



Stock-taking after the First Year



Growth Performance and Inflation

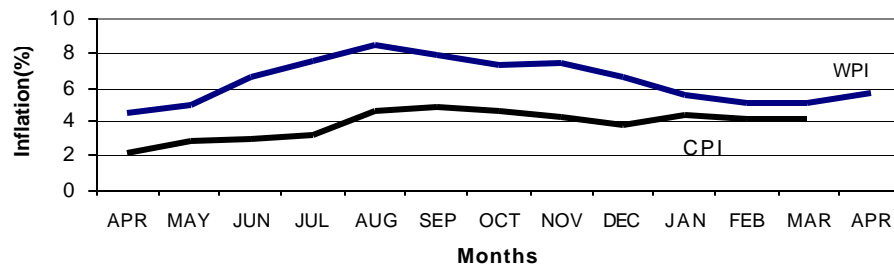


Economy in a Resilient Mode

| | 2003-04 | 2004-05 |
|---------------------------------------|----------|-----------|
| GDP growth | 8.5% | 6.9% |
| Industrial growth | 7.0% | 8.0% |
| Exports (in billions of US\$) | 63.98 | 79.59 |
| <i>Growth</i> | 21.3% | 24.4% |
| Non-food credit (in Rs. crore) | 8,04,824 | 10,18,288 |
| <i>Growth</i> | 18.4% | 26.5% |
| Foodgrain production (million tonnes) | 213 | 210 |
| Forex reserves (in billions of US\$) | 113.0 | 141.5 |

Inflationary pressure contained

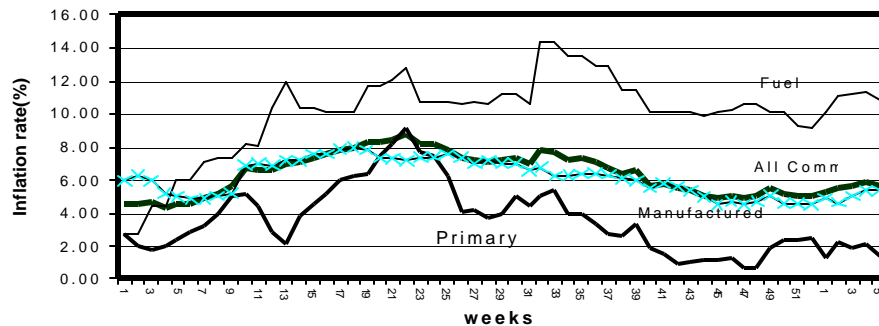
Trends of Monthly WPI and CPI Inflation Rate (Since April 2004-April 2005)



➤ After reaching 8.7 per cent in late-August 2004, point-to-point WPI inflation brought down to 5.0 per cent in end-March 2005

➤ Headline inflation increased because of hikes in international prices of petroleum and other metals and minerals

Trends of Weekly WPI-Inflation Rate by Major Groups (Since April 2004-April 2005)



Inflationary pressure contained

| <u>End of period annual inflation</u> | 2003-04 | 2004-05 |
|--|---------|---------|
| WPI | 4.6 | 5.0 |
| CPI (IW) | 3.5 | 4.2 |
| CPI (AL) | 2.5 | 2.4 |
| Core inflation (excl. iron ore, iron & steel, mineral oils, and coal mining) | 3.3 | 2.0 |
| <u>Contribution to WPI inflation</u> | | |
| Mineral oils (POL) | -0.1 | 30.2 |
| Basic metal alloys and metal products | 34.4 | 28.5 |
| Food articles | 0.6 | 13.0 |
| Primary articles | 8.0 | 11.1 |

Price Rise of Essential Commodities

- ✦ 30 essential commodities –consisting of 24 food articles; 4 non-food articles (long cloth/sheeting; dhoties, sarees and voils; laundry soap; and safety matches); and 2 minerals (coal, kerosene) are important for the common citizen.
- ✦ Prices of essential commodities rose 3.9 per cent (year-on year) at the end of the first six weeks of 2005-06, that is on May 7, 2005, compared to 4.6 per cent on the corresponding date of the previous year, that is May 8, 2004.
- ✦ Of the 30 essential commodities, prices of 11 declined and 1 remained the same in the 12 months ending on May 7, 2005.
- ✦ Government is determined to keep the inflation rate for essential commodities under control.

Inflationary pressure contained

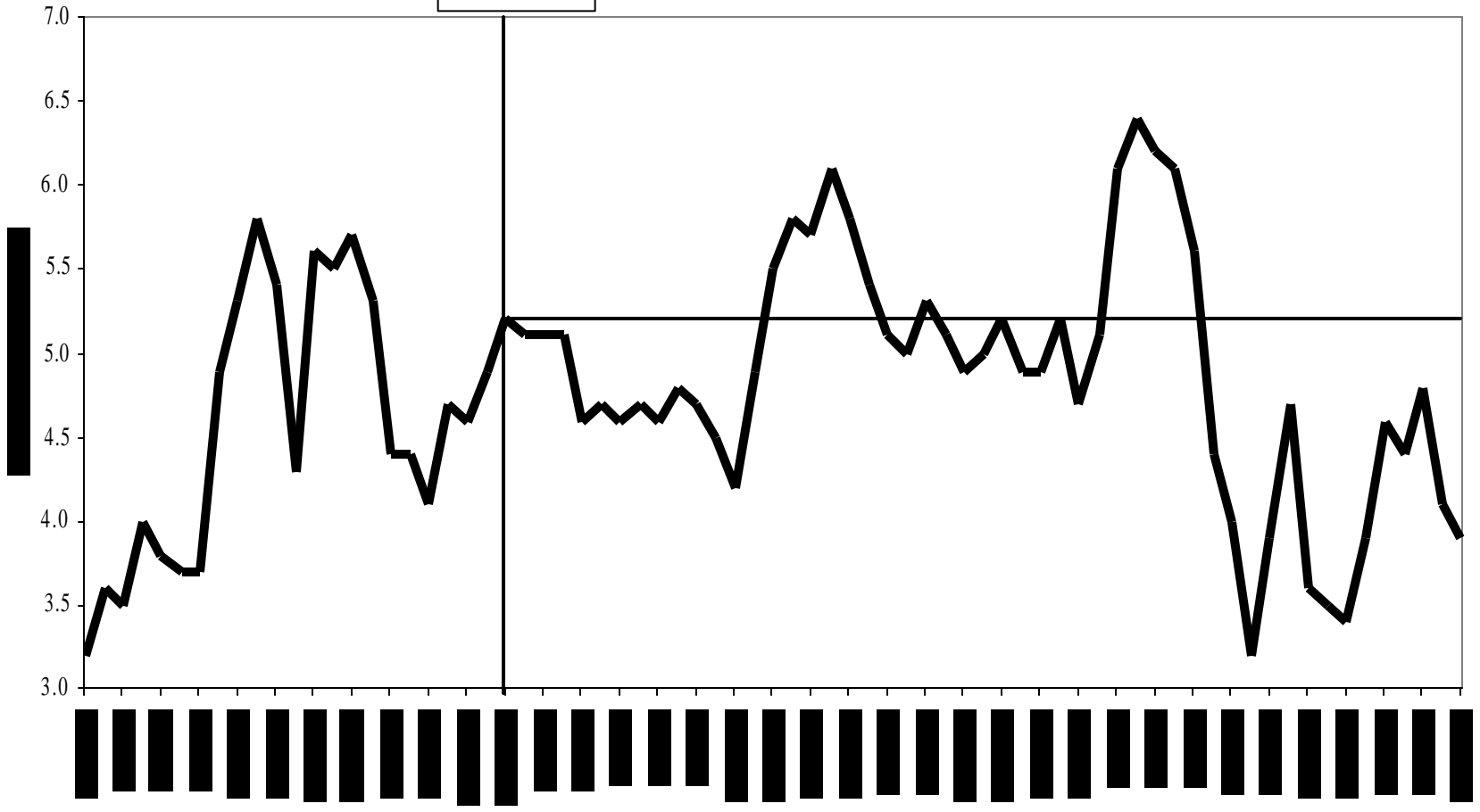
| | 03/2004 to 08/2004 | 08/2004 to 03/2005 |
|----------|--------------------------|--------------------------|
| Food | 4.4 | -2.1 |
| Non-food | 5.1 | 0.3 |
| Overall | 4.9 | 0.1 |

Source :- RBI



Inflation (WPI) Rates of Essential Commodities (Pre and Post-May 21, 2004)

**May 21
2004**



Infrastructure Development

A high NCMP Priority



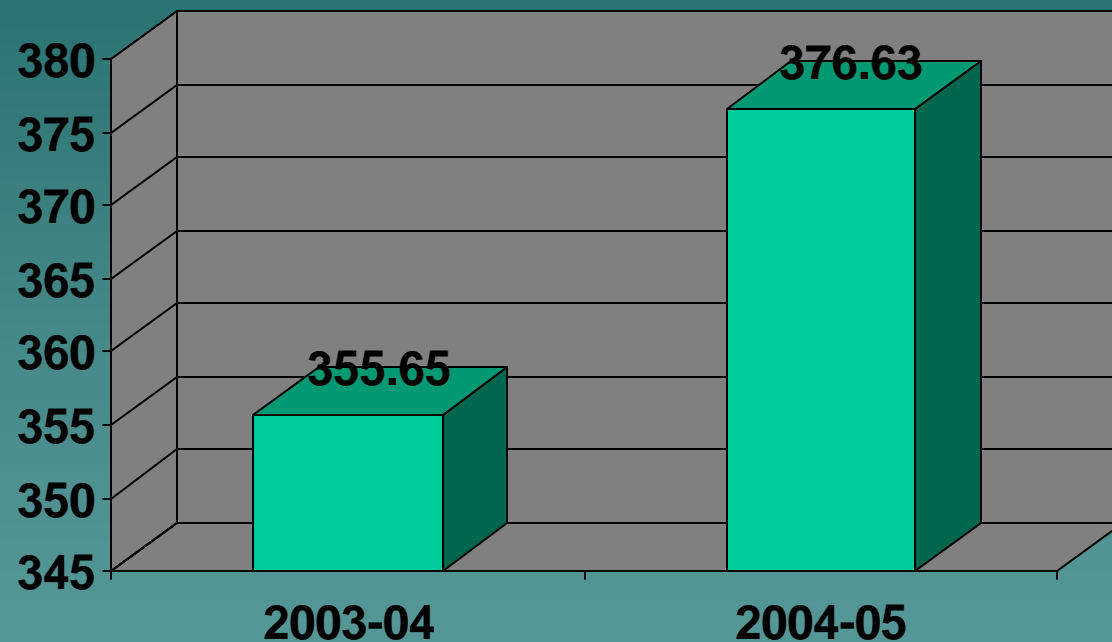
Energy: Coal and Power

| | 2003-04 | 2004-05 |
|-----------------------|---------|---------|
| <u>Rate of growth</u> | | |
| Coal | 5.8 | 3.9 |
| Power | 5.0 | 5.2 |

- ✦ Coal critical for power, steel and cement
- ✦ Need to speed up DPRs and environmental and forestry clearances for new projects in coal
- ✦ Bill pending in Parliament since 2000 on liberalisation of coal mining by Indian companies

Coal

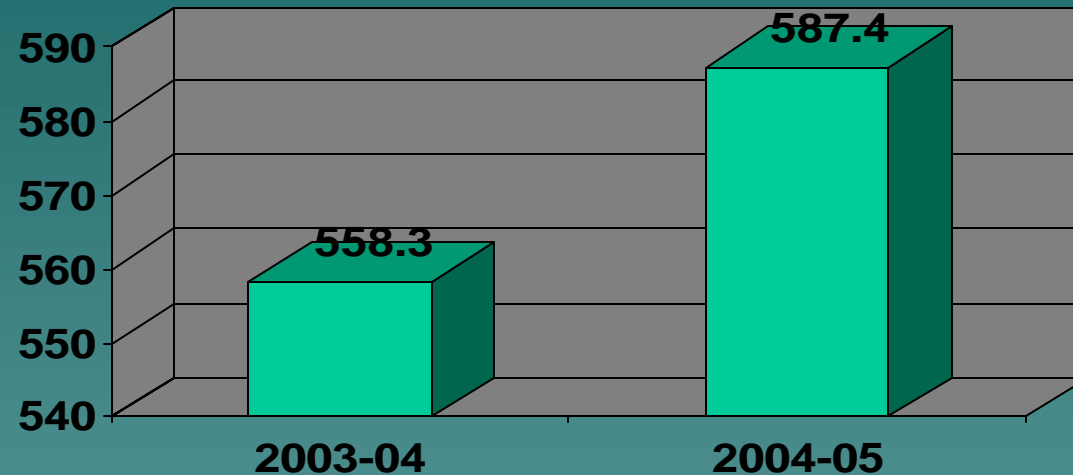
Coal Production (Million Tonnes)



- Growth of 5.9% in production of coal as compared to the previous year
- CIL have loaded 22,464 wagons per day in March 2005 as against 22,010 wagons per day in March 2004

Power

Overall Power Generation (Billion Units)



- National Electricity Policy, 2005 announced in February
- Appellate Tribunal for Electricity Sector under section 110 of the Electricity Act, 2003 notified; Chairman assumed office May 2005
- 11 IPPs of over 4000 MW achieved financial closure in 2004-05. Investments of over Rs. 16000 crore committed
- NTPC IPO oversubscribed 12 times, PTC oversubscribed 7 times

Rural Electrification

- ✍ Rural Electrification Scheme announced, providing for:
- ✍ Capital subsidy of 90 per cent for
 - Creation of Rural Electricity Distribution Backbone of 33/11 KV or 66 KV Substations
 - Creation of Village Electricity Infrastructure
 - Decentralized distribution and supply system
- ✍ 100 per cent subsidy for single point connection to BPL households
- ✍ Central Government support of Rs 16,000 crore to cover 1,12,401 villages

Roads: Carrying Through Earlier Projects

- Plan outlay for 2005-06 enhanced to Rs. 19,039 crore from Rs.10,300 in 2004-05

| | Commencement | Completion | Investment Made (Rs crore) | Projected Investment (Rs crore) |
|-------------------|--------------|-------------|-------------------------------|------------------------------------|
| NHDP I (GQ) | Dec 2000 | Dec 2006 | 21,723 | 6,000 |
| NHDP II (NSEW) | Dec 2003 | Dec 2007 | 2,459 | 41,000 |

Roads: New Vistas Ahead

| | Commencement | Completion | Projected Investment (Rs crore) |
|-----------------------------------|--------------|------------|---------------------------------|
| NHDP III (4-laning of 10,000 kms) | January 2005 | March 2010 | 50,000 |
| NHDP IV (2-laning of 20,000 kms) | June 2005 | March 2012 | 25,000 |
| Six-laning (5,000 kms) | June 2005 | March 2012 | 17,500 |
| Expressways (1,000 km) | June 2005 | March 2012 | 15,000 |

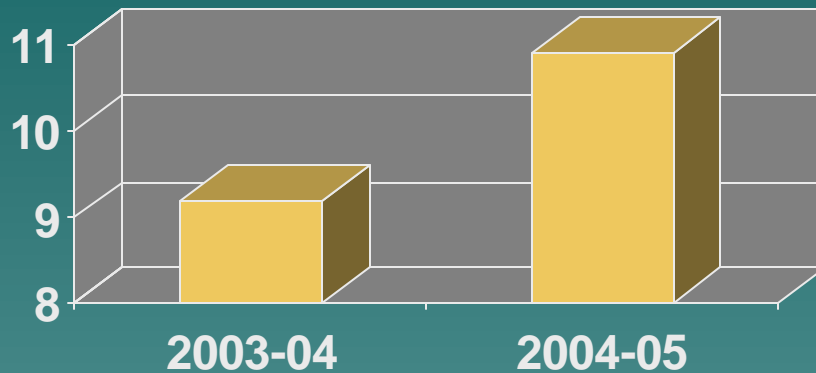
Rapid Growth in Civil Aviation (April-February)

| | 2003-04 | 2004-05 |
|--------------------------|---------|---------|
| Export cargo | 0.4% | 12.6% |
| Import cargo | 12.6% | 25.8% |
| Domestic passengers | 11.7% | 23.9% |
| International passengers | 6.5% | 14.3% |

Civil Aviation

- ✍ 4 metro, 6 greenfield and 25 other airports to be developed on PPP initiative with an investment of Rs. 40,000 crore
 - Bids for modernisation of Delhi and Mumbai airports invited - expected to be finalized by August 2005
 - Concession Agreements for Bangalore and Hyderabad Airports signed
 - Development of ten regional airports under consideration with consultants' support
- ✍ Air India and Indian Airlines fleet acquisition
- ✍ Move towards an open skies policy

Ports



■ % Growth in Cargo handled at Major Ports (April-February)

- Port traffic grew by 11 % to 514 million tonnes in 2004-05
- Third container terminal in JNPT (Maersk-CONCOR) and ICTT in Vallarpadam, Cochin (Dubai Port International) approved in 2004-05
- Sethusamudram Ship Channel Project - getting ready
- Guidelines issued for regulatory agency for major ports (TAMP)

Railways

Recent Performance

- Revenue earning freight traffic in 2004-05 at 601.89 million tonnes is 8 % higher than 2003-04 and passenger traffic is 6.2 % higher than last year
- Average rate of growth in the past of freight and passenger traffic has been 3.6% and 4%, respectively
- In the first 3 years of the 10th Plan the rate of growth has picked up –

| | |
|-----------------|-------|
| Freight traffic | 6.8 % |
|-----------------|-------|

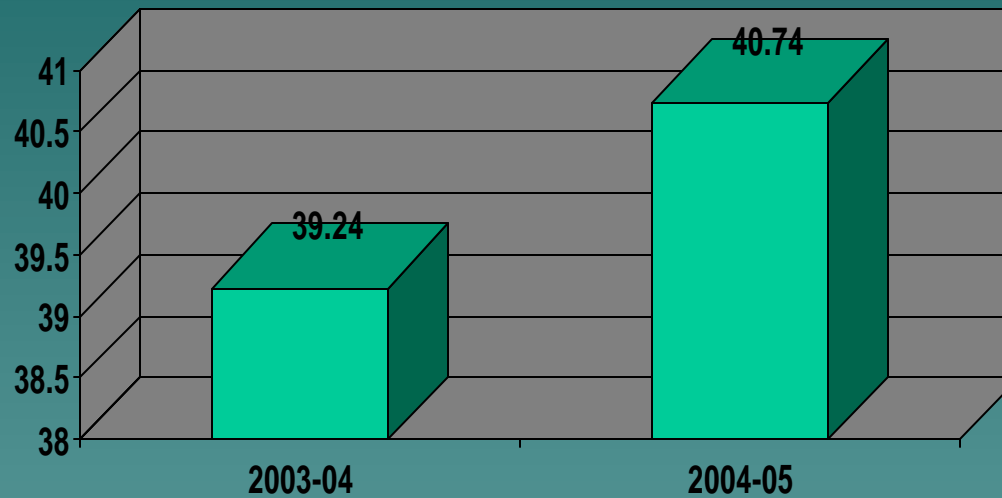
| | |
|-------------------|-------|
| Passenger traffic | 5.0 % |
|-------------------|-------|

Steps taken

- Special Railway Safety Fund established
- Corporate Safety Plan being implemented
- Modernization Plan formulated
- Organisations other than CONCOR allowed to move container traffic
- Wagon investment scheme introduced
- Accounting reforms initiated
- Tariff rationalization – classes of commodities reduced
- Running of freight trains on dedicated corridors approved

Steel

Production of Finished Steel (Million Tonnes)



- **3.8% growth in steel production in 2004-05 over last year**
- **New capacity of 4.2 million tonnes (2.7 for major plants + 1.5 in secondary sector) is expected to be created in 2005-06**

Telecom

| | 2003-04 | 2004-05 | Growth (%) |
|------------------------------------|-------------|-------------|------------|
| Addition of Net Switching Capacity | 44,82,632 | 67,14,149 | 49.8 |
| Provision of Telephone Connections | 84,55,468 | 69,62,142 | -17.7 |
| Provision of Cell Phones | 1,34,66,768 | 1,48,71,535 | 10.4 |

- Teledensity increased to 8.95% as on 31-3-2005 as compared to 7.08% on 31-3-2004
- Total number of fixed line and cellular subscribers has increased to 573.47 lakh and 410.26 lakh as on 31-3-2005
- The operation of Automated Spectrum Management System commenced in January 2005
- Cabinet has approved proposal to enhance FDI ceiling from 49% to 74%

Tax Reforms



Tax reform – Direct Taxes

✍ Personal income tax

- Exemption limit increased to Rs 1 lakh
- Higher limits for women and senior citizens
- Rate slabs cleaned up


✍ Corporate Income Tax

- Reduced from 35 per cent to 30 per cent
- Loopholes plugged through introduction of Fringe Benefit Tax and rationalisation of depreciation rates
- Credit for MAT introduced

Tax Reforms- Indirect Taxes

- ✍ Movement towards a central CENVAT rate continues
 - New tax regime for textiles
 - New revenue-neutral tax regime for petroleum to soften impact of volatile international prices
- ✍ Further reduction of peak customs duty rate by 5 per cent
 - Duty inversions corrected
 - Steeper reduction for capital goods and industrial raw materials
- ✍ Service Tax made more comprehensive
 - Threshold limit introduced to exempt small service providers

Strengthening Tax Administration

- ✍ Big step forward in computerization
 - ✍ Large Taxpayer Units
 - ✍ Help Centres for small taxpayers
 - ✍ Procedural changes
 - ✍ Decentralization and delegation of powers
- 

Unearthing Black Money

- ✍ Banking Cash Transactions Tax
- ✍ Amendments to PMLA
- ✍ Establishment of Financial Intelligence Unit
- ✍ Strengthening of investigation and audit
- ✍ Annual Information Report
 - 7 authorities to report high value transactions
- ✍ Tax Information Network
 - PAN wise return-filing, TDS payments and Advance Tax payments to be monitored

Redeeming the NCMP pledge of increasing the tax-GDP ratio

| | 2003-04 | 2004-05(RE) | 2005-06(BE) |
|---------------------------------|-------------|-------------|-------------|
| <u>Gross Tax Revenue</u> | 9.22 | 9.84 | 10.63 |
| <u>Direct tax</u> | | | |
| Corporation tax | 2.30 | 2.67 | 3.18 |
| Personal income tax | 1.50 | 1.64 | 1.90 |
| Total | 3.81 | 4.32 | 5.09 |
| <u>Indirect tax</u> | | | |
| Excise | 3.29 | 3.24 | 3.49 |
| Customs | 1.76 | 1.81 | 1.53 |
| Service tax | 0.29 | 0.46 | 0.50 |
| Total | 5.34 | 5.50 | 5.52 |

Gross Tax Revenue

| | 2003-04 Actuals | Growth (over previous year - %) | 2004-05 RE | 2004-05 Actuals | Difference (between Actuals & RE) | Growth (over previous year - %) |
|--------------|--------------------|---|----------------|--------------------|--|--|
| CIT | 63,562 | 38 | 83,000 | 83,851 | 581 | 31 |
| PIT | 41,379 | 12 | 50,929 | 47,514 | -3415 | 15 |
| Customs | 48,629 | 8 | 56,250 | 57,645 | 1395 | 19 |
| C Excise | 90,774 | 10 | 100,720 | 98,632 | -2088 | 9 |
| Ser Tax | 7,891 | 91 | 14,150 | 14,134 | -16 | 79 |
| Total | 252,371 | 17 | 305,314 | 302,329 | -2985 | 20 |

Collection of Tax Arrears

| | 2003-04 (Rs crore) | 2004-05 (Rs crore) | Increase (%) |
|-----------------------|-----------------------|-----------------------|-----------------|
| Indirect Taxes | 711 | 2642 | 271.6 |
| Customs | 235 | 843 | 258.9 |
| Central Excise | 476 | 1799 | 277.9 |
| Direct Taxes | 5540 | 7083 | 27.9 |
| Income Tax | 1133 | 1385 | 22.2 |
| Corporation Tax | 4407 | 5698 | 29.3 |
| TOTAL | 6251 | 9725 | 55.6 |

VAT – A far-reaching reform

- ✍ State-level VAT introduced from April 1, 2005 to replace Sales Tax
- ✍ Currently in force in 23 States and UTs
- ✍ Centre facilitated VAT
 - Preparation of draft model VAT Act
 - Compensation package to States in case of loss of revenue
 - Providing assistance for computerization projects and publicity campaigns

Rural Credit, Credit to SHGs, and for Education



Bank Credit Expansion

| | 2003-04 | 2004-05 | 2005-06 (Target) |
|------------------------------------|---------|-----------------------------|---------------------|
| Agricultural credit (Rs. Crore) | 86,981 | 115,243 | 141,000 |
| New Farmers Assisted (lakhs) | | 78.84 (Target 50) | 50 |
| SHGs Financed (Numbers) | 361,731 | 518,713 (Target 185,000) | 250,000 |
| Education Loans sanctioned | 107,929 | 165,791 | 200,000 |
| <i>Amount Disbursed (Rs Crore)</i> | 1,983 | 2,372 | 3,000 |

Some Important Sectors

*Trade, Industry, SSI and
ARIs, and Textiles*

A stylized silhouette of a mountain range in shades of teal, located at the bottom right of the slide.

External Trade

- ✍ Sustained growth in exports continuing
- ✍ Imports growing faster than exports (partly due to higher fuel import bill)
 - Imports of capital goods witnessed slowdown mainly on account of decline in imports of transport equipment
 - Imports of food and related items declined in 2004-05 mainly because of lower imports of edible oils and pulses
- ✍ Resulting in higher trade deficit
- ✍ No vulnerability on the balance of payments front

Balance of Payments : April-December

| | 2003-04 (in US \$ million) | 2004-05 (in US \$ million) |
|-------------------------|-----------------------------------|-----------------------------------|
| Exports | 43,237 | 57,485 |
| Imports | 58,233 | 85,841 |
| <i>Trade deficit</i> | <i>14,996</i> | <i>28,356</i> |
| Invisibles (net) | 18,222 | 21,005 |
| Current Account | 3,226 | -7,351 |
| Capital Account | 17,562 | 20,835 |
| Of which | | |
| Foreign Investment | 10,134 | 7,284 |
| Commercial borrowings | -3,732 | 4,147 |
| Short term credit | 2,361 | 2,738 |
| External Assistance | -1,814 | 728 |
| Reserve increase | 20,788 | 13,484 |

Growth of Exports and Imports, 2004-05

(% in dollar value terms)

| | 2002-03 | 2003-04 | 2004-05 |
|--|---------|---------|---------|
| Exports | 20.3 | 21.3 | 24.4 |
| Imports | 19.4 | 30.0 | 35.6 |
| POL Imports | 26.0 | 16.7 | 41.2 |
| Non-POL Imports | 17.0 | 35.5 | 33.6 |
| Non POL+ Non gold & silver Imports | 20.3 | 32.9 | 29.8* |

* Estimate. Actual growth for April-February 2004-05, latest period for which gold & silver imports data is available, was 29.3 per cent

The Export Challenge

- ✍ Higher exports of manufactured goods accounted for bulk of the increase in exports in 2004-05
 - Engineering goods
 - Chemical & related products
 - Gems and jewellery
 - Leather and manufactures
 - Petroleum products
- ✍ Need to sustain this momentum and capture new heights in textiles in the post-ATC world

Policy Initiatives

- ✍ **Foreign Trade Policy, 2004-09**
 - Vigorous export led strategy for doubling India's share in world trade in the next five years
- ✍ Carrying forward of tariff reforms
 - Further lowering of peak customs duty to 15%
- ✍ Introduction of **SEZ Bill 2005**
- ✍ Other sector specific measures

Industry

- ✍ National Manufacturing Competitiveness Council set up
 - ✍ Investment Commission established to interact with industry in India and large companies abroad
 - ✍ The Patent (Amendment) Act 2005 formulated to be WTO-consistent while providing adequate safeguards for the domestic industry
 - ✍ A liberal, transparent and investor friendly FDI policy put in place
- 

SSI and ARI

- ✍ Small and Medium Enterprises Bill, 2005, introduced in the Lok Sabha
- ✍ National Commission on Enterprises in the Unorganized/Informal Sector set up in September 2004
- ✍ Number of Items eligible for SSI investment limit increased from 64 to 71 in October, 2004
- ✍ Turnover limit for SSI exemption increased from Rs 3 crore to Rs 4 crore w.e.f. March 1, 2005

Performance of SSI Sector

| | 1999-00 | 2003-04 | 2004-05 |
|---|----------|----------|----------|
| Total Units | 97.15 | 113.95 | 118.59 |
| Registered | 12.32 | 15.54 | 16.38 |
| Unregistered | 84.83 | 98.41 | 102.21 |
| Production (Rs crore) | 2,34,255 | 3,57,733 | 4,07,630 |
| Registered | N.A. | 2,57,593 | 2,93,522 |
| Unregistered | N.A. | 1,00,140 | 1,14,108 |
| Employment (in lakhs) | 229.10 | 271.47 | 282.91 |
| Registered | N.A. | 69.52 | 73.39 |
| Unregistered | N.A. | 201.95 | 209.52 |
| Exports (Rs crore) | 54,200 | U.C. | N.A. |
| Contribution to Industrial Production (%) | 40.03 | 39.42 | N.A. |

Excise Duty Relief for Textiles

| | From July 8, 2004 | From March 1, 2005 |
|---|--|--|
| Cotton textile | Option of "0" duty without CENVAT credit | No change |
| Polyester Filament Yarn (PFY) and Polyester Texturised Yarn (PTY) | 24% | 16% |
| Other manmade yarns | 16% | No change |
| Stand-alone Texturising Units | CENVAT scheme | Option of "0" duty without CENVAT credit |
| Additional Excise Duty on Textile & Textile Articles (AT&T) | Abolished | No change |

Textiles – Fiscal Incentives

✍ In 2004-05:

- Basic customs duty on various textile machinery and spare parts reduced to 5 per cent

✍ In 2005-06:

- Allocation to the Technology Up-gradation Fund Scheme (TUFS) enhanced to Rs. 435 crore
- Additional capital subsidy of 10 per cent for the processing sector
- Duties on specified textile machinery items, raw materials and spare parts brought down from 20 per cent to 10 per cent
- Existing concessional duty of 5 per cent on some other machinery continued

Capital Markets



Resurgent Capital Markets

| | 2003-04 | 2004-05 | 24-05-05 |
|--|----------------|----------------|-----------------|
| BSE Sensex (end-year) | 5,591 | 6,493 | 6,565 |
| BSE Market Cap (end-year) (Rs crore) | 12,01,207 | 16,98,429 | 17,51,000 |
| Resources raised (domestic plus offshore) (Rs crore) | 57,256 | 74,812 | - |
| Equity (Rs crore) | 23,281 | 31,886 | - |
| Debt (Rs crore) | 33,975 | 42,926 | - |

Rajiv Gandhi Relief Package for Tsunami Victims

| State / UT | Subsidy-cum-Loan | | | | | | 100% subsidy | | | |
|----------------|------------------|-------|-----------|-------|------|-------|--------------|-------|-------|-------|
| | Applications | | Sanctions | | | | Applications | | Paid | |
| | No. | Amt. | Subsidy | | Loan | | No. | Amt. | No. | Amt. |
| | | | No. | Amt | No. | Amt. | | | | |
| TN | 1064 | 34.72 | 3237 | 34.72 | 997 | 33.87 | - | - | 14915 | 34.60 |
| AP | 6458 | 9.10 | 6458 | 9.10 | 6458 | 4.55 | 14340 | 11.05 | 14340 | 11.05 |
| Ker | 52 | .29 | 52 | 0.09 | 52 | 0.20 | 4501 | 4.30 | 4501 | 4.30 |
| A&N | 731 | 2.86 | - | - | 731 | 2.86 | - | - | - | - |
| Pondi | 53 | 3.81 | 3355 | 18.00 | 53 | 1.56 | 4178 | 8.36 | 4178 | 8.36 |
| Total | 8358 | 50.79 | 13102 | 53.37 | 8291 | 40.35 | 23019 | 23.71 | 37934 | 58.31 |

Tsunami Relief - Insurance

| | Claims Received | Claims Settled | Amount Rs crore |
|---------------------------|-----------------|----------------|--------------------|
| Life Insurance | 428 | 408 | 3.83 |
| General Insurance | | | |
| Claims below Rs 50,000 | 1214 | 1214 | 10.10 |
| Claims above Rs 50,000 | 865 | 345 | |

Legislative Business

Bills considered and passed during tenure of UPA government

| Sl. No. | BILL | Lok Sabha | Rajya Sabha |
|---------|---|-----------|-------------|
| 1. | Appropriation Bill No. 2, 2004 | 21-7-2004 | 26-8-2004 |
| 2. | Finance Bill, 2004 | 26-8-2004 | 26-8-2004 |
| 3. | Banking Regulation (Amendment) & Miscellaneous Provisions Bill, 2004 | 2-12-2004 | 6-12-2004 |
| 4. | Enforcement of Security Interest and Recovery of Debt Laws (Amendment) Bill, 2004 | 7-12-2004 | 16-12-2004 |
| 5. | Central Excise Tariff (Amendment) Bill, 2004 | 3-12-2004 | 16-12-2004 |
| 6. | Custom and Central Excise Laws (Repeal) Bill, 2004 | 1-12-2004 | 6-12-2004 |
| 7. | Securities Laws (Amendment) Bill, 2004 | 7-12-2004 | 16-12-2004 |
| 8. | Appropriation Bill (No. 2), 2005 | 27-3-2005 | 29-4-2005 |
| 9. | Finance Bill, 2005 | 2-5-2005 | 5-5-2005 |
| 10. | Prevention of Money Laundering (Amendment) Bill, 2005 | 6-5-2005 | 11-5-2005 |
| 11. | Credit Information Companies (Regulation) Bill, 2004 | 13-5-2005 | 9-5-2005 |


Investment Commission

- Investment Commission, chaired by Shri Ratan Tata, appointed with a view to engage private sector leaders in the process of attracting investment
 - Mandated to develop viable strategies to facilitate big-ticket investments in key sectors and industries
 - To closely coordinate with Central and State governments in ironing out bottlenecks to investment
 - Commission has established high-level contacts with a large number of potential investors across various sectors and countries
 - It is actively engaged in working with large global corporations to effect investments in steel (POSCO), mining (Lafarge), ports (Mitsubishi), among others
- 

Recent Changes in India's Ratings

| Agency | Earlier Ratings & Outlook | New Ratings & Outlook |
|---------|-------------------------------------|---|
| Moody's | Ba1 Outlook: Stable | Baa3 Outlook: Stable (Jan '04: Investment grade after 6 years) Reaffirmed 19 th May, '05 |
| S & P | BB Outlook: Positive (Aug '04) | BB+ Outlook: Stable (Feb '05) |
| Fitch | BB Outlook: Stable (Feb '03) | BB+ (highest grade in non-investment category) Outlook: Stable (Feb '05) |
| JCRA | BBB Outlook: Negative (July '02) | BBB Outlook: Stable (Sept '04) |

Prospects for 2005-06

- ✍ RBI expects GDP growth in 2005-06 to be around 7 %
 - With the prospects of a normal monsoon
 - 3 per cent growth in agriculture
 - ✍ Good auguries for manufacturing and investment
 - Buoyant growth of non-food credit
 - Growth of non-oil, non-gold and silver imports
 - ✍ Prospects will depend on
 - Sustaining investment
 - Improving infrastructure
 - Containing fiscal and revenue deficits
 - Containing inflation
 - Keeping interest rates benign
- 

GDP Growth Forecasts for 2005-06

| Agency | Forecast (%) |
|--------|--------------|
| NCAER | 7.2 |
| ESCAP | 7.2 |
| RBI | 7.0 |
| ADB | 7.0 |
| IMF | 6.7 |