



Update on Indian Economy

March 2005

Economic Snapshot

Contents	Item	Units	February	January	February	(% Change	
			2005	2005	2004	[1] / [2]	[1] / [3]
			[1]	[2]	[3]	[4]	[5]
Editorial Capital Market Country : Australia Other Markets Important Policy Pronouncements	WPI -Index*	1993-94=100	188.6	188.6	179.6	0	5.01
	WPI -Inflation**	Per cent	5.01	5.59	6.15	-	-
		Week ended	5/2/2005	8/1/2005	7/2/2004	-	-
	IIP (93-94=100)	2 months lag	218	203.1	199.6	7.34	9.22
			(Dec 04)	(Nov 04)	(Dec 03)	-	-
	INR / US\$	Month End	43.64	43.69	45.24	(0.11)	(3.54)
	M3	Rs. '000 Cr.	2208.07	2187.58	1944.43	0.94	13.55
	[i] Agg. Deposits	Rs. '000 Cr.	1860.48	1843.06	1633.71	0.95	13.88
	[ii] Currency	Rs. '000 Cr.	347.59	344.52	310.72	0.89	11.87
		(Outstanding as on)	(04/02/05)	(07/01/05)	(06/02/04)	-	-
	Call Money (Lendings)	% Range	3.50-5.30	2.00-6.00	3.25-4.85	-	-
	Week ended	11/2/2005	14/01/2005	13/02/2004	-	-	

Source: RBI Weekly Statistical Supplement February 26, 2005

*All Commodities. **Over the year.

Editorial

A) Domestic

India's exports during first ten months (April-January) 2004-05 are valued at US\$ 60,754 million which is higher by 25.6% than US\$ 48,390 million in the corresponding period of 2003-04. This growth in exports was across the board covering many traditional items, and that there is an optimism that notwithstanding abolition of the quota regime from January 01, 2005 global trade in textiles and clothing would not be affected.

Imports during the first ten months (April-January) of 2004-05 are estimated at US\$ 83,442 million which represent an increase of 34.7% over US\$ 61,938 million in the same period of 2003-04. During this period, growth in oil imports in value terms was particularly high at US\$23,461 million as compared to US\$ 16,741 million in the same period in preceding year; this growth works out to 40.1% and reflects mainly increased the global price of crude oil than increase in the domestic consumption of petroleum, oil and lubricants.

Non oil imports at US\$ 59,980 million grew by 32.7% from the level of US\$ 45,197 million in 2003-04. During the first ten months of the current year trade deficit is estimated at US\$ 22,687 million as compared to US\$ 13,548 million in April-January 2003-04. The period witnessed growth in industrial production which at 7.9% was substantially higher than that of last year. In view of increase in the rate of industrial production led by manufacturing and growth in exports as also non-oil imports, it is expected that GDP growth would be more than 6.5% during 2004-05.

B) International

According to IMF Annual assessments despite high world oil prices and disappointing monsoon, India's economy is expected to grow at a robust pace after expanding in 2003-04 at fast rate in more than a decade. The new Government ambitions reform agenda focusing on creating jobs, reducing rural poverty, and addressing fiscal imbalances was welcomed as also the new fiscal responsibility law in which the intention to eliminate the current deficit by 2008-09 through front-loaded tax reform and better quality in spending. This reflected the desire of the authorities to strengthen State finances. India's balance of payments position was found to be comfortable, which according to IMF Board's view, presented an excellent opportunity to accelerate trade liberalization while the maintaining monetary policy towards curbing inflationary pressures. Important macro economic parameters presented by IMF were :

India	2001-02	2002-03	2003-04	2004-05 ¹
	(percent)			
Change in real GDP at factor cost	5.8	4.0	8.5	6.6
	(percent of GDP)			
Current account balance	0.7	1.2	1.7	-0.2
Central government balance	-6.3	-6.0	-5.1	-5.0
Central government balance	-10.1	-9.6	-9.7	-9.3

¹ IMF Staff estimates for 2004-05

Capital Market Review

During the month of February 2005, the BSE Sensex rose from 6555.94 on January 31, 2005 to 6713.86 on February 28, 2005 and thereby index registered a rise of 157.92 points during the month. The post-budget scenario led the index to touch its life time high of 6864.62 on March 04, 2005. The cut in corporate tax from 35% to 30% and peak custom duty from 25% to 15% in the Union Budget 2005-06 announced on February 28, 2005 provided support to the market despite some concern about hike in the Security Transaction Tax (STT). The announcement by the Government to allow 100% foreign direct investment (FDI) in the construction sector provided cheers to the real estate stocks such as Morarjee Realties, Ansal Properties, Lok Housing and Construction, BSEL Infrastructure Realty, and Mahindra Gesco. Construction stocks such as Nagarjuna Construction, Hindustan Construction, Gammon India, IVRCL Infrastructure, Simplex Concrete Piles, Patel Engineering, Madhucom Projects, Jaiprakash Associates and Unitech also rose to their lifetime highs towards the close of the month. As the market reflected unprecedented rise during the month, the coming weeks could witness selling pressures to book profit and cautious movement in trading. There is a possibility that the near term future may witness increasing mergers and acquisitions (M&A) activities.

	Feb	Jan	Feb	Jan	(%) Change		
	2005	2005	2004	2004	[1] / [2]	[1] / [3]	[2] / [4]
	[1]	[2]	[3]	[4]	[5]	[6]	[7]
Major Indices							
BSE Sensex – Close	6713.86	6555.94	5667.51	5620.98	2.41	18.46	16.63
Monthly High	6721.08	6565.30	6270.2	5715.46	2.37	7.19	14.87
Monthly Low	6545.94	6455.55	5620.98	5550.17	1.40	16.46	16.31
S&P CNX Nifty –Close	2060.90	1768.25	1805.4	1809.75	16.55	14.15	(2.29)
P/E Ratio : BSE – 30	16.11	16.33	17.23	17.89	(1.35)	(6.5)	(8.72)
FII Investments (Equity+ Debt)							
Inflows – Rs. Cr.	24360.4	17502.20	15961.8	17652	39.18	52.62	(0.85)
Outflows – Rs. Cr.	15151.2	17818.90	13288.7	13782.7	(14.97)	14.02	29.28
Net – Rs. Cr.	9209.4	(316.60)	2673.5	3869.3	2808.84	244.47	(91.82)
Cum Net Inv – US\$ Mn. (Month End)	34113	32012.40	24335.8	23749.20	6.56	40.18	34.79

*The scrips, which can be considered for investment in the present bullish environment are : **State Bank of India (Rs.713) TISCO (Rs.429), Hindustan Lever (Rs.150) and Tata Power (Rs.404).***

(The Authors do not hold any position in the above mentioned scrips)

Country : Australia

Introduction :

In the late 19th Century, six colonies were created which were federated to become Commonwealth of Australia in 1901. Having large natural resources, the country focused mainly on agriculture and manufacturing industries and made a major contribution to the British effort in World War I and II. In recent times, the country has transformed itself into an internationally competitive advanced market economy. It is located between Indian Ocean and South Pacific Ocean and its area is slightly smaller than the US contiguous 48 states. Its population of 20 million with a per capita GDP at par with some western European economies continues to enjoy robust business and consumer confidence. Its focus is on maintaining low inflation, cordial trade relations with neighbouring countries including New Zealand, China, Indonesia and India.

Its GDP on purchasing power parity is estimated to be US\$ 571 billion (2003 est.) and its per capita GDP is around US\$ 29,000. Though the country has large natural and agriculture resources, contribution to GDP from agriculture is 3.5%, industry 26.3% and services 70.2% in 2003. The main agricultural products are wheat, barley, sugarcane, fruits, cattle, sheep and poultry. The country is strong in mining, industry and transportation equipment, food processing, chemical and steel.

Its **exports** are US\$ 69 billion mainly comprising coal, wool, aluminium, iron ore and transportation equipment, etc. Its major trade partners are Japan, UK, US, South Korea, China and New Zealand.

Its **imports** are US\$ 83 billion, and commodities imported are mainly telecommunication equipment, crude oil and petroleum products, computer and office machinery and the countries from which it imports are US Japan, China and Germany.

II. Australian Economy :

The expansion of the Australian economy has entered its 13th year with unemployment declining to levels not seen since the early 1980s. There was modest slow down in the economy during the first half of 2003 but then it rebounded with buoyancy in domestic demand. The domestic demand was broad-based with consumption, housing and business investment all growing at about trend rates. The inflation remained within the target rate of 2-3% set by Reserve Bank of Australia, but between the tradeable and non-tradeable goods the rates varied. Measured by CPI the rate for non-tradeable was around 4% and that for tradeable goods the rate declined due to the large appreciation of the Australian dollar. According to the assessment made by IMF, the outlook for the economy remained favourable. However, a sharp correction in the housing market, further increase in the oil prices and weakening of external demand could affect slightly the current positive outlook. But weakening of the external demand is likely to offset by strengthening of the domestic demand. Further, Australian financial system continues to be sound because there is a strong risk management culture. The risk legislature changes in the insurance industry supervision and audit reforms have further strengthened the financial sector. The country is committed to the trade liberalization and recent pursuit of bilateral free trade agreements was seen as supportive of the multi lateral trade liberalisation efforts. The country has undertaken unilateral decision to provide complete duty and quota-free market access to the least developed countries. However, there continues to be a concern for the relatively large current account deficit. The important macro-economic parameters of the country are :

Australia : Important macro-economic parameters

		1998	1999	2000	2001	2002	2003
I	Output and demand (Percent change)						
	Real GDP	5.2	4.3	3.2	2.5	3.8	3.0
	Total domestic demand	6.6	5.6	2.2	1.3	6.5	6.2
II	Saving and investment (in percent of GDP)						
	Gross national saving	19.0	18.7	19.6	19.5	18.7	18.9
	Gross capital formation	23.9	24.7	23.1	20.7	23.1	24.8
III	Money and credit (end of period)						
	M3 (percent change)	7.0	9.4	4.9	14.6	10.3	13.7
	Private domestic credit (percent change)	10.3	11.0	11.8	8.8	11.9	14.7
	Interest rate (90 day bill, in percent)	4.8	5.7	6.2	4.2	4.8	5.5
IV	Exports & Imports (Percentage change)						
	Exports of goods and services	0.0	4.5	11.2	1.6	0.3	-2.3
	Imports of goods and services	6.0	9.1	7.8	-4.2	11.5	11.3
III	Balance of payments (Percent of GDP)						
	Current account	-4.9	-5.7	-4.0	-2.4	-4.4	-6.0
	Of which : Trade balance	-1.4	-2.5	-1.2	0.5	-1.3	-2.9
IV	Exchange rate (end of period)						
	US\$ / \$A	0.614	0.654	0.554	0.509	0.566	0.750

III. India-Australia : Economic Relations

- India-Australia share many things in common. Both countries are members of the Commonwealth, have similar institutions on parliamentary democracy, legal, financial and government institutions, free and vibrant press, speak the same language. Bilateral relationships between India and Australia have developed over the years but became more intense from 2000 onwards. Prime Minister John Howard visited India in July 2000, and this visit of an Australian Prime Minister, was after a gap of 11 years. It was followed by a series of bilateral visits and high level dialogues between the two Governments. India-Australia cooperation has made rapid strides in many areas. There are also legal instruments and institutionalized mechanism such as Avoidance of Double taxation Agreement, Bilateral Investment Promotion and Protection Agreement, MOU for Cooperation in IT, MOU on Tourism and MOU on Cultural Heritage Cooperation. The MOU on Science and Technology reflects the trade relations though there is considerable untapped potential to be realized.

- **Australian investment** in India is still around A\$ 1 billion. Australia has expertise in sectors such as biotechnology, food processing, insurance, mining, manufacturing, infrastructure, airports, hotel and tourism, drugs pharmaceuticals and environment to name a few. In many of these sectors 100% foreign direct investment is permitted by India and some of these sectors are considered as priority by India.
- **Indian investment** in Australia too is growing, there are already over 20 Indian IT companies which have offices in Australia. Satyam Computers have set up a development centre in Sydney while Tata Consulting Services, Infosys and Birlasoft have set up similar cell in Melbourne. Indian Companies have acquired copper mines in Tasmania, and Pacific Paints in Brisbane. Tata Iron and Steel company an Oswal Group are pursuing big investment proposals in Queensland and Western Australia while State Bank of India has a branch office in Sydney.
- **Bilateral trade** and commerce between India and Australia have reached an all-time high, with both countries striving to move towards the common goal of globalization. Driven by the belief that interdependence between transnational business communities is essential for global prosperity. India and Australia have become inseparable partners in progress commodities involved in bilateral trade are :
 - a) **Exports from India :**
 - Textile and garments, Footwear, Processed food and seafood, Gems and Jewellery, Machinery and other industries.
 - b) **Exports from Australia :**
 - Commodities : Coal, copper, wool, pulses, cotton, gold, zinc, etc.
 - Agri-Business including food & beverage, food processing equipment, technical know-how and other related products.
 - Services including innovation in ICT, Banking, consultancy, Insurance, Fiance, Legal, Health Care, etc.
 - Consumer goods, Mining equipment, machinery.
- It is heartening to note that interactions at the people to people level are also increasing. Australia has also become the second favoured destination for Indian students seeking higher education.

Other Markets

Debt Market

During the month of February 2005, the primary debt market has not very active since the month of December 2004; the mobilisation of funds through the bond issue were few and largely restricted to banks and Financial Institutions including housing finance companies. The largest issue was that of Indian Overseas Bank which raised Rs.150 crore at the rate of 7.25%. which wanted to approach the market for raising resources either for IPOs or for building up Tier II, Capital.

Call Money Market

The call money market rate on February 11, 2005 in respect of borrowings ranged between 3.50% and 5.30% as compared to 3.00% and 4.75% on February 13, 2004 i.e. a year ago. A month ago, the rates were 2.00% - 6.00% on January 7, 2005 reflecting that there were increases in the rate pointing towards rise during the month. The average daily turnover in the call money market was Rs.8,823 crore for the week ending February 11, 2005 and this daily turnover declined to Rs.7,824 crore in the week ending February 18, 2005.

Foreign Exchange Market

The exchange rate (RBI reference rate) on February 18, 2005 was Rs.43.84 per US dollar as compared to Rs.45.27 per US dollar on February 20, 2004. This reflected an appreciation of the rupee vis-a-vis US dollar. Further, the six month forward premia was 1.66% on February 18, 2005 as compared to 0.39% on February 20, 2004 (a year ago), and this reflects a rising demand for dollar in the forthcoming months. The foreign currency asset were US \$ 127.2 billion on February 18, 2005, and inclusive of gold and SDRs and the reserve position in the Fund, the foreign exchange reserves aggregated to US\$ 132.96 billion. From end-March 2004, the foreign exchange reserves registered an increase of US\$ 20.0 billion. The market rate (buying) was Rs. 43.64 per US dollar on February 28, 2005.

Important Policy Pronouncements

A) Union Budget : 2005-06

Finance Minister, Mr. P. Chidambaram presented the Union Budget for 2005-06 on February 28, 2005. The highlights are :

The Budget anticipated GDP growth of 6.9% during 2005-06 with rate of industrial production 8.9%. The primary deficit was estimated at Rs.17,199 crore up from Rs.13,326 crore in 2004-05; this constituted 0.5% of the GDP. The fiscal deficit was estimated at Rs.151,144 crore as compared to Rs.139,231 crore in 2004-05; the fiscal deficit was estimated at 4.3% of GDP for 2005-06 as compared to 4.5% in 2004-05.

In regard to the taxation, the Budget proposals with a lower tax regime are :

I. Indirect Taxes :

(a) Customs duties :

- Peak rate for non-agricultural products down from 20 per cent to 15 per cent. Other slabs put at 10 per cent, 5 per cent and zero.
- Duty on textiles machinery and refrigerated vans down from 20 per cent to 10 per cent.
- Duty on seven specified machinery used in leather and footwear industry down from 20 per cent to 5 per cent; and that on ethyl vinyl acetate used in this industry down to 10 per cent.
- Duty on nine specified machinery used in pharma and biotech sectors cut to 5 per cent.
- Duty on printing presses and battery-operated road vehicles cut to 10 per cent.

- Duty on primary and secondary matters lowered to 10 per cent and on industrial raw materials like catalysts, refractory raw materials, basic plastic, molasses and industry ethyl alcohol down to 10 per cent. Duty on lead and coking coal with high ash cut to 5 per cent.
- Duty on polyester and nylon chips, textile fibres, yarns and intermediates, fabrics and garments cut to 15 per cent.
- Duty removed on capital goods and inputs for information technology agreement-bound items but a countervailing duty of 4 per cent levied on those items that attract nil duty.
- No change in duty on agricultural goods, except a hike in duty on cut flowers to 60 per cent and reduction in duty on cloves to 35 per cent.
- Duty on atmospheric drinking water down to 5 per cent.

(b) Excise duties :

- For small-scale industry (SSI), the annual turnover ceiling for claiming exemption from excise duty raised from Rs.3 crore to Rs.4 crore.
- More goods brought under the Cenvat rate of 16 per cent. These include polyester filament yarn, tyres and air conditioners.
- Duty on motor cars and aerated drinks to continue at 24 per cent.
- In the textiles sector, independent texturisers given option to avail of the exemption route or pay eight per cent excise duty with Cenvat credit.
- Surcharge of Re 1 per kg on tea abolished.
- Duty of Re 1 per kg on refined edible oils and Rs.1.25 a kg on vanaspati abolished.
- Duty on iron industry cut to 16 per cent.
- Duty on molasses raised from Rs.500 per tonne to Rs.1000 per tonne and on cement clinkers from Rs.250 per tonne to Rs.350 per tonne.
- Duty rates on cigarettes raised by 10 per cent.
- Ten per cent surcharge imposed on ad valorem duties on other tobacco products including gutkha, chewing tobacco, snuff and pan masala.
- Bidis continue to be exempted from levy.

(c) Taxes on Petroleum Products :

- Cess on petrol and diesel raised by 50 paise a litre to fund the National Highways Development Project.
- Customs duty on crude petroleum reduced from 10 per cent to five per cent.
- No excise or Customs duty on LPG for domestic consumption and on subsidized kerosene.
- Customs duty on other petroleum products, including motor spirit and diesel, down from 20 per cent and 15 per cent to 10 per cent.
- Excise duty on petrol and diesel to be fixed as a combination of ad valorem and specific duties.
- Duty drawback rates for exported goods to be reviewed and modified by April 30.

(d) Service Tax :

- Tax rate maintained at 10 per cent but new services added to the list and small service providers spared of tax.
- Service providers with gross turnover not exceeding Rs.4 lakh a year exempted from tax.

→ New services brought under tax net include pipeline transport of goods, site formation, demolition and related services, membership fees of clubs and associations, packaging and specialized mailing services, survey and map-making, dredging in rivers and harbours, cleaning services for commercial buildings and construction of planned residential complexes with over 12 dwelling units.

II. Direct Taxes :

➤ Income tax brackets and rates revised are as follows :

Up to Rs. 1 lakh	Nil
Rs. 1 lakh to Rs. 1.5 lakh	10 per cent
Rs. 1.5 lakh to Rs. 2.5 lakh	20 per cent
Above Rs. 2.5 lakh	30 per cent

- Ten per cent surcharge to be levied on income beyond Rs.10 lakh.
- Threshold exemption level for women raised from Rs.1 lakh to Rs.1.25 lakh and for senior citizens to Rs.1.5 lakh.
- Standard deduction abolished.
- All tax payers allowed a consolidated savings limit of Rs.1 lakh, which will be reduced from the income before tax calculation.
- All other sectoral caps removed. Rebates under Section 88 and 80L eliminated.
- Deductions to continue on housing loan interest, medical insurance premia, specified expenditure on dependent, expenses for medical treatment, interest on loans for higher studies and deduction for a person with disability.

III Corporate Taxes :

- Corporate income tax for domestic companies at 30 per cent plus 10 per cent surcharge.
- No change in the tax regime for foreign companies.
- General machinery and plant to attract depreciation at 15 per cent, but the initial depreciation rate hiked to 20 per cent.
- The requirement of 10 per cent increase in installed capacity for availing the benefit of initial depreciation removed.
- Withholding tax on technical services reduced from 20 per cent to 10 per cent.
- Credit to be allowed for Minimum Alternate Tax (MAT) paid under Section 115 JB of the Income Tax Act.
- Extension of tax exemption on agreements to acquire aircraft or aircraft engines on lease upto September 30, 2005.
- Securities transaction tax (STT) raised from 0.015 per cent to 0.02 per cent for all categories of transactions.
- Trading in derivatives in specified stock exchanges not to be treated as speculative transactions for income tax purpose.

Incidentally, the Finance Minister has indicated his philosophy of reducing exemptions. He has recognized that since more than 50% of GDP is derived from services and the tax on services is to be widened. The Budget made modest attempt in widening but unfortunately, the Finance Minister has got trapped of providing exemptions whose income is more than Rs.4 lakhs. In fact, the Budget should have reduced the service tax from 10% to 5% or even lower without providing any exemption and keeping the procedure simple, based on the Pan number rather than asking service tax payers to register with excise authority. The lower tax rate and no exemption in the service sector and widening the base would generate more revenue which are needed for growth.

Budget at a glance : 2005-06

(In crore of rupees)

		2003-04 Actuals	2004-05 Budget Estimates	2004-05 Revised Estimates	2005-06 Budget Estimates
1.	Revenue Receipts	263878	309322	300904	351200
2.	Tax Revenue (net to centre)	186982	233906	225804	273466
3.	Non-Tax Revenue	76896	75416	75100	77734
4.	Capital Receipts (5+6+7)	207490	168507	204887	163144
5.	Recoveries of Loans	67265	27100	61565 ¹	12000
6.	Other Receipts	16953	4000	4091	***
7.	Borrowings and other liabilities	123272	137407	139231	151144
8.	Total Receipts (1+4)	471368	477829	505791	514344
9.	Non-Plan Expenditure	349088	332239	368404	370847
10.	On Revenue Account of which,	283502	293650	296396	330530
11.	Interest Payments	124088	129500	125905	133945
12.	On Capital Account	65586 [@]	38589	72008 [@]	40317
13.	Plan Expenditure	122280	145590	137387	143497
14.	On Revenue Account	78638	91843	89673	115982
15.	On Capital Account	43642	53747	47714	27515
16.	Total Expenditure (9+13)	471368	477829	505791	514344
17.	Revenue Expenditure (10+14)	362140	385493	386069	446512
18.	Capital Expenditure (12+15)	109228	92336	119722	67832
19.	Revenue Deficit (17-1)	98262	76171	85165	95312
		(3.6)	(2.5)	(2.7)	(2.7)
20.	Fiscal Deficit {16-(1+5+6)}	123272	137407	139231	151144
		(4.5)	(4.4)	(4.5)	(4.3)
21.	Primary Deficit (20-11)	-816	7907	13326	17199
		(0.0)	(0.3)	(0.4)	(0.5)

Based on provisional Actuals for 2003-2004.

¹Includes receipts from States on account of Debt Swap Scheme.

[@]Includes repayment to National Small Savings Fund

* Do not include Rs.60,000 crore in BE 2004-05, Rs.65,481 crore in RE 2004-05 and Rs.80,500 crore in BE 2005-06 in respect of Market Stabilization Scheme, which will remain in the cash balance of the Central Government and will not be used for expenditure.

Figures in brackets represent per cent to GDP.

First, the Budget has focused primarily on the agriculture sector, and the sectors like food processing, textile, information technology (IT) and construction which are estimated to provide job growth. The Finance Minister rejected the theory of jobless growth and estimated that textile sector alone would provide 1.2 million jobs in the next 3 years. **Secondly**, prior to the Budget, the President, Mr. A.P.J. Kalam provided a vision for 'Bharat Nirman' and the Budget has tried to convert this into business model under which six sectors to be developed by 2009 were irrigation, roads, water supply, housing, rural electrification and rural telecom connectivity. **Thirdly**, various rural water supply schemes were integrated with the Technology Mission on 'Safe Drinking' water introduced by the past Prime Minister, Mr. Rajiv Gandhi. **Fourthly**, the Budget had made attempts to link self help groups (SHG) with micro financial institutions for lending to the poor. **Fifthly**, the Budget laid down the target of foreign trade of US\$ 150 billion by 2009.

B) Railway Budget :

Budget was presented in the parliament by the Railway Minister, Mr. Lalu Prasad on February 26, 2005. Highlights of the budget are :

The Railway Minister did not make any changes either in the passenger fare or in the freight. However, for freight he reclassified the commodities to be carried and total number of classes were from 27 to 19. Freight and iron ore was made costlier and charged to class 160 instead of 140. The key figure of the railway budget are :

Annual Plan 2005-06 :

- Plan outlay Rs.15,349 crore, consisting of Rs.7,230.81 crore from General Exchequer (including Rs.2,699 crore from SRSF and Rs.710.81 crore from central Road Fund).
- Rs.4,718.19 crore from internal resources and Rs.3,400 crore through market borrowings.
- In addition, railways allowed access to extra budgetary resources to the extent of Rs.3,000 crore for financially viable schemes on a projectised basis.
- Additional funds to the tune of Rs.1,365 crore for national projects in J&K/NE region and Rs.358 crore for RVNL works to be released during the course of the year.

Budget Estimates 2005-06 :

- Freight loading target 635 mt, originating passenger traffic to go up by 4 per cent.
- Gross Traffic Receipts estimated at Rs.50,968 crore, Rs.4,183 crore higher than RE 2004-05.
- Ordinary working expenses estimated at Rs.35,600 crore appropriation to DRF kept at Rs.3,604 crore which is 60 per cent more than BE of 2004-05.
- Net revenue estimated to be Rs.5,914 crore.
- Operating ratio to improve to 90.8 per cent – lowest in the last 8 years.

Railway Budget – Key Figures

Rs. Crore

	Actuals 2003-04	Budget 2004-05	Revised 2004-05	Budget 2005-06
Gross Traffic Receipts	42904.94	44902.00	46785.00	50968.00
Total Working Expenses	39482.21	41417.00	42462.00	46144.00
Net Railway Revenue	4478.49	4478.24	5300.88	5913.98
Dividend Payable to General Revenues	3087.08	3305.24	3276.08	3638.00
Operating Ratio	92.1%	92.6%	91.2%	90.8%
Overall Surplus	1091.41	873.00	1724.80	1975.98

Source : Railway Budget 2005-06 documents

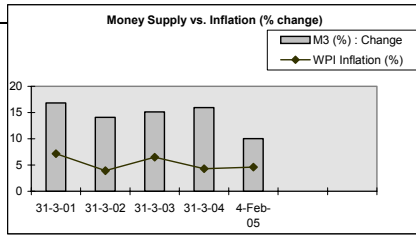
As regards the passenger services the budget envisaged introducing of 54 pairs of new trains, and extended 28 pairs of existing trains and increasing frequencies of 10 pairs of trains.

C) Guidelines on Merger / Amalgamation for Urban Co-operative Banks :

To encourage and facilitate consolidation and emergence of strong entities and providing an avenue for non-disruptive exit of weak / unviable entities in the co-operative banking sector, the Reserve Bank of India issued guidelines for merger / amalgamation in the sector. Guidelines issued by the Reserve Bank of India are :

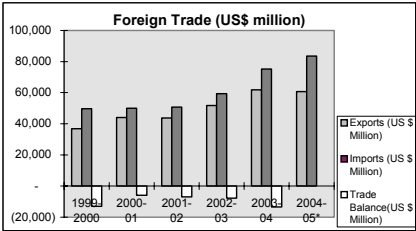
- i) When the networth of the acquired bank is positive and the acquirer bank assures to protect entire deposits of all the depositors of the acquired bank.
- ii) When the networth of the acquired bank is negative but the acquirer bank on its own assures to protect deposits of all the depositors of the acquired bank; and
- iii) When the networth of the acquired bank is negative and the acquirer bank assures to protect the deposits of all the depositors with financial support from the state government extended upfront as part of the process of merger.

A cooperative bank can merge only with another cooperative bank situated in the same state or with a cooperative bank registered under Multi State Cooperative Societies Act.



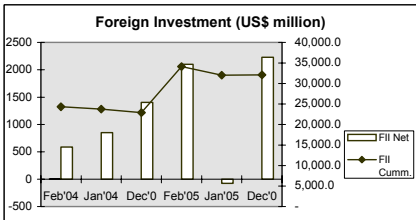
	31-3-01	31-3-02	31-3-03	31-3-04	4-Feb-05
M3 (Rs. Crore)	13,13,220	14,98,355	17,25,222	20,03,102	22,08,074
M3 (%) : Change	16.82	14.1	15.14	15.95	10.02
WPI (Index) All Commodities#@	155.7	161.8	172.30	180.3**	188.6
WPI Inflation (%)	7.16	3.92	6.49	4.29	4.60

Source: RBI Bulletin January 2005; WSS: February 26, 2005 *1993-94 = 100 @ year/month-end; **Average



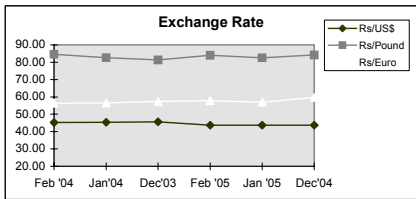
During the Year	1999-2000	2000-01	2001-02	2002-03	2003-04	2004-05*
Exports (US \$ Million)	36,805	44,076	43,796	51,702	61,850	60,754
Imports (US \$ Million)	49,710	49,975	50,746	59,387	75,210	83,442
Trade Balance (US \$ Million)	(12,904)	(5,899)	(6,950)	(7,685)	(13,360)	(22,687)

Source: D G C I S *April-January 2005



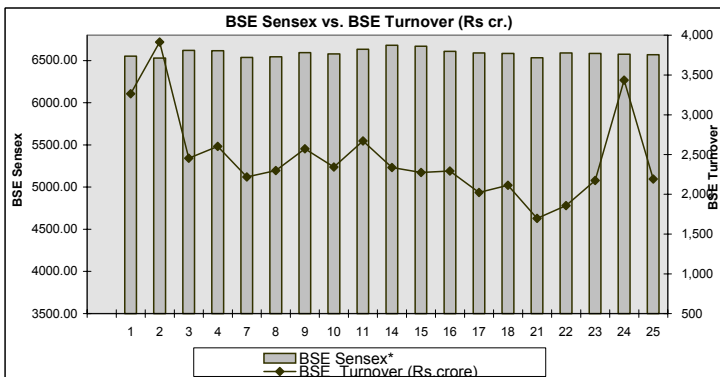
	2003-04 (US\$ million)			2004-05 (US\$ million)		
	Feb'04	Jan'04	Dec'03	Feb'05	Jan'05	Dec'04
FI Net	587.3	849.6	1,403.9	2,100.9	(74.8)	2,229.1
FI Cum.	24,335.8	23,748.8	22,899.2	34,113.1	32,012.3	32,086.9

Source: SEBI



	2003-04			2004-05		
	Feb'04	Jan'04	Dec'03	Feb'05	Jan'05	Dec'04
Rs/US\$	45.24	45.30	45.60	43.69	43.72	43.72
Rs/Pound	84.57	82.67	81.33	83.92	82.56	84.18
Rs/Euro	56.35	56.52	57.45	57.80	57.02	59.62

Figures are for month-end



Feb 2005	BSE Sensex*	BSE Turnover (Rs.crore)
1	6,552.47	3,266
2	6,530.06	3,915
3	6,619.97	2,453
4	6,618.23	2,601
7	6,535.17	2,220
8	6,544.77	2,299
9	6,593.53	2,573
10	6,577.83	2,343
11	6,633.76	2,672
14	6,679.33	2,335
15	6,670.06	2,274
16	6,607.78	2,292
17	6,589.29	2,022
18	6,584.32	2,114
21	6,534.68	1,698
22	6,589.41	1,857
23	6,582.50	2,174
24	6,574.21	3,434
25	6,569.72	2,192
28	6,713.86	2,952



Annexure 1 : Select International Economic Indicators for Developed Industrialised Countries And India

Country	3-Month Money Mkt		CPI*		Currency unit per US \$		Union Budget (+) / (-) % of GDP 2004	Real Rate (Short-term) (1-3)	Currency unit per Euro 16.02.05
	As on 16.02.05	A Year ago	3- Month	A Year ago	As on 16.02.05	A Year ago			
	1	2	3	4	5	6	7	8	9
Euro-11	2.14	2.06	2.10	1.90	0.77	0.78	-2.90	0.04	1.00
			Jan						
U. S. A	2.60	1.01	3.30	1.90	1.00	1.00	-4.40	-0.70	1.30
			Dec						
Britain	4.84	4.09	1.60	1.40	0.53	0.52	-3.20	3.24	0.69
			Jan						
Japan	0.02	0.03	0.20	-0.40	105.00	106.00	-6.50	-0.18	137.00
			Dec						
Sweden	1.95	2.42	0.40	1.40	6.99	7.16	0.50	1.55	9.08
			Dec						
Switzerland	0.75	0.26	1.20	0.20	1.19	1.23	-1.60	-0.45	1.55
			Jan						
India*	5.28	4.37	1.00	2.00	43.84	45.27	-4.40	0.91	56.94
	(Feb 16, 05)	(Mar 31, 04)	Aug 04 over Aug 03)	2003-04 over 2002-03)	(Feb 18, 05)	(Feb 20, 04)	(2004-05)		

Source: The Economist London: February 14-26, 2005
For India, RBI : Bulletin, January 2005

Note: * Column 1 & 2 relate to Call Money Rates (borrowings-high)
For India, RBI : Weekly Statistical Supplement, February 26, 2005 and Union Budget 2004-05

* CPI - Not seasonally adjusted. Average figures for 12 months ending with the months indicated

Annexure 2 : Important Indicators for Select Emerging Market Countries

Country	GDP	Industrial Production	Consumer Prices	Short-term Interest Rates	Foreign Exchange Reserves*	Exchange Rate			Trade Balance	Current Account
						per US\$		per Euro		
	% change on earlier year					% p. a.	16.02.05	16.02.05	16.02.05	Latest 12 Months \$ Billion
1	2	3	4	5	6	7	8	9	10	11
China	9.5	14.4	2.4	3.30	609.9	8.28	8.28	10.75	38.4	45.9
	Q4	Dec	Dec		Dec				Jan	2003
Hongkong	7.2	3.4	0.2	1.40	124.7	7.80	7.77	10.13	-12.1	14.2
	Q3	Q3	Dec		Jan				Dec	Q3
India	6.6	7.9	3.8	5.23	123.7	43.70	45.20	56.75	-23.6	3.5
	Q3	Dec	Dec		Jan				Jan	Q3
Indonesia	6.7	-2.3	7.3	7.56	35.0	9295.0	8415.0	12071.43	24.1	4.0
	Q4	Aug	Jan		Dec				Dec	Q3
Malaysia	6.8	5.8	2.4	2.82	65.9	3.80	3.80	4.94	21.3	14.7
	Q3	Dec	Jan		Dec				Dec	Q3
South Korea	4.6	4.5	3.1	3.60	199.6	1026.0	1161.0	1332.47	30.2	27.6
	Q3	Dec	Jan		Jan				Jan	Dec
Taiwan	5.3	-0.9	0.5	1.35	242.7	31.60	33.10	41.04	4.7	24.8
	Q3	Dec	Jan		Jan				Jan	Q3
Thailand	6.0	3.0	2.7	2.50	48.7	38.60	38.90	50.13	1.7	7.3
	Q3	Dec	Jan		Dec				Dec	Dec

Source: The Economist London: February 14-26, 2005
*Excluding Gold and SDRs

@For India, RBI WSS, February 26, 2005

Note: Quote for currency units per Euro is a derived one

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