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India's Top Ten Companies

Business India, one of the country's leading business magazines, has compiled the list of India's top companies. Business India (BI) says that in the 50th year of the country's independence, corporate India finds itself at a crossroads. It has been more than six years into the economic reforms program and some companies are finding it difficult to cope with the liberalized environment. But others are doing well. None is more battle-ready than the companies that make up the BI's Super 100 list.



Business India also found that, in the aggregate, 1996-97 has been a difficult year for the Indian corporate sector. However, the top 100 companies highlight the importance of being big in a competitive milieu. Size has enabled most of these companies to defy the industrial slowdown and produce fairly respectable performance.

Given below is the list of BI's Top 10 Indian companies along with the various parameters which were used to arrive at the overall rankings.

"We have been through just about everything a company can go through in India. But, at the end of it, we got treated very fairly, by the courts and by the government. It gives you confidence in the country."

— Joe W. Sutton,
President and
Chief Operating Officer,
Enron International

THE TOP 10 INDIAN COMPANIES

(in \$ million)

Rank	Company	Sales	Profit	Market Capitalization	Assets
1	ONGC	3403	514	12385	5697
2	IOC	16004	357	7376	2514
3	Reliance	1984	339	4291	2865
4	SAIL	3275	132	1615	4875
5	TELCO	2294	195	2185	687
6	HPCL	3194	157	2757	670
7	GAIL	1268	156	3448	1189
8	TISCO	1494	120	1613	1417
9	BPCL	2240	111	1734	584
10	Larsen & Toubro	1312	105	1418	883

Investment Bankers Upbeat on India

“The Bombay Stock Exchange (BSE) index closed 1997 up 19%. That made it one of the few regional stock markets to eke out a gain in 1997, and many analysts say India is still seen as relatively insulated against the woes sweeping much of the rest of the region. Fund managers and analysts are hoping elections to India’s parliament in the first quarter will produce a stable government and sweep aside the political and economic gloom that has clouded share prices.” This year end review of the Indian stock markets by the **Wall Street Journal** sums up the state and the prospects of the Indian stock markets.

Many investment bankers are bullish about the prospects of the Indian stock markets. Reproduced below are some highlights from their 1998 outlook reports.

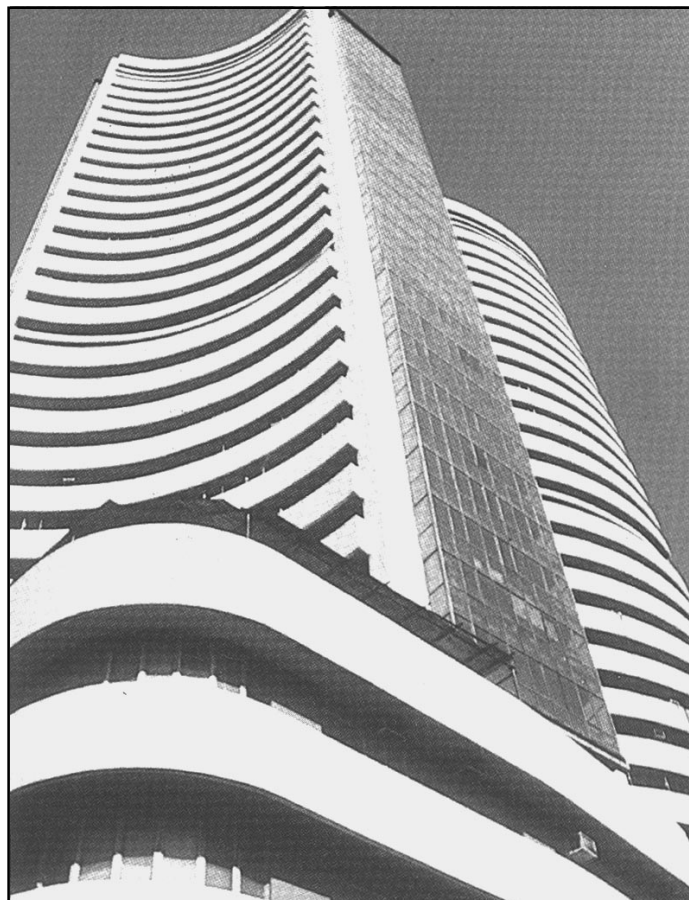
Sanguine Morgan Ranks India Among Top 3 Emerging Markets

The financial powerhouse **Morgan Stanley Dean Witter**, in its **1998 outlook**, has called India the most attractive emerging market in Asia and has classified the country as one of the three most attractive emerging markets in the world, next only to Brazil and Mexico.

The firm has, in its 1998 emerging market portfolio model, allocated 10% weightage to India, after Brazil (18%) and Mexico (16%). The emerging market portfolio model has been designed by the firm’s New York-based managing director and global emerging markets strategist Robert Jay Peloski and leverages off the work of 30 emerging market specialists around the globe.

The 10% weightage becomes more crucial since Morgan Stanley’s entire Asia weightage is only 19%. “That means we are asking our clients to invest almost half the money they put into Asia, in India,” explained Peloski. The 1998 outlook is valid for a period ranging from 12 to 18 months and in this period, the firm will push India to its international investors.

Morgan Stanley is of the firm belief that India will not face the same currency-depreciation triggered fate that its Asian neighbors have faced. Moreover, it is positive that economic



The Bombay Stock Exchange

recovery will come in the next 6 to 12 months. “We believe India is a strong domestic demand story unlike other southeast Asian economies,” said Peloski.

Peloski justified his firm’s enthusiasm, “India has the right levels of uncertainty and for a host of reasons — ranging from politics to currency. And which is why there are attractive valuations. If things were clear, then valuations would be expensive.”

Merrill Lynch Predicts India to be Among Asia’s Top Markets

India will be one of the best-performing markets in Asia in 1998, according to investment banking giant Merrill Lynch. India along with Hong Kong and Taiwan are Merrill Lynch’s favored markets in Asia for 1998, mainly because they are expected to weather the Asian crisis better than others and recover more quickly. This was the conclusion of Merrill Lynch strategists Hong Chy Quah and Sadiq Currimbhoy in their ***Asia-Pacific 1998 Outlook*** research report.

They said regional equity markets could be classified into two categories: Markets where problems are less structural and fundamentals are reasonable — for example, Hong Kong, India and Taiwan — and those where the recovery would be painful and protracted. These markets include Thailand, South Korea, Indonesia, Malaysia and the Philippines.

Merrill Lynch analysts believe that the steep fall in interest rates in India will boost profits. India was one of the top performing markets in Asia for most of 1997. It rose by over 47% between January and August 5. In the aftermath of the South-East Asian crisis it has fallen and closed 1997 up 19%.

Stock Market will Rally after Polls: DKB

Dresdner Kleinwort Benson, a leading investment banker, expects the Bombay Stock Exchange Sensitive Index to touch 5500 by the end of 1998. The Indian market will start rallying after the 1998 elections are over. In its ***Asia Investment Strategy for 1998***, the investment bank says that the Indian market can expect, apart from funds of the local investors, inflows from foreign investors for whom India is among the least complicated markets in Asia. DKB states that industrial recovery in India is underway.

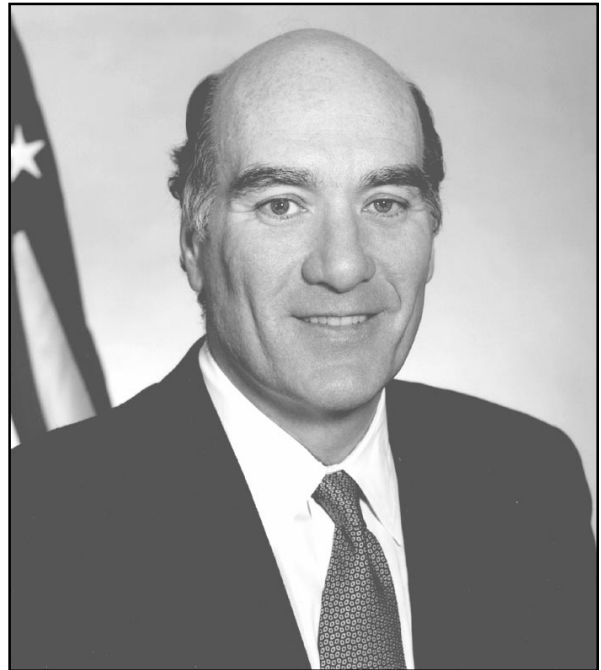
“This reinforces our belief that India is the most straightforward market in Asia”. Politics are a sideshow. They change the names, not the policies, and hence cast only a temporary shadow over the market. Once the election is over in February-March, the market should be able to rally. It further states that, “making up for lost time the index should be able to reach 5,500 by the end of 1998. This 54% gain in rupee terms will be trimmed by the expected 10% depreciation in the currency. Nonetheless it is substantial and fundamentals based.” The Indian market is good value at 14 multiple of 1997-98 earnings. Once the economy rebounds, market sentiment will respond to P. Chidambaram’s landmark budget.

US Commerce Secretary William Daley Leads Delegation To India

United States Commerce Secretary William M. Daley was in India from December 7-13, 1997, ahead of a proposed visit by President Clinton in 1998. The 32-member Business Development and Policy Mission led by Daley was the largest ever to India by the Department of Commerce. It also had the largest representation of small and mid-size technology companies owned by Indian-Americans. The delegation visited Delhi, Calcutta, Chennai and Mumbai.

The specific goals of the Mission were:

- Reaffirm the US Government's commitment and support for India's program of economic reform and heighten US private sector participation in India's economic growth.
- Emphasize how India and the US can benefit from continued liberalization and privatization in India, and convey the US Government's interest in seeing the reforms undertaken by the Indian Government proceed in public and private sector fora during the mission's stay in the country.
- Increase sales of US products and services to India, particularly in the telecommunications, energy, and infrastructure sectors.
- Foster the increase of joint ventures and investments by US companies in India, especially those likely to result in US exports.
- Seek resolution of outstanding bilateral commercial issues and advocate US interests regarding specific problems and opportunities in certain key areas: intellectual property rights; banking-financial services; economic reforms; power generation and broadcasting.



William Daley
US Commerce Secretary

Daley's visit was a signal that the political uncertainty in New Delhi had not lessened American interest in seeking to strengthen economic ties. He said that the US was keen to strengthen the political, strategic and commercial alliance with India. The US has already designated India as one of the big emerging markets which would have an extraordinary influence on global affairs in the post-Cold War era. What encouraged the Commerce Secretary was his perception that economic liberalization would not be hampered by recent political developments. Daley said that there "appears to be a general consensus that the liberalization and the reforms of the economy would continue whichever party or coalition of parties wins the election." Another positive aspect was that "a large number of business people will now be looking at India after the currency crisis in Southeast Asia."

Daley conceded that though the US was the leading foreign investor in India, New Delhi still accounted for a surprisingly small slice of the US aggregate overseas investment. He felt that American skills, expertise and technology have much to contribute to the modernization of Indian infrastructure — ports, roads, telecommunications, power generation, petroleum exploration and the development of railway systems. Dwelling on the growth of the Indo-US trade, he said that though this has increased by 83% between 1991 and 1996, and was expected to exceed \$10 billion for the first time this year, US exports to India amounted to less than 1% of its total exports.

Five important memoranda of understanding (MoU) were signed between the US and Indian firms at the two-day US Investment Summit at Calcutta on December 10-11, 1997. This Summit was organized by the Indo-US Joint Business Council and was attended by the Commerce Secretary.

- **Unocal** and Paharpur Cooling Towers signed a deal to develop fertilizer, power and gas projects with a total investment commitment of \$2 billion.
- MoU has been signed between RPG Enterprises and **Enron International** for jointly studying gas requirements in the east.
- **Raytheon** signed an agreement with the West Bengal government for the evaluation of the Calcutta-Haldia and Calcutta-Siliguri transportation/infrastructure corridors.
- **AIG** and ICICI-West Bengal Infrastructure (the joint venture company floated by ICICI and WBIDC) have signed a MoU for setting up a financial center in Calcutta.
- Chatterjee Group (an affiliate of **Soros Fund Management** of the US) and M K Jalan/WBIDC have signed a MoU for setting up an industrial polymer processing park.

Daley was particularly impressed by the enthusiasm and aggressiveness of chief ministers of different states. “I did not see that sort of aggressiveness in many people that I have come across in China”, he remarked. While China has pursued economic reforms for nearly two decades, India’s has been there only for the last six years.

The Commerce Secretary was also impressed by the entrepreneurial spirit of the Indians. “Rapidly developing nations with strong tech sectors such as India, are well positioned to take advantage of this revolution in electronic commerce. The Internet can place even the smallest, newest firms before customers all over the world and within arms reach of potential business partners. This fact should hold special appeal to India, with its strong entrepreneurial spirit,” he said.

Daley and the United States see a great future for Indo-US economic relations. He said, “Let us make the next 50 years an era of seized opportunities, where the US and India turn shared values into shared rewards and shared prosperity.”

More information about the US Trade Mission to India can be accessed at <http://www.us-indiatrademission.com>

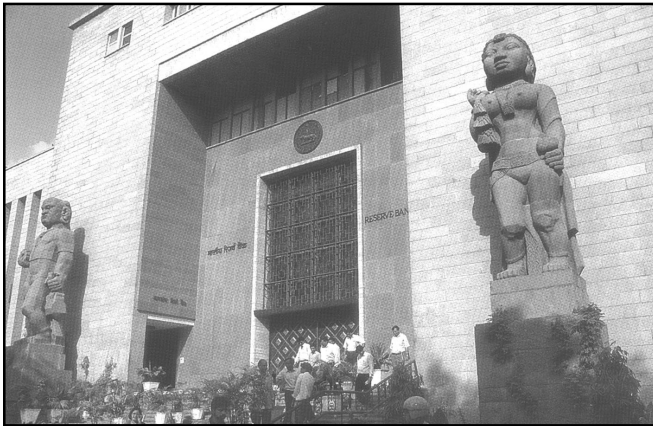
Reserve Bank of India Releases Report on Currency and Finance

The Reserve Bank of India (RBI), the country's central bank, released its Report on Currency and Finance for the year 1996-97 recently. The main conclusion of the Report is that the economic fundamentals of India continue to be strong, with growth being nurtured by a positive policy framework. This should help improve India's competitiveness and reduce economic hardships to the poor. Presented below are some highlights from the Report.

Developments during 1997-98

The secondary segment of the **capital market** generally displayed a mixed trend. While the positive mood in the stock market was influenced by the proposals in the Union Budget 1997-98, declining interest rates, normal monsoon, and higher net investments by the foreign institutional investors, the dull sentiment in the market has been attributed to lower industrial growth and political factors.

The highlight of the **fiscal developments** during 1997-98 has been the elimination of the practice of automatic monetization of the budget deficit with effect from April 1, 1997. During the current financial year, the financial position of the Central Government has been marked by a significant deceleration in revenue growth combined with a sharp rise in expenditure commitments. Consequently, the revenue deficit during April-September 1997 at Rs.138.80 billion was around 75% higher than the amount for the corresponding period of last year (Rs. 79.48 billion). The slippage in revenue deficit together with non-realization of disinvestment proceeds inevitably resulted in widening of the fiscal deficit.



Reserve Bank of India

The **exchange rate of the rupee** depreciated gradually from Rs.35.81 per US dollar in April 1997 to Rs.38.99 per US dollar as on December 4, 1997 reflective of a correction of the cumulative real appreciation of the rupee. In the face of large capital inflows and subdued demand conditions creating surplus conditions in the foreign exchange market during April-August 1997, the conduct of the exchange rate policy was guided by the need to maintain a delicate balance between the considerations of external competitiveness and price stability. RBI's net intervention purchases during this period were

substantial. During the month of September, however, the exchange rate depreciated by 1.5% and the speed of depreciation was moderated by intervention sales by the RBI. The intervention sales dampened volatility and helped to restore orderly conditions in the market.

Outlook

The favorable monsoon this year stabilizes the agriculture sector's output prospects and the foodgrain production is likely to improve marginally. The performance of the industrial sector, has been a cause for some concern. However, the improvement in the performance of infrastructure industries and possible increases in export demand augur well for bringing about increase in manufacturing production in the coming months. Interest rates, both short-term and long-term, have shown a noticeable decline. The banking system has sufficient lendable resources and the

(Continued on page 7)

Economic Update

Foodgrain Stocks: Stocks of foodgrain stood at 15.3 million tonnes at the end of September 1997.

Industrial Production: During the financial year 1996-97 (April 1, 1996 - March 31, 1997) industrial production increased by 6.8%. Industrial production in the period April-September 1997 increased by 4.7% as against an increase of 10.7% in April-September 1996.

Infrastructure Industries: During the period April-October 1997, production in basic infrastructure industries showed a mixed performance compared to the corresponding period last year: Electricity Generation increased by 6.9%, Cement by 7.1%, Petroleum Products by 5%, Nitrogenous Fertilizers by 18.6%, Crude Petroleum by 1.5%, and Revenue Earning Goods Traffic on Railways increased by 6.3% while Saleable Steel declined by 0.5%.

Money Supply: During the current financial year to October 24, 1997 money supply (M3) growth was higher at 8.1% as compared to 7.1% in the corresponding period last year.

Foreign Trade: In the financial year 1996-

97, exports recorded an increase of 4% in dollar terms while imports increased by 5%. In the period April-October 1997, exports increased by 5.2% over their level in April-October 1996. Imports increased by 6.5% during the same period.

Foreign Exchange Reserves: Foreign Exchange Reserves (excluding Gold & SDRs), were \$22.4 billion at the end of 1996-97 (March 31, 1997). These reserves have increased to \$26.2 billion at the end of October 1997. 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.37.24, Rs.62.80, Rs.21.51, Rs.6.42 and Rs.0.30 during November 1997.

Rate of Inflation: The annual rate of inflation based on Wholesale Price Index (WPI) and measured on a point-to-point basis stood at 3.4% for the week ending November 15, 1997. The annual rate of inflation based on Consumer Price Index for Industrial Workers (CPI-IW) stood at 4.9% for the month ending September 1997.

Reserve Bank *(Continued from page 6)*

financial sector is in a position to step up the flow of resources to enable productive activities to improve their output performance. Since early October 1997, there has been a sharp increase in the overall flow of resources (in the form of both conventional credit and investments in shares/bonds/debentures/commercial paper of commercial units) to the commercial sector compared with the position in the corresponding period of the previous year.

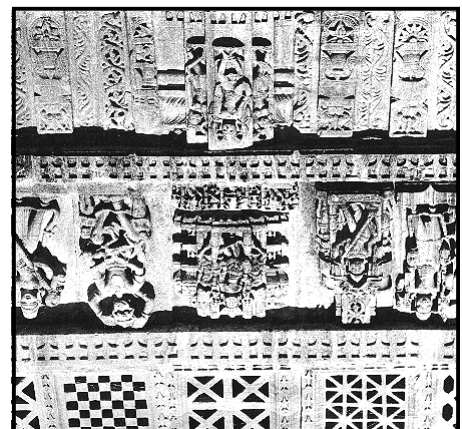
In the area of Government finances, developments on the expenditure front are expected to heighten pressures requiring the Government to make efforts to reverse the deceleration in revenue growth and prioritize the expenditures. Reduction of subsidies is of critical importance in this context. Although the growth of exports is lower than anticipated and causing concern, the current account deficit is expected to be around 1.5% of GDP and is well manageable. The net capital flows are expected to ensure a comfortable foreign exchange reserve position during 1997-98.

For further details about the Report on Currency and Finance, please access the Reserve Bank of India website at <http://www.reservebank.com>

NEWS BRIEFS

- Ambalal Sarabhai Enterprises (ASE) is setting up a 50:50 joint venture with **Magainin Pharmaceuticals Inc.** of the US to market and develop for the Indian and tropical markets a new class of anti-infectives, magainins. (Economic Times)
- **Intech Global Resources Inc.**, a US project development company, is replicating the Silicon Valley in Orissa by creating a technology park spread over 250 acres in Bhubaneswar. (Business Standard)
- US-based **CMS Energy Corporation** has acquired a 49% ownership interest in a 200-MW diesel-fueled independent power plant under construction in Tamil Nadu. The GMR Vasavi group, project developer from which CMS purchased its stake, will hold 51% equity. CMS will provide technical and operational support for the plant. (Economic Times)
- **Sun Microsystems**, known for its revolutionary Java systems, has announced that it is making an application to the Foreign Investment Promotion Board to set up a fully-owned subsidiary in India. Sun had begun its India operations about two years ago. (Economic Times)
- One of the oldest Indian investment banks JM Financial and global financial powerhouse **Morgan Stanley** have decided to combine their investment banking, institutional equity sales and trading businesses in India. The deal will help both players shore up their position in the race against competitors, **DSP-Merrill Lynch** and **Kotak-Goldman Sachs**, to dominate India's financial markets. (Economic Times)
- The US-based **Novell Inc.**, world's fifth largest software company, will be conducting precisely half its advanced research and development work at its India Development Centre (IDC) based in Bangalore. (Economic Times)
- **Redem Corporation** of USA, a manufacturer of automotive catalytic converters, has tied up with the Raunaq Group of India to produce low-cost emission abatement equipment that can be fitted even in old vehicles running on leaded gasoline. (India Abroad)

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



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