSK of Japan and Shipping Corporation of India (SCI) to invest \$200 million to transport liquefied natural gas (LNG) from Oman and Abu Dhabi for its captive consumption at Dabhol Power Company (DPC).

Reserve Bank of India Revises Growth Estimate for the Current Year to Below 6%



India's central bank, The Reserve Bank of India

The Report on Currency and Finance is an annual publication of the Reserve Bank of India, the country's central bank. The Report provides an analytical review of the Indian economy during the previous year as well as an assessment of the growth prospects of the economy during the current year. The RBI has just released its Report on Currency and Finance for 1997-98.

Developments during 1997-98

In 1997-98, the Indian economy performed remarkably well in terms of output growth, price stability, banking sector performance, and the balance of payments position. The real GDP growth, at the estimated 5.1% in 1997-98, though lower than 7.5% registered in 1996-97 was still impressive by the standards of performance of most other Asian economies. This rate of growth was achieved despite negative agricultural growth. This was rendered possible by the high growth rate recorded by the services sector whose share in real GDP has gone up to 48.6% in 1997-98 from 47.1% in 1996-97.

Notwithstanding the deterioration on trade account, the external sector position of the economy remained strong. It was also able to withstand the external uncertainties and foreign exchange market pressures attributable to South-East Asian financial crisis. The balance of payments recorded an overall surplus of US \$4,511 million (1.2% of GDP) in 1997-98 and foreign exchange reserves during 1997-98 increased by US \$2,944 million to US \$29,367 million at end-March 1998, equivalent to seven months of imports, from US \$26,423 million at the end of March 1997. The foreign exchange reserve level of seven months of imports and current account deficit to GDP ratio of 1.7 per cent in 1997-98 provided the needed international confidence in the Indian economy, and strengthened the macroeconomic environment.

Developments during 1998-99

Economic developments during 1998-99 so far have been influenced by considerable uncertainties on the external front and the continued concern about the strength of economic recovery. While the South-East Asian crisis has shown some signs of relative containment, other external developments such as, the overall global economic slowdown, the inadequacy of stimulus in the Japanese economy and the Russian economic problems have made the external environment uncertain and unfavorable for growth. On the domestic front, agricultural and industrial performance have not shown indications of a strong recovery, though latest available indications suggest that agricultural output will be significantly higher than in the previous year. Up to end of October 1998, industrial growth turned out to be significantly lower than previous year at 3.6% only as compared with 6.2% in the corresponding period of last year. The slow growth in industry has clouded the prospect of achieving a rate of growth of 6%.

The increase in prices of primary commodities and the rate of inflation increased uncertainty

(Continued on page 5)

Reserve Bank of India Revises Growth Estimate *(Continued from page 4)*

about output growth and the high growth of money supply (despite substantial increase in Cash Reserve Ratio and short term interest rates during the year) are matters of serious concern. The external sector developments, particularly in respect of trade, also continue to be sources of concern. Against this background, it is even more necessary to pursue policies that encourage growth with external stability and to enhance the competitiveness of the economy. For this, all round economic reforms and productivity improvements have to be pursued in a time-sequenced and balanced manner so that macroeconomic and structural policies are mutually supportive.

(Note: The Indian financial year is from April 1 - March 31. More details about the Report on Currency and Finance 1997-98 are available at the Reserve Bank of India website at www.rbi.org.in)

Policy Update

Power Sector

The Chief Minister's Conference on the Power Sector held in New Delhi recently endorsed a number of reform measures. Some of the major ones are:

- State Electricity Boards (SEBs) will pay up their dues to Public Sector Undertakings at the federal level by raising bonds worth \$3.8 billion.
- A cess of 0.125 cents on every unit of electricity to raise \$425 million for development of hydel power.
- All states will set up Electricity Regulatory Commissions before March 1999.
- All states will corporatize and commercialize generation, transmission and distribution companies.
- Construction on at least 15 power projects should begin by March 1999.

Real Estate

The Federal Cabinet has decided to scrap the Urban Land (Ceiling and Regulation) Act, 1976, through an ordinance to provide cheap land for house construction in India. A standing committee of Parliament, to which the repeal bill was referred earlier, had recommended that the Act could be scrapped. The ordinance is expected to revive the stagnant housing industry and provide affordable living accommodation to the people.

Patents

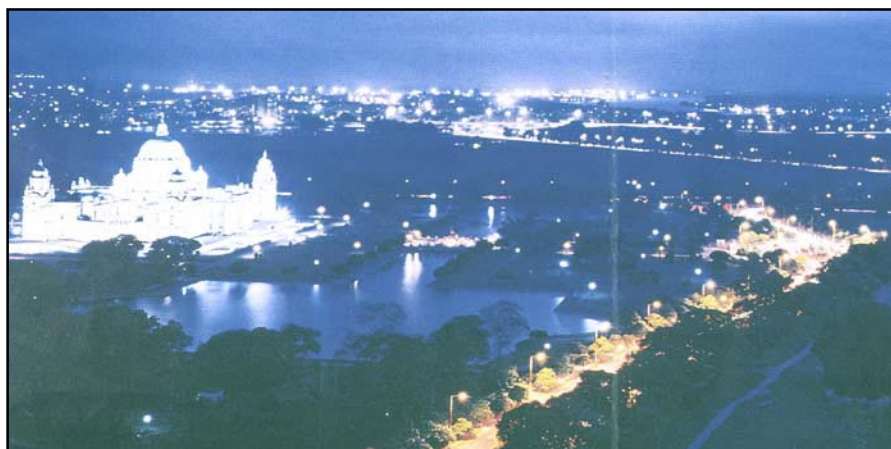
The Federal Cabinet approved the promulgation of an ordinance to amend the Indian Patents Act of 1970 on the lines of the Patents (Amendment) Bill 1998 as passed by the Upper House of Parliament in the recently concluded winter session. The amendments are intended to fulfill India's obligations to the World Trade Organisation (WTO) and make certain provisions in national security interests.

The ordinance on patents allows exclusive marketing rights (EMRs) in cases of agro-chemicals and pharmaceuticals for a period of five years. Numerous safeguards have been included. These relate to traditional medicines, price fixation and compulsory licensing, along with the public non-commercial use option for products for which EMRs would be granted.

Upcoming Events

Intechmart West Bengal, Calcutta, 19-20 March, 1999

Intechmart West Bengal is the next event in the series of Intechmarts which have been held regularly over the past few years. The objective of the Investment and Technology Market (Intechmart) is to promote industrial development with special emphasis on technology transfer. This Intechmart is being jointly organized by the United Nations Industrial Development Organization (UNIDO), the Government of West Bengal and



Night view of Calcutta Skyline

the Confederation of Indian Industry, with the support of the Ministry of Industry at the federal level. This event will be held in Calcutta, West Bengal, on 19-20 March, 1999.

This forum will provide an ideal opportunity for:

- A manufacturing base in one of India's most industrially promising state;
- Technology tie-ups with companies based in West Bengal;
- Exploring possibilities for collaboration with companies in West Bengal for specific projects, mergers, marketing tie-ups, and buy-back arrangements.

The thrust of Intechmart West Bengal 1999 will primarily be on the following areas:

- Leather
- Chemicals & Petrochemicals including Plastics
- Electronics including Software
- Agro and Food Processing including Packaging
- Textiles and Garments
- Infrastructure
- Services

While the main thrust will be on the above areas, investment in other areas would also be welcomed.

For further information, please contact:

West Bengal Industrial Development Corporation,
5 Council House Street,
Calcutta 700 001, India
Phone: 91-33-210 5361
Fax: 91-33-248 3737
Internet: www.wbidc.com

Confederation of Indian Industry
6, Netaji Subhas Road, 2nd Floor,
Calcutta 700 001, India
Phone: 91-33-220 7727
Fax: 91-33-220 1721
Email: calcii@er.cii.ernet.in

Economic Update

Foodgrain Stocks: Stocks of foodgrain stood at 24.20 million tonnes as on October 1, 1998. This level of stocks was higher by 58% than the level of 15.34 million tonnes as on October 1, 1997.

Industrial Production: During the financial year 1997-98 (April 1, 1997-March 31, 1998) industrial production increased by 6.6%. In the period April-September 1998, industrial production increased by 3.6% as compared to 6% in April-September 1997.

Infrastructure Industries: During 1997-98, production in infrastructure industries grew by 5.4%. During April-September 1998 average growth rate of this sector was 3% compared to 5.7% in April-September 1997.

Money Supply: During the financial year 1997-98, money supply (M3) growth was at 17.6%. During the current financial year up to October 23, 1998 money supply (M3) growth was higher at 10.9% as against 8.2% in the corresponding period of 1997-98. As on October 16, 1998, Prime Lending Rate was 12.75% to 13% as against 13.5% on October 17, 1997. As on October 16, 1998, Deposit Rate ranged between 9% to 11.5% as against 10% to 12% as on October 17, 1997.

Foreign Trade: In the financial year 1997-98, exports recorded an increase of 2.6% in dollar terms while imports increased by 5.8%. In April-September 1998, exports declined by 3.3%. Imports increased by 10.1% during the same period.

Foreign Exchange Reserves: Foreign Exchange Reserves (excluding Gold & SDRs), were \$ 25.98 billion at the end of 1997-98 (March 31, 1998). These reserves have increased by \$0.6 billion and stood at \$26.58 billion at the end of October 1998. This level of reserves is enough to finance about seven months of imports.

Exchange Rates: The average market exchange rate of the Rupee per unit of US Dollar, Pound Sterling, Deutsche Mark, French Franc and Japanese Yen was Rs.42.33, Rs.71.59, Rs.25.84, Rs.7.70, and Rs.0.35 respectively during October 1998.

Rate of Inflation: The annual rate of inflation based on Wholesale Price Index (WPI) and measured on a point-to-point basis stood at 8.5% as on October 31, 1998. The annual rate of inflation based on Consumer Price Index for Industrial Workers (CPI-IW) stood at 16.3% for the month ending September 1998.

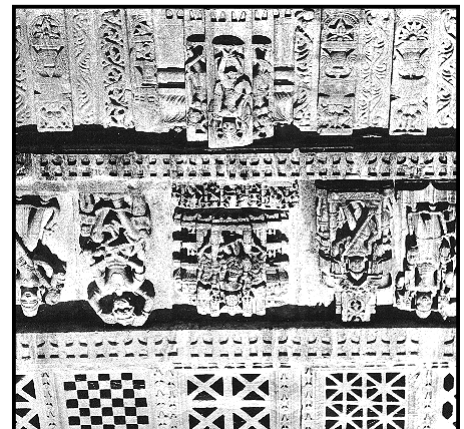
Satyam Infoway is India's First Private Internet Service Provider

Satyam Infoway launched the country's first private internet service in Hyderabad in late November 1998, thus ending VSNL's monopoly as an internet service provider (ISP). The internet address of the company is www.satyamonline.com

NEWS BRIEFS

- The US-based **Timken**'s proposal to buyout the stake of TISCO in their joint venture Tata Timken has been cleared by the Foreign Investment Promotion Board (FIPB). With the acquisition of TISCO's stake, Timken's equity in the company, which manufactures tapered roller bearings for trucks and railway coaches, would go up to 80%. The remaining shares in the company are with the public. (Press Trust of India)
- Satyam Computer Services Ltd. and **General Electric** (GE) of US have formed an equal joint venture for carrying out design and development work in mechanical CAD/CAM/CAE and product software for GE Industrial System's global product development division in Europe and North America. (Business Standard)
- US based **Jacobs Engineering Group Inc.** has increased its stake in Indian subsidiary Humphreys & Glasgow Consultants Pvt. Ltd. to 70% and changed the name of the latter to Jacobs H&G Ltd. (Economic Times)
- **Monsanto Company** of the US has received Foreign Investment Promotion Board (FIPB) nod to pick up a majority 51% stake in EID Parry group's seed development division. The seed division of EID Parry (India) Ltd. would be hived off into a separate joint venture company – Parry Monsanto Seeds Pvt. Ltd. (PMSPL) – and will utilize the existing facilities of EID Parry for its operations in India. (Times of India)
- **Quark Inc.**, the US-based software company in electronic publishing has set-up its Indian subsidiary, Quark Media House (P) Ltd., and it is setting up a development center in Chandigarh. The development center will be Quark's largest in the world as well as the largest software development center of a transnational company in India. (Times of India)
- International credit rating agency **Moody's** has decided to pick up a 10% stake in Indian Credit Rating Agency (ICRA). (Times of India)

NOTE: This newsletter can also be seen at:
<http://www.indiaserver.com>



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Washington, DC 20008

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