INDIAN Economy & Policy WATCH
Week ended January 14, 2006 Issue No: 42 FY2006

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- Inflation steady at 4.4%
- Rupee extends rally
- Govt working towards zero-based Budget: Montek
- Indirect tax collections up 15.73% in April-December
- Industrial growth slips to 6.9% in November
- Foreign currency reserves soar by US$ 2,146 million

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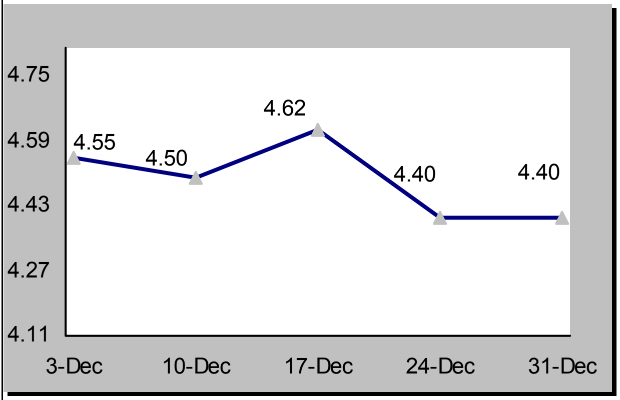
# ECONOMIC INDICATORS

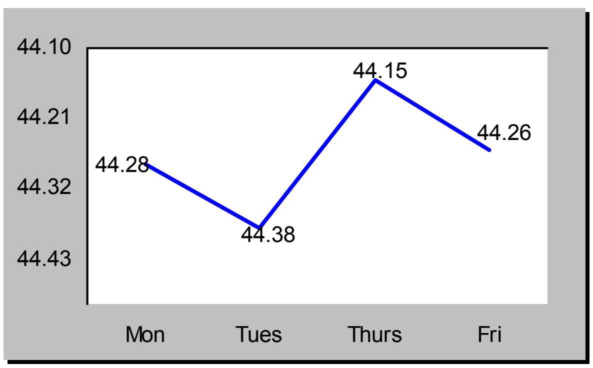



## Inflation

Inflation remained unchanged at the previous week`s level of 4.4 per cent for the week ended December 31, 2005 despite increase in prices of food and mineral items, according to agency reports.

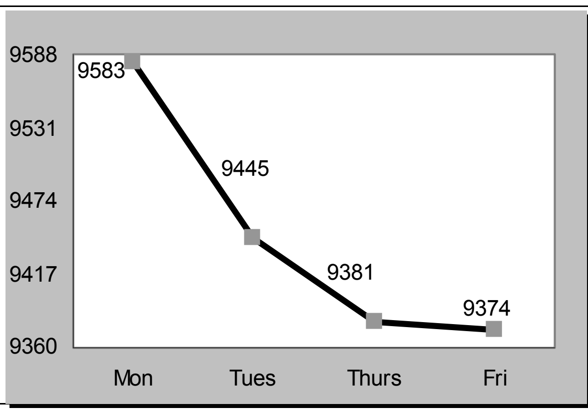
Cheaper manufactured products combined with stable fuel prices contained inflation at the previous week`s level of 4.4 per cent, but it was lower than 5.72 per cent a year ago. During the week, prices fell for vegetables, edible oils, ghee, chemicals and cement while prices moved up for wheat, maida, sooji, fish, eggs, manganese ore, felspar, magnesite and fluorite.

Wholesale Price Index stood firm at the previous week`s level of 196.8 points and it was 188.5 points a year ago.




## Rs v/s US $

The rupee extended previous week's rally and stood 0.75% up at 44.25 per dollar from 44.59 per dollar, but came off 3-month highs. Bearish dollar sentiment and rally in other Asian currencies bolstered the rupee.




## BSE Sensex

With corporate results pouring in, the trend was bearish on account of heavy selling pressure in heavyweights like Infosys and Reliance and other index pivotals. Buyers became cautious with some below expectations corporate results during the week. The BSE Sensex lost hefty 266 points and closed at 9374 level.

The Sensex closed in the negative terrain on Monday losing 57 points, while on Tuesday the Sensex lost whopping 138 points. On Thrusday, the Sensex dipped 64 points and on Friday the index finished flat losing 7 points.

# Economy & its sectors

## Govt working towards zero-based Budget: Montek

The Deputy Chairman of Planning Commission, Montek Singh Ahluwalia, on Sunday said that an approach document for the Eleventh Plan would be released within a month bringing out steps towards shift to a zero-based Budget.

Speaking on the sidelines of the Pravasi Bharatiya Divas, Ahluwalia said, "The Planning Commission and the Finance Ministry have had elaborate discussions on the zero-based budget process and both agreed that this is ideal approach for a large country like India.

"Every ministry has many schemes and programmes that become redundant. A zero-based budget will ensure that such schemes are scrapped and more suitable ones are developed. However, this does not mean some of the schemes, which are managed across years, would be scrapped."

He said, "We will communicate to ministries about our intent to have a zero-based Budget from 2007 during the Eleventh Plan period. They will gear up to work towards this."

He said that the effort is now directed to accelerating the growth rate to catch up with the rest of the world and ensure that the benefits reach out to all sections of people. The Government's twin immediate priorities are directed on two broad areas - rapid infrastructure development and ensure that the agriculture growth rate comes back to 4 percent.

"The PBD will help us communicate to the Indian Diaspora on the potential areas of infrastructure where they can participate under the public-private participatory model. Areas such as roads, ports and airports are focus areas and private participation in airports and the bidding process is at advanced stage. Though there have been some glitches, this process is now being handled at the highest level. This only reflects the transparency with which the entire process is being managed," he said.

The Railway Minister, Laloo Prasad's announcement on opening up of container transport is a major step in the direction where private sector will have a role to play.

Answering queries, Ahluwalia said that the Indian Infrastructure Finance Company, a special purpose vehicle, would get operational within a year. After the Union Cabinet has cleared it, the company has been set up and staffing process is under way. This will play an important role in the Government effort to provide infrastructure thrust.

Referring to competition among States to attract investments, Ahluwalia said, "There was nothing wrong with this approach. Even if it meant that states that have reformed and brought about changes are better placed in terms of attracting investments. The best way is to bring about reforms and match up to the level of other states."

Referring to the contributions made by the non-resident Indians, he said, "States that take to reforms will be able to attract more investments. Reforms at the Centre alone will not ensure all round development. If we have to boost the gross domestic product (GDP), the Centre and all states need to accelerate the reform process and collectively seek to woo investments," he said.

## Indirect tax collections up 15.73% in April-December

Service tax revenues of the Union Government continues to be robust, with the collections under this head surging by 65.41 percent to Rs 13,782 crore in the first nine months of the current fiscal as against Rs 8,332 crore collected during April-December 2004.

The growth in revenue collections on the excise front is, however, lower than the budgeted level for 2005-06. According to the indirect tax revenue collection data released by the Finance Ministry here on Thursday, excise collections during the first nine months of the current fiscal increased by 9.65 percent to Rs 75,020 crore (Rs 68,421 crore during April-December 2004).

On the other hand, the Centre's Customs collections grew by 15.78 percent in April-December 2005 to Rs 47,715 crore as against a level of Rs 41,212 crore in April-December 2004.

As regards overall indirect taxes, the revenue collections increased by 15.73 percent during April-December 2005 to Rs 1,36,517 crore (Rs 1,17,965 crore).

For December 2005, indirect tax collections increased by 12.52 percent to Rs 16,837 crore (Rs 14,963 crore). While excise collections during December 2005 stood at Rs 9,628 crore (Rs 8,186 crore), Customs duty collections stood at Rs 5,453 crore (Rs 5,490 crore); Service tax collections of the Centre stood at Rs 1,756 crore (Rs 1,287 crore).

## Industrial growth slips to 6.9% in November

Industrial growth slumped to 6.9 percent in November 2005, down from 7.7 percent during the corresponding month a year ago, mainly due to slowdown in all key areas of manufacturing, mining and electricity.

The cumulative growth registered by the Index of Industrial Production (IIP) during April-November period of current financial year also declined to 8.3 percent from 8.6 percent in the corresponding period last fiscal.

According to the data released by the Government, the manufacturing sector, which carries close to a two-third weightage in the IIP, registered a comparatively lower growth at 8.1 percent during the month under review, as against the 8.6 percent growth recorded in November 2004.

The mining sector was the worst performer with negative figure of 1.4 percent in November 2005, as compared to a 3.6 percent growth in November 2004.

The electricity sector growth fell to 2.7 percent in November, from 3.4 percent in same month of 2004.

In all, a majority of the industry groups registered positive growth during November this year.

The sectoral growth rates in November this year were 4.5 percent in basic goods, 11.8 percent in capital goods and 2 percent in intermediate goods.

The consumer and consumer non-durables recorded growth rates of 14.9 percent and 10.7 percent respectively, with the overall growth in consumer goods sector being 11.8 percent.

The wool, silk and man-made fibre textiles grew by 3.4 percent in November this year against a negative growth of one percent during April to November 2005.

Similarly, the basic metal and alloy industries grew by 12.5 percent in November last year against the growth rate of 15.3 percent per year. During the April to November period, the manufacturing sector registered a growth of 8.1 percent against a cumulative growth index of 9.4 percent.

The electricity sector showed a cumulative growth at 4.9 percent. The `other manufacturing industries' segment showed the highest growth of 21.3 percent followed by 15.9 percent in textile products (including wearing and apparel) and 13.3 percent in cotton textiles. The food products sector grew by 5.8 percent against a negative cumulative growth of minus 4.3 percent for the period April to November 2005, while the beverages, tobacco and related products growth was 12.6 percent for November 2005 against cumulative growth of 17 percent.

## Cars drive up 8.8% growth in Dec

Ending the year on a positive note, domestic passenger car sales in December 2005 registered a growth of 8.8 percent at 65,853 units up from 60,521 units in the same month a year ago, according to sales figures released by Society of Indian Automobile Manufacturers (SIAM).

Car market leader Maruti registered a growth of 20.38 percent with 38,078 units sold as against 31,631 units in the same month the previous year.

Its Korean rival Hyundai reported a drop in domestic sales by 37.71 percent during the month selling just 7,738 units as against 12,423 units. But, cumulatively for the nine-month period ended December 2005, Hyundai had posted a growth in domestic sales of 13 percent.

Tata Motors also clocked a growth recording a jump of 36.61 percent after sales reached 9,730 units as against 7,122 units.

Cumulative domestic car sales during the April-December period, increased by 5.59 percent to 6,23,666 units this year from 5,90,638 units in the corresponding period last year.

Two wheeler sales remained flat with just 1.74 percent growth after sales of 5,62,153 units as compared to 5,52,529 units.

Motorcycle sales grew 2.47 percent at 4,70,848 units, as compared to the 4,59,458 units.

Market leader Hero Honda managed a growth of 6 percent, clocking 2,38,822 units in December as against 2,25,250 units in the same month last year.

Sales of TVS Motor Co also increased to 64,111 units up by 6.38 percent units (60,261 units). However, Bajaj Auto's (the second biggest player in the segment) sales declined by 0.49 percent to 1,37,028 units (1,37,713 units).

Nevertheless, the cumulative bike sales in the April-December period jumped by 16.77 percent to 42,82,584 units from 36,67,274 units reported in the corresponding period last year.

Scooter and scooterette sales during the April-December period, however, declined by 4.93 percent to 6,74,837 units from 7,09,865 units.

The commercial vehicles segment, too could not stem the tide, registering a negative growth of almost 5.98 percent with 27,726 units sold in December 2005 as compared to 29,491 units sold in the same month of the previous year.

# Forex reserves cover 11-month imports

India's forex reserves of $ 143.1 billion as of September 30, 2005 are adequate to meet 11.2 months' imports. In comparison, at the end of March 2005, forex reserves of $ 141.5 billion were adequate to meet 14.3 months' requirement, according to the Reserve Bank of India's report released on Tuesday.

The import cover of reserves is a traditional indicator of reserve adequacy.

During April-September 2005, current account deficit widened further to $ 13 billion, driven mainly by strong import demand, both oil and non-oil.

The ratio of short-term debt to foreign exchange reserves increased slightly to 5.8 percent for September 2005, from 5.3 percent end-March 2005.

The ratio of volatile capital flows (defined to include cumulative portfolio inflows and short-term debt) to reserves increased to 40.5 from 36.8 percent.

Total foreign currency assets as on September 2005 were at $ 143.1 billion, up from $ 141.5 billion in March 2005. Of this $ 30.5 billion was invested in securities, $ 64.5 billion with other central banks and Bank of International Settlement and $ 41.9 billion in the form of deposits with foreign commercial banks.

The foreign exchange reserves are invested in multi-currency and multi-market portfolios.

During April-September 2005, the quantum of foreign direct investment was about $ 2.9 billion. Outstanding NRI deposits stood at $ 32.8 billion as on September 2005, marginally down from $ 32.9 billion as on March 2005.

Cumulative net foreign institutional investors investments increased to $ 40.3 billion by end-September 2005 from $ 35.9 billion end-March 2005.

# External sector

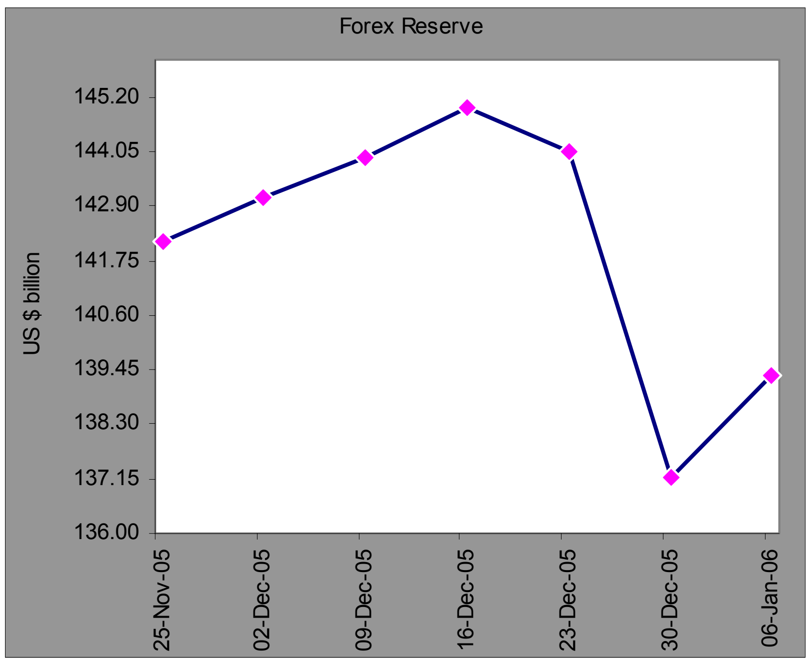
## FOREIGN EXCHANGE RESERVES

### Foreign currency reserves soar by US$ 2,146 million

India's total foreign exchange reserves rose by US$ 2,146 million to US$ 139.352 billion for the week ended January 6, helped by a rise of US$ 2,136 million in foreign currency assets (including the effect of appreciation/depreciation of non-US currencies) to US $ 133.154 billion according to the RBI's weekly statistical supplement released on January 13.

Gold remained unchanged at $5.274 billion and SDRs were the same at $5 million.

The country's reserve tranche position at the IMF improved by US$ 10 million to US$ 919 million.



# Money & Banking

## INTEREST RATES & DEBT MARKET

### Gilts trend weaker amid tight liquidity

In a holiday shortened trading week, gilts prices trended weaker amidst tight money market conditions. Scramble for funds by banks to cover excess reserve at the beginning of a new fortnight as well as due to Rs 10,000 crore twin auctions pushed call rates higher and kept traders at the sidelines.

Despite cash squeeze, twin auctions sailed through smoothly. The RBI set at a cut-off price of Rs. 112.18 (yield : 6.6977%) at the 9.39% 2011 paper auction for Rs. 6,000 crore and a cut-off price of Rs. 99.60 (yield:7.4323%) at the 7.40% 2035 paper auction for Rs. 4,000 crore.

Trading volumes dropped as fears over cash crunch lingered on the sentiment and market lacked fresh views. Also, rise in global oil prices and US yields pulled down gilts prices but sharp fall was restricted on hopes of improvement in liquidity.

The yield on the actively traded 8.07% 2017 rose to 7.21% from its previous week's closing level of 7.18%.

### Call rates high on auction outflows

The overnight rates traded higher at 7.50-7.75% compared to 6.10-6.20% in the previous week amidst vast fund mismatches.

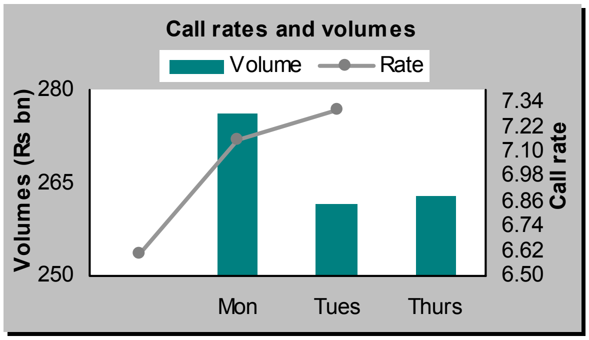
Huge amount of funds was borrowed to meet the new fortnight requirements and auction outflows. This in addition to deficient supply of funds pushed the call rates to an intra-week high of 7.75-8.00%.

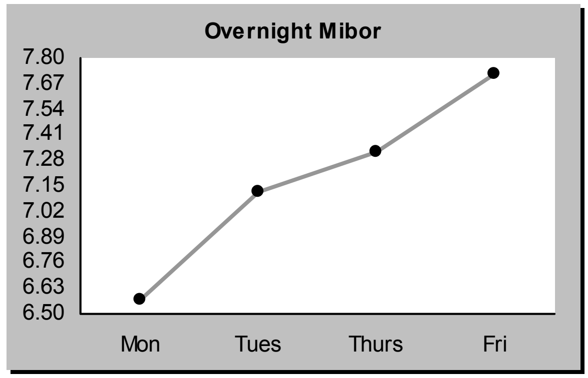
### Rupee extends rally

The rupee extended previous week's rally and stood 0.75% up at 44.25 per dollar from 44.59 per dollar, but came off 3-month highs. Bearish dollar sentiment and rally in other Asian currencies bolstered the rupee.

The dollar was under pressure overseas ahead of the US trade deficit data and as markets expected ECB President Trichet to give some clues about interest rate outlook. Overall bearish Dollar sentiment allowed the rupee and other Asian currencies to rally against the greenback.

However, later in the week, demand from oil companies due to firm oil prices and concerns over FII inflows after four straight sessions of losses in the equity market forced the rupee to pare some gains.




# Stock Markets

## Weekly Wrap : Sensex sheds 266 points

With corporate results pouring in, the trend was bearish on account of heavy selling pressure in heavyweights like Infosys and Reliance and other index pivotals. Buyers became cautious with some below expectations corporate results during the week. The BSE Sensex lost hefty 266 points and closed at 9374 level.

The Sensex closed in the negative terrain on Monday losing 57 points, while on Tuesday the Sensex lost whopping 138 points. On Thrusday, the Sensex dipped 64 points and on Friday the index finished flat losing 7 points.

The major gainers and losers for the week on the BSE are as follows:

The major gainers on the BSE Sensex were - Ranbaxy gained 4.08 per cent to close at Rs 384.85, Gujarat Ambuja was up by 1.95 per cent, trading at Rs 88.90, ONGC moved up by 1.32 per cent to close at Rs 1215.50, Dr Reddy up by 1.25 per cent to Rs 1033.25, Tata Power moved up by 1.01 per cent to close at Rs 451.30 and ITC was marginally up by 0.34 per cent to close at Rs 145.45.

The major laggards on the BSE Sensex were -Infosys down 6.85 per cent to close at Rs 2845.70, HDFC Bank down by 4.65 per cent to close at Rs 731.95 and Tata Steel lost 4.53 per cent to close at Rs 366.70. Other losers were Reliance, Hero Honda and ACC.

The FIIs were net sellers in equities worth $138.9 US million and mutual fund offloaded equities worth Rs 634.1 crore.

Simplex Infrastructure bagged Rs 67.51 crore deal from Rail Vikas Nigam and the state government of Manipur has awarded an order worth Rs 141.42 crore.

Ranbaxy Laboratories was the star performer, on the news that the company has entered into a co-marketing agreement with Ferring International of Switzerland, for its product Desmopressin, a structural analogue of the pituitary hormone arginine vasopressin.

A leading newspaper reported that, Israeli generics major $7 billion Teva Pharmaceutical Industries has had several rounds of talks with Aurobindo Pharma for a possible acquisition.The company, however has denied any sale of promoters` stake or negotiation with Teva.

Jet Airways was in the limelite on the news that Kingfisher Airlines has withdrawn from the race to acquire domestic carrier Air Sahara, a part of the multi-crore Sahara India group. Kingfisher Airlines and Jet Airways were the leading bidders for acquiring a 100 per cent stake in Air Sahara.

Corporate Results (consolidated results)

Reliance Industries posted 15.06% fall in net profit to Rs 1776 crore and Total income has increased by 1.37% to Rs 18348 crore for the quarter ended December 31, 2005 from Q3-04.

Infosys posted 30.5% rise in net profit after tax to Rs 649 and Total income increased by 31.5% to Rs 2527 crore for the quarter ended December 31, 2005 from Rs 1922 crore in Q3-04.

Bajaj Auto reported a 32.46 per cent increase in consolidated net profit of Rs 253.98 crore and total income increased to Rs 2,080.82 crore in Q3FY06 from Rs 1,701.42 crore in Q3FY05.

Gail India gained 1.08 per cent (Rs 285.75) posted 1.23per cent growth in net profit to Rs 643.15 crore and total income has increased by 27.1 per cent to Rs 4597.39 crore for the quarter ended December 31, 2005 as compared period last year.

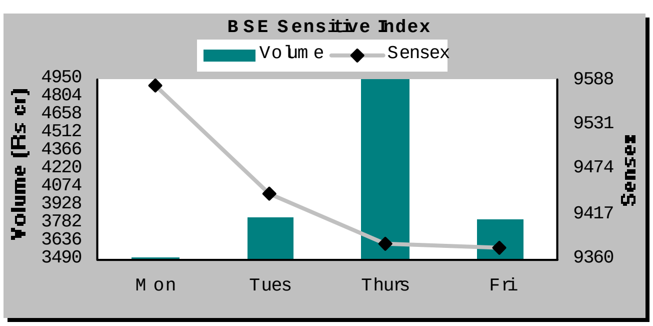
Bharat Earth Movers 129.54 per cent growth in net profit to Rs 55.78 crore for the quarter ended December 31, 2005 and Total Income has increased by 72.77 per cent to Rs 563.64 crore for the quarter ended December 31, 2005 as compared to same period last year.

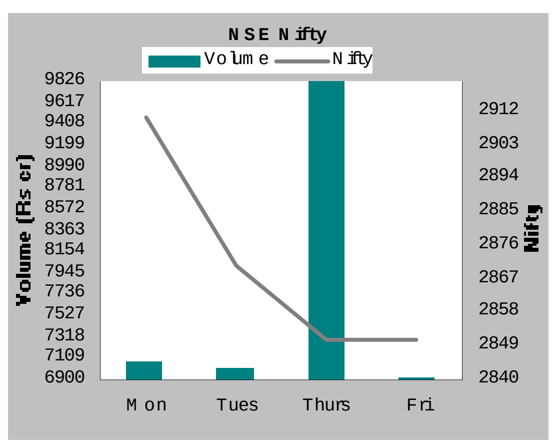
HDFC Bank posted 31.28 per cent growth in net profit to Rs 224.40 crore for the quarter ended December 31, 2005 and Total Income has increased by 50.6 per cent to Rs 1475.94 crore for the quarter ended December 31, 2005 as compared to same period last year.

On macroeconomic front, industrial growth during November 2005 slumped to 6.9 per cent from 7.7 per cent in the year-ago period, mainly due to poor performance in all key areas of manufacturing, mining and electricity.

Inflation remained unchanged at the previous week`s level of 4.4 per cent for the week ended December 31, 2005 despite increase in prices of food and mineral items.

The Government has decided to put on hold the recent Cabinet decision to cut the food subsidy bill by 30 per cent, following protests from the Left parties, DMK and a section of the Congress.



# Inflation

## Inflation steady at 4.4%

The annual wholesale price index-based inflation rose 4.4 percent for the week ended December 31. Cheaper manufactured products and stable fuel prices contained the year-on-year inflation at the previous week's of 4.4 percent, according to data released by the Ministry of Commerce and Industry.

The Wholesale Price Index (WPI) stood firm at the previous week's level of 196.8 points, while it was at 188.5 points a year ago. Inflation was at 5.72 percent during the corresponding week a year ago. On a disaggregated basis, the primary articles' group index rose 0.1 percent to 194.4 points due to increase in prices of food and minerals. The index was at 185.3 points in the year-ago period. The fuel, power, light and lubricants' group index stood firm at the previous week's level of 311.1 points. The index was at 288.2 points a year ago.

The heavy-weighted manufactured products' group index fell 0.1 percent to 172.1 points due to drop in prices of cement, steel ingots and electric motors.

Among the primary articles' group, the food articles' group index was up 0.1 percent to 196.5 points as prices rose for urad (four percent), bajra, barley and wheat (two percent each) and fish-marine, jowar, eggs, fish-inland, gram and maize (one percent each), even as vegetables became cheaper by three percent.

The minerals group index rose 0.2 percent to 356.6 points due to increase in prices of feldspar, (11 percent), magnesite (10 percent), fluorite (four percent) and manganese ore (two percent).

Among the manufactured products' group, the food products' group index was up 0.1 percent to 177 points owing to increase in prices of maida (two percent) and oil cakes and sooji (one percent each). But prices declined for coconut oil and rice bran oil (three percent each) and khandsari, gingelly oil, groundnut oil and ghee (one percent each).

A five percent increase in decorative laminates prices pushed up the rubber and plastic products' group index by 0.1 percent to 140 points. One percent fall in the prices of liquid chlorine pulled down the chemicals and chemical products' group index by 0.1 percent to 188.8 points.

A marginal decline in cement prices pulled down the non-metallic mineral products' group index by 0.1 percent to 168.3 points.

The index for base metals alloys and metal products' group declined 0.1 percent to 221.4 points owing to one percent fall in prices of steel ingots and pipes and tubes. The machinery and machine tools' group index declined 0.1 percent to 146.5 points due to lower prices of electric motors and dry cell (three percent) while batteries became costlier by one percent.

The Government revised downward the final inflation figure to 4.04 percent for the week ended November 5, from a provisional 4.14 percent, while the WPI stood corrected at 198.3 points as against the earlier estimate of 198.5 points.

INDIAN Policy WATCH

January 14, 2006

Issue No: 42 FY2006

**HIGHLIGHTS**

- Chidambaram promises to simplify fringe benefit tax
- Food subsidy cut put on hold: Pawar
- Govt notifies 8.5% interest rate on EPF for '05-06
- New SEZ rules in 10 days, says Kamal Nath
- TRAI for policy on lifetime mobile validity

C O N T E N T S

POLICY WATCH

# POLICY WATCH

## TAXATION

### Chidambaram promises to simplify fringe benefit tax

The forthcoming Budget will provide relief to the corporate sector on compliance with the fringe benefit tax (FBT) provisions. The Finance Minister, P Chidambaram, on Wednesday said that `some simplification' could be expected in the area of FBT in the Budget.

"Taxing perquisites is a universal practice and it has both vertical and horizontal equity. Having said that if there are any glitches in the manner in which tax is defined and administered, I have always said that we can revisit that matter. Industry has asked for simplification of FBT and some simplification can be expected in the Budget," Chidambaram told newspersons at a meeting of the Forum of Financial Writers here today.

Ever since the FBT was introduced in the last year's Budget, corporate India has been lobbying for scrapping the tax. Alternatively, they have been demanding that the complexity of the FBT system should be reduced.

The Finance Minister said that disinvestment in non-navratna public sector undertakings is on track.

"We will take on board the formal positions of certain parties. But we have held discussions with them and we will monetise small portions of government's equity and the proceeds will be put in the national investment fund," Chidambaram said.

On the Government's move to put on hold the recent decision of the Cabinet to cut the food subsidy Bill (by about Rs 2,400 crore), Chidambaram said that the decision is on hold pending further discussion with the Congress Party and other parties in the Government and the Left parties.

"Sharad Pawar (Union Agriculture Minister) will engage in the discussion. Further discussions between Pawar representing the Government and the political parties will bring clarity to the matter and at the end of the discussion, there is going to be a decision," Chidambaram said.

To a question on whether the Government is open to increasing subsidy in the Budget for the petroleum sector, which is now being borne largely by the oil companies, he pointed out that oil companies are largely Government owned.

"The subsidy today is borne partly on the Budget and partly on the balance sheet of oil companies. I don't think it makes a big difference by shifting the subsidy burden from the balance sheet of oil companies to the Budget. What you are suggesting will make the balance sheet of oil companies better, but will make the Budget look bad," Chidambaram said.

He added that oil sector revenues would remain the significant part of total tax revenues of the Union Government.

The Government would take a view on further reform of tax structure in the oil sector after the Rangarajan Committee submits its report.

The Finance Minister said that the UPA Government was on course to achieve the fiscal deficit and revenue deficit targets set out in the Budget of 2005-06.

Asked whether the UPA Government has a roadmap for central sales tax (CST) phase-out, Chidambaram said "not yet."

He said that one round of discussions has already been held with the States on this area.

On the status of the Dr Ashok Lahiri Committee report on foreign institutional investor inflows, Chidambaram said that the report would be considered by the High-Level Committee on Capital Markets.

## SUBSIDY

# Food subsidy cut put on hold: Pawar

The Government has decided to put on hold the recent Cabinet decision to cut the food subsidy bill by 30 percent, following protests from the Left parties, DMK and a section of the Congress. The Union Minister for Agriculture, Food and Public Distribution, Sharad Pawar, stated this here today.

The annual reduction of Rs 4,524 crore in the food subsidy bill was to be achieved primarily by lowering the quantity of foodgrains for all segments sold under the Public Distribution System (PDS) and by increasing the price of foodgrains for the above poverty line (APL) segment. This decision was taken at a meeting of the Cabinet Committee on Economic Affairs (CCEA) chaired by the Prime Minister, Dr Manmohan Singh, last Friday.

"I am not executing the decision on food subsidy cut. The entire decision has been stayed. I will discuss this issue with UPA people," Pawar said, adding that the move was primarily targeted at above poverty line (APL) families.

## EMPLOYEE PROVIDENT FUND

# Govt notifies 8.5% interest rate on EPF for '05-06

The Government has notified the rate of interest payable for employees provident fund deposits for 2005-06 at 8.5 percent, according to an official release.

The Ministry of Labour issued the notification here on Tuesday. Earlier, the Employees Provident Fund Organisation (EPFO) had recommended 8.5 percent to the Ministry.

Even for paying 8.5 percent interest rate to its near four-crore subscribers, the EPFO would have to meet a deficit liability of Rs 365.89 crore from within its own resources.

It would have to pay Rs 6,889.04 crore as interest to its subscribers for the current financial year while its projected interest income will be Rs 6,523.15 crore.

The EPFO, the Minister had said earlier, will meet the deficit liability from within its own resources. However, until now no decision had been taken with regard to how this extra amount could be arranged, officials said.

## S E Z

# New SEZ rules in 10 days, says Kamal Nath

In an attempt to address the gap between demand and supply for special economic zones (SEZs) in the country, the Union Government is planning to notify the new SEZ rules over the next 10 days, said Kamal Nath, Union Minister for Commerce and Industry, while addressing newspersons here on Friday.

Referring to the fringe benefit tax (FBT) compliance issues, Nath said the Centre would consider ways of reducing paperwork for filing returns. Revenue needs to be raised but it should be through less cumbersome procedure. Identifying the simplest ways of raising revenue would be our area of concern. The industries must be left alone to grow and progress, Nath said.

Earlier, addressing an engineering industry gathering, Nath said India has the capacity to lead in the engineering field. It was the aim of the Government to make the country a major manufacturing base.

"When BPO industry was started in India many years ago, who had thought that it will grow to such proportions. Engineering process outsourcing (EPO) can also be a major industry in India given our intellectual capital. EPO is a sunrise sector and it needs to be developed. It should be our target for the next 10 years" Nath said.

Engineering exports from the country are likely to exceed the revised target of $18.3 billion in the current fiscal. Our attempt should be to double engineering exports to $36 billion within the next couple of years, he said.

## TELECOM

# TRAI for policy on lifetime mobile validity

The Telecom Regulatory Authority of India (TRAI) today called for consultations on the lifetime tariff plans, launched recently by mobile service providers. The move is aimed at evolving a regulatory policy on this issue.

TRAI has also sought "information and data relating to traffic, cost and from all service providers that have announced and implemented lifetime validity plans to examine the sustainability and validity of these schemes." This is because, service providers had not submitted any data to support the viability of these offers, TRAI said.

A consultation paper would be issued on January 15 and a final decision would be taken by the next month, TRAI said.

The regulator also expressed concerns over the fact that lifetime validity plans raised a slew of issues, including long-term sustainability, its implications for an orderly growth of the sector and protection of subscriber interests.

Besides, the regulator also said it remained unclear as to what would happen to these plans if traffic patterns and the inter-connect use regime were to undergo substantial change.

TRAI, however, gave a clean chit to the two-year validity plan that was first offered by Tata Teleservices, and said, according to data and the present IUC regime, the scheme would be viable. Tata Teleservices later turned its two-year offer into lifetime validity.

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