

# INDIA

## MEANS BUSINESS

### **Bright Growth Prospects**

**India is at last reaping the benefits of economic reforms that started a little more than three years ago. After one year of crisis in 1991-92 followed by two years of recession, the Indian economy is now poised to record solid growth. All indications point to GDP growth in excess of 5% this year, led by a growth of up to 8% in the manufacturing sector.**

Most companies are expected to report improved profitability for the first half of the accounting year that ended in September. Higher profits are coming from an upturn in a number of industries like oil, capital goods, consumer durables and steel. Mukesh Gupta, vice chairman of Lloyds Steel Industries Ltd., states "the steel industry in India is expected to do very well, where it is growing at a rate of over 9% a year." Project finance is up, industrial output is soaring and inflation is on the decline. Stock market indices have crossed all-time highs.

The most significant breakthrough in decades, however, may be a sharp reduction in the budget deficit this year. For the first half of the year to September, tax collections have gone up by almost 20% over the same period last year, according to sources in the Ministry of Finance. The year is likely to end with a dramatic contraction in the budget deficit.

"The buoyancy primarily reflects the turnaround in the industrial sector over the last six months," says Narayanan Vaghul, chairman of the Industrial Credit and Investment Corporation of India (ICICI), a term-lending institution. In addition, the Finance Ministry had reduced rates of depreciation in 1993-94. These two elements have directly

affected the profitability of companies. The current uptrend in collections has come about despite a cut in tax rates effected by the Finance Minister in the budget for 1994-95.

"The manufacturing sector is also witnessing a boom," says Deepak Parekh, chairman of the Housing Development Finance Corporation, India's largest housing finance company. Some banks, flush with surplus funds after two years of slowdown, are willing to lend at exceptionally competitive rates.

The investment upturn is leading to a boom in the Initial Public Offering (IPO) market. In the first six months of this financial year, companies raised \$4 billion from the domestic market. The rest of the year will see a much bigger increase. Global markets also are supplying fuel for Indian industrial growth. Some 34 companies have raised over \$3 billion in Euro-issues since September 1993 while, additionally, the Finance Ministry has cleared the proposals of another 15 companies to raise over \$1 billion. Foreign direct investment up to 51% is automatic. Beyond that, agreement is usually extremely liberal and speedy. In response, investors from abroad are expected to invest anywhere between \$2-3 billion in Indian projects during the year.

**"The buoyancy primarily reflects the turnaround in the industrial sector over the last six months"**



Chairman of the Taj Group of Hotels, Ajit Kerkar.

Bombay, which was established around the turn of the century, with its distinctive Indian colonial architecture and the prime location opposite the Gateway to India. With monies accrued from converting part of the ownership from the Tata Charity Trusts to public shareholdings, the Taj management began a cautious yet determined expansion program. Management contracts were taken for two palaces – the Lake Palace Udaipur and the Rambagh Palace Jaipur – to convert them into world famous hotels. Investments were also made into hotel companies to develop the uncharted destinations of Goa and Madras.

By the beginning of 1994, The Taj Group had either purchased outright, undertaken the construction of, or concluded joint venture agreements with over 40 properties covering all major Indian cities and tourist destinations together with another dozen or so in South Asia, the Middle East, London and the U.S.A. The quality of accommodation embraces both 5-star grand deluxe and 4-star properties suited to the requirements of the international business traveler.

The timing of the acquisitions could hardly have been better. A resurgence of the Indian economy, along with the recent easing of trade barriers by New Delhi has created a business climate which promises sunny times ahead.

In a land where overall service industry standards have dropped below the expectations of international travelers, Ajit Kerkar and his board have succeeded in keeping the Taj name securely among the top hotel establishments worldwide.

### Jain Group

Some 250 km northeast of India's commercial capital, Bombay, can be found an unusual Indian business success story. Though India is a predominantly agricultural country, Indian capitalists have thrived in trade and industry – often without any links to the farm sector.

The Rs 2.1 billion Jain Group is headquartered in rural Maharashtra. The Group chairman, BH Jain, commenced his career by purchasing a dealership for the petroleum company Esso, and between 1962 and 1978 acquired a further 56 dealerships for a variety of products including fertilizers, farm machinery, tractors, seeds, pesticides and PVC pipes. In 1978 he took over an ailing banana powder unit which was producing papain. In 1980 Jain began making PVC pipes and later, in a pioneering venture, moved into micro-irrigation systems. Today the Jain Group's businesses include food processing, liquid fertilizers, tissue culture, irrigation systems and high quality seeds.

Today, Jain Irrigation Systems Ltd commands a 65% share of the domestic market and is more global than many large Indian corporations. It has achieved a 161% growth in the last 2 years, primarily from exports, and earlier this year completed a \$30 million international equity offering.

Half of the current year's turnover of \$50 million will come from exports of polyvinyl chloride (PVC) pipes and PVC sheets. Exports have been doubling each year for the past three years.

Recently, the Jain group has signed seven collaboration agreements with internationally known Israeli companies



The Taj Mahal Hotel and the Taj Inter-Continental, Bombay.



The Jain family of Jalgaon, BH Jain and his four sons, Atul, Anil, Ajit and Ashok.

to launch new products such as greenhouses for subtropical and tropical regions, tissue cultures, plastic film, electronic controls and solar heaters. The projects translate into a \$30 million investment and are evidence that Jain is emerging as a one-stop Group for high-tech farm input.



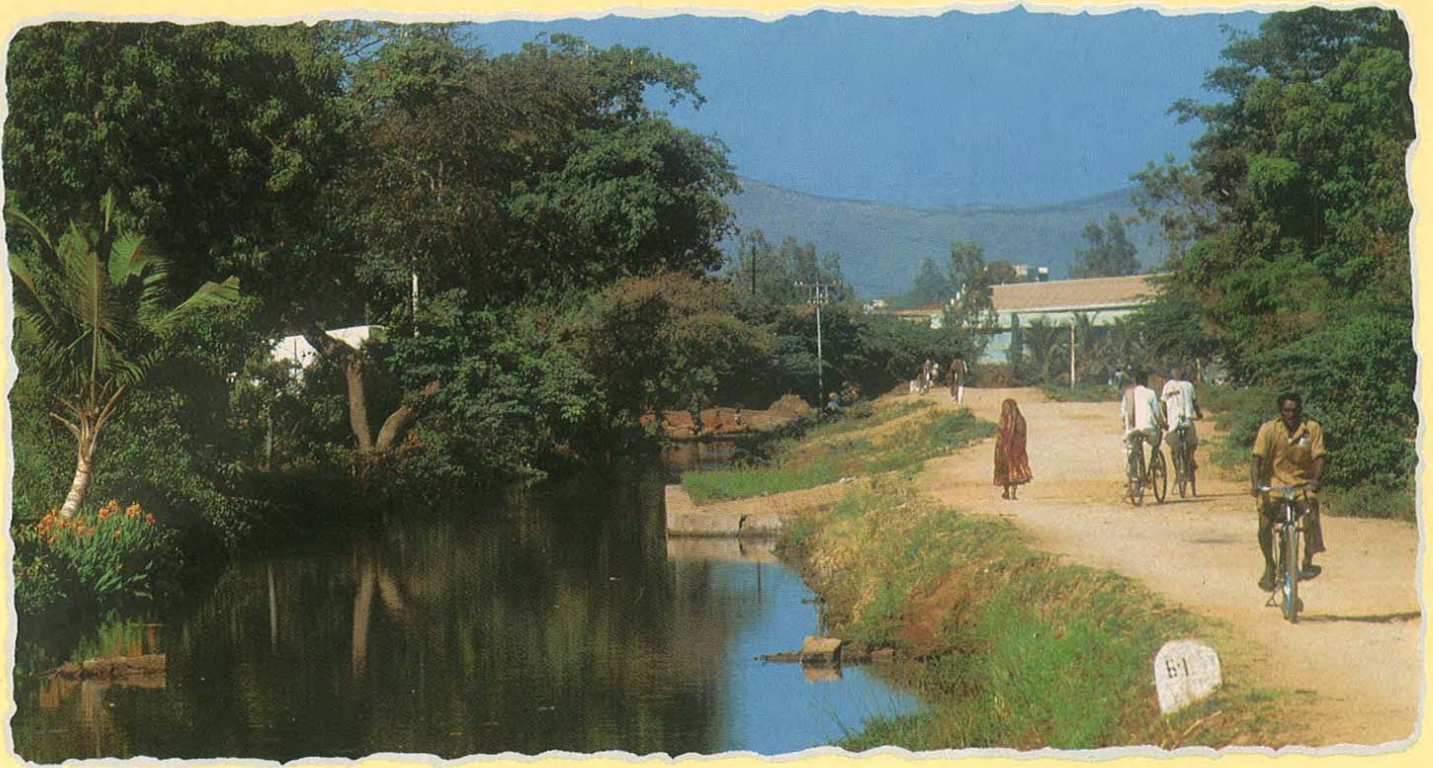
Jain's new venture – greenhouses.

### AN INTERVIEW WITH PRIME MINISTER PV NARASIMHA RAO

**Q: There is a feeling among a section of the business community that economic reforms are slowing down. Is this true?**

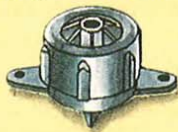
**A:** There has been no slowdown; it is a process that we are taking forward in a phased manner. Several new measures have been taken. The Rupee has been made convertible on current account; we have introduced a major liberalization of our drug (pharmaceutical) policy and new guidelines for private sector entry into basic telecom services. Recently, our Central Bank announced considerable deregulation of interest rates and further reductions in the Statutory Liquidity Ratio.

We have instituted a system for automatic approvals of investment proposals meeting certain criteria. Any company is welcome to bring its proposal before the Board and we do not insist on any set format for applications.



**HOW A SMALL SLEEPY TOWN IN A THIRD WORLD COUNTRY  
CAN HELP CONTRIBUTE TO THE FUTURE OF THE WORLD.**

Chances are you haven't heard of Jalgaon, in India. A town which is the heart of the Jain Group. A Group which has successfully raised \$ 30 million in European Depository Receipts. A Group which is committed to invest over \$ 70 million in the coming year for a better tomorrow. In projects like Solar Water Heating Systems, Tissue Culture, Greenhouses, Liquid Fertilizers, Food Processing and high performance Engineering Plastics which will increase agricultural yield, and conserve nature. Products that will make the world a better place to live in. The Jain Group has, over five continents, reflected world class excellence in: enzymes & chemicals, extruded & moulded plastics and micro-irrigation systems. Its products like PVC foam and polycarbonate sheets have been well accepted all over the world. The Group pioneered the concept of micro-irrigation in India, and is the largest processor of plastic polymers in the Indian subcontinent. What's more, the Jain Group is the world's second largest producer and India's largest exporter of Refined Papain, since 1978. These achievements have accredited the Group to forge associations with distinguished multinationals from the U.S.A., Italy, U.K., Australia and now Finland and Israel. With these alliances in the form of joint ventures, technical collaborations, R & D consortia and buy-back arrangements, the Jain Group is now receiving a warm welcome around the world.



**JAIN GROUP**  
J A L G A O N

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**SMALL IDEAS. BIG REVOLUTIONS.**