

India's External Trade during the 'Nineties: Some Aspects

An Analysis of Customs House and Company Data

A Project Report for the
Planning Commission



Institute for Studies in Industrial Development

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Contents

	<i>Page</i>
Preface	(i)
Summary and Main Points	(vii)
Introduction	1
Part – I	
Analysis of the Customs House Data	6
o Introduction	6
o Problems of the DTR Data	11
o Changes in DTR Format	14
o Ownership Classification of Importers & Exporters	19
Section I: Analysis of the Export DTRs	22
Section II: Analysis of the Import DTRs	33
Section III: Transfer Pricing in Trade Transactions	43
Part – II	
Export Performance of Non-Government Companies	70
o Exports & Imports of Sample Companies in Relation to National Aggregates	74
o Exports & Other Earnings in Foreign Currencies	76
o Ownership Category & Activity-wise Trends in Number of Exporters	80
o Export Orientation	82
o Pattern of Expenditure in Foreign Currencies	84
o Import Intensity	92
o Ownership Category-wise Net Earnings in Foreign Currencies	99

List of Tables

Table-1	India's External Trade	1
Table-2	Composition of India's Exports	4
Table-3	Composition of India's Manufactured Exports	4
Table-I.1	Structure of Daily Trade Returns (DTR) Data on Imports	9
Table-I.2	Structure of Daily Trade Returns (DTR) Data on Exports	10
Table-I.3	Share of Mumbai Sea and Air Ports in India's Imports and Exports	11
Table-I.4	Structure of the Revised DTRs	16
Table-I.5	Daily Trade Returns Report -- Imports : Sample Records (01-Oct-02 to 07-Oct-02) New Customs House, Mangalore	17
Table-I.6	Daily Trade Returns Report – Exports: Sample Records (01-OCT-02 to 07-OCT-02)	18
Table-I.7	Some Basic Particulars of Export DTRs	23
Table-I.8	Distribution of Export Consignments according to their Value	24
Table-I.9	Distribution of Exporters according to Total Exports in a Year	25
Table-I.10	Ownership Category -wise Distribution of Exporters and Exports	26
Table-I.11	Distribution of Non-Government Exporters according Total Exports in a Year	27
Table-I.12	Share of Various Categories in Total Non-Government Exports according to Different Criteria	27
Table-I.13	Changes in Concentration of Export Markets in the Post-liberalisation	30
Table-I.14	Distribution of Exporters according to Number of Importing Countries and Size of the Exporter	31
Table-I.15	Distribution of Exporters according to their Initial Exports and Change in the Number of Countries Exported to	31
Table-I.16	Composition of Exports of Top 50 Houses	32
Table-1.17	Some Basic Particulars of Import DTRs	34
Table-I.18	Distribution of Import Consignments according to their Value	35
Table-I.19	Multiple Forms of Godrej & Boyce Mfg. Co. Pvt Ltd, Remaining in the Data File after Standardisation of Importer Names	37
Table-I.20	Distribution of Importers according Total Imports in a Year	39
Table-I.21	Importer Category -wise Distribution of Importers and Imports	40
Table-I.22	Size-wise Distribution of Non-Government Importers and their Imports	40

Table-I.23	Share of Various Categories in Total Non-Government Imports according to Different Criteria	41
Table-I.24	Indian Direct Investments Abroad	44
Table-I.25	Illustrative List of Foreign Subsidiaries and Affiliates of Indian Companies	45
Table-I.26	Shares of Different Types of Suppliers in Imports: 1994-95	49
Table I.27	Illustrative List of Foreign-Controlled Companies Importing from their Parents and Affiliates	50
Table-I.28	Top 25 Suppliers to Large House Companies and Foreign-Controlled Companies	56
Table-I.29	Showing the Relative Importance of Imports from Japan by the Affiliates of Honda, Japan	58
Table - I.30	Showing Variations in the Import Price of Mono Ethylene Glycol During Apl-Dec. 1990 (Chronological Order)	59
Table - I.31	Illustrative List of Machinery Imports with Vague Product Description	62
Table-II.1	Share of Sample Companies in National Exports and Imports	74
Table-II.2	Growth in Exports and Imports of Sample Companies	75
Table-II.3	Export Orientation and Import Intensity of Sample Companies	76
Table-II.4	Industry/ Activity-wise Exports of Sample Companies	77
Table-II.5	Share of Exports in Gross Earnings in Foreign Currencies	79
Table-II.6	Sector-wise Relative Importance of Other Earnings in Foreign Currencies	80
Table-II.7	Distribution of Companies according to Export-Sales Ratio	81
Table-II.8	Company Category-wise Export Earnings of Sample Companies	83
Table-II.9	Changes in the Export Orientation of Sample Companies	83
Table-II.10	Composition of Expenditure in Foreign Currencies by different Categories of Companies	85
Table-II.11	Sector-wise Relative Importance of Expenditure other than Imports in Foreign Currencies	87
Table-II .12	Composition of Imports: Category -wise	88
Table-II.13	Exports and Imports of Adani Exports Ltd. (A Golden Super Star Trading House)	90
Table-II.14	Exports, Imports and Net Earnings in Foreign Currencies by Hind Lever Chemicals Ltd and Hindustan Lever Ltd	91
Table - II.15	Selected List of Consumer Items Marketed by MNCs and Indian Large Companies	93
Table-II.16	Changes in the Import Intensity of Sample Companies	96

Table-II.17	Relative Share of Technical Collaborations in Foreign Collaboration Approvals	98
Table-II.18	Earnings and Expenditure in Foreign Currencies by different Categories of Companies	101
Table-II.19	Product Group/ Activity-wise and Ownership Category-wise Ratio of Exports to Import: 2000-01	102
Table-II.20	Sector-wise Earnings, Expenditure and Net Earnings in Foreign Currencies	103

Graphs

Graph-II.1	Annual Growth Rates of Exports and Imports	75
Graph-II.2	Export Orientation of Sample Companies	84
Graph-II.3A	Broad Composition of Imports: 1995-96	89
Graph-II.3B	Broad Composition of Imports: 2000-01	89
Graph-II.4	Share of Finished Goods in Imports	97
Graph-II.5	Approval of Technical Collaborations since 1991	99

Preface

External trade statistics, as are generally available, have limited use in examining many a theoretical and policy assumption as they do not take note of the exporters and importers, the real actors. Due to the trading house activity and the extensive diversification, company level data too can be less revealing with regard to the role of different types of trading parties. In this respect the Customs House data which relates the enterprise with the products imported and exported provides an effective alternative. Very few attempts, if any, have been made, especially by non-official agencies, to tap this vast reservoir of data to understand the country's external trade. Apart from the massive size of the data which runs into millions of data records (as it includes every transaction conducted through the ports, with some exceptions), lack of appropriate computing facilities, extensive additional information required on the trading parties to make the analysis meaningful and above all confidentiality sought to be maintained by the authorities have been probably responsible for this situation.

Way back in 1990-91, the Institute took the initiative and mobilised support from official sources to get the Customs House data captured in Daily Trade Returns (DTR). The Institute analysed the DTR data in the context of the serious foreign exchange crisis faced by the country and submitted a report to the Ministry of Finance. The study made a number of policy relevant observations and offered suggestions for improving the database. Having noticed the shoddy manner in which the data, especially about the trading parties, was being entered in the DTRs, it was suggested that an Importer-Exporter Code (IEC) should be made part of the DTRs so that the data could be analysed quickly and accurately. Another important recommendation was about having some minimum details on the trading parties. It is heartening to find that these suggestions have been incorporated into the data system, even if belatedly and partially.

The present project was proposed with a view to bring out the changes at the trading party level during the 'nineties, using both DTRs and Company data, in the context of the drastic changes made in the country's trade and investment policy regime. The Institute had earlier obtained DTR data on payment from various Customs Houses for the period 1988-89 to 1994-95. The project was taken up with the clear understanding that the Planning Commission would facilitate obtaining of the more recent data as also help fill the gaps free of charge. The Customs Houses, however, expressed their inability to share the data in full DTR form and that too without charge as also to supply data for the prior years. In view of this, the exercise had to be restricted to the data already available with the Institute. It was, therefore, unavoidable to limit the exercise both in terms of the period covered and the lines of inquiry. To

make the study contemporary, more emphasis was, therefore, placed on an analysis of the trends and patterns in exports, imports and net earnings in foreign currencies of more than 2,000 non-government public limited companies.

Given the massive amount of data and its poor state, especially with respect to the names of exporters and importers, the very focus of the study, considerable time and efforts had been put in first to standardise the data and then to identify the trading parties according to their affiliation to Large Industrial Houses and transnational corporations. The extensive information system and other research infrastructure developed and maintained by the Institute with emphasis on corporate sector in general and the individual company as the unit of observation in particular, provided the necessary conditions for undertaking a study of this magnitude.

It should be underlined that by the very nature of the study, names of a few industrial houses, companies and individuals had to be mentioned in the study without which it would be difficult to fully comprehend the various phenomena. It is neither the intention of the researchers or the policy of the Institute to impute any motives to or adoption of unjustifiable practices by any company or individual.

We wish to place on record our deep appreciation of the support extended by Dr. S.P. Gupta, Member, Planning Commission; Dr. O.P. Sharma, Economic Advisor; and Shri P.N. Nigam, Deputy Advisor, Planning Commission for their constant encouragement and support.

New Delhi
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S.K. Goyal
Director

Summary and Main Points

Part I : Analysis of Customs House Data

1. The study presents an account of India's imports and exports through Mumbai Air and Sea ports during the seven years 1988-89 to 1994-95. The primary source of data is the Daily Trade Returns (DTRs) compiled by the Custom Houses. Basic units of the compilations are the 'importer' and the 'exporter'. DTR data is uniquely suitable for understanding the behaviour of individual importers and exporters.
2. Though there are a large number of exporters, only a few account for a substantial portion of the exports. Existence of exporter-wise concentration can be seen from that fact that in each of the years, about 3 per cent of the exporters, numbering less than one thousand, accounted for two-thirds of the exports. **(Table-I.9)**
3. Top 100 Indian houses and foreign-controlled companies (FCCs) had a share of a little more than one-fourth of the total exports in 1988-89. While the share of top Indian houses in total exports improved somewhat during the latter years. The share of FCCs continued to decline. As a result, the combined share of top houses and FCCs fell to less than 15 per cent by 1994-95. **(Table-I.12)**
4. An examination of the export markets and their shares in individual exporter's exports revealed that larger exporters diversified more compared to the smaller ones as in nearly two-thirds of the cases the concentration index declined. Thus, while there was two-way movement in the concentration indices, larger exporters tended to either find new markets or their exports tended to become more evenly distributed among the importing countries. Comparatively, more of the top 50 house companies diversified their export markets. **(Table-I.13)**
5. The group of smallest exporters (measured in terms of their exports) has the largest proportion of cases where there was no change in the concentration index. Additionally, concentration increased in a comparatively larger proportion of smaller exporters. Proportion of such companies is the highest in case of non-large house, non-FCC categories. Comparatively more Large House companies and FCCs diversified their export markets. **(Table-I.13)**
6. Except in the highest bracket of companies exporting to 20 countries or more, there has been an overall decline in the number of companies exporting to 3 or more countries. This shows that it was only those who were already well diversified might have diversified their export markets further while the remaining tried to focus on fewer markets. While at the aggregate level there were fewer companies which

- increased the number of countries they were exporting to, proportion of such cases is the highest in case of the largest exporters. **(Table-I.14)**
7. Overall, in the new regime, the largest exporters seem to have diversified their markets more as also sought to spread the exports more evenly among the countries. The smaller ones in general seem to have tried to focus on fewer markets. **(Table-I.15)**
 8. In case of the largest 50 Indian Houses, the top product groups remained the same during the pre- and post-liberalisation periods. There were, however, substantial changes in the inter se ranking of the product groups. While textiles continued to be the topmost export earner, its share declined substantially. Share of the machinery group also declined. On the other hand, considerable gains have been made by the metals group. **(Table-I.16)**
 9. A distribution of the import consignments shows high degree of skewness. Thus even if the consignments worth US\$ 10,000 or less are ignored which account for more than half of the total number of consignments, one would be covering over 90 per cent of the value of imports. This has significance from the point of monitoring import trade. **(Table-I.18)**
 10. Unlike the distribution pattern of exports, small-sized consignments held a relatively smaller share in the overall imports. The pattern of exports is noticeably different when compared to the pattern of imports.
 11. The number of Indian public sector organisations engaged in imports was quite small but their share in imports value was substantial. In 1988-89 their share in imports was a little above 30 per cent. Over the years, however, share of the sector declined and towards the end fell to almost half of the initial value. Correspondingly, the private sector's share increased and reached about 84 per cent by the end of the period. **(Table-I.21)**
 12. During 1988-89, the top 2,000 importers with at least US\$0.25 million or more of imports each accounted for 83 per cent of the Indian imports by the private sector through the two major Customs Houses. In the subsequent years, though the numbers varied, their share continued to be high and ranged between 82 and 86 per cent. **(Table-I.22)**
 13. Within the non-government importers, Indian importers have a substantial and growing share. On the whole, all the three sub-categories of non-government Indian importers increased their shares. That of foreign controlled companies, however, increased in the initial years, but declined towards the end. **(Table-I.23)**
 14. One factor that seems to be responsible for the changes in relative shares in imports of Indian companies and FCCs is that the national industrial policy was liberalised making many private sector enterprises to enter

and expand in areas that were hitherto reserved for the public sector. A second relevant factor is that the booming stock market enabled many non-house entities and non-FCCs to take up large projects. This happened especially in the metals industry requiring heavy investments. Thus among the top 50 importers in 1993-94 and 1994-95, as many as 12 belonged to basic metal industries.

15. While the problem of transfer pricing has been known for a long time, India started developing a proper system to monitor transfer pricing transactions only recently. In the context of growing investments by Indian companies abroad and the increased role of FDI in the domestic economy, the avenues for transfer pricing are increasing substantially.
16. International trade is known to be dominated by inter-branch transactions and supplies being routed through close business associates. The DTR data provides evidence to show the existence of a large area where transfer pricing is in operation. **(Table-I.27)**
17. It is pertinent to note that the share of parents and affiliates is the highest for foreign-controlled companies as they procured at least one-third of their total imports from such entities. In case of the Indian top houses too, the share of their foreign subsidiaries and affiliates as also technology suppliers was substantial at about 10 per cent. Interestingly, supplies by trading companies formed a major portion (nearly one-fourth) of imports of Indian large houses. **(Table-I.26)**
18. The importance of trading companies in imports can be seen from the fact that out of the top 25 suppliers for the large house companies and FCCs, the top five are trading companies. Out of the remaining 20 another 10 can be termed as trading companies. Since trading companies could be tools for masking related party transactions, their role should be monitored closely. **(Table-I.28)**
19. More direct and recent evidence confirms the extensive practice of inter-branch transactions by TNCs. For instance, Asea Brown Boveri Ltd reported that it transacted, in addition to the holding company, with as many as 136 fellow subsidiaries during 2001. It does appear that the fellow subsidiaries accounted for as much as 83 per cent of imports of raw materials and components. Similarly, in case of Ingersoll Rand (I) Ltd and Gillette India too transactions with such companies accounted for bulk of their imports and exports.
20. Detailed product specification, model, brand name, and availability of manufacturer's name in the DTR would go a long way in facilitating such exercises. Unfortunately, products are reported in vague terms and in varying and unlikely units of measurements. For instance, Reliance group is reported to have imported 'Machinery being capital goods' which was of certain KGs in weight. These are not small consignments but are valued at crores of rupees. Given the vague product description, and the tendency on part of TNCs to exploit transfer pricing mechanism,

it would be extremely difficult to detect abnormal pricing in such transactions. **(Table-I.29)**

21. For corporates there are a number of avenues for taking advantage of transfer pricing. Out of the total foreign exchange expended by a company a large proportion is spent on import of materials, capital goods, spare parts, etc. Leaving aside dividend payouts, payments for technology, interest paid on loans received, interest charged on loans advanced, issue of shares, etc. too can carry an element of transfer pricing.
22. Exports and imports together accounted for about four-fifth's of the total transactions in foreign currencies in 2000-01 of the sample companies. This indicates the important role Customs Houses can play in detecting transfer pricing and ensuring that transactions are made at arms-length prices thus ensuring on one hand no loss of revenue for the exchequer and on the other no undue loss of foreign exchange for the economy.
23. For detecting transfer pricing, the checking at customs houses should be thorough. Customs Houses are better placed because these can make immediate and direct comparisons with similar other transactions. It would prove useful to have international market intelligence and a good sample of large shipments, which could be used to regularly enquire into transactions between closely associated companies.
24. In curbing transfer pricing abuses DTRs could be an indispensable means. The heavy concentration observed both in exports and imports in terms of the trading parties underlines the relevance of focussing on the large companies to begin with for a meaningful monitoring of the transfer pricing phenomenon.
25. Presently, at the Customs, the emphasis is on imports. While the Commissioner of Customs can make a reference to the Special Valuation Branch (SVB) regarding the valuation on account of special relationship, even if the same is not disclosed by the importer, the procedure appears to be essentially of a voluntary disclosure nature. Further, with the emphasis being on collection of customs duties, the possibility of over-invoicing of imports could attract little attention. In fact, the cases reported by the Chennai SVB contain cases of additional loading to the invoice value and not any subtraction from it.
26. The emphasis on imports could be due to their implications for collection of customs duties. In case of exports, the maximum the Customs authorities might be concerned with are over-invoicing for its implications for drawback payment and possibly for meeting export obligations. On the other hand, there is considerable scope for under-invoicing in exports especially in case of TNCs' dealing with their parents and affiliates. This aspect needs a careful consideration.

27. Given the trends in globalisation of the Indian economy, many Indian parties qualify to be termed as TNCs and many others would have related parties in other countries. Being the first entry/final exit points for goods it is important that transfer pricing should be dealt with at the level of customs which could make the task of the other agencies involved lighter.
28. Introduction of Importer-Exporter Code (IE Code) is a welcome improvement. While a few other improvements have been also made, some useful information has been taken away from the purview of the Import DTR. The most significant fields that have been left out are the duty levied and the names of suppliers and manufacturers. In the interest of transparency, the scope of DTR should be expanded to include names of the manufacturer/supplier in case of imports and names of the final consignee in case of exports.

PART – II : Export Performance of Non-Government Companies

1. This part of the study sought to examine the export-orientation, import-intensity and the ability to earn foreign exchange by 2,147 non-government non-financial public limited companies during 1995-96 to 2000-01. The sample companies accounted for nearly 42 per cent of the paid-up capital of corresponding non-government companies. Their share in national exports was about one-fourth and in imports the share was from about 29 per cent in the first year which fell to 23 per cent by the end of the period. **(Table-II.1)**
2. In a period of overall slow down in the growth of national exports, the sample private sector companies comprising many large companies could not reverse the trend in any significant manner. In fact, year-to-year increases indicate that exports of sample companies grew slower than the national exports in the last three years. **(Table-II.2)**
3. The exports-sales ratio of the sample companies fluctuated more than the imports-sales ratio, and since the exports-sales ratio was only about 10 per cent, it does appear that imports are related more with production meant for domestic sales rather than for export purposes. **(Table-II.3)**
4. Companies' ability to earn net foreign exchange is not limited to exports only and can extend to receipt of dividends, interest, consultancy and know-how fee, commissions, insurance claims, etc. At the aggregate, such other earnings in foreign currencies are gaining importance. One-third of total earnings in foreign currencies of companies belonging to smaller houses and one-fourth that of other Indian companies is accounted by the other earnings. On the other hand, share of exports in total earnings in

foreign currencies declined for the largest houses and FCCs. In case of FCCs the decline was, however, less marked. **(Table-II.5)**

5. Other earnings are, however, more related to sectoral characteristics rather than ownership groupings. Their share in total earnings of Service sector companies increased substantially during the period from 38 to 63 per cent of the gross earnings. For the manufacturing companies the increase was only marginal. In case of Primary sector, the ratio indeed declined. **(Table-II.6)**
6. There are more companies in the higher ranges of the exports-sales ratio in 2000-01 compared to 1995-96. However, the number of exporters remained static during the period. Nearly 40 per cent of the companies are not in export trade or the exports of these companies are negligible compared to their sales. In all only 946 companies, or about 45 per cent of the total, exported in all the six years. These, however, accounted for 90 per cent of the total exports in 2000-01. **(Table-II.7)**
7. Increase in overall exports during the period was due to the largest Houses and other Indian companies (OICs). In terms of export orientation, OICs fared the best. Interestingly, exports of FCCs increased the slowest and their exports-sales ratio indeed declined at the aggregate level. **(Tables II.8 & II.9)**
8. Share of imports of goods in total expenditure in foreign currencies declined. Share of payments for technology also declined giving credence to the view that Indian companies may be finding it difficult to gain arms-length access to technology or they are more into commodities which generally do not require imported technology. In the new regime, after an initial spurt, approvals for technical collaborations declined both in absolute and relative terms. An increasing proportion of technical collaborations are approved through the automatic route. **(Tables-II.10 & Table-14)**
9. Interest payments in case of large Indian companies and dividend payments together with royalty payments in case of FCCs constituted other important identifiable items of expenditure in foreign currencies. **(Table-II.10)**
10. Once again, such shares are high for Service sector companies. While for companies belonging to the Manufacturing sector the increase was marginal, in case of Primary sector, the share declined considerably. There is a possibility of other expenditure being related to other earnings in foreign currencies. **(Table-II.11)**
11. The composition of imports too is undergoing substantial changes. An increasing proportion of imports are related to raw materials, stores and spares. On the other hand, share of capital goods fell quite steeply. While falling share imports of capital goods may be

a reflection of the slowing down of the economy, the fast increasing imports especially of raw materials may be reflecting the long term dependence on imported intermediate inputs by Indian large House companies. **(Table-II.12)**

12. There has been a marginal decline in the import intensity of the sample companies when seen in terms of the ratio of total imports to net sales. Given the fact that finished goods have become an important component of imports and companies are also trading in locally manufactured products and commodities, it would be more appropriate to compare imports with sales of own manufactures. Seen in this manner, the largest group of Indian companies (T1) shows an increasing dependence on imported raw materials. There are, however, no clear patterns in case of other Indian companies. In case of FCCs too, the ratio did not show any clear pattern. **(Table-II.13)**
13. Import of finished goods, possibly for re-sale in the domestic market is gaining prominence. Share of imported finished goods in total imports was high in case of foreign-controlled companies. In their case, share of finished goods in total imports increased from 5 per cent in 1995-96 to 13 per cent in 2000-01. In case of other Indian companies too, finished goods in general claimed an increasing share. In view of the high shares of traded sales to manufacturing sales and of finished goods in total imports, it does appear that FCCs are increasingly resorting to imports of finished goods and traded items rather than increasing imports for local production purposes. **(Table-II.16)**
14. At the aggregate level, net outgo in foreign currencies declined substantially. Companies belonging to the largest Indian Business Houses, however, account for a major portion of the net outgo of foreign exchange. Total expenditure in their case exceeded the earnings in all the years. Net earnings improved substantially in case of companies of smaller houses and remained stable in case of FCCs. Other Indian companies even turned net earners of foreign exchange. But for the fact that the other Indian companies improved their foreign-exchange earning capacity, the overall deficit would have been substantially higher. **(Table-II.18)**
15. Slightly more than nine-tenths of the sample companies' imports are met by their exports. The coverage was, however, the lowest for FCCs at about three-fourths. Non-large house Indian companies performed the best among all the categories of companies. In most industry groups, domestic companies, especially the non-large house companies, displayed better exports-imports ratio. In some product groups, where FCCs displayed above average ratios, it appears that such better performance could be due to large trading houses dealing diversified products including commodities. **(Table-II.19)**

16. A substantial part of the net earnings is contributed by the Services sector comprising essentially of trading companies, hotels & restaurants and computer software companies. Net earnings of the Manufacturing sector also improved as the imports remained stable while exports increased. The Primary sector did record increasing deficits mainly because of companies in the petroleum refining and lubricants. **(Table-II.20)**
17. While the results seem to suggest the importance of industry attributes compared to ownership characteristics, even the industry classification of companies could become irrelevant when the Trading House phenomenon of companies is taken into consideration. About 100 Trading Houses accounted for more than half of the total exports of the sample companies in 2000-01. While at the aggregate level net deficit was about R. 2,100 crores, these Trading Houses reported a surplus of Rs. 7,600 crores. Since Trading Houses cut across industry and ownership groups, it emphasises the need for more caution in interpreting company level export performance and net foreign exchange earnings.
18. The cases of Adani Exports and the HLL group, however, raise serious questions about the apparent benefits in terms of net foreign exchange earnings through Export and Trading Houses.
19. Overall, Indian private sector companies do not seem to have become more export-oriented during the second half of the 'nineties. The relative improvement in net earnings is possibly due to the Trading House activity, improved earnings from Service enterprises, and lower import intensity.
20. The fact that import of finished goods are gaining importance, especially for FCCs, needs to be underlined. On the face of it, import liberalisation could be responsible for this development.
21. Also, exports of FCCs grew the slowest and there was no appreciable improvement in their export-orientation. Indeed, except for a few branches of industry, where exports exceeded imports considerably, in all the industries, especially many chemical and engineering industries, FCCs were not meeting their imports through exports in spite of the presence of a few large Trading Houses among them. This phenomenon needs to be looked at carefully in view of the envisaged enhanced role of FDI in the Indian economy.

Introduction

Following the acceleration of the process of structural adjustment in 1991, India's foreign trade regime underwent a major transformation. Import duties were brought down progressively and significantly. Quantitative restrictions (QRs) have been phased out. Starting from a substantial devaluation in the initial stages, the exchange rate of rupee has come to be market-determined. Nominal exchange rate of rupee depreciated subsequently. Policies and procedures in respect of exports and imports have been simplified. Following this, Indian economy's openness measured as the foreign trade to GDP ratio increased from 13.32 per cent in 1990-91 to 19.28 by 1995-96¹ though it practically remained the same during the subsequent period. This has been due to an increase in both imports and exports (Table-1). There have, however, been persistent trade deficits which after remaining stable for some time, tended to be on the higher side from 1995-96 onwards.

Table-1
India's External Trade

Year	Exports	Imports	Change over the previous year (%)		Trade Balance (2) - (3)	India's Share in World Exports (%)
			Exports	Imports		
			(4)	(5)		
(1)	(2)	(3)	(4)	(5)	(6)	(7)
1990-91	18.13	24.05	-	-	-5.92	0.52
1991-92	17.87	19.41	-1.45	-19.30	-1.55	0.50
1992-93	18.54	21.88	3.75	12.72	-3.34	0.52
1993-94	22.24	23.31	19.97	6.51	-1.07	0.58
1994-95	26.33	28.65	18.40	22.95	-2.32	0.59
1995-96	31.80	36.68	20.77	28.01	-4.88	0.60
1996-97	33.47	39.13	5.26	6.69	-5.66	0.62
1997-98	35.01	41.48	4.59	6.01	-6.48	0.63
1998-99	33.22	42.39	-5.11	2.18	-9.17	0.61
1999-00	36.81	49.71	10.80	17.27	-12.90	0.64
2000-01	44.56	50.54	21.07	1.66	-5.98	0.66
2001-02 (P)	44.03	50.63	-1.19	0.18	-6.60	

(P) Provisional.

¹ INDIA, Ministry of Commerce, *Medium Term Export Strategy: 2002-2007*, Table 2.1.1, p. 13.

The demand for imports is bound to increase due to the envisaged growth of the economy – raw materials, capital goods, components and energy. The opening up of import of a variety of consumer goods is also likely to add to the import basket. India has been also periodically required to depend on external sources for certain mass consumption items like edible oils. Since the increase in imports noted above could have been due to relaxation of the import regime, and thus has been on the expected lines, and also because the commitments under WTO make the import policies virtually irreversible, the trade gap could only be dealt with by increasing India's exports. Thus to sustain a higher rate of growth while keeping the current account deficits under control and to make Indian industry competitive, it is imperative to increase the country's exports at a fast pace. The emphasis on increasing India's exports could be seen from the fact that ***The Medium Term Export Strategy 2002-2007*** envisages a near doubling of India's exports to US\$ 80 bn. by the end of the period which implies a compound annual growth rate of nearly 12 per cent.²

During the 'nineties, global capital flows have been dominated by private sector sources and are characterised by increasing share of non-debt creating flows. India has been no exception. Coincidentally, sources of direct and indirect external funding for the corporate sector got diversified. This in turn implies the shifting of repayment and service obligation from government to the enterprises. Consequently, it should be expected that foreign exchange outgo on account of dividend outgo, capital appreciation, interest payment, etc. would increase. Due to persistent current account deficits, borrowings and portfolio capital flows contributed significantly to India's foreign exchange reserves. Thus, even from this point, faster increase in exports is unavoidable.

India's exports grew substantially during the 'nineties whether seen in terms of absolute values or relative to the GDP or seen in the world's context (Table-2). Since the introduction of new economic policies, India's exports

² INDIA, Ministry of Commerce & Industry, *Medium Term Export Strategy: 2002-2007*, January 2002, p. 11.

have risen from US\$ 18 billion in 1991-92 to US\$ 44 billion in 2000-02. The export growth, however, has been quite uneven. While during 1993-94, 1994-95 and 1995-96 it recorded impressive gains, the annual growth rates fell sharply in 1996-97 and turned negative in 1998-99. Once again, exports staged substantial recovery in 1999-00 and 2000-01.

The process has been accompanied by a change in the composition of India's exports with an increase in the share of manufactured items and a diversification of exports. The share of manufactured goods in the total exports of India increased from 75 per cent in 1991-92 to 79 per cent in 2000-01. Share of agricultural and allied products declined from 18 per cent in 1991-92 to 13 per cent in 2000-01. Similar is the case with ores and minerals. Within the manufactured products too significant changes took place (Table-3).

Liberalisation of the foreign trade regime has been accompanied by a transformation of industrial policies. While industrial licensing has been abolished practically, the obligation to seek permission under the MRTP Act has been dispensed with. The climate for restructuring of industrial enterprises is now more favourable as mergers and acquisitions are decided by the enterprises themselves instead of being influenced by official approvals. Another major related development has been the relaxation on import of technology. Enterprises have thus the freedom to decide on the scale, technology as also the composition of their production basket. On the other hand, Indian enterprises are now more exposed to competition both from within and outside. This is likely to have driven them to improve quality, productivity and service. These developments should therefore have forced them to seek external markets on the one hand and make them better equipped to engage in export trade on the other. While export-orientation is important by itself, a more relevant measure of a company's contribution in the context of a country like India with persistent balance of payments deficits, is the net earnings of foreign exchange by the enterprises. In the past, large Indian companies are known to be net spenders of foreign exchange. It is of importance to know how this position has changed in the new regime.

Table-2
Composition of India's Exports

(Amount in US \$ Million)

		Average Exports			Share in Total (%)			Increase (4) - (2)	Share increase (%)
		1988-89 to 1990-91	1993-94 to 1995-96	1998-99 to 2000-01	Col. (2)	Col. (3)	Col.(4)		
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
I.	Primary Products	3816.57	5795.67	6870.93	23.50	21.64	17.99	3054.37	13.91
	A. Agriculture and Allied Products	2874.80	4778.50	5881.77	17.70	17.84	15.40	3006.97	13.69
	B. Ores and Minerals	941.80	1017.13	989.17	5.80	3.80	2.59	47.37	0.22
II.	Manufactured Goods	11692.77	20269.37	30005.67	71.99	75.67	78.55	18312.90	83.40
III.	Petroleum Products	429.93	422.80	666.00	2.65	1.58	1.74	236.07	1.08
IV.	Others	303.43	382.10	657.87	1.87	1.43	1.72	354.43	1.61
	Total Exports	16242.70	26787.90	38200.47	100.00	100.00	100.00	21957.77	100.00

Based on data provided in RBI, *Handbook of Statistics on Indian Economy - 2001*.

Table-3
Composition of India's Manufactured Exports

(Amount in US \$ Million)

		Average Exports			Share in Total (%)			Increase (4) - (2)	Share increase (%)
		1988-89 to 1990-91	1993-94 to 1995-96	1998-99 to 2000-01	Col. (2)	Col. (3)	Col.(4)		
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
	Manufactured Goods								
1	Leather and Manufactures	1223.90	1554.10	1734.13	10.47	7.67	5.78	510.23	2.79
2	Chemicals and Allied Products	1103.63	1930.77	3450.27	9.44	9.53	11.50	2346.63	12.81
	a) Drugs, Pharmaceutical & Fine Chemicals	467.53	819.93	1688.80	4.00	4.05	5.63	1221.27	6.67
	b) Others	636.10	1110.83	1761.47	5.44	5.48	5.87	1125.37	6.15
3	Plastic and Linoleum Products	94.47	466.53	661.50	0.81	2.30	2.20	567.03	3.10
4	Rubber, Glass, Paints, Enamels and Products	255.00	594.90	739.67	2.18	2.93	2.47	484.67	2.65
5	Engineering Goods	1949.80	3645.70	5492.60	16.68	17.99	18.31	3542.80	19.35
6	Readymade Garments	1875.13	3181.23	4901.80	16.04	15.69	16.34	3026.67	16.53
7	Textile Yarn, Fabrics, Made-ups, etc.,	1275.77	2902.60	4281.47	10.91	14.32	14.27	3005.70	16.41
	a) Cotton Yarn, Fabrics, Made-ups, etc.,	957.67	2115.83	3120.37	8.19	10.44	10.40	2162.70	11.81
	b) Natural Silk Yarn, Fabrics, Made-ups, etc.,	127.37	132.20	241.67	1.09	0.65	0.81	114.30	0.62
	c) Others	190.73	654.57	919.40	1.63	3.23	3.06	728.67	3.98
8	Jute Manufactures	168.33	153.43	155.90	1.44	0.76	0.52	-12.43	-0.07
9	Coir and Manufactures	24.50	53.10	56.53	0.21	0.26	0.19	32.03	0.17
10	Handicrafts	3555.37	5408.50	8048.80	30.41	26.68	26.82	4493.43	24.54
	a) Gems and Jewellery	3045.87	4590.33	6940.53	26.05	22.65	23.13	3894.67	21.27
	b) Carpets (Handmade excl. Silk)	291.97	438.57	451.57	2.50	2.16	1.50	159.60	0.87
	c) Works of Art (excl. Floor Coverings)	217.57	379.57	656.67	1.86	1.87	2.19	439.10	2.40
11	Sports Goods	49.47	61.33	69.70	0.42	0.30	0.23	20.23	0.11
12	Others	117.40	317.20	413.27	1.00	1.56	1.38	295.87	1.62
	Total	11692.77	20269.37	30005.67	100.00	100.00	100.00	18312.90	100.00

Based on data provided in RBI, *Handbook of Statistics on Indian Economy - 2001*.

The present study attempts to examine some of the issues relating to India's external trade emanating from the brief description of the changes in the policy regime presented above. With the growing importance of the 'firm' in understanding trade performance of countries, the proposed study, with its emphasis on individual importers and exporters, would help in a better understanding of the role and place of different categories of traders in India's external trade.

The study comprises of two main parts. An analysis of Customs House data for the period 1988-89 to 1994-95 which seeks to bring out the changes in concentration in imports and exports, contribution of different categories of exporters to India's exports and their corresponding share in imports with emphasis on the role of large companies and transnational corporations forms the first part. The opening up of the economy has necessitated introduction of measures to minimise the negative impact of the phenomenon of transfer pricing. In this context, **Part One** of the study also seeks to offer relevant empirical evidence and useful suggestions based on an analysis of the DTR data. **Part Two** consists of a study of the transactions in foreign currencies of more than 2,000 non-government companies during 1995-96 to 2000-01. Thus while the first part ends in 1994-95, the second starts with 1995-96. Though this was necessitated for reasons of data availability, the dividing line has its own significance because of the coming into effect of the WTO agreement from 1995.

Part – I

Analysis of Customs House Data

Introduction

A number of studies sought to examine the role and place of different types of entities in India's external trade using company level data¹ because studies based on industry and product level data do not explicitly incorporate information about the units, *i.e.*, the real operational entities. On the other hand, due to diversification and export house activities of the companies, company-level studies may not always offer a clear-cut industry dimension.² Daily Trade Returns data (DTR), captured by the Customs Houses through which the actual export and import transactions take place, help add an important dimension to the study of external trade as it provides data at unit and transaction levels. An attempt, possibly the first of its kind in India, was made by the Institute for Studies in Industrial Development (ISID) in 1990-91 to analyse DTR data in the context of the serious foreign exchange crisis faced by the country.³

Little direct evidence is available about the extent of participation by Large Houses and foreign-controlled companies in India's external trade. Similar is the case with the role of governmental departments,

¹ See for instance, S.K. Goyal, *Impact of Foreign Subsidiaries on India's Balance of Payments*, a report submitted to the UNCTC-ESCAP Unit, Bangkok, Indian Institute of Public Administration, 1979; K.K. Subrahmanian and P Mohanan Pillai, *Multinationals and Indian Export: A Study of Foreign Collaboration and Indian Exports*, Sardar Patel Institute of Economic & Social Research, 1978; K.S. Chalapati Rao, "An Evaluation of Export Policies and the Export Performance of Large Private Companies", in Pitou van Dijk and K.S. Chalapati Rao, *India's Trade Policy and Export Performance of Industry*, Indo-Dutch Programme on Alternatives in Development, Sage Publications, 1994, Nagesh Kumar, *Multinational Enterprises in India*, Routledge, 1990, etc.

² Chalapati Rao, *op. cit.*

³ Studies which emanated from the study of DTR data at ISID are: (i) S.K. Goyal, et. al., *India's Imports and Exports: Some Insights (An Analysis of Daily Trade Return Data)*, Institute for Studies in Industrial Development, 1991; (ii) S.K. Goyal, "Exchange Rates, Trade Policy and Tariff Structure", Institute for Studies in Industrial Development, 1991; (iii) K.S. Chalapati Rao, "Ownership Characteristics and Export Destinations: A Study of Custom House data", 1992; and (iv) Nitasha Devasar, "TNCs and Transfer Pricing in India, Regulatory Strategies and Corporate Structure", August 1991. The reports (i) and (ii) were submitted to the Ministry of Finance.

institutions and public enterprises, especially in the context of decanalisation of imports and exports. DTR data is uniquely suitable for understanding the behaviour of individual importers and exporters. It helps in distinguishing the trading parties according to:

- ownership characteristics (Government, Non-government, Indian and foreign);
- technology (imported and indigenous);
- nature -- manufacturers (large enterprises, small scale and others), merchants and service providers;
- type of organisation - Public and Private Limited Cos., Proprietary and Partnership Firms, etc.;
- location/region;
- diversification of sources and markets;
- category of exporters - Export Houses, Trading Houses, etc.;
- type of products dealt with;
- regular and occasional exporters;
- beneficiaries of duty-free imports;
- efficacy of export promotion schemes - (EPCG, DEEC, DEPB, EOUs, etc.); and
- combinations of these characteristics.

DTR can be an invaluable base to examine various assumptions and questions relating to the role of foreign direct investment and local large corporations in host country exports. What is the extent of inter-branch transactions by TNCs? Has the new trade regime intensified or weakened such relationships? While nations seek to follow competitive trade policies, is it equally true with the corporations? How do companies procure their requirement of raw materials, capital goods, etc.? Does technology licensing too strongly influence procurement of materials? To what extent TNCs use regional affiliates to meet their import requirements in a country like India? Answer to this question could indirectly reflect on the role of TNCs' exports from developing countries. Is there any country bias in obtaining inputs *i.e.*, whether German companies prefer purchasing from other German companies and Japanese companies from other companies of Japan? What is the role of trading companies in India's imports trade? Do trading companies offer more competitive terms than

the original manufacturers? Do Indian companies differ from TNCs in utilising their services? DTR data can help examine theoretical issues as also help fine-tune external trade policies.

For making good use of the DTR data, one, however, needs detailed information on the ownership and operational characteristics of individual importers and exporters and wider coverage of the ports. Given the scanty information base of the Indian corporate sector -- especially the unlisted ones, near non-existent public information on partnership firms and proprietary concerns and the involvement of large number of trading parties, analysis of DTR data turns out to be a difficult, time-consuming and often frustrating exercise. In the absence of unique identifying codes for the trading parties, the problem gets further compounded.

The DTRs have a number of important data fields. Besides the general identification fields, the import DTR contains: names of the importer (and the address), manufacturer and the supplier; product/article imported (coded according to the harmonised system); quantity and units; invoice value, insurance and freight; final assessed value and duty thereof; invoice currency code; license number; countries of origin and consignment; and port of shipment. Each record has 45 fields and is of 604 characters length. Compared to this, the Export DTR has only 25 fields and it consists of 268 characters. Important fields in the Export DTR are: name and city of the exporter; article exported (and its code according to the harmonised system); units and quantity; fob value; and port of destination. The structures of Import and Export DTRs are given in Tables I.1 and I.2 respectively.

The ISID initially obtained DTR data for the years 1988-89 to 1990-91 from the Customs Houses of Bombay Air & Sea, Delhi, Calcutta, Chennai and Cochin. Though efforts were made to get the data regularly for the subsequent years, over a period the Customs Houses turned less forthcoming to share the data. Consequently, a number of gaps remained

in the data set. In spite of repeated attempts to get the data through formal requests and informal enquiries, no further data could be obtained

Table-I.1
Structure of Daily Trade Returns (DTR) Data on Imports#

Field (1)	Field Name (2)	Type (3)	Width (4)	Description (5)
1	B_LENGTH	Character	4	Block Length
2	SNO	Character	4	Serial No.
3	TRADE_TYPE	Character	1	Type of Trade
4	MODE_O_TPT	Character	1	Mode of Transport
5	GOVT_PVT	Character	1	Government/Private
6	PORT_CODE	Character	3	Assessment Port Code
7	BIL_O_ENTR	Character	2	Bill of Entry Type
8	BE_NO	Character	6	Bill of Entry No.
9	BE_DATE	Character	6	Bill of Entry Date
10	CLASS_CODE	Character	2	Class Code
11	REPORT_DTE	Character	6	Date of Entry Inwards
12	GROSS_WT	Character	12	Gross Weight
13	UNIT_QTY	Character	3	Unit Quantity Code
14	FREIGHT_TOT	Numeric	10	Total Freight
15	FREIGHT_CUR	Character	3	Freight Currency Code
16	INSURE_TOT	Numeric	10	Total Insurance
17	INSURE_CUR	Character	3	Insurance Currency Code
18	CNTRY_ORIG	Character	5	Country of Origin
19	CNTRY_CONS	Character	5	Country of Consignment
20	INVOCE_VAL	Numeric	14	Total Invoice Value
21	INVOCE_CNT	Character	3	Invoice Country Code
22	TERM_INVOI	Character	3	Terms of Unit Price Invoiced
23	DUTY_TOTAL	Numeric	14	Total Duty Assessed (Rs.)
24	IMPORTER	Character	30	Importer Name
25	IMPORTR_AD	Character	70	Importer Address
26	ASSBLE_VAL	Numeric	14	Assessable Value (Rs.)
27	ITEM_NO	Numeric	3	Item No.
28	NET_QTY	Numeric	11	Net Quantity
29	QTY_CODE	Character	3	Unit Quantity Code
30	UNIT_PRESC	Character	3	Prescribed Unit of Measure
31	ITCRC_CODE	Character	8	ITCRC Eight Digit H.S. Code
32	ITEM	Character	98	Item Description
33	DUMMY1	Character	1	Unused
34	MANUF_NAME	Character	40	Manufacturer's Name
35	BRAND	Character	20	Brand Name
36	MODEL	Character	20	Model Specification
37	SUPPL_NAME	Character	40	Supplier's Name
38	VESSEL_NAM	Character	30	Vessel Name
39	LICENCE_NO	Character	30	Licence No.
40	LICENCE_DT	Character	6	Licence Date
41	PORT_O_SHP	Character	20	Port of Shipment
42	EPZ_ICD_CD	Character	5	EPZ/ICD Code
43	VESSEL_TYP	Character	3	Vessel Type
44	VESSEL_CNT	Character	20	Vessel Nationality
45	DUMMY2	Character	9	Blank

As stored in the ISID computer systems.

Table-I.2
Structure of Daily Trade Returns (DTR) Data on Exports#

Field	Field Name	Type	Width	Description
(1)	(2)	(3)	(4)	(5)
1	B_LENGTH	Character	4	Block Length
2	SNO	Character	4	Serial No.
3	TRADE_TYPE	Character	1	Type of Trade
4	MODE_O_TPT	Character	1	Mode of Transport
5	GOVT_PVT	Character	1	Government/Private
6	PORT_CODE	Character	3	Assessment Port Code
7	SHP_BIL_TY	Character	3	Type of Shipping Bill
8	SHP_BIL_NO	Character	6	Shipping Bill No.
9	SHP_BIL_DT	Character	6	Shipping Bill Date
10	SAILING_DT	Character	6	Sailing Date
11	VESSEL_NAM	Character	20	Vessel Name
12	GROSS_WT	Numeric	8	Gross Weight
13	UNIT_QTY	Character	3	Unit Quantity Code
14	UNIT_PRESC	Character	3	Prescribed Unit Code
15	UNIT_SHBIL	Character	3	Unit Quantity on Shipping Bill
16	NET_QTY	Numeric	10	Net Quantity
17	ITCRC_CODE	Character	8	ITCRC Eight Digit H.S. Code
18	FOB_VALUE	Numeric	12	FOB Value (Rs.)
19	CNTRY_CODE	Character	5	Country Code
20	CNTRY_DSTN	Character	16	Country of Final Destination
21	PORT_DESTN	Character	20	Port of Destination
22	ARTICLE	Character	65	Article Description
23	EXPORTER_AD	Character	40	Exporter Address
24	EPZ_ICD_CD	Character	3	EPZ/ICD Code
25	VESSEL_TYP	Character	3	Vessel Type
26	VESSEL_CNT	Character	5	Vessel Nationality

As stored in the ISID computer systems.

from any of the Customs Houses after 1996-97. In view of the series of major discontinuities in respect of other Customs Houses, it has been decided to restrict the present exercise to the DTR data obtained from Mumbai Sea and Air Customs Houses for the period 1988-89 to 1994-95. This covers the transition period *i.e.*, immediately preceding the 1991 trade and industrial policy changes and the years following that landmark and till the coming into being of the World Trade Organisation (WTO). As a general rule, imports of crude oil and defence related items do not appear

in the DTRs.⁴ The two Customs Houses accounted for about one-third of the imports and two-fifths of India's exports (Table-I.3). The data can thus offer a reasonably good sample of the country's external trade in merchandise during the period. The data on imports and exports for this period through Air and Sea ports of Mumbai run into nearly 2 million import records and 2.5 million export records.

Table-I.3
Share of Mumbai Sea and Air Ports in India's Imports and Exports

	(Percentages)			
(1)	1991-92 (2)	1992-93 (3)	1993-94 (4)	1994-95 (5)
I. Imports				
Share of				
a) Mumbai Sea	19.54	16.21	18.31	20.92
b) Mumbai Air	13.79	16.16	18.60	12.63
Total (a + b)	33.33	32.37	36.91	33.55
II. Exports				
Share of				
c) Mumbai Sea	20.03	19.13	19.82	18.68
d) Mumbai Air	18.49	19.93	21.56	20.52
Total (c + d)	38.52	39.06	31.38	39.20

Problems with the DTR Data

Raw data obtained from the Customs Houses posed many problems. It needed extensive cleaning to eliminate duplicate entries, extreme values and inappropriate entries resulting from corruption of data during transcription. Unfortunately, the Shipping Bills (SB) containing exports data are not recorded with even as much care as was the case with Bills of Entry (BE) *i.e.*, imports data. In spite of removing many duplicate entries, there is still a possibility of some entries remaining where the details differ only marginally. These, however, do not appear to be

⁴ Direct transit trade *i.e.* goods of other countries passing and transit without being placed at the free disposal of the importer being warehoused is excluded completely as the goods do not touch the customs frontier. Other important transactions which are excluded from the coverage of the DTR are: (i) Goods consigned by the Government to its Armed forces and Diplomatic Representatives abroad and goods sent by the Government of Foreign Countries to their Diplomatic personnel stationed in India (ii) Trans-shipments trade covering imported goods transferred under bond for re-shipment from one vessel to another at the same or different ports (iii) Passenger's baggage not included, (iv) Bunkers and ships stores (v) Tourists and travellers affects, exhibitions goods, samples, animal for racing and breeding, Defence goods fissionable materials (vi) Transactions in treasure *i.e.* gold and current coins notes, (vii) Prohibited goods etc.

material as these constitute only an insignificant proportion of the total value of imports and exports. There are obvious mistakes at the data entry stage, which can only be corrected at the source.⁵ Only in some extreme cases, we attempted to adjust the import values by taking note of the duty paid. There were also major gaps in the data which do not allow meaningful comparison of values and the number of importers/exporters across different years.

The most significant shortcoming noticed is that adequate care was not taken in entering the names of importers, exporters and suppliers, description of products, product classification and the nature of import licences. For the analysis to be meaningful, it was, therefore, essential to standardize the importer/exporter names. In spite of ignoring the relatively smaller consignments, the exercise proved to be extremely time-consuming. To begin with, importer/exporter names were sought to be standardised by replacing certain strings with standard ones (e.g. 'Company' with 'Co'; 'Private' with 'Pvt'; 'Trading' with 'Tdg'; etc.) to achieve first level uniformity in company names. In the absence of prior information on the names of the trading parties, the process of standardisation had to be carried out in an iterative manner. After the initial standardisation, import/export values were totalled at the level of individual party over the entire period. From this set, all those parties with a minimum amount of imports and/or exports were separated and their names were standardised physically. Given the skewed distribution of imports and exports, which we shall present a little later, the selection process thus ensured both manageability as also representative character in terms of value.

Given the manner in which company names were entered in the DTRs, and the poor state of information on enterprises in India, many a

⁵ These can be corrected only after looking at the Bill of Entry or the Shipping Bill as the case may be *i.e.*, writing back to the Customs Houses. The DGCI&S which processes the DTRs to generate the country's foreign trade statistics does indeed approach the Custom Houses in case of problems. Given the lack of enthusiasm on part of the Customs Houses even to provide the data, it was unreasonable to expect positive response to such queries from us.

time it was difficult for us to identify firmly whether an importer/exporter was an individual, firm or a company. This was more so when the names resembled closely. It is well known that business groups often operate in various forms as multiple public/private limited companies, partnership firms and sole proprietary undertakings.⁶ In case of smaller parties, one possibility, even if inconsequential, was that our name standardisation exercise might have combined different entities with closely resembling names – or even exactly the same name – into a single importer/exporter. On the other hand, due to non-standardisation of names, lack of information on name changes, inability to identify branches/units with the main enterprise, the same party could have been counted multiple times. Given the nature of DTR data and the large number of entries under study, these problems were unavoidable. Had a unique Importer - Exporter Code been a part of the DTR, one would not have been required to undertake such a laborious exercise.

Another major problem is in respect of product codes filled in by the importers and exporters. The general problem is that, often proper codes are not provided by the parties. We did notice a number of problems in this regard. Indeed, in the ISID study of 1991 presented to the Ministry of Finance, it was pointed out that :

While eight digits are provided for the code one finds that effectively only six digits are used. Checks are needed to assess the accuracy of the codes used. We noticed that at six-digit level a number of codes were used for a single item. The occurrence of '9999999's, '0000000's or invalid codes is not infrequent. Remedying this situation is a pre-requisite for bringing out better industry-wise trade statistics.⁷

⁶ For instance, Adani Exports Ltd. reported the following as parties related to it: Adani Properties Pvt Ltd., Adani Agro Pvt Ltd., Adani Port Ltd., B2C India Ltd., I Call India Ltd., I-Gate India Pvt Ltd., Adani Impex Pvt Ltd., Gujarat Adani Infrastructure Pvt Ltd., Shahi Property Developers Pvt Ltd., Adani Port Infrastructure Ltd., Gujarat Adani Port Ltd., Gujarat Adani Energy Ltd., Intercontinental (India), Shantivan, Advance Exports, Crown International, Adani Container (Mundra) Terminals Ltd., Gudami International; and Adani Wilmar Ltd. See: Annual Report of the Company for the year 2001-2002, p. 51.

⁷ S.K. Goyal, *op. cit.*, Appendix C, p. 8.

That the situation has not improved very much since then is evident from the observations of the National Statistical Commission. The Commission noted:

It has been experienced that the exporters or importers or their agents do not report the codes properly. To improve the situation the Directorate General of Foreign Trade (DGFT) has introduced a notification on 11 September, 2000 making it mandatory to mention 8-digit ITC(HS) Codes prepared by the DGCI&S against each export product that figures in the Shipping Bill. ... The DGCI&S has reported that after the issue of the above notification, though the exporters are reporting valid codes in the Shipping Bills, but ***it has noticed that the problem of mismatching, i.e. codes vis-à-vis the description of items, still persists. As regards imports, no such notification has been issued.*** (emphasis added)⁸

The first study of ISID also brought to the notice of the Ministry of Finance with regard to problems in other data fields. For instance, even the field provided for mentioning the nature of the party as 'Government' or 'Private' was not free from ambiguities. The same party was defined as Government at some places and private at other times. These problems highlight the limitations of the data source and underline the fact that mere provision for reporting certain information does not ensure its automatic compliance.

Changes in the DTR Format

At this point it may be relevant to describe the present status of the DTRs to put the future uses of the data in a practical perspective. The first ISID study of 1991 made certain categorical recommendations that the DTRs should be modified to make them amenable for better monitoring India's foreign trade and for quick and easy analysis of many a policy measure and theoretical assumption. It was specifically suggested that:

- A unique importer code need to be assigned to all the importers and exporters. No Bill of Entry or Shipping Bill

⁸ See: INDIA, National Statistical Commission, *Report of the National Statistical Commission*, Volume II, August 2001, p. 177. (Chairman: C. Rangarajan)

should be accepted without the same being printed in bold on all import and export documents.

- It is necessary to have a system under which it becomes obligatory on all importers to give exhaustive information on their identity. Such information should have relevant personal details and associations of business and other relationships of the importers.⁹

Over the past few years, certain improvements have taken place in the DTR format. It is a matter of satisfaction for the ISID that the structure of DTR has been modified with the Importer-Exporter Code (IEC) being a part of it. While it appears that the IEC was introduced in the DTRs some time after 1996, further amendments were announced by the DGFT in May 2001 and were to be implemented from July 1, 2001.¹⁰ According to the official circular, the following additional fields were to be incorporated in the DTRs:

- (i) whether the exporter/importer is a private entity (P) or a Government entity (G);
- (ii) port code for port of shipment/unloading;
- (iii) country of destination/origin code;
- (iv) Business Identification Number (BIN);
- (v) EXIM Scheme Code of each item;
- (vi) quantity of export/import in terms of Standard Units (to be implemented after 2-3 years); and
- (vii) state of origin of the goods for export.

The revised formats are given in Table I.4. While it is difficult to understand how the information on Government/Private ownership and port of shipment/unloading can be considered as additional fields since they had already formed part of the DTRs obtained by us and used in the present analysis, the introduction of Business Identification Number (BIN) and State of origin of the export goods are certainly welcome additions.

⁹ S.K. Goyal, *op. cit.*, p. 96. Indeed, as far back as 1969, use of company codes was suggested for implementation and monitoring of industrial regulations. See S.K. Goyal, "Maintenance and Processing of Data", a note prepared for the Industrial Licensing Policy Inquiry Committee, Ministry of Industrial Development, Internal Trade and Company Affairs, July 1969 (mimeo).

¹⁰ Daily Trade Returns - Revised format see: Circular No.32/2001-CUS.dated the 31st May, 2001.

The BIN incorporates the Permanent Account Number (PAN) issued by the Income Tax Department.

From a comparison of Tables I.1, I.2 and I.4 it can be also seen that while a few improvements have been made, some useful information has also been taken away from the purview of the Import DTR. The most significant fields that have been left out are the duty levied and names of supplier and manufacturer. A perusal of the DTRs given online by the Mangalore Customs suggest that while IEC and BIN have already become part of the import DTR, the same are yet to find a place in the Export DTR. Sample records from the October 2002 DTRs from Mangalore Customs are given Tables I.5 and I.6.

Table-I.4
Structure of the Revised DTRs

Column No.	Import DTR		Export DTR
(1)	(2)		(3)
1.	Serial No.	1.	Serial No.
2.	Government/Private	2.	Government/Private
3.	Bill of Entry No. & Date	3.	Shipping Bill No. & Date
4.	Port Code	4.	Port Code
5.	Gross Weight Unit Measure	5.	Gross Weight Unit Measure
6.	Gross Weight Quantity	6.	Gross Weight Quantity
7.	Country of Origin: Code	7.	Country of Destination: Code
8.	Country of Origin: Name	8.	Country of Destination: Name
		9.	State of Origin
9.	IEC Code	10.	IEC Code
10.	Party Name	11.	Party Name
11.	Business Identification Number (BIN)	12.	Business Identification Number (BIN)
12.	Item Serial No.	13.	Item Serial No.
13.	Exim Scheme Code	14.	Exim Scheme Code
14.	8 Digit ITC(HS) of Item Imported: Code	15.	8 Digit ITC(HS) of Item Exported: Code
15.	Description of Imported Item	16.	Description of Exported Item
16.	Quantity Declared: Unit	17.	Quantity Declared: Unit
17.	Quantity Declared: Quantity	18.	Quantity Declared: Quantity
18.	Standard Unit Measure	19.	Standard Unit Measure
19.	Standard Quantity	20.	Standard Quantity
20.	CIF Value (Rs.)	21.	FOB Value (Rs.)

Table-L5
Daily Trade Returns Report -- Imports : Sample Records (01-Oct-02 To 07-Oct-02)
New Customs House, Mangalore

Sl.No	BE No	BE Date	Port Code	Gross Weight		Country of Origin		IEC	Party Name	PAN	Item EXIM No. Schm Code	Item Imported		Quantity		CIF Value
				Unit	Qty	Code	Name					Code	Description	Unit	Quantity	
1	202181	01-OCT-02	INNMLMTS	20	US	UNITED STATES	0388117419	CREATIVE POLYMERS P. LTD S-173,M.I.D.C.,INDL ESTATE BHOSARI PUNE,MAHARASHTRA, 411026	AAACC1948EFT001	1	29051201	ISOPROPYL ALCOHOL	MTS	20.000	549763	
2	202182	01-OCT-02	INNMLMTS	20	US	UNITED STATES	0988003449	VENKATARAMA CHEMICALS LTD 36/A, VENGAL RAO NAGAR HYDERABAD, A P, 500038	AAACV6830AFT001	1	29051201	ISOPROPYL ALCOHOL	MTS	20.000	549763	
3	202183	01-OCT-02	INNMLMTS	20	US	UNITED STATES	0288027019	COOKSON INDIA LTD. PLOT NO. 16, (N. PHASE) SIDCO INDUSTL.ESTATE, AMBATTUR, CHENNAI, 600098	AABCC1679BFT001	1	29051201	ISOPROPYL ALCOHOL	MTS	20.000	549763	
4	202184	01-OCT-02	INNMLMTS	50	US	UNITED STATES	0389017469	SAVITA CHEMICALS LTD 66-67 NARIMAN BHAVAN NARIMAN POINT BOMBAY ,MAHARASHT 400021	AAACS7934AFT001	1	29051201	ISOPROPYL ALCOHOL	MTS	50.000	1374408	
5	202185	01-OCT-02	INNMLMTS	20	US	UNITED STATES	0798008032	UNIVERSAL COATINGS (P) LTD., FACTORY:- PLOT NO.49, MALUR 563130,KOLAR DIST. KIADB INDL.AREA, 0	AAACU2213LFT001	1	29051201	ISOPROPYL ALCOHOL	MTS	20.000	549763	
6	202186	01-OCT-02	INNMLMTS	50	US	UNITED STATES	0702008869	TRIBHUVAN CHEMICALS, 522, 3RD FLOOR, PRABHAT COMPLEX NO.8, K.G.ROAD, BANGALORE, KARNATAKA 560009	AACFT1636PFT001	1	29051201	ISOPROPYL ALCOHOL	MTS	50.000	1374408	
7	202187	01-OCT-02	INNMLMTS	30	US	UNITED STATES	0991007387	HARIKA DRUGS (P) LTD 36/A, VENGAL RAO NAGAR HYDERABAD 500038	AAACH4986PFT001	1	29051201	ISOPROPYL ALCOHOL	MTS	30.000	824645	
8	202188	01-OCT-02	INNMLMTS	30	US	UNITED STATES	0392072823	SUN PHARMACEUTICAL INDUSTRIES LTD., ACME PLAZA,ANDHERI-KURLA RD, ANDHERI (E) MUMBAI,MAHARASHTRA, 400059	AADCS3124KFT001	1	29051201	ISOPROPYL ALCOHOL	MTS	30.000	824645	
9	202189	01-OCT-02	INNMLMTS	30	US	UNITED STATES	0499003578	PARAGON CHEMICALS NO. 19-A, PANDARAM STREET PURASAWAKKAM CHENNAI, TN, 600007	AAAFP6718QFT001	1	29051201	ISOPROPYL ALCOHOL	MTS	30.000	824645	
10	202190	01-OCT-02	INNMLMTS	30	US	UNITED STATES	0991029682	DIVIS LABORATORIES LTD., 7.1.77/E/1/303,DHARAM KARAM ROAD AMERPET, HYDERABAD ANDHRA PRADESH 500016	AAACD6745JFT001	1	29051201	ISOPROPYL ALCOHOL	MTS	30.000	824645	

Source: <http://mangalorecustoms.kar.nic.in> , the Website of **Mangalore Customs Commissionerate.**

Table-I6
Daily Trade Returns Report – Exports: Sample Records (01-OCT-02 to 07-OCT-02)

Serial Number	Shipping Name of the Vessel Bill No.	Gross Weight	Article Code & Description	Destination Country	Prescribed Unit	Quantity	ValueRs.	Port of Final Destination	Name of Exporter & Address
1	1005243	43.920	25161100 GRANITE DIMENSIONAL 1 BLOCK DRESSED LAYAN BLUE IIND CHOICE SHIPMENT IS DFRC SCHEME COVERED UNDER S.L.NO(K)	ITALY	CEM	3.375	336914.89	Marghera	BHARAT MINING & ENGINEERING CO. 1A, ANCHORAGE, GROUND FLR., 7,VACHHA GANDHI RD.,GAMDEVI
2	1005243	43.920	25161100 GRANITE DIMENSIONAL 2 BLOCKS DRESSE ALAYAN BLUE IST CHOICE SHIPMENT IS DFRC SCHEME COVERED UNDER S.L.NO.(K)	ITALY	CEM	7.605	336914.89	Marghera	BHARAT MINING & ENGINEERING CO. 1A, ANCHORAGE, GROUND FLR., 7,VACHHA GANDHI RD.,GAMDEVI
3	1005266		03037919 SURIMI PROCESSED, PRESERVED FROZEN SEAL BRAND INDIAN ORIGIN 2X10KG PAC SSSA - 1300 CARTONS	TAIWAN	KGS	26000	2390907.50	Kaohsiung	HINDUSTAN LEVER LIMITED 123, G. N. CHETTY ROAD, T. NAGAR,
4	1005275		03036000 REEF COD PROCESSED PRESERVED FROZEN E PACKING 1X20KG SHATTER PACK 1000/2000 -30 CARTONS	HONG KONG	KGS	600	667230.00	Hong Kong	STERLING FOODS MILAGRES CENTRE, 2ND FLOOR, HAMPANKAITTA
5	1005275		03036000 REEF COD PROCESSED PRESERVED FROZEN E PACKING 1X20KG SHATTER PACK 500/700 - 940 CARTONS	HONG KONG	KGS	18800	667230.00	Hong Kong	STERLING FOODS MILAGRES CENTRE, 2ND FLOOR, HAMPANKAITTA
6	1005275		03036000 REEF COD PROCESSED PRESERVED FROZEN E PACKING 1X20KG SHATTER PACK 700/1000- 230 CARTONS	HONG KONG	KGS	4600	667230.00	Hong Kong	STERLING FOODS MILAGRES CENTRE, 2ND FLOOR, HAMPANKAITTA
7	1005277		03036000 REEF COD PROCESSED PRESERVED FROZEN WHOLE PACKING:1X20KG SHATTER PACK SIZE 500/700 NO.OF CARTONS 975	HONG KONG	KGS	19500	667230.00	Hong Kong	STERLING FOODS MILAGRES CENTRE, 2ND FLOOR, HAMPANKAITTA
8	1005277		03036000 REEF COD PROCESSED PRESERVED FROZEN WHOLE PACKING:1X20KG SHATTER PACK SIZE 700/1000 NO.OF CARTONS 225	HONG KONG	KGS	4500	667230.00	Hong Kong	STERLING FOODS MILAGRES CENTRE, 2ND FLOOR, HAMPANKAITTA
9	1005301		09011109 COFFEE INDIAN MONSOONED COFFEE MALABAR AA 2002 PACKED IN 260 GUNNY BAGS	NETHERLANDS	KGS	13000	911397.50	Rotterdam	ASPINWALL & CO. LTD. ASPINWALL BUILDINGS, CALVETTY COCHIN
10	1005302		09011109 COFFEE INDIAN MONSOONED COFFEE MALA AA CROP-2002 PACKED IN 260 GUNNY BA	UNITED KINGDOM	KGS	13000	980538.00	Southampton	ASPINWALL & CO. LTD. P.B.NO.901 KUCSHEKAR

Source: <http://mangalorecustoms.kar.nic.in> , the Website of **Mangalore Customs Commissionerate.**

Introduction of IEC in the DTRs is going to help in the analysis many ways. *First*, it obviates the need to standardise the party names which we had to undertake for the present exercise in an extensive manner. *Second*, one can relate direct imports of an entity with its exports easily through a simple matching of the IECs. An additional advantage available now is the facility to obtain various details of the entities from the DGFT website by feeding in the IEC codes.¹¹ *Third*, this information helps in the classification of the parties into public limited companies, partnership firms, proprietary concerns, government and private importers/exporters, small scale units, etc. Since different units and branches of an entity are given the same EC, the difficulties faced in classifying the parties will be reduced to a large extent and pave way for a reliable analysis at the level of organisational form/party.

Ownership Classification of Importers and Exporters

After the name standardisation exercise was completed, an attempt was made to identify the importers and exporters as constituents of the public sector, international organisations and the non-government ones. A number of databases created and maintained at the Institute were consulted for this purpose. Some of the important ones are: Directory of Indian Companies; Directory of Foreign Collaborations; Registrations under the MRTP Act; Shareholding Distribution of Stock Exchange Listed Companies; Compilation of Inter-corporate Investments; Name Changes; Mergers; Registered Export Houses; etc. In addition, extensive use of the Internet has been made to get some minimum details on the ownership characteristics and group affiliation of importers and exporters about whom otherwise no information was available. The non-government importers and exporters were further distinguished as per the level of foreign equity and affiliation to Large Industrial Houses. Classification of companies posed a number of problems due to non-availability of relevant

¹¹ Available at <http://dgft.delhi.nic.in:8100/dgft/IecPrint>.

shareholding data for a good number of entities. Even when the shareholding data were available, it was difficult to decide the nature of foreign investment in smaller and unlisted companies. In many cases it was not possible to ascertain whether the shares were held by non-resident Indians and Overseas Corporate Bodies (OCBs) predominantly owned by them, foreign institutional investors, foreign collaborators or foreign promotional agencies. The problem was less severe in case of well-known subsidiaries of foreign companies. For the present exercise, apart from such subsidiaries, companies in which a minimum of 25 per cent foreign investment is held by identifiable foreign investors have been classified as foreign-controlled companies (FCCs). Also included under the FCC category are subsidiaries of and other companies promoted in turn by such FCCs in India. In case of joint ventures with foreign companies, the ventures have been classified as FCCs if the foreign partner's equity was 25 per cent or more. A few companies whose products are marketed by large FCCs under the latter's brand names have also been treated as FCCs for the present exercise. NRI-controlled companies, to the extent possible, have been kept out of the foreign-controlled category. Since only those whose shareholding and promotional details are available have been classified as FCCs, there could still be a few lesser-known FCCs among the left out ones.

Since registration of inter-connected undertakings under the MRTP Act is no longer mandatory, official estimates of lists of Large Industrial Houses and their assets are not available beyond the 'eighties. Sporadic estimates are, however, made by private agencies.¹² In view of the non-availability of official estimates for the 'nineties, it was decided to use the estimates made by the Centre for Monitoring Indian Economy (CMIE) for the mid-'nineties.¹³ Two main advantages of these estimates are larger coverage and inclusion of some unlisted companies as well. Out of the top

¹² These cover mainly the listed companies and do not have any official sanction in terms of classification into a particular family or its sub-group.

¹³ CMIE, *The Indian Corporate Sector*, April 1996. The reference year is 1994-95.

100 Houses listed by CMIE, those with Rs. 1,000 crores or more of sales in 1994-95 and numbering 50, have been termed as Top 50 Houses (T1). The next 50 Houses incidentally had assets ranging between Rs. 500 to Rs. 1,000 crores. These form the second set of Top 50 Houses (T2). Individual companies with Rs. 1,000 crores or more sales in 1994-95 were added to the 1st set. Similarly, the second group was enlarged to include companies with Rs.500 - 1,000 crores sales. A company could thus be classified either belonging to T1, T2 or 'Others' in combination with their foreign affiliation. To avoid problems of comparison, a uniform classification of companies was maintained for all the years. To facilitate comparability over the period, all the import/export values were converted into US dollar terms using the ratios obtained from the national aggregate imports and exports for the respective years.

In view of the shortcomings described above, the limited objective of the present exercise is to provide broad indications of the trends and to demonstrate the possible applications the DTR data can be put to. We begin the presentation of the results with the summary tables obtained from the export DTRs.

Section I

Analysis of the Export DTRs

Before proceeding with the analysis, it would be helpful to understand the industry composition of Export DTRs and other details to place the results in a proper perspective. What distinguishes the sample Export DTRs is the extremely high share of Gems and Jewellery related exports; the highest being in 1994-95 when it was 46 per cent (Table I.7). This may be understandable because of the proximity of SEEPZ whose exports constitute to a large extent gems and jewellery. Next in importance are textiles and textile related articles which accounted for a maximum of 29.44 per cent, achieved in the first year. Though the share was relatively lower in 1994-95, it was still substantial at 20 per cent. Together, the two accounted for, in some years, as much as two-thirds of the total exports under study. Chemicals & Allied Industries and Engineering industries comprising of Metals & Metal Products, Machinery & Components and Transport Equipment come next. Shares of both the groups fell initially but continued to maintain at the lower levels in the subsequent years. The coverage by the sample DTRs of the national exports which was reasonably high at nearly 40 per cent in 1990-91 fell drastically to reach 22 per cent in the final year.

Under a single Shipping Bill (SB) more than one item can be exported with each item assigned a separate value. For purpose of the present exercise each SB is treated as one consignment. The total number of export consignments, their value and their sectoral distribution varied during the seven years. As can be seen from the last row of Table I.7, the number of days for which the data was available varied widely. In view of this, the study would focus on the distribution of consignments instead of the absolute level of exports.

The value of export consignments, in different value ranges, suggests a high degree of concentration (Table I.8). The two ranges US\$ 10,000 – US\$ 100,000 and US\$ 100,000 – US\$ 500,000 account for more than 80 per cent in terms of value with the former accounting for more than half of the total in almost all the years. Since an exporter can undertake exports at different points of time, the exports have been aggregated at the level of individual

Table-I.7
Some Basic Particulars of Export DTRs

(Percentages)

	Section	1988-89	1989-90	1990-91	1991-92	1992-93	1993-94	1994-95
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
1	Live Animals: Animal Products	5.97	2.93	2.62	3.27	2.99	2.20	3.16
2	Vegetable Products	5.94	3.99	3.13	3.16	2.82	3.00	1.53
3	Animal or Vegetable Fats, oils, etc.	0.14	0.24	0.21	0.27	0.19	0.29	0.33
4	Prepared Foodstuffs, beverages, etc.	2.16	1.27	0.83	0.88	0.88	1.31	1.31
5	Mineral Products	0.30	0.86	0.23	0.40	0.19	0.99	0.64
6	Products of Chemical & Allied Industries	11.70	9.69	9.16	10.32	9.25	9.86	8.99
7	Plastics, Rubber & Articles thereof	1.54	1.38	1.19	1.03	1.55	2.07	2.51
8	Raw Hides & Skins, Articles, etc.	1.26	1.17	1.58	1.18	1.09	1.03	0.92
9	Wood & Articles of Wood, etc.	0.14	0.08	0.07	0.09	0.09	0.20	0.10
10	Paper, Pulp and Articles, thereof	0.18	0.24	0.20	0.24	0.24	0.28	0.34
11	Textile & Textile Articles	29.44	22.35	27.21	25.24	22.98	24.63	20.29
12	Footwear, Umbrellas, etc.	2.77	1.20	1.49	1.10	0.94	0.99	0.58
13	Non-Metallic Mineral Products	0.39	0.27	0.30	0.41	0.39	0.58	0.45
14	Natural or cultured Pearls, Gold, Silver, etc.	18.69	40.48	37.55	39.03	43.44	37.16	46.09
15	Base Metals & Articles of Base Metals	3.67	3.01	2.76	3.12	3.32	4.28	2.99
16	Machinery, Mechanical Appliances, etc.	7.74	5.38	6.38	5.33	4.89	5.74	4.87
17	Vehicles, Aircraft, etc.	3.30	2.19	2.12	2.06	2.30	2.14	1.89
18	Instruments & Apparatus, watches, etc.	0.62	0.76	0.53	0.30	0.27	0.34	0.22
19	Arms & Ammunition, etc	0.01	0.01	0.05	0.01	0.02	0.01	0.01
20	Misc. Manufactured Articles	0.68	0.40	0.34	0.37	0.39	0.56	0.55
21	Miscellaneous Goods, Work of Art, etc.	3.33	2.01	1.85	2.18	1.76	2.32	2.17
22	Project Goods	0.03	0.09	0.20	0.01	0.01	0.02	0.06
	All Sections	100.00	100.00	100.00	100.00	100.00	100.00	100.00
	Amount (Rs. Cr.)	6,731	10,204	13,026	13,774	21,089	20,746	18,383
	Amount (US\$ mn.)	4,644	6,132	7,255	5,592	7,276	6,618	5,846
	No. of Days Covered: Sea	341	251	278	232	312	253	158
	Air	111	305	365	306	365	253	245
	No. of Consignments	2,53,772	3,30,450	3,89,067	3,37,765	4,33,300	3,78,475	2,75,653
	No. of Records	2,72,024	3,75,871	4,27,944	3,69,074	4,54,656	4,01,385	2,95,681

Note: Except for Sections 21 and 22, the grouping follows the usual ITC HS classification. Chapter 98: Project Goods has been taken out of Section 21 and reported separately as Section 22.

Table-I8
Distribution of Export Consignments According to their Value

	(Percentages)						
Value Range US \$	1988-89	1989-90	1990-91	1991-92	1992-93	1993-94	1994-95
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Distribution of Number of Consignments							
Less than 1000	15.45	24.32	21.35	23.39	23.50	20.17	20.53
1000 - 5000	27.78	25.90	26.19	26.80	26.41	26.85	25.58
5000 - 10000	17.56	14.65	15.33	15.56	15.25	16.24	14.78
<i>Sub-Total</i>	<i>60.79</i>	<i>64.87</i>	<i>62.87</i>	<i>65.75</i>	<i>65.16</i>	<i>63.26</i>	<i>60.89</i>
10000 - 100000	36.75	31.97	34.19	31.88	32.45	34.21	35.43
100000 - 500000	2.36	3.03	2.84	2.28	2.29	2.43	3.53
<i>Sub-Total</i>	<i>39.11</i>	<i>35</i>	<i>37.03</i>	<i>34.16</i>	<i>34.74</i>	<i>36.64</i>	<i>38.96</i>
500000 - 1000000	0.07	0.10	0.08	0.07	0.08	0.08	0.12
1000000 and more	0.03	0.03	0.03	0.03	0.02	0.02	0.04
<i>Sub-Total</i>	<i>0.10</i>	<i>0.13</i>	<i>0.11</i>	<i>0.10</i>	<i>0.10</i>	<i>0.10</i>	<i>0.16</i>
Total	100.00	100.00	100.00	100.00	100.00	100.00	100.00
Share in Total Value of the Consignments							
Less than 1000	0.36	0.50	0.44	0.54	0.51	0.45	0.38
1000 - 5000	4.19	3.75	3.82	4.35	4.25	4.20	3.26
5000 - 10000	6.92	5.69	5.98	6.78	6.55	6.76	5.04
<i>Sub-Total</i>	<i>11.47</i>	<i>9.94</i>	<i>10.24</i>	<i>11.67</i>	<i>11.31</i>	<i>11.41</i>	<i>8.68</i>
10000 - 100000	58.50	53.48	56.86	57.85	57.72	57.73	53.02
100000 - 500000	21.71	28.49	26.59	23.50	23.55	23.85	29.36
<i>Sub-Total</i>	<i>80.21</i>	<i>81.97</i>	<i>83.45</i>	<i>81.35</i>	<i>81.27</i>	<i>81.58</i>	<i>82.38</i>
500000 - 1000000	2.66	3.57	2.80	2.74	3.27	2.90	3.55
1000000 and more	5.66	4.52	3.51	4.23	4.16	4.12	5.39
<i>Sub-Total</i>	<i>8.32</i>	<i>8.09</i>	<i>6.31</i>	<i>6.97</i>	<i>7.43</i>	<i>7.02</i>	<i>8.94</i>
Total	100.00	100.00	100.00	100.00	100.00	100.00	100.00

exporters and their distribution was examined (Table I.9). Given the problems encountered in standardising the exporter and importer names, what one presents here is an account of the 'exporter names' and not actual exporters. The problem is more severe in small value transactions as can be seen from the illustration of Godrej & Boyce Mfg Co Pvt Ltd. Given in the following section. Interestingly, the shares remain stable, especially if the first year is ignored. In terms of numbers, the most important one is the US\$ 10,000 - 100,000 range. The main difference, however, is that the distribution of the value of exports which too remained stable with the most important range being US\$ 1 mn. and above and the highest ranges accounting for more than 2/3rds of the total exports. Thus, in each of the years, about 3 per cent of the exporters, numbering less than one thousand, accounted for two-thirds of the exports indicating heavy concentration.

Table -I.9
Distribution of Exporters According to Total Exports in a Year

(Percentage)

Exports Range (US\$)	1988-89	1989-90	1990-91	1991-92	1992-93	1993-94	1994-95
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Distribution of Number of Exporters							
Less than 1000	9.02	12.96	12.35	13.73	15.37	13.12	13.92
1000 - 5000	22.77	22.91	22.45	23.55	23.75	22.31	21.27
5000 - 10000	14.20	12.91	12.31	13.18	12.98	13.16	11.58
<i>Sub-Total</i>	<i>45.99</i>	<i>48.78</i>	<i>47.11</i>	<i>50.46</i>	<i>52.10</i>	<i>48.59</i>	<i>46.77</i>
10000 - 100000	36.66	34.36	35.42	34.70	33.77	35.73	36.44
100000 - 250000	7.36	7.17	7.06	6.22	5.91	6.78	7.46
250000 - 500000	4.07	3.63	3.95	3.60	3.20	3.52	3.91
500000 - 1000000	2.66	2.63	2.87	2.25	2.33	2.53	2.53
<i>Sub-Total</i>	<i>50.75</i>	<i>47.79</i>	<i>49.3</i>	<i>46.77</i>	<i>45.21</i>	<i>48.56</i>	<i>50.34</i>
1000000 - 5000000	2.69	2.78	2.85	2.37	2.21	2.37	2.33
5000000 and more	0.57	0.67	0.74	0.41	0.48	0.48	0.55
<i>Sub-Total</i>	<i>3.26</i>	<i>3.45</i>	<i>3.59</i>	<i>2.78</i>	<i>2.69</i>	<i>2.85</i>	<i>2.88</i>
Total	100.00	100.00	100.00	100.00	100.00	100.00	100.00
Distribution of Exports							
Less than 1000	0.02	0.03	0.02	0.04	0.04	0.03	0.03
1000 - 5000	0.36	0.32	0.28	0.41	0.39	0.36	0.32
5000 - 10000	0.58	0.46	0.41	0.63	0.58	0.58	0.47
10000 - 100000	6.86	5.85	5.51	7.56	6.84	7.16	7.22
<i>Sub-Total</i>	<i>7.82</i>	<i>6.66</i>	<i>6.22</i>	<i>8.64</i>	<i>7.85</i>	<i>8.13</i>	<i>8.04</i>
100000 - 250000	6.67	5.68	5.15	6.54	5.82	6.55	6.68
250000 - 500000	8.19	6.48	6.42	8.35	6.95	7.52	7.81
500000 - 1000000	10.62	9.28	9.25	10.38	10.11	10.89	9.99
<i>Sub-Total</i>	<i>25.48</i>	<i>21.44</i>	<i>20.82</i>	<i>25.27</i>	<i>22.88</i>	<i>24.96</i>	<i>24.48</i>
1000000 - 5000000	31.11	29.32	27.23	32.08	28.25	29.12	26.58
5000000 and more	35.58	42.59	45.72	34.01	41.02	37.79	40.89
<i>Sub-Total</i>	<i>66.69</i>	<i>71.91</i>	<i>72.95</i>	<i>66.09</i>	<i>69.27</i>	<i>66.91</i>	<i>67.47</i>
Total	100.00	100.00	100.00	100.00	100.00	100.00	100.00

Table-I.10 provides the distribution of exporters according to broad ownership characteristics. Practically all the exporters are non-government ones and these accounted for 95 per cent or more of the exports in all the years. With such a high share of non-government exporters, not surprisingly, the distribution of non-government exports turns out to be quite similar to the aggregate level distribution (Table-I.11). Within the non-

government exporters, however, shares of different sub-groups changed over the period (Table-I.12). For instance, the share of top 100 Houses and FCCs declined in the initial years. Top Houses' share, however, improved somewhat during the latter years while the share of FCCs continued to decline. Since Gems and Jewellery related items contribute a substantial part of the exports covered by the study, and FCCs and the Large Houses do not directly deal in these items, it would be more appropriate to compare the relative shares of different groups after excluding these items. Shares of the three sub-categories of exporters were calculated after excluding Gems and Jewellery related exports as also other items like primary products, etc. While understandably shares of the two groups improved, the overall pattern did not change much thus confirming the declining share of FCCs and lower shares of top Houses.

Table-I.10
Ownership Category-wise Distribution of Exporters and Exports

	Type of Exporter	1988-89	1989-90	1990-91	1991-92	1992-93	1993-94	1994-95
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
		Number of Exporters						
A	Government, Public Enterprises & Institutions	90	99	103	101	103	96	86
B	International Institutions	1	7	5	6	7	8	5
C	Non-Government	26,217	30,625	33,215	36,554	44,906	40,031	32,814
D	Total (A+B+C)	26,308	30,731	33,323	36,661	45,016	40,135	32,905
		Distribution of Exporters (Percentages)						
A	Government, Public Enterprises & Institutions	0.30	0.30	0.28	0.25	0.21	0.23	0.25
B	International Institutions	Negl.	0.02	0.01	0.01	0.01	0.01	0.01
C	Non-Government	99.69	99.69	99.71	99.74	99.78	99.76	99.73
D	Total (A+B+C)	100.00	100.00	100.00	100.00	100.00	100.00	100.00
		Value of Exports (US\$ mn.)						
A	Government, Public Enterprises & Institutions	210.53	220.62	378.84	177.22	226.11	290.99	80.93
B	International Institutions	0.05	0.18	0.42	0.34	0.18	0.52	0.13
C	Non-Government	4,433.47	5,911.63	6,875.99	5,414.88	7,049.50	6,326.43	5,764.80
D	Total (A+B+C)	4,644.05	6,132.43	7,255.25	5,592.44	7,275.79	6,617.94	5,845.86
		Distribution of Exports (Percentages)						
A	Government, Public Enterprises & Institutions	4.53	3.60	5.22	3.17	3.11	4.40	1.38
B	International Institutions	Negl.	Negl.	0.01	0.01	Negl.	0.01	Negl.
C	Non-Government	95.47	96.40	94.77	96.82	96.89	95.60	98.61
D	Total (A+B+C)	100.00	100.00	100.00	100.00	100.00	100.00	100.00

Table-I.11
Distribution of Non-Government Exporters According Total Exports in a Year

Value Range US \$	1988-89	1989-90	1990-91	1991-92	1992-93	1993-94	1994-95
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Distribution of Number of Exporters							
Less than 1000	9.04	12.99	12.38	13.75	15.40	13.15	13.95
1000 - 5000	22.82	22.96	22.50	23.58	23.79	22.36	21.30
5000 - 10000	14.24	12.94	12.33	13.21	13.00	13.18	11.60
10000 - 100000	36.67	34.37	35.47	34.72	33.79	35.75	36.45
100000 - 250000	7.34	7.12	7.03	6.19	5.89	6.76	7.44
250000 - 500000	4.05	3.62	3.93	3.58	3.18	3.50	3.88
500000 - 1000000	2.64	2.61	2.84	2.24	2.31	2.52	2.51
1000000 - 5000000	2.66	2.75	2.82	2.34	2.18	2.33	2.31
5000000 and more	0.54	0.64	0.71	0.39	0.45	0.46	0.54
Total	100.00	100.00	100.00	100.00	100.00	100.00	100.00
Total No. Exporters	26,217	30,625	33,215	36,554	44,906	40,031	32,814
Share in Total Value of Exports (Percentages)							
Less than 1000	0.03	0.03	0.02	0.04	0.04	0.04	0.03
1000 - 5000	0.38	0.33	0.29	0.43	0.40	0.38	0.32
5000 - 10000	0.61	0.48	0.43	0.65	0.60	0.61	0.48
10000 - 100000	7.15	6.04	5.80	7.78	7.04	7.47	7.30
100000 - 250000	6.94	5.83	5.38	6.71	5.97	6.81	6.74
250000 - 500000	8.50	6.68	6.73	8.55	7.12	7.81	7.85
500000 - 1000000	11.00	9.51	9.63	10.64	10.32	11.29	10.00
1000000 - 5000000	31.87	29.84	28.35	32.68	28.72	29.86	26.68
5000000 and more	33.52	41.26	43.35	32.53	39.79	35.73	40.60
Total	100.00	100.00	100.00	100.00	100.00	100.00	100.00
Total Value of the Consignments US \$ mn.	4,433	5,912	6,876	5,415	7,050	6,326	5,765

Table-I.12
Share of Various Categories in Total Non-Government Exports
According to Different Criteria

(Percentages)

Year	All Exports			After Excluding Chapters 01-08, 10, 12-14, 27 and 71#			After excluding Chapter 71 (Gems & Jewellery Related Imports)		
	Top 100 Houses	FCCs	Others	Top 100 Houses	FCCs	Others	Top 100 Houses	FCCs	Others
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
1988-89	14.77	6.61	78.62	19.35	8.71	71.95	17.58	8.15	74.28
1989-90	10.64	5.59	83.77	17.12	9.24	73.64	15.70	8.78	75.52
1990-91	10.91	5.36	83.73	16.60	8.39	75.01	15.36	7.97	76.67
1991-92	9.54	4.66	85.80	15.00	7.12	77.89	13.84	6.79	79.37
1992-93	9.41	4.36	86.23	15.31	6.85	77.84	14.55	6.67	78.78
1993-94	10.39	4.38	85.24	15.46	6.39	78.15	14.72	6.29	78.99
1994-95	10.11	4.26	85.64	16.10	5.62	78.28	14.89	5.71	79.40

01: Live Animals; 02: Meat & Edible Meat Ofal; 03: Fish, Molluscs, etc; 04: Dairy Products, etc.; 05: Products of Animal Origin, nes.; 06: Live Trees, Bulbs, et.; 07: Edible Vegetables, Roots & Tubers; 08: Edible Fruit & Nuts, etc. 10: Cereals; 12: Oil Seeds, Oleaginous Fruits, etc.; 13: Lac, Gums, etc.; 14: Vegetable Plaiting Materials; 27: Mineral Fuel, Oil, etc.; and 71: Natural Pearls, Precious Stones, etc.

Among the uses the DTR data can be put to is an analysis of the changes in the export markets and the export basket. Diversification of export markets is desirable because it not only reduces the risk but may also suggest penetration into new markets. On the other hand, product diversification may be related to export house activity and/or growing diversification of activities by companies. The present exercise is limited to an examination of market diversification in the pre-and-post-liberalisation periods. To facilitate such an examination, Export DTRs were pooled for the two years 1988-89 and 1989-90 representing the pre-liberalisation period and 1993-94 and 1994-95 to compare the changes in the post-liberalisation period. Non-government exporters common to both the periods were identified. These numbered 12,035. The exporters were classified according to the total exports in the initial period. By excluding exporters whose aggregate exports in 1988-89 and 1989-90 were less than US\$1 lakh - who might have been counted as 'exporters' more due to lack of standardisation of exporter names -- we were left with 5,246 exporters. These accounted for 85 per cent of total exports in the initial two years. The independent states which emerged from the erstwhile USSR were treated as one country for purposes of the present exercise since they did not exist separately in the initial period. Herfindahl indices of concentration were calculated for each exporter for the two two-year periods namely, 1989-90 and 1993-95 as the sum of squared shares of individual countries in the exports of that party. In the extreme situation of exports to only one country, the index takes the value of one. Higher the dispersion, lower would be the index. The number of companies in different ranges of the change in the Herfindahl index and their percentage shares are presented in Table-I.13.

At the aggregate level, there are relatively more exporters whose concentration ratios increased than the number of cases whose ratios declined. However, larger exporters diversified more compared to the smaller ones as in nearly two-thirds of the cases the index declined. The index increased in only one-third of the cases. There are very few cases

where the concentration remained the same. Generally, the ratio remained the same for relatively smaller exporters. Thus, while there was two-way movement, larger exporters tended to either find new markets or their exports were more evenly distributed among the importing countries. Comparatively more of the top 50 House companies diversified their export markets.

The smallest group has the largest proportion of cases where the index remained the same. Also, concentration increased in a comparatively larger proportion of smaller exporters. That there was no change in concentration in case of smaller companies in a relatively larger number of cases is valid in almost all sub-groups. Proportion of such companies is the highest in case of non-large house, non-FCC categories. Comparatively more Large House companies and FCCs diversified their export markets.

Table-I.14 shows that generally, the number of companies exporting to only a single country or two countries increased substantially. This happened particularly in case of the smaller exporters. Except in the highest bracket of companies exporting to 20 countries or more, there has been an over all decline in the number of companies exporting to 3 or more countries. This shows that only those who were already well diversified might have diversified their export markets further while the remaining tried to focus on fewer markets. While at the aggregate level there are fewer companies which increased the number of countries they were exporting to, proportion of such cases is the highest in case of the largest exporters (Table-I.15).

Overall, the largest exporters seem to have diversified their markets more as also sought to spread the exports more evenly among the countries, the smaller ones in general seem to have tried to focus on fewer markets.

Table-I.13
Changes in Concentration of Export Markets
in the Post-Liberalisation Period

Size of Exports in the initial period	Distribution of Exporters according to the Extent of Change (%) in the Herfindahl Index (Percentages)						No. of Exporters
	US \$ mn.	Less than - 10	0 to -10	No Change	0 to 10	10 & above	
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Top 50 Houses							
0.1 to 0.5	38.89	0.00	5.56	11.11	44.44	100.00	18
0.5 to 1	44.44	0.00	11.11	0.00	44.44	100.00	9
1 to 5	68.18	9.09	0.00	0.00	22.73	100.00	22
5 to 10	72.73	9.09	0.00	0.00	18.18	100.00	11
10 & above	69.23	3.85	0.00	0.00	26.92	100.00	26
Sub-Total	60.47	4.65	2.33	2.33	30.23	100.00	86
Second 50 Houses							
0.1 to 0.5	53.33	6.67	0.00	13.33	26.67	100.00	15
0.5 to 1	44.44	0.00	11.11	0.00	44.44	100.00	9
1 to 5	60.00	0.00	0.00	0.00	40.00	100.00	20
5 to 10	57.14	14.29	0.00	0.00	28.57	100.00	7
10 & above	62.50	12.50	0.00	0.00	25.00	100.00	8
Sub-Total	55.93	5.08	1.69	3.39	33.90	100.00	59
Other Indian Companies							
0.1 to 0.5	34.59	6.71	7.93	6.97	43.81	100.00	2712
0.5 to 1	35.76	7.41	3.18	7.29	46.35	100.00	850
1 to 5	37.13	8.04	1.26	9.21	44.35	100.00	1107
5 to 10	46.67	9.70	1.21	9.70	32.73	100.00	165
10 & above	47.27	15.45	0.00	8.18	29.09	100.00	110
Sub-Total	36.04	7.42	5.22	7.65	43.67	100.00	4944
Foreign-Controlled Cos.							
0.1 to 0.5	60.00	2.00	2.00	4.00	32.00	100.00	50
0.5 to 1	39.39	6.06	0.00	6.06	48.48	100.00	33
1 to 5	54.55	13.64	0.00	9.09	22.73	100.00	44
5 to 10	70.00	0.00	0.00	20.00	10.00	100.00	10
10 & above	70.00	5.00	0.00	5.00	20.00	100.00	20
Sub-Total	56.05	6.37	0.64	7.01	29.94	100.00	157
All Exporters							
0.1 to 0.5	35.17	6.58	7.76	6.98	43.51	100.00	2795
0.5 to 1	36.07	7.21	3.22	7.10	46.39	100.00	901
1 to 5	38.73	8.13	1.17	8.89	43.08	100.00	1193
5 to 10	49.74	9.33	1.04	9.33	30.57	100.00	193
10 & above	54.27	12.20	0.00	6.10	27.44	100.00	164
Sub-Total	37.27	7.32	4.99	7.49	42.93	100.00	5246

Table-I.14
Distribution of Exporters according to Number of
Importing Countries and Size of the Exporter

(Number of Exporters)

Number of Countries exported to	0.1 to 0.5 mn.		0.5 to 1 mn.		1 - 5 mn.		5 to 10 mn.		10 mn. & above		Total	
	Period 1	Period 2	Period 1	Period 2	Period 1	Period 2	Period 1	Period 2	Period 1	Period 2	Period 1	Period 2
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)
1	425	706	49	145	41	133	7	7	3	3	525	994
2	496	504	75	114	52	95	4	9	4	4	631	726
3	410	357	90	97	66	76	7	7	3	2	576	539
4	398	250	113	83	92	115	9	12	3	3	615	463
5	288	208	131	82	102	87	3	9	3	6	527	392
6 - 10	636	530	301	231	485	370	69	56	30	28	1,521	1,215
11 - 20	140	205	128	124	305	225	59	50	70	58	702	662
More than 20	2	35	14	25	50	92	35	43	48	60	149	255
Total	2,795	2,795	901	901	1,193	1,193	193	193	164	164	5,246	5,246

Table-I.15
Distribution of Exporters according to their Initial Exports and Change in
the Number of Countries Exported to

Size Range of Exports in the Initial Period	Decrease/Increase in the Number of Countries Exported to in the Second Period (Number of Exporters)				Share in Total (%)			
	Decrease	No Change	Increase	Total	Decrease	No Change	Increase	Total
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
0.1 to 0.5 mn.	1,264	511	1,020	2,795	45.22	18.28	36.49	100.00
0.5 to 1 mn.	468	113	320	901	51.94	12.54	35.52	100.00
1 to 5 mn.	636	112	445	1,193	53.31	9.39	37.30	100.00
5 - 10 mn.	88	20	85	193	45.60	10.36	44.04	100.00
10 mn. & above	74	7	83	164	45.12	4.27	50.61	100.00
All Exporters	2,530	763	1,953	5,246	48.23	14.54	37.23	100.00

An attempt has also been made to look at the composition of exports of top 50 Houses at the beginning and the end of the study period. A basic assumption in this exercise is that companies continue to use the respective ports for export of their products and if a company does not appear in the DTRs, it means that it did not participate in export trade during the year. This is no doubt a stringent assumption and given the gaps in the data, these results need to be taken as indicative and more work needs to be done to confirm the findings. The limited exercise suggests that while the top product groups remained the same, there were substantial changes in their

inter se ranking (Table-I.16). While Textiles continued to be the topmost export earner, its share declined substantially. Share of the Machinery Group also declined. On the other hand, considerable gains have been made by the Metals group.

Table-I.16
Composition of Exports of Top 50 Houses

Section	Description	Share in Exports	
		1988-89 & 1989-90	1993-94 & 1994-95
(1)	(2)	(3)	(4)
11	Textile & Textile Articles	38.01	31.79
15	Base Metals and Articles of Base Metals	7.54	13.92
17	Vehicles, Aircraft, etc.	10.82	13.48
06	Products of Chemical & Allied Inds	15.21	11.88
07	Plastics, Rubber & Articles thereof	4.07	8.29
16	Machinery, Mechanical Appliances, etc.	14.37	7.62
08	Raw Hides & Skins, Articles, etc.	3.28	4.42
04	Prepared Foodstuffs, beverages, etc.	1.35	1.79
21	Miscellaneous Goods, Work of Art, etc.	1.52	1.77
12	Footwear, Umbrellas, etc.	0.98	1.36
01	Live Animals: Animal Products	0.57	0.67
10	Paper, Pulp and Articles, thereof	0.02	0.55
18	Instruments & Apparatus, watches, etc.	0.41	0.54
20	Miscellaneous Manufactured Articles	0.22	0.49
13	Non-Metallic Mineral Products	0.19	0.42
	Others	1.46	1.01
	Total	100.00	100.00

Section II

Analysis of the Import DTRs

Under a single Bill of Entry (BE) more than one item can be imported. As in the case of Shipping Bill, for purpose of the present exercise each BE is treated as one consignment. While each item is assigned a value and assessed separately for duty, only the total duty levied on the entire consignment is reported in the DTR. The total number of import consignments, their value and their sectoral distribution varied during the seven years (Table-I.17). As can be seen from the last row of the Table, the number of days for which the data was available varied widely. In view of this, the study would focus on the distribution of consignments instead of the absolute level of imports.

A distinguishing feature of the import data is the sharp jump in the share of Gems and Jewellery related product group namely, 'Natural or Cultured Pearls, Gold, etc.', in the last two years. This appears to be mainly because of the relatively better coverage of Air Customs in 1994-95. Otherwise the sections which continued to have an important place are: (i) Machinery, Mechanical Appliances, etc.; (ii) Base Metals and their Articles; (iii) Chemicals & Allied Products; (iv) Project Goods; (v) Mineral Products; (vi) Plastics, Rubber Products, etc.; and (vii) Textiles & Textile Articles.

The value of import consignments, in different value ranges, suggests a high degree of skewness (Table-I.18). The number of consignments, each with value of less than US\$10,000, constituted more than 60 per cent of the consignments but generally accounted for about 6 per cent in terms of value. Though the percentages varied over the years, the number of consignments in the lower ranges accounted for at least half of the consignments but their share in imports remained quite low; the maximum ever reached being 7 per cent. On the other hand, the number of large consignments each with US\$ 100,000 and above, while accounting for about 5 per cent of the total consignments accounted between half to two-thirds of the exports value. The range of US\$ 10,000 - 100,000 has turned out to be an important one as its share in the number of consignments and in value was substantial.

Table-1.17
Some Basic Particulars of Import DTRs

(Percentages)

Section	1988-89	1989-90	1990-91	1991-92	1992-93	1993-94	1994-95
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
1 Live Animals: Animal Products	1.35	1.08	0.19	0.30	0.26	0.12	0.32
2 Vegetable Products	3.70	1.87	3.50	2.99	3.43	2.98	2.56
3 Animal or vegetable Fats, oils, etc.	2.91	1.09	1.05	1.10	0.72	0.80	1.08
4 Prepared Foodstuffs, beverages, etc.	0.27	0.29	0.18	0.31	0.34	0.21	1.33
5 Mineral Products	4.44	3.50	8.42	4.07	3.59	3.18	7.74
6 Products of Chemical & Allied Industries	12.59	14.95	13.99	14.59	16.37	11.93	10.55
7 Plastics, Rubber & Articles thereof	6.99	7.46	6.37	9.24	6.07	4.64	5.45
8 Raw Hides & Skins, Articles, etc.	0.11	0.14	0.12	0.21	0.1	0.07	0.07
9 Wood & Articles of Wood, etc.	0.27	0.30	0.33	0.29	0.45	0.22	0.37
10 Paper, Pulp and Articles, thereof	4.11	4.32	5.03	4.32	4.67	4.05	3.36
11 Textile & Textile Articles	4.60	4.78	4.02	4.04	5.15	4.32	5.46
12 Footwear, Umbrellas, etc.	0.06	0.11	0.07	0.08	0.07	0.08	0.03
13 Non-Metallic Mineral Products	0.62	0.68	0.68	0.73	0.65	0.44	0.43
14 Natural or Cultured Pearls, Gold, Silver, etc.	0.83	1.69	1.51	0.85	2.62	18.52	18.04
15 Base Metals and Articles of Base Metals	18.95	23.69	19.15	18.97	20.42	14.08	15.13
16 Machinery, Mechanical Appliances, etc.	17.88	21.41	19.40	21.93	21.32	20.03	16.03
17 Vehicles, Aircraft, etc.	2.37	2.66	5.17	2.61	2.42	4.14	2.12
18 Instruments & Apparatus, watches, etc.	2.18	3.04	2.82	2.57	2.94	2.43	1.63
19 Arms & Ammunition, etc	0.02	0.06	0.01	0.10	0.03	0.01	0.01
20 Miscellaneous Manufactured Articles	0.17	0.16	0.13	0.23	0.1	0.09	0.18
21 Miscellaneous Goods, Work of Art, etc.	8.50	1.68	2.01	0.13	0.03	0.02	0.01
22 Project Goods	7.08	5.04	5.85	10.34	8.25	7.64	8.10
All Sections	100.00	100.00	100.00	100.00	100.00	100.00	100.00
Amount (Rs. Cr.)	8,722	9,095	11,072	11,312	14,169	20,656	18,430
Amount (US\$ mn.)	6,018	5,466	6,167	4,593	4,888	6,589	5,835
No. of Days Covered: Sea	197	206	227	241	203	227	59
Air	227	167	180	227	214	217	146
No. of Consignments	1,96,778	1,78,387	2,00,420	1,78,337	1,75,849	2,10,116	1,21,931
No. of Records	2,95,805	2,91,062	3,35,817	2,83,190	2,75,824	3,11,798	1,83,165

Table-I.18
Distribution of Import Consignments According to their Value

Value Range US \$	1988-89	1989-90	1990-91	1991-92	1992-93	1993-94	1994-95
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Distribution of Number of Consignments (Percentages)							
1. Less than 1000	21.29	19.70	20.18	19.40	18.90	19.00	11.72
2. 1,000 - 5,000	25.86	24.29	24.56	23.23	23.70	24.16	20.80
3. 5,000 - 10,000	14.68	15.34	14.88	15.57	15.92	16.20	15.84
<i>Sub-Total (1 to 3)</i>	<i>61.83</i>	<i>59.34</i>	<i>59.61</i>	<i>58.20</i>	<i>58.51</i>	<i>59.35</i>	<i>48.36</i>
4. 10,000 - 100,000	32.83	35.44	35.46	38.07	36.97	35.82	43.24
5. 100,000 - 500,000	4.58	4.49	4.22	3.22	3.97	4.13	7.01
6. 500,000 - 1,000,000	0.45	0.43	0.43	0.29	0.36	0.41	0.85
7. 1,000,000 - 5,000,000	0.29	0.29	0.25	0.20	0.18	0.26	0.50
8. 5,000,000 & above	0.02	0.01	0.03	0.01	0.02	0.02	0.04
<i>Sub-Total (5 to 8)</i>	<i>5.34</i>	<i>5.22</i>	<i>4.93</i>	<i>3.72</i>	<i>4.53</i>	<i>4.82</i>	<i>8.40</i>
Total (1 to 8)	100.00	100.00	100.00	100.00	100.00	100.00	100.00
Share in Total Value of the Consignments (Percentages)							
1. Less than 1000	0.23	0.21	0.22	0.24	0.22	0.21	0.09
2. 1000 - 5000	2.27	2.15	2.16	2.48	2.31	2.10	1.21
3. 5000 - 10000	3.47	3.64	3.49	4.37	4.06	3.79	2.42
<i>Sub-Total (1 to 3)</i>	<i>5.96</i>	<i>6.00</i>	<i>5.87</i>	<i>7.09</i>	<i>6.59</i>	<i>6.09</i>	<i>3.73</i>
4. 10000 - 100000	32.67	35.34	34.55	43.69	38.75	34.26	28.72
5. 100000 - 500000	29.40	28.71	26.78	23.68	27.14	25.95	28.93
6. 500000 - 1000000	10.14	9.85	9.47	7.74	8.77	8.89	12.10
7. 1000000 - 5000000	17.77	17.45	15.33	14.36	11.44	15.74	19.19
8. 5000000 & above	4.06	2.64	8.01	3.44	7.31	9.07	7.33
<i>Sub-Total (5 to 8)</i>	<i>61.37</i>	<i>58.65</i>	<i>59.59</i>	<i>49.22</i>	<i>54.66</i>	<i>59.65</i>	<i>67.55</i>
Total (1 to 8)	100.00	100.00	100.00	100.00	100.00	100.00	100.00

Thus even if the consignments worth US\$ 10,000 or less which account for more than half of the total number of consignments are ignored one would be covering over 90 per cent of the value of imports. This has significance from the point of monitoring import trade.

What is also important is that over the years the share of lower ranges declined suggesting progressively larger consignments possibly due to growth in demand for imported goods following liberalisation, price rise abroad and imports of larger quantities possibly for stock and sale. Unlike the distribution pattern of exports, small-sized consignments held a

relatively smaller share in the overall imports. The pattern of exports is noticeably different when compared to the pattern of imports.

Importers do not obtain their supplies in a single consignment or from the same source. There could be multiple import consignments depending upon the items imported, the suppliers, and the time of import. Along with an analysis of the consignments it is, therefore, necessary to view imports in terms of the identity of the importers. As explained above, an extensive exercise to standardise the importing and exporting parties was undertaken. Given the large number of consignments, the exercise obviously suffered from certain limitations. After the initial level of standardisation, special attention was placed on the importers with relatively large imports. In any case, in each of the years, those importing at least US\$0.25 million worth of goods were paid special attention. Thus in the lower ranges what appears as number of importers can be more realistically referred to as importer names instead of importers as such. For instance, Godrej & Boyce Mfg Co Pvt Ltd appeared in 587 different ways in the original DTRs and even a simpler name like Mazagon Dock Ltd was entered in 168 ways. After the series of standardisations we noticed that the two have been reduced to 44 and 36 different forms respectively. In the computations, this case will be treated as 44 different 'importers'. Table-I.19 shows the frequency distribution of 'importer names' after the series of name standardisations. In case of 'Godrej & Boyce' the main name which has been used for classification purposes, accounts for nearly 97 per cent of the total imports of 'Godrej & Boyce'. In the standardised data file what appears as importers should, therefore strictly be considered as 'importer names' and not importers as such. For the sake of convenience, however, these would be referred to as importers only.

Table-I.19
Multiple Forms of Godrej & Boyce Mfg Co Pvt Ltd
Remaining in the Data File after Standardisation of Importer Names

	Importer Name	No. of Occurrences	Value of Imports (US \$)
	(1)	(2)	(3)
1	GODREJ & BOYCE MFG CO PVT LTD	524	10,756,312.56
2	GODEJ & BOYCE MFG CO PVT LTD	4	53,098.34
3	GODREJ & BVOYCE MFG CO PVT	1	28,055.61
4	GODED & BOYCE FG CO LTD	1	24,435.26
5	GODREJ & BOCYCE MFG CO LTD	5	23,660.81
6	GODREJ & BPYCE MFG CO LTD	1	23,457.69
7	GODJEJ & BOYCE MFG CO LTD	1	21,275.90
8	GODREJ & OBYUCE MFG CO LTD	2	20,848.30
9	GODREJ BOYCE CO PVT LTD	2	18,608.33
10	GODREH & BOYCE MFG CO PVT LTD	3	13,497.03
11	GODRJ & BOYSCE MFG CO LTD	4	11,974.50
12	GODRE & BOYCE MFG CO LTD	2	10,770.28
13	GODREJ & BYOCE MFG CO PVT LTD	3	10,415.34
14	GODREJ ANDDBOYCE MFG CO LTD	1	10,262.18
15	GODJREJ & BOYUCE MFG CO LTD	1	8,316.30
16	GODREJ BOYCES MFG CO LTD	1	7,718.69
17	GODRG & BOYCE MFG CO LTD	2	7,160.43
18	GODREJ & MFG CO LTD	1	7,009.40
19	GODEREJ & BOYCE MFG CO LTD	2	6,741.15
20	GODREJ BOYCE MFG CO LTD	1	6,666.45
21	GODREJ BOUCE MFG CO LTD	1	5,652.14
22	GODREJ & GODREJ CO LTD	1	5,518.76
23	GODREI & BOYCE MFG CO LTD	1	4,376.84
24	GODRE0J & BOYCE MFG CO PVT LTD	1	4,021.87
25	GODREJ & BOOYCE MFG CO LTD	1	3,873.00
26	GODERAJ & BOYCE MFG CO PVT LTD	1	2,526.37
27	GODREEJ & BOYCE MFG CO LTD	2	2,258.69
28	GODAEJ & BOYCE MFG	1	1,903.10
29	GODREJ & BBOYCE MFG CO PVT LTD	1	1,175.69
30	GODREJ & GOYCE MFG CO LTD	1	1,100.01
31	GODREJ & & BOYCE MFG CO LTD	1	942.13
32	GODREJO & BOYCE MFG CO LTD	1	893.39
33	GODARAJ & BOYCE MFG CO LTD	1	794.29
34	GODREJJAND BOYCE	1	748.94
35	GODREJAND MFG CO LTD	1	720.33
36	GODREJ & BPOYCE	1	689.79
37	GODREJH & BOYCE MFG CO LTD	1	637.60
38	GODREJ & OBUCE MFG CO LTD	1	621.95
39	GODREJ BOYCHE MFG CO LTD	1	607.87
40	GODEWJ & BOYCE MFG CO LTD	1	252.87
41	GODREJ & OYCE MFG CO LTD	1	175.12
42	GODREJ & JBOYCE MFG CO LTD	1	171.82
43	GODRJE & BOYCE MFG CO LTD	1	67.58
44	GODREJ & CO MFG CO LTD	1	10.35
	Total	587	11,110,025.05

Understandably, the skewness in distribution becomes more pronounced when the distribution of importers was examined than what was observed in the case of the consignment distribution (Table-I.20). The overall number of importers varied and ranged between 23,000 to about 30,000. The value of imports by nearly half the number of importers was less than 1 per cent. On the other hand, the number of importers, each importing more than US\$0.25 million worth of goods in a year ranged between 2,000 and 2,700 thus constituting a maximum of 10.60 per cent of the total number of importers in any year. Incidentally, these are also the ones on which special attention was placed while standardising the importer names. Their share in imports value was far higher at about 88 per cent. At the higher end of this range were less than 200 importers in each of the years (except in 1993-94 when it was slightly higher at 210) who accounted for about half of the total imports.¹⁴

There is thus a high degree of concentration at the top. This is not surprising since the DTR includes major public sector importing enterprises also. Table-I.21 shows broad ownership group-wise distribution of importers and the corresponding share in imports. The number of Indian public sector organisations engaged in imports was quite small but their share in imports value was substantial. In 1988-89 their share in imports was a little above 30 per cent. Over the years, however, share of the sector declined and towards the end fell to almost half of the initial value. Correspondingly, the private sector's share increased and reached about 84 per cent by the end of the period. The share of international organisations was only marginal. As the next step we, therefore, look at the imports of private sector importers. Table-I.22 shows the distribution after excluding importers that fall under Government companies, departments, hospitals, universities and colleges, embassies and other supra-national bodies like U.N. There is a change in

¹⁴. There is still considerable scope for standardisation of names which may result in the share of higher ranges increasing further and a corresponding reduction in the number of importing parties.

the relative significance of the highest range but the skewness still continues. During 1988-89, the top 2,000 importers with at least US\$0.25 million or more of imports each accounted for 83 per cent of the Indian imports by the private sector through the two major Customs Houses. In subsequent years though the numbers varied, their share continued to be high and ranged between 82 and 86 per cent.

Table-I.20
Distribution of Importers According Total Imports in a Year

Value Range US \$	1988-89	1989-90	1990-91	1991-92	1992-93	1993-94	1994-95
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Distribution of Number of Importers							
Less than 1,000	20.28	19.63	20.52	21.13	20.92	19.54	10.61
1,000 - 5,000	18.51	17.89	18.38	18.07	16.91	16.81	15.45
5,000 - 10,000	11.98	12.15	11.87	11.73	11.18	11.46	12.30
10,000 - 100,000	35.07	35.79	35.15	35.01	35.53	35.61	42.01
<i>Sub-Total</i>	<i>85.85</i>	<i>85.45</i>	<i>85.92</i>	<i>85.94</i>	<i>84.55</i>	<i>83.42</i>	<i>80.37</i>
100,000 - 250,000	6.65	6.81	6.36	6.35	6.99	7.07	8.65
250,000 - 500,000	2.83	3.12	3.08	3.02	3.43	3.63	4.36
500,000 - 1,000,000	1.80	1.98	1.94	1.99	2.05	2.40	2.71
<i>Sub-Total</i>	<i>11.28</i>	<i>11.91</i>	<i>11.38</i>	<i>11.36</i>	<i>12.46</i>	<i>13.10</i>	<i>15.72</i>
1,000,000 - 5,000,000	2.22	1.95	2.10	2.13	2.30	2.75	3.06
5,000,000 and more	0.65	0.69	0.60	0.57	0.70	0.73	0.85
<i>Sub-Total</i>	<i>2.88</i>	<i>2.63</i>	<i>2.71</i>	<i>2.70</i>	<i>2.99</i>	<i>3.48</i>	<i>3.90</i>
Total	100.00	100.00	100.00	100.00	100.00	100.00	100.00
No. of Importers	29,248	27,755	29,707	25,887	24,426	28,846	22,766
Share in Total Value							
Less than 1,000	0.02	0.02	0.03	0.03	0.03	0.02	0.01
1,000 - 5,000	0.24	0.24	0.24	0.28	0.23	0.20	0.17
5,000 - 10,000	0.42	0.45	0.42	0.48	0.41	0.37	0.35
10,000 - 100,000	5.85	6.32	5.82	6.68	6.08	5.51	5.76
100,000 - 250,000	<i>6.55</i>	<i>7.04</i>	<i>6.51</i>	<i>7.47</i>	<i>6.75</i>	<i>6.10</i>	<i>6.30</i>
<i>Sub-Total</i>	<i>5.06</i>	<i>5.47</i>	<i>4.83</i>	<i>5.68</i>	<i>5.48</i>	<i>4.92</i>	<i>5.33</i>
250,000 - 500,000	4.81	5.57	5.22	6.01	6.01	5.56	6.07
500,000 - 1,000,000	6.20	6.99	6.57	7.96	7.26	7.32	7.31
<i>Sub-Total</i>	<i>16.07</i>	<i>18.03</i>	<i>16.62</i>	<i>19.65</i>	<i>18.75</i>	<i>17.79</i>	<i>18.71</i>
1,000,000 - 5,000,000	22.47	20.76	21.62	24.88	24.66	25.94	25.16
5,000,000 and more	54.91	54.17	55.25	48.00	49.85	50.18	49.84
<i>Sub-Total</i>	<i>77.39</i>	<i>74.93</i>	<i>76.87</i>	<i>72.87</i>	<i>74.51</i>	<i>76.11</i>	<i>74.99</i>
Total	100.00	100.00	100.00	100.00	100.00	100.00	100.00
Value (US \$ mn.)	6,018	5,466	6,167	4,593	4,888	6,589	5,835

Table-I.21
Importer Category-wise Distribution of Importers and Imports

	Importer Category	1988-89	1989-90	1990-91	1991-92	1992-93	1993-94	1994-95
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
A	Government, Public Enterprises & Institutions	1.82	1.84	1.71	1.78	1.73	1.43	1.35
B	International Organisations	0.48	0.60	0.47	0.53	0.32	0.24	0.19
C	Non-Government Importers	97.71	97.56	97.82	97.69	97.96	98.33	98.46
D	Total (A+B+C)	100.00	100.00	100.00	100.00	100.00	100.00	100.00
	No. of Importers	29,858	28,391	30,557	26,543	24,986	29,483	23,483
A	Government, Public Enterprises & Institutions	31.44	27.94	29.74	24.34	24.21	18.42	16.28
B	International Organisations	0.42	0.51	0.28	0.46	0.37	0.28	0.16
C	Non-Government Importers	68.14	71.55	69.97	75.20	75.42	81.30	83.56
D	Total (A+B+C)	100.00	100.00	100.00	100.00	100.00	100.00	100.00
	Total Value of Imports	6,018	5,466	6,167	4,593	4,888	6,589	5,835

Table-I.22
Size-wise Distribution of Non-Government Importers and their Imports

Value Range US \$	1988-89	1989-90	1990-91	1991-92	1992-93	1993-94	1994-95
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Distribution of Number of Importers							
Less than 1000	20.60	19.89	20.83	21.49	21.23	19.80	10.69
1,000 - 5,000	18.83	18.08	18.64	18.27	17.14	16.95	15.59
5,000 - 10,000	12.14	12.26	12.04	11.90	11.32	11.58	12.40
10,000 - 100,000	34.87	35.69	34.86	34.75	35.41	35.53	42.03
100,000 - 250,000	6.56	6.77	6.27	6.28	6.90	7.03	8.61
<i>Sub-total</i>	<i>93.00</i>	<i>92.70</i>	<i>92.64</i>	<i>92.70</i>	<i>92.00</i>	<i>90.89</i>	<i>89.33</i>
250,000 - 500,000	2.74	3.02	3.03	2.96	3.31	3.57	4.36
500,000 - 1,000,000	1.72	1.96	1.88	1.91	2.01	2.34	2.65
1,000,000 - 5,000,000	2.05	1.80	1.96	2.01	2.16	2.59	2.93
5,000,000 & above	0.48	0.52	0.49	0.42	0.51	0.61	0.74
<i>Sub-total</i>	<i>7.00</i>	<i>7.30</i>	<i>7.36</i>	<i>7.30</i>	<i>8.00</i>	<i>9.11</i>	<i>10.67</i>
	<i>(1,999)</i>	<i>(1,976)</i>	<i>(2,139)</i>	<i>(1,846)</i>	<i>(1,914)</i>	<i>(2,584)</i>	<i>(2,392)</i>
Total	100.00	100.00	100.00	100.00	100.00	100.00	100.00
	<i>(28,577)</i>	<i>(27,079)</i>	<i>(29,058)</i>	<i>(25,920)</i>	<i>(23,927)</i>	<i>(28,365)</i>	<i>(22,415)</i>
Share in Total Value of the Imports							
Less than 1,000	0.04	0.03	0.04	0.04	0.04	0.03	0.02
1,000 - 5,000	0.36	0.34	0.34	0.37	0.30	0.24	0.20
5,000 - 10,000	0.61	0.62	0.59	0.64	0.54	0.45	0.42
10,000 - 100,000	8.35	8.60	8.10	8.64	7.86	6.65	6.78
100,000 - 250,000	7.15	7.41	6.64	7.30	7.01	5.91	6.25
<i>Sub-total</i>	<i>16.50</i>	<i>16.99</i>	<i>15.71</i>	<i>16.98</i>	<i>15.74</i>	<i>13.28</i>	<i>13.67</i>
250,000 - 500,000	6.68	7.35	7.17	7.66	7.53	6.61	7.15
500,000 - 1,000,000	8.50	9.44	8.89	9.91	9.24	8.60	8.42
1,000,000 - 5,000,000	29.06	25.78	27.39	30.29	29.45	29.36	28.29
5,000,000 & above	39.27	40.43	40.85	35.16	38.04	42.16	42.48
<i>Sub-total</i>	<i>83.50</i>	<i>83.01</i>	<i>84.29</i>	<i>83.02</i>	<i>84.26</i>	<i>86.72</i>	<i>86.33</i>
Total	100.00	100.00	100.00	100.00	100.00	100.00	100.00
Value (US \$ mn.)	4,101	3,911	4,316	3,454	3,687	5,357	4,876

Note: Figures in brackets are number of 'importers'.

Within the non-government importers, Indian importers have a substantial and growing share. On the whole, all the three sub-categories of non-government Indian importers namely, companies belonging to Top 50 Houses, the next 50 and other importers increased their shares (Table-I.23). That of foreign-controlled companies, however, increased in the initial years, but declined towards the end. These results could partly be due to the sudden increase in the share of the Gems and Jewellery category in the final two years. The overall shares of the three categories of importers were reworked out to see whether this had an impact on the observed shares. If one takes such imports in which the Large Houses and FCCs have very limited role, the relative shares change significantly. While that of Top 100 Houses increased, that of other Indian importers declined. Share of FCCs declined but not to the same extent as in the combined position.

Table-I.23
Share of Various Categories in Total Non-Government Imports
According to Different Criteria

Year	All Imports			After Excluding Chapters 01-08, 10, 12-14,27 and 71#			After excluding Chapter 71 (Gems & Jewellery Related Imports)		
	Top 100 Houses	FCCs	Others	Top 100 Houses	FCCs	Others	Top 100 Houses	FCCs	Others
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
1988-89	28.42	13.60	57.98	29.30	14.25	56.45	19.52	13.59	66.89
1989-90	28.46	13.32	58.22	28.61	13.68	57.72	20.65	13.25	66.10
1990-91	27.82	13.99	58.19	28.98	14.52	56.51	19.73	13.85	66.42
1991-92	28.24	14.47	57.28	28.78	15.03	56.18	21.42	14.50	64.09
1992-93	28.27	13.75	57.98	29.39	14.09	56.52	21.96	13.76	64.28
1993-94	26.03	11.04	62.93	32.56	14.06	53.38	25.01	13.76	61.23
1994-95	27.30	10.40	62.30	32.97	12.92	54.11	26.29	12.74	60.97

For a description of the codes see Table-I.12.

It does appear that Indian Large Industrial Houses retained their share in private sector imports in the liberalised regime. They had, in the latter years, even improved their shares. On the other hand, share of foreign-controlled companies declined slightly. One factor that seems to be responsible for the changes in relative shares is that the national industrial policy was liberalised making many private sector entrants to enter and

expand in areas that were hitherto reserved for the public sector. Many of such entrants being new they might not have been taken note of while generating the list of top Houses by CMIE. A second relevant factor is that the booming stock market enabled many non-house entities and non-FCCs to take up large projects. This happened especially in the metals industry requiring heavy investments. Out of the top 50 non-government importers in 1994-95, there were 12 companies who were in basic metal industries. The other important categories were Textiles and Gems & Jewellery.

Section III

Transfer Pricing in Trade Transactions

In this part of the study an attempt has been made to view at the 'grey' area where there is potential for 'transfer pricing'. Transfer pricing refers to prices at which goods and services are exchanged between business associates. This practice is often associated with transnational corporations in situations when prices could be consciously fixed to benefit one of the transacting party. Prices fixed under this practice could be quite different from market transactions between unrelated parties (*i.e.* arm's length prices). Operationally, transfer pricing takes the form of over and under invoicing and is motivated by a desire to negate government regulations may it be in the field of corporate tax, excise or custom duties, currency regulations, norms on business profits, or in licensing of production and guidelines for other business payments. It could even be related to the extent of ownership as between wholly-owned subsidiaries, joint ventures and various other degrees of outside ownership. For instance, in case of part-owned enterprises (e.g., listing on host country stock exchanges), the foreign company would only get a share in profits proportionate to its share in the enterprise's equity unlike in a wholly-owned subsidiary. The capacity to indulge in transfer pricing is a direct function of the international network of business associations while the need for it is dictated by taxes, duties and ownership levels. In this sense, TNCs are more conveniently placed to effectively practice transfer pricing as also have the need to practice the same.

Transfer pricing is, therefore, often discussed with reference to intra-firm trade across national borders. However, there are instances of transfer pricing between companies which are neither subsidiaries nor a part of the same corporate group and the two may even be residents of the same country. Tie-in clauses in licensing agreements or technical or

financial collaborations may make it obligatory on one party to purchase goods from the licensor or parties designated by the licensor. The supplier and buyer need not be TNCs; the two could be personally related or have close business association. The phenomenon of buy-back agreements and selling agencies involving NRIs and OCBs is a case in point.

Over the past few years, Indian investments abroad are growing fast (Table-I.24). In addition to the officially established joint ventures, there are a number of foreign subsidiaries of Indian companies and other foreign companies in which Indian companies own share capital. Table-I.25 shows an illustrative list of overseas companies in which a few leading Indian companies/houses hold shares and/or Indians are directors. The growth in Indian direct investments abroad underline the need to broaden the scope for detection of transfer pricing to focus on the Indian enterprises as well.¹

Table-I.24
Indian Direct Investment Abroad

Year (End-March)	Amount (US\$ mn.)
(1)	(2)
1987	97
1992	247
1996	481
1997	618
1998	706
1999	1,707
2000	1,859
2001	2,373
2002	3,012

Source: Reserve Bank of India.

¹ The policy with regard to investments abroad by Indian enterprises has been relaxed over time. From earlier investments abroad were allowed mainly through export of capital goods. Now companies can acquire enterprises in other countries through direct purchases. Budget 2001-02, for instance, doubled the outward limit investment from US \$ 50 million to up to US \$ 100 million on an annual basis through the automatic route. Similarly, Indian companies making overseas investment in joint ventures abroad by market purchases were allowed to do so without prior approval up to 50 per cent of their net worth. The earlier limit was 25 per cent.

Table-I.25**Illustrative List of Foreign Subsidiaries and Affiliates of Indian Companies**

Birla
P.T. Indo Bharat Rayon Co. Limited, Indonesia
Alexandria Carbon Black Co., S.A.E.
Birla International Ltd. - Isle of Man
Thai Rayon Public Company Limited, Thailand
A.V Cell Inc., Canada
Indophil Textile Mills Inc., Philippines
Thai Carbon Black Public Company Limited, Thailand
Tata
IMD Lusanne, Switzerland
Tata AG., Switzerland
Tata Inc. USA
Tata International AG., Switzerland
Tata Technologies Pte Ltd., Singapore
Tata Enterprises (Overseas) AG
Tata Limited
Tata Precision Industries Pte Ltd
Tata Tea Inc
Tata Tea (GB) Ltd., UK
Tata Technologies, USA
Tetley Group Ltd, UK
Zee Telefilms
Expand Fast Holdings Ltd, British Virgin Islands
Winterheath Co Ltd, British Virgin Islands
Zee Multimedia Worldwide Ltd, British Virgin Islands
Zee Telefilms (International) Ltd., British Virgin Islands
Asia Today Ltd., Mauritius
Asia TV (USA) Ltd., Mauritius
Asia TV (Africa) Ltd., Mauritius
Software Supplies Intl. Ltd., Mauritius
Zee Multimedia Worldwide (Mauritius) Ltd
Expand Fast Holdings (Singapore) Pte Ltd
Asia TV Ltd., UK
Zee TV USA Inc., USA
Zee TV South Africa (Proprietary) Ltd
Asia TV (Netherlands) Ltd
Lalbai
Arvind Overseas (M) Ltd.
Arvind Worldwide Inc., USA
Arvind Worldwide (M) Inc
Big Mill Lauffenmuhle GmbH, Germany
Mahindra
Mahindra Consulting Inc.
MBT International Inc
MBT GmbH
Mahindra USA Inc.
Mahindra Intertrade (UK) Ltd
NIIT
NIIT (USA) Inc
NIIT Europe Ltd., UK
NIIT Europe GmbH, Germany
NIIT Nordiska AB, Sweden
NIIT Benelux, Netherlands
NIIT Middle East EC, UAE

NIIT, Egypt
NIIT Middle East WLL, Bahrain
NIIT Bangladesh
NIIT Hong Kong
NIIT Asia Pacific Pte Ltd., Singapore
NIIT (Malaysia) Sdn Bhd, Malaysia
NIIT (Thailand) Ltd
NIIT Japan KK
NIIT Asia Pacific Pty Ltd., Australia
NIIT Belgium SA, Belgium
Ranbaxy
Basics GmbH
Ranbaxy (Netherlands) B.V.
Ranbaxy (SA) Pty Ltd.
Ranbaxy (U.K.) Ltd.
Ranbaxy Egypt Ltd.
Ranbaxy Europe Ltd.
Ranbaxy Ireland Ltd.
Ranbaxy Nigeria Ltd.
Ranbaxy Pharmaceuticals B.V.
Ranbaxy Poland Sp. zoo
Ranbaxy (Guangzhou China) Ltd.
Ranbaxy (Hong Kong) Ltd.
Ranbaxy (Malaysia) Sdn. Bhd.
Ranbaxy PRP (Peru) S.A.C.
Ohm Laboratories Inc.
Ranbaxy Pharmaceuticals Inc.
Ranbaxy Schein Pharma LLC.
Asian Paints
Asian Paints (Mauritius) Ltd.
Asian Paints (International) Ltd.
Asian Paints (Middle East) LLC
Asian Paints (Nepal) Pvt Ltd.
Asian Paints (South Pacific) Holdings Ltd.
Asian Paints (Tonga) Ltd.
Asian Paints (SI) Ltd.
Asian Paints (Vanuatu) Ltd.
Asian Paints (Queens Land) Ltd.
Asian Paints (Lanka) Ltd.
Asian Paints (Bangladesh) Ltd.
Reliance
Reliance Infocom Inc
Reliance Technologies LLC
Reliance Infocom BV
Reliance Europe Ltd
Adani
Adani Global Ltd., Mauritius
Adani Global Pte Ltd, Singapore
Adani Global FZE, UAE
HCL
HCL Technologies Bermuda Ltd
HCL Technologies America Inc., USA
HCL Technologies Europe Ltd., UK
HCL Technologies Sweden AB
HCL Technologies (Netherlands) BV
HCL Technologies GmbH, Germany
HCL Technologies Schweiz AG, Switzerland
HCL Technologies Italy SLR

HCL Technologies Belgium NV
HCL Technologies Australia Pty Ltd
HCL Technologies (New Zealand) Ltd
HCL Technologies (Hong Kong) Ltd
HCL Technologies Japan Ltd
HCL Technologies South Africa (Proprietary) Ltd
HCL Holdings GmbH, Austria
HCL Capital Pvt. Ltd., Bermuda
Intellcent Inc., USA
Infosys
Yantra Corp., USA
EC Cubed Inc., USA
Alpha Thinx Mobile Phone Services AG, Austria
Asia Net Media (BVI) Ltd., the British Virgin Islands
CiDRA Corporation, USA
JASDIC Park Company, Japan
M-Commerce Ventures Pte Ltd, Singapore
On Mobile Systems Inc., (formerly Onscan Inc.) USA
Stratify Inc., (formerly PurpleYogi Inc.), USA
Workadia Inc., USA
Satyam
Vision Compass Inc.
Satyam Manufacturing Technologies Inc.
Satyam (Europe) Ltd
Satyam Asia Pte Ltd
Satyam Japan Ltd
Wipro
Wipro Inc. USA
Enthink Inc. USA
Wipro Japan KK

Apart from the spread of overseas investments by Indian companies which could increase the scope for transfer pricing, a point that needs careful consideration is with regard to imports from trading companies. In case of imports from trading companies, the manufacturer remains in the background. Use of the intermediary could help avoid scrutiny under transfer pricing regulations. The possibility of an understanding between the two is high if the manufacturer and supplier belong to the same country. To gain an idea of the role of trading companies on the one hand and related party transactions on the other, the import DTRs for the year 1994-95 were examined. DTRs of importers belonging to the top 100 houses and foreign-controlled companies were separated from the main file and names of the suppliers were standardised. For each importer, individual suppliers were examined from the point of whether the latter had any direct or indirect equity participation or technical collaboration agreements with the importer.

Apart from the general trading companies of Japan² other trading companies were identified from among the suppliers. The shares of different categories of suppliers according to the type of importer are shown in Table-I.26. It is pertinent to note that the share of parents and affiliates is the highest for foreign-controlled companies as they procured at least one-third of their total imports from such entities. Illustrative cases of FCCs importing from their parents and affiliates are shown in Table-I.27. In the case of Indian top houses too, the share is substantial at about 10 per cent. Interestingly, supplies by trading companies formed a major portion (nearly one-fourth) of imports of Indian large houses.

More direct and recent evidence confirms the extensive inter-branch transactions by TNCs. For instance, Asea Brown Boveri Ltd reported that it transacted, in addition to the holding company, with as many as 136 fellow subsidiaries during 2001. Interestingly, there was no mention of any single foreign affiliate while the names of Indian affiliates were given. The company imported raw materials and components worth Rs. 164 crores. It has been stated that the total purchases of raw materials and components from fellow subsidiaries during the year was of the order of Rs. 136 crores thereby implying that the fellow subsidiaries accounted for 83 per cent of such imports.³ Similarly, Ingersoll Rand (I) Ltd also reported only the names of the foreign holding company and fellow subsidiaries. In its case too, transactions with such companies accounted for bulk of the imports and exports. While total exports during 2001-02 amounted to Rs. 80 crores, sales to the holding company and fellow subsidiaries were of the order of Rs. 79 crores. Similarly, against the Rs. 68 crores worth of import of raw materials and components, imports from these related parties amounted to Rs. 51 crores.⁴ An examination of the Annual Report of Gillette India for the year 2001 also brings out a similar phenomenon.

² These are called Sogo Shosha. The seventeen General Trading companies belonging to the Japan Foreign Trade Council are: Hitachi High-Technologies Corp, Itochu Corp, Iwatani International Corp, Kanematsu Corp, Kawasho Corp, Kowa Co Ltd., Marubeni Corp, Mitsubishi Corp, Mitsui & Co., Ltd., Nagase & Co. Ltd., Nichimen Corp, Nissho Iwai Corp, Sumikin Bussan Corp, Sumitomo Corp, Tomen Corp and Toyota Tsusho Corp. See: http://www.jftc.or.jp/english/sogoshosha_e/outline_e.htm

³ Asea Brown Boveri Ltd., Annual Report, 2001.

⁴ Ingersoll Rand (I) Ltd., 80th Annual Report, 2001-2002.

Table-I.26
Shares of Different Types of Suppliers in Imports: 1994-95

Importer Category	Share of the Suppliers (%)			
	Parents, Affiliates, Collaborators & EPC Cos.	Trading Companies	Others	Total
(1)	(2)	(3)	(4)	(5)
Foreign-Controlled Cos.	33.88	10.51	55.61	100.00
Top 50 Houses	9.54	23.78	66.68	100.00
Second 50 Houses	11.65	26.26	62.08	100.00
Total	16.66	20.70	62.64	100.00

Generated from the DTR data.

The importance of trading companies can also be seen from the fact that out of the top 25 suppliers for the large house companies and FCCs, the top five are trading companies (Table-I.28). Out of the remaining 20, another 10 can be termed as trading companies. Two EPC companies⁵ were also supplying entirely to the companies with which they had approved collaboration agreements. There are only four companies which appeared to supply entirely to unrelated parties.

It is interesting to note that Tata Incorporated of USA, belonging to the Tata House, is among the top suppliers and it stood at the 17th position. According to the House, the company specialises in all facets of global trading, including the purchase of capital goods and machinery, raw materials, the chartering of vessels, etc. In the US, it arranges delivery of the goods to customers' premises. All products of Tata Steel and Tata SSL are exclusively handled by Tata Inc. Apart from handling products manufactured by Tata Companies, it also markets products manufactured by other steel plants in India. It purchases equipment, spares and raw materials mainly for Tata Companies. It offers its services to other companies too.⁶ In this background, it is not surprising to find that apart from Tata House companies, among its consignees in India are: Bombay Dyeing, Mahindra UGINE, Kalyani Steels, and Mukand Ltd.

⁵ Engineering, Procurement and Construction companies.

⁶ <http://www.tata.com/tatainc/index.htm>

Table I.27
Illustrative List of Foreign-Controlled Companies
Importing from their Parents and Affiliates

Importer	Supplier	Share in Total Imports (%)
Abbott Labs Ltd	Abbott Chemicals Inc	38.36
	Abbott Labs.	33.78
Total		72.14
Alfa Laval India Ltd	Alfa Laval International SA	13.92
	Alfa Laval Separation A S	10.76
	Alfa Laval Thermal Ab	17.51
	Tetra Laval Fats and Oils Ab	3.38
Total *		58.88
Ashok Leyland Ltd	Iveco Fiat Spa	100.00
Total		100.00
Atlas Copco (India) Ltd	Atlas Copco Airpower N V Belgium	45.87
	Atlas Copco Comptec Inc	9.63
	Atlas Copco Energas Gmbh	3.89
Total *		63.08
BASF India Ltd	BASF Ag	64.96
Total *		65.51
Bayer India Ltd	Bayer Ag	59.61
	Bayer Antwerpen N V	6.72
	Bayer India Ltd	4.27
Total *		70.85
Bharat Shell Pvt Ltd	Shell Gas Trading (Asia Pacific) Inc	78.32
	Shell International Chemical Co Ltd	4.91
	Shell International Trading Co	13.95
Total *		100.00
Birla 3M Pvt Ltd	Birla 3M Ltd	100.00
Total		100.00
Black & Decker Bajaj Pvt Ltd	Black & Decker Corpn	34.54
	Black & Decker Global Purchasing Asia	9.64
	Black & Decker Industriale S.P.A.	21.93
	Black & Decker Overseas A.G.	15.10
Total *		83.87
Cee Kay Daikin Ltd	Daikin Mfg Co Ltd	90.88
Total		90.88
Colour Chem Ltd	Hoechst Ag	46.25
	Hoechst Celanese Chemical Group Inc	6.11
	Hoechst International Tokyo K.K.	1.85
Total		54.21
Daewoo Motors Ltd	Toyota Motor Corp	74.75
	Toyota Tsusho Corp	25.25
Total		100.00
DCM Toyota Ltd	Toyota Tsusho Corp	100.00

Total		100.00
Du Pont South Asia Ltd	Du Pont De Nemours (Nederland) Bv	43.72
	Du Pont De Nemours Luxembourg Sa	10.24
	Du Pont Kabushiki Kaisha	10.56
	Du Pont Mitsui Flurochemicals Co Ltd	35.47
Total		99.99
Escorts Claas Ltd	Claas Ohg	66.48
Total		66.48
Escorts Herion Ltd	Herion Werke Kg	77.50
Total		77.50
Escorts Tractors Ltd	New Holland Ford Ltd	78.74
Total		78.74
Eureka Forbes Ltd	Electrolux Major & Floor	100.00
Total		100.00
Fisher Rosemount India Ltd	Fisher Rosemount Inc USA	35.68
	Rosemount	3.93
	Rosemount Analytical Inc	5.58
	Rosemount Inc	33.43
Total *		84.70
Fleetguard Filtration Systems I Pvt Ltd	Fleetguard Inc	93.41
	Fleetguard International Corp	4.48
Total *		99.99
Fujitsu ICIM Ltd	Fujitsu (Singapore) Pte Ltd	8.84
	Fujitsu Hong Kong Ltd	3.31
	Fujitsu Ltd	3.26
	ICI Ltd	37.40
Total *		58.34
Fuller KCP Ltd	Fuller International Inc	64.14
Total		64.14
GE Apar Lighting Pvt Ltd	GE	16.04
	GE Lighting	23.63
	General Electric Co	2.98
	General Electric Do Brasil SA	33.32
	GE Glass Lighting Ltd	0.44
Total *		78.21
German Remedies Ltd	Schering Ag	47.43
	Asta Medica Ag.	12.96
Total *		64.95
Gl Rexroth Inds Ltd	Mannesmann Exports	0.62
	Mannesmann Rexroth	55.48
	Rexroth	5.42
	Rexroth Brueninghaus Hydromank Gmbh	9.84
	Rexroth Sigma S A	9.36
Total		80.72
Godrej Kis Ltd	Kis Sarl-France	47.98

Total		47.98
Gotco India Pvt Ltd	Gotco USA Inc	100.00
Total		100.00
Graphite Vicarb India Ltd	Vicarb	70.10
Total		70.10
Hero Honda Motors Ltd	Honda Motor Co Ltd	47.42
	Honda Trading Corp	3.22
Total		50.64
Hindustan Ciba Geigy Ltd	Ciba	3.01
	Ciba Geigy	19.98
	Ciba Geigy Ltd	43.77
	Hindustan Ciba Geigy Ltd	0.48
Total		67.24
Hoechst India Ltd	Hoechst Ag	67.83
	Hoechst India Ltd	2.30
	Hoechst International Tokyo K.K.	3.33
Total		73.46
Hoerbiger India Ltd	Hoebiger Ventilwerke Ag.	61.51
	Hoerbiger Ventilwerke Ag	38.49
Total		100.00
Hoganas India Ltd	Hoganas A.B.	89.94
	Hoganas India Ltd	1.73
Total		91.67
Hyundai Heavy Inds Co Ltd	Hyundai Heavy Industries Co Ltd	59.19
Total		59.19
India Photographic Co Ltd	Eastman Kodak Co.	2.05
	Kodak (Aus) Pty Ltd	2.10
	Kodak (Near East) Inc	61.61
	Kodak Inc	24.99
Total *		92.19
Indian Additives Ltd	Chevron Chem Inds Sales	32.42
	Chevron Chemical International Inc.	38.82
	Chevron Chemical Pte Ltd	27.25
	Oronite Chevron Chemical SA	1.51
Total		100.00
Indian Shaving Products Ltd	Gillette Co	47.79
	Gillette UK Ltd	2.21
Total		50.00
Ingersoll Rand India Ltd	Ingersoll Rand International Sales Inc	16.99
	Dresser Rand Co	8.06
	Ingersoll Rand	11.77
	IRAbg Allgemeine Hameln	3.89
Total		41.29
Kalyani Brakes India Ltd	Nabco Ltd	44.90
	Allied Signal Aftermarket Europe	10.99
	Allied Signal Automotive	13.87
	Allied Signal Systems	3.27

	Allied Signal	5.29
	Nabco Ltd	4.17
	Nabco Ltd	5.30
Total		87.79
Kanthal Bimetals India Ltd	Kanthal Ab	95.75
	Kanthal Bimetals India Ltd.	4.25
Total		100.00
Kelloggs India Ltd	Kellogg Co Of Gb Ltd	1.84
	Kellogg USA	76.11
Total		77.95
Kirloskar Cummins Ltd	Cumins Engine Co USA	2.17
	Cummins Diesel Sales Corporation	11.21
	Cummins Engine Co	58.76
Total *		72.79
Kirloskar Ebaraa Pumps Ltd	Ebara Corpn	96.23
Total		96.23
Total		15.81
Kvaerner Boving Construction	Kvaerner Boving Construction Ltd	100.00
Total		100.00
L&T Niro Ltd	Niro A/S	99.33
Total *		100.00
Lipton India Exports Ltd	Lipton Ltd	74.91
Total		74.91
Mafatlal Lubricants Ltd	Motul Motor Oil	27.94
	Motul Oil S A France	66.85
Total		94.79
Mattel Toys India Ltd	Mattel Tools Sdn Bhd	66.88
	Mattel Toys Singapore Pte Ltd	4.41
	Mattel Toys Vendor Operation Ltd	7.39
Total *		80.16
Mercedes Benz India Pvt Ltd	Mercedes Benz Ag	100.00
Total		100.00
Modi Federal Ltd	Federal Paper Board Inc	80.09
Total		80.09
Modi Gbc Ltd	General Binding Corpn	57.83
Total		57.83
Modi Hoover Ltd	Hoover Ltd	75.95
	Modi Hoover Ltd	18.87
Total		94.82
Modi Mirrless Blackstone Ltd	Mirrlees Blackstone Ltd	93.57
Total		93.57
Modi Xerox Ltd	Rank Xerox Ltd	83.81
	Xerox Ltd	11.30
Total		95.11
Monsanto Chem Of India	Monsanto Chemical Co Ltd	18.24
	Monsanto Co	81.67
Total *		100.00
Munjal Showa Ltd	Showa Corp	89.93

	Showa Manufacturing Co	10.07
Total		100.00
Nestle India Ltd	Nestle UK Ltd	8.26
	Nestle S A	85.15
Total		93.41
Philips India Ltd	Philips	20.39
	Philips Hongkong Ltd	2.49
	Philips Japan Ltd	7.13
	Philips Lighting Bv	9.77
	Philips Singapore Pte Ltd	4.06
Total *		52.02
Rhone Poulenc India Ltd	Rhone Poulenc	35.81
	Rhone Poulenc Agrochimie	13.13
	Rhone Poulenc Rorer SA	40.12
Total		89.06
Roche Products Ltd	F Hoffmann La Roche Ag	42.07
	F Hoffmann La Roche Ltd	14.69
Total *		57.60
Roussel India Ltd	Roussel Uclaf	97.42
Total *		98.34
SAB Nife Power Systems Ltd	Saft Nife AB	100.00
Total		100.00
Sandoz India Ltd	S&G Seeds BV Export	14.60
	Sandoz	11.03
	Sandoz Pharma AG	36.20
Total *		65.87
Sandvik Asia Ltd	AB Sandvik Central Service	4.38
	AB Sandvik Coromant	16.95
	AB Sandvik Rock Tools	2.35
	Sandvik	34.80
	Sandvik Asia Ltd	4.65
Total *		66.22
Siemens Information Systems Ltd	Siemens Nixdorf	100.00
Total		100.00
Siemens Ltd	Siemens	61.14
	Siemens Elema Ab	2.84
	Siemens Showa Solar Pte Ltd	1.64
Total*		66.81
SKF Bearings India Ltd	SKF	6.68
	SKF Industries S.P.A.	20.24
	SKF Osterreich Ag	3.46
	SKF South East Asia & Pacific Pte Ltd	3.61
	SKF Sverige Ab	2.14
Total*		44.21
Sulzer India Ltd	Ferrum	4.47
	Sulzer Burckhardt	35.56
	Sulzer Chemtech Ag,	13.65
	Sulzer Ruti Ltd	7.65

Total *		62.20
Tata Honeywell Ltd	Honeywell	15.63
	Honeywell Automation & Control.	4.17
	Honeywell Inc	37.63
Total		58.18
Tetrapak India Pvt Ltd	Tetra Pak	98.87
Total		98.87
Timex Watches Ltd	Tmx Hong Kong Ltd	18.12
	Tmx Ltd	35.05
	Tmx Philippines Inc	11.54
	Tmx Watch Ltd.	7.66
Total *		73.65
Total Lubricants India Pvt Ltd	Total Reffinage Distribution Sa	88.01
	Total Lubricants Middle East	8.64
Total *		96.87
Vickers Systems Intl	Vickers, a Trinova Co.	61.42
	Vickers CFP	5.39
	Vickerz Inc	4.61
Total *		78.18
Videocon Vcr Ltd	Mitsubishi Corp	71.85
Total		71.85
Wartsila Diesel India Ltd	Wartsila Diesel	83.15
Total		83.15
Zf Steering Gears India Ltd	ZF Friedichshafen AG Germany	80.73
	ZF Gesxhaftsereich Lenkungstechnik	2.95
	ZF Steering Gears India Ltd	1.85
Total *		85.64

*** Total includes imports from other associates**

Table-I.28
Top 25 Suppliers to Large House Companies and
Foreign-Controlled Companies

	Name of the Supplier	Share in Supplies (%)	
		Collaborators/Fellow Group Companies	Other Importers
(1)		(2)	(3)
1	Mitsubishi Corp*	19.79	80.21
2	Richmond Trading & Invest Co Ltd #		100.00
3	Hing Wah Trading #		100.00
4	Nissho Iwai Corp*		100.00
5	Marc Rich & Co Ltd #		100.00
6	Fuji Photo Film Co Ltd	99.93	0.07
7	Itochu Corp*		100.00
8	Phibro Gmbh #		100.00
9	Kanematsu Corpn*		100.00
10	Samsung Corp	7.34	92.66
11	Barmag Ag Germany		
12	DTC London #		100.00
13	John Brown Engineers & Constructions @	100.00	
14	Steel Co-Ordinating Services #		100.00
15	Toyo Engg Corpn @	100.00	
16	FLS Automation A/S	100.00	
17	Tata Incorporated #	22.92	77.08
18	Scandia Essar Me Ltd	100.00	
19	Mobil Petrochemicals International Ltd		
20	Evergrow Trading #		100.00
21	Marubeni Corp*	17.76	82.24
22	Chemtex International Inc @	100.00	
23	Romaga AG		
24	Wartsila Diesel		
25	Wilmar Trading Pte Ltd #		100.00

* General Trading Companies of Japan.

Other trading companies.

@ Engineering, Procurement and Construction Companies.

The Videocon House offers another relevant example regarding the role of trading companies. A company by name Amersonic International Ltd, Hong Kong (Amersonic) figures prominently among the suppliers to the group. Amersonic is a trading company which deals with a variety of products ranging from silk to electronics. During 1994-95, 28.15 per cent of Videocon VCR Ltd's imports were accounted by Amersonic. Amersonic also supplied 19.95 per cent of imports of Videocon Appliances and 12.54 per cent of the imports of Videocon International Ltd. Amersonic is the largest supplier for Videocon Appliances and the third largest supplier for Videocon International. Amersonic supplied essentially to the Videocon

group since 1992.⁷ What is even more interesting is the fact that the company is represented by Mr. Manu Dugar, obviously a person of Indian origin. We are unable to express any opinion regarding Romaga AG, Switzerland, which has supplied almost exclusively to Mafatlal group companies.

Another case of interest is that of Floatglass India Ltd., a company promoted by Asahi Glass Co of Japan. Incidentally, Asahi's supplies accounted for only 0.15 per cent of the total imports of the company in 1994-95 for which we have the DTR data. While the share of Mitsubishi Warehouse & Transportation Co of Japan was 52.62 per cent another company of the Mitsubishi group namely, Mitsubishi Corp accounted for 47.02 per cent of the total. The items of import relate to plant and machinery. Thus practically all the imports of the company (99.64 per cent) are from the Mitsubishi group. Incidentally, Mitsubishi Corp met 13.6 per cent of imports of Asahi India Safety Glass, another group company of Asahi in India. Both Asahi and Mitsubishi belonging to Japan, the phenomenon needs closer examination if such transactions could contain an element of transfer pricing. Goodlass Nerolac Paints, a subsidiary of Kansai Paints of Japan, received 46.78 per cent of its imports from Nissho Iwai, a general trading company of Japan. An equally interesting case in this respect is that of Honda presented in Table-I.29. While in case of the two joint ventures of Honda in India, the share of the parent and its affiliates is quite high when imports from other Japanese companies are taken into account the share of Japan turns even higher. In the third one, Japan Intermodal Transport Co. (JIT) accounted for as much as 80 per cent of the total imports. JIT obviously, is not a manufacturing company.

⁷ The other companies to whom Amersonic was the supplier and about which we do not have any information are : Malani Aquatemp Pvt Ltd of Secunderabad and Bombay Coolers Pvt Ltd of Thane. Since both the companies imported parts which go into the making of Desert Coolers and Videocon group deals also in such coolers, there is a possibility of these companies also being either constituents of the group or being support manufacturers.

Table-I.29**Showing the Relative Importance of Imports from Japan
by the Affiliates of Honda, Japan**

Importer/ Supplier	Share in Total Imports (%)	Share of the Japanese Collaborator & affiliates	Share of Japanese Suppliers
Kinetic Honda Motors Ltd			
Honda Motor Co Ltd, Japan	62.41	69.98	88.48
Okura & Co Ltd, Japan	10.38		
Takao Aluminium Alloy Co Ltd, Taiwan	9.79		
Kinetic Honda Motor Ltd, Japan	7.57		
Mitsubishi Corporation, Japan	7.52		
Thai Stanley Electric Public Co Ltd, Thailand	0.98		
Sidmar N.V., Belgium	0.74		
Not Available	0.60		
Q-Panel Co., USA	0.01		
Nikon Corpn, Japan	Negligible		
Total	100.00		
Hero Honda Motors Ltd			
Honda Motor Co Ltd, Japan	47.49	50.75	90.67
Okura & Co Ltd, Japan	30.99		
Marubeni Corpn, Japan	8.93		
Metal Distributors (UK) Ltd, Canada	6.80		
Honda Trading Corpn, Japan	3.26		
Aloverzee Handelsgesellschaft Mbh, Germany	2.53		
Total	100.00		
Shriram Honda Power Eqp Ltd			
Japan Intermodal Transport Co Ltd, Japan	80.31	0.00	88.88
Mitsubishi Corporation, Japan	8.57		
Asian Autoparts Co Ltd, China	7.39		
Hyundai Corporation, Korea	2.27		
Alugral, Germany	1.45		
C M Supply, Thailand	0.01		
Total	100.00		

Based on the Import DTRs for 1994-95.

The extent of variation in import prices can be substantial. For instance, in the case of Mono Ethyl Glycol (MEG) the unit value of imports during 1990-91 varied very widely. It can be seen from Table-I.30 that there is no trend in the prices to explain the differences.⁸ On the same day, two Bills of Entry were filed, one each by ICI India Ltd and Reliance Industries Ltd., both importing from Sabic Marketing Ltd., Saudi Arabia. While the

⁸. In the absence of manufacturer's name in the Import DTR one is not able to ascertain the precise business associations of the transacting partners.

Table - I.30
Showing Variations in the Import Price of Mono Ethylene Glycol During Apl-Dec. 1990 (Chronological Order)

Importer	Product	BENO*	BEDate#	Supplier	Country	Net Qty	Unit	Value (Rs.Lakhs)	Price per Tonne
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
Indian Organic Chemicals Ltd	Monethylene Glycol In Blk In Fibre Grade	17451	260490	Sabic Marketing Inc.	Arab Emts	2039	Mts	137.38	6737.45
Indian Organic Chemicals Ltd	Monoethylene Glycol	29542	190790	Sabic Marketing Ltd	Saudi Arabia	2033	Mts	135.34	6657.02
Orissa Synthetics Ltd	Mono-ethylene Glycol (meg) Fibre Grade	1247	210890	Mobil Polymers Int. Saudi Arabia	Saudi Arabia	1049.52	Mts	72.99	6954.55
Standard Organics Ltd	Monoethylene Glycol	37466	100990	Bayer	German F Rep	18	Mts	1.84	10233.94
Standard Organics Ltd	Monoethylene Glycol	37763	110990	Bayer	German F Rep	18	Kgs	1.84	10233.94
Indian Organic Chemicals Ltd	Monoethylene Glycol	39820	260990	Sabic Marketing Ltd	Saudi Arabia	1978	Mts	132.82	6714.86
Indian Organic Chemicals Ltd	Monoethylene Glycol	39821	260990	Sabic Marketing Ltd	Saudi Arabia	1978	Mts	132.82	6714.87
ICI India Limited	Mono Ethylene Glycol (meg)	677	11190	Sabic Marketing Ltd.	Saudi Arabia	206.28	Mts	18.8	9116.17
ICI India Limited	Mono Ethylene Glycol	678	11190	Sabic Marketing Ltd.	Saudi Arabia	618.84	Mts	56.41	9116.11
Reliance Industries Ltd	Meg (mono Ethylene Glycol)	289	11190	Sabic Marketing Ltd	Saudi Arabia	1289.26	Mts	87.51	6787.96
Reliance Industries Ltd	Meg (mono Ethylene Glycol)	290	11190	Sabic Marketing Ltd	Saudi Arabia	618.84	Mts	42.01	6788.01
Orissa Synthetics Ltd	Monoethylene Glycol(meg)fibre Grade	152	51190	Mobil P Sales & Supply Corpn.	Saudi Arabia	1038825	Kgs	78.84	7590
Beck & Co Ltd	Monoethylene Glycol	3185	71190	Mitsui & Co.Ltd.	Singapore	37600	Kgs	4.89	13000
Beck & Co Pvt Ltd	Monoethylene Glycol	3186	71190	Mitsui & Co Ltd	Singapore	18800	Kgs	2.44	13000
Schenectady Chemicals India Ltd	Monoethylene Glycol	13104	281190	Nederlandsche Benzol Naatschappij B.V.	Netherlands	7200	Kgs	1.5	20840

Importer	Product	BENO*	BEDate#	Supplier	Country	Net Qty	Unit	Value (Rs.Lakhs)	Price per Tonne
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
Orissa Synthetic Ltd	Monoethylene Glycol(meg)fibre Grade	448	61290	Mobil Petrochem Sales & Supply Corp	Saudi Arabia	100	Mts	7.55	7553.43
Orissa Synthetics Ltd	Monoethylene Glycol(meg)fibre Grade	449	61290	Mobil Petrochemical Sales & Supply Corpn	Saudi Arabia	938.83	Mts	70.91	7553.39
Garware Nylons Ltd	Monoethylene Glycol Fibre Grade	5986	141290	Sabic Marketing Ltd	Saudi Arabia	260213	Kgs	24.18	9290
Garware Plastics & Polyester	Monoethylene Glycol	5985	141290	Sabic Marketing Ltd	Saudi Arabia	250	Mts	23.31	9323.8
Orkay Stl Mills Ltd	Mono Ethylene Glycol Fibre Grade	5966	141290	Sabic Marketing Ltd	Saudi Arabia	520426	Kgs	47.92	9210
Reliance Industries Ltd	Mono Ethylene Glycol	6085	141290	Sabic Marketing Ltd	Saudi Arabia	3132.77	Mts	281.62	8989.49
Intec Polymers Pvt Ltd	Mono Ethylene Glycol	8370	211290	Novochem Handelsgesellschaft	German F Rep	18400	Kgs	3.15	1712
ICI India Ltd	Mono Ethylene Glycol (meg) Fibre Grade	12463	311290	Sabic Marketing Ltd	Saudi Arabia	607.6	Mts	55.39	9116.15
Reliance Industries Ltd	Meg (mono Ethylene Glycol)	12043	311290	Sabic Marketing Ltd	Saudi Arabia	3038.02	Mts	273.1	8989.49
Century Enka Limited	Monoethylene Glycol Fibre Grade	1109	40191	Mobil Petrochemical Sales & Supply Corpn	Saudi Arabia	1049.44	Mts	100.13	9541.1
Reliance Industries Ltd	Mono Ethylene Glycol	6596	170191	Gantrade Corpn	U S A	2445.22	Mts	271.24	11092.79

* Bill of Entry Number

Bill of Entry Date

value declared by ICI works out to Rs. 9,116.11 per tonne, the corresponding value for Reliance was Rs. 6,787.96 per tonne only. A basic question requiring answer is: whose price is the right one? Is it that the ICI indulged in over-invoicing or the Reliance was under-invoicing? Or, there had been long term contractual obligations for one of the importers? Only a detailed inquiry could indicate the precise magnitude of the losses to the exchequer in such cases.

Detailed product specification, model, brand name, and availability of manufacturer's name in the DTR would go a long way in facilitating such exercises. Unfortunately, products are reported in vague terms and in varying and unlikely units of measurements. For instance, Reliance group is reported to have imported 'Machinery being capital goods' which was of certain KGS in weight. These are not small consignments but are valued at crores of rupees. A list of machinery imports each valued at least Rs. 1 crore is provided in Table-I.31 to illustrate this phenomenon. It does appear that TNCs mainly import plant and machinery from their respective parent companies and affiliates. Given the vague product description, and the tendency on part of TNCs to exploit transfer pricing mechanism, it would be extremely difficult to detect abnormal pricing in such transactions.

A number of consumer goods companies are getting their products made by local units, often small scale ones, and market these under their own brand names. For a few units which manufacture tooth paste for Colgate Palmolive India Ltd. (CPIL), an earlier study of ISID noticed that the support manufacturers of Colgate sought and received approval for technology licensing from the US parent company of Colgate.⁹ Interestingly, it was found from the DTRs that two such companies namely, Coral Cosmetics Ltd., and Sunshine Cosmetics Ltd were importing from the same sources from which CPIL was importing. Such instances could be seen in case of suppliers to Hindustan Lever also

⁹ See: S.K. Goyal, et. al., *Foreign Investment Approvals: An Analysis (August 1991 – July 1993)*, Institute for Studies in Industrial Development (ISID), a Report submitted to the Ministry of Finance, 1994.

Table – I.31
Illustrative List of Machinery Imports with Vague Product Description

Report Date	Importer	Supplier	Item*	Qty_code	Net_qty	Assble_val (Rs.)
3/21/94	ATV Petro Chem Ltd	Lluisiana Chemical Co	Used Palnt and Machinery Required for Setting-up Purified Therephthalic Acid Plant	MTS	1287.6	113133385
3/23/94	ATV Petro Chem Ltd	Louisiana Chemical Equipment Co.Inc	Used Palnt and Machinery Required for Setting-up Purified Therephthalic Acid Plant	MTS	238.6	12300579
3/30/94	Balaji Foods & Feeds Ltd	Food Engineering Service	Food Processing Machinery	NOS	1	10820534
3/30/94	Balaji Foods & Feeds Ltd	Food Engineering Service	Food Processing Machinery	NOS	1	10104398
12/23/93	Balaji Foods & Feeds Ltd	Food Engineering Services	Food Engineering Services Machinery One Egg Breaking Separating Powdering	NOS	1	28683248
8/24/93	Birla Ericksson Optical Ltd	Fibroco S.A.	Second Hand Machinery for Setting-up the Project to Mfg Optical Fibre Cables	NOS	8	169379262
9/16/93	Chromo Boards & Papers India	Otomi Corpn	Second Hand Machinery - Two Nos Fully Functional Plants for Manufacture of One Side & Double Side	SET	1	73165354
11/11/93	Cimmco Ltd	KHD Humboldt Wedag Ag	Comp. for Cement Plant Machinery	NOS	110	43961389
5/18/93	CMI Ltd	Cecco Machinery Manufactuirng Ltd	Cable Manufacturing Machinery	KGS	9133	13734990
3/22/94	Daulat Shetkari Sahakari Sakha	Bison Bahre & Greten Gmbh & Co	Machinery Parts for Bagasse Baseparticale Board Plant	NOS	9	99643608
2/18/94	Eastern Overseas Corpn	Gilbert Gilkes And Gordon Ltd	New Hydro Electric Project Machinery for Initial Setting-up of Likimro Part Shipment Consignment	KGS	55027	39461054
10/29/93	Futex Steels Inds Pvt Ltd	Fu Cgang Metal Inds Co Ltd	Capital Goods Such As Plant and Machinery Spares Moulds	KGS	30289	11121186
3/30/94	GE Apar Lighting Pvt Ltd	GE Venezuela	Second Hand Machinery	SET	2	43200125
5/11/93	Govind Rubber Ltd	Allwell Industry Co. Ltd	Rubber Machinery Bicycle Tire Building Machine with Spare Parts	SET	8	10784657
9/3/93	Grasim Inds Ltd	F L Smidth And Co	Plant and Machinery for Pyro Cement Plant	KGS	12033	17637595
1/3/94	Grasim Inds Ltd	Udhe Gmbh	Various Plant & Machinery with Necessary Spares	PCS	2855	141464717
12/17/93	Grasim Inds Ltd	Uhde Gmbh	Various Plan and Machinery with Necessary Spares and Aecessories for Membrae Cells Installation	PCS	1252	188443902

1/18/94	Gujarat Alkalies & Chem Ltd	Geawiegand Kestner	Critical Equipment and Machinery for Implementation of A Phosphoric Acid Plant	KGS	36087	114917356
Report Date	Importer	Supplier	Item	Qty_code	Net_qty	Assble_val
10/19/93	Hanil Era Textiles Ltd	Trutzschler	Spinning Textile Capital Goods	NOS	163	79102481
10/19/93	Hanil Era Textiles Ltd	Trutzschler	Spinning Textiles Capital Goods	NOS	63	36280695
6/7/93	Hindustan Construction Co Ltd	Boretec Inc	Tunnel Boring/Mining Machinery Boretec Model Sth 5Ls Raise	NOS	1	10412570
6/21/93	Indian Petrochem Corp Ltd	Uhde Gmbh	Capital Goods for Chloro Alkali Plant.	MTS	32.901	79423494
1/3/94	Indian Petrochem Corp Ltd	Uhde Gmbh	Capital Goods for Chloro Alkali Plant	NOS	2169	163505360
3/22/94	Indian Petrochem Corp Ltd	Uhde Gmbh	Capital Goods for Chloro Alkali Plant	MTS	130.805	133874849
9/16/93	Jain Irrigation Systems Ltd	Texchemie.,	Second Hand Machinery Equipment Accessories.	NOS	75	33101854
10/13/93	JK Corp Ltd	Fuller International, Inc.	Components and Mandatory Spares for Cement Mackingmachinery.	NOS	3	14281197
2/16/94	Kelloggs India Ltd	Nis Ltd	Food Processing Machinery	KGS	17820	16919030
6/28/93	Larsen & Toubro Ltd	F.L.Smidth And Co	Components for Cement Making Machinery	SET	13	32519272
11/2/93	Larsen & Toubro Ltd	F.L.Smidth And Co	Components Fo Cement Making Machinery	SET	1	24125084
9/1/93	Larsen & Toubro Ltd	Fls Automation	Components for Cement Making Machinery	SET	1	11315609
5/21/93	Larsen & Toubro Ltd	F.L.Smidth And Co	Components for Cement Making Machinery	NOS	5	17103081
1/4/94	Lloyds Steels Inds Ltd	United Engg Inc.,	Machinery for Steel Palnt	NOS	5	13453205
12/29/93	Lloyds Steels Inds Ltd	United Engineering Inc.	Machinery for Steel Plant Entry Pinch Roll Unit	NOS	3	15014935
7/9/93	Maharashtra State Electricity Board	Siemens Aktiengesellschaft	Uran Combined Cylce Power Station Stage III Project- Import of Capital Goods Power Project Above5	KGS	11736	10746007
9/7/93	Maharashtra State Electricity Board	Siemens Aktiengesellschaft	Uran Combined Cycle Power Station Stage III Projecpower Project Above 50Mm Import of Capital Goods	KGS	1460	15083622
6/10/93	Maharashtra State Electricity Board	Siemens Aktiengesellschaft.	Uran Combined Cycle Power Station,Stage III- Proj.Import of Capital Goods.	KGS	2253	31140822
3/4/94	Mcdowell & Co Ltd	Krones	Air Rinser/ Filling and Capping Machinekrones Super Nblock Machinery	NOS	3	10054426
3/9/94	Murudeshwar Ceramics Ltd	Breton	Second & Last Partial Shipment of Machinery & Equipment	MTS	11.2	27806763
1/10/94	Nathpa Jhakri Joint Ventures	Atlas Copco Italia	Atlas Capco Make Tunnelling Machinery	MTS	138.922	77884522

Report Date	Importer	Supplier	Item	Qty_code	Net_qty	Assble_val
1/6/94	Nathpa Jhakri Joint Ventures	Atlas Copco Italia Spa	Atlas Copco Make Tunnelling Machinery Mechanised Rock Bolting Unit Model Boltec C32 Fe/6 Complete	NOS	2	20384307
7/9/93	Philips India Ltd	Philips Export Bv	Electrical Appliances - Second Hand Capital Goods	NOS	4	13360630
6/22/93	Preyanshu Finance Ltd	Yousuf Haji Tradings	One Unit of Processing Plant and Machinery	NOS	1	47574506
1/31/94	Rajasthan Breweries Ltd	Simonazzi	Machinery (Covering Full Invoice Vaue of Shipment Despatches Puorting to Be Canning Line	KGS	83480	75663706
11/5/93	Rajasthan Spg & Wvg Mills Ltd	Crosrol Ltd.	First Part Shipment of Textile Carding Machinery	KGS	68493	16532216
10/21/93	Rajratan Synthetics Ltd	Gibbs Ag Textimashinen	Second Hand Textile Machinery(Polyester/Polypropylene Plant and Spare Parts)	NOS	1	18730598
2/28/94	Reliance Inds Ltd	N.Schlumberger & Cie France	Chain Gill Gv Machinery & Parts	KGS	52555	35719094
12/9/93	Sanghi Inds Pvt Ltd	Shine Kon Enterprises Co. Ltd.	Machinery Equipment Rigid Pvc Calender Making Equipment	SET	10	65445364
8/13/93	Sanghi Polyesters Ltd	Murata Machinery Ltd.	Textile Machinery	KGS	22950	17256730
8/13/93	Sanghi Polyesters Ltd	Murata Machinery Ltd.	Textile Machinery	KGS	27270	17256730
2/15/94	Solarson Inds Ltd	C.Itoh & Co.Ltd.	Machinery & Equipment for Production of Polycrystalline Transulcent Alumina Tubes	KGS	23215	54304070
11/1/93	Steel Authority of India Ltd	Schuler Pressen	Plant and Machinery Including Commissioning Spares and Operating Consumables	KGS	46210	38086437
2/3/94	Sterlite Inds India Ltd	Oasis International Trading Corp.	Secon Hand Machinery of Phosphoric Acid Plant	SET	1	27085675
4/28/93	Sterlite Inds India Ltd	Oasis International Trading Corpn	2Nd Hand Machinery for Mfg of Jelly Filled Telecommunication Cables	NOS	1	31695935
11/17/93	Surya Roshni Ltd	Li Tech Corp Korea	Plant and Machinery to Mhalgoen Lamps H4Series Stemming Machine SA Hydrogen Furnace	MTS	12.04	32694609

* As given in the DTRs

Could such transactions also offer transfer pricing opportunities for the TNCs? Would this practice increase in a regime of stricter transfer pricing regulations? These questions need detailed examination.

While the problem of transfer pricing has been known for a long time,¹⁰ India started developing a proper system to monitor transfer pricing transactions only recently. Evolution of the system is continuing. Following the *Finance Act, 2001*, the *Income Tax Act, 1961* has been amended to substitute the ineffective Section 92 and insert new sections 92A to 92F to provide statutory backing to the transfer pricing law. Section 92C lays down the methods for the determination of arm's length prices. These are the same as the transaction methods prescribed in the OECD Guidelines. Rule 10D of the Income Tax Rules prescribe the various types of information to be maintained in respect of an international transaction, the associated enterprise and the transfer pricing method used.¹¹ The first compliance date in respect of the new transfer pricing regulation is July 31, 2002 for non-corporate and October 31, 2002 for corporate tax payers in respect of international transactions.

Similarly, Auditors of companies have been required to comment on the reasonableness of the prices at which goods and materials are purchased from or sold to entities in which the directors are interested. Similar observations of the auditors are required on loans taken or provided by the companies. The examination has generally been only at a broad level. The new accounting standard AS(18) introduced in 2001 by the Institute of Chartered Accountants of India, enhanced the disclosure about transfer pricing related transactions. The Expert Group on Transfer Pricing Guidelines constituted by the Department of Company Affairs is, however, of the view that under AS(18) there is no obligation on part of

¹⁰ For instance, the MRTP Commission found Philips to be grossly undervaluing its exports in 1971, 1972 and 1973. Similarly, the Public Accounts Committee of Parliament found IBM and ICL to be indulging in transfer pricing in their imports to and exports from India. See: S.K. Goyal, *Impact of Foreign Subsidiaries on India's Balance of Payments*, 1979.

¹¹ Dinesh Verma, "Documentation Requirements under the Indian Transfer Pricing Law", available at <http://www.transferpricing.com/COUNTRY/india%20Dinesh%20Verma.htm>.

the company to use an arm's length price nor is there an adequate mechanism whether transfer prices are fair or not.¹² Towards this end, the Group suggested adoption of Transfer Pricing Guidelines formulated by it and enhanced disclosure in the company Annual Report *inter alia* compliance with Transfer Pricing Guidelines. Companies have to report about the related parties and the nature of transactions with them. Apart from the disclosures, reliance would be placed on maintaining information on related parties, examination by the Board's Audit Committee and auditor's certificate. Interestingly, while transfer pricing has broader scope and can be taken advantage by enterprises irrespective of their size, and earlier adoption of AS(18) was prescribed uniformly, the Institute of Chartered Accountants of India (ICAI) decided early this year to make the standard mandatory only to enterprises whose equity or debt securities are listed on a recognised stock exchange in India, and other enterprises, whose turnover for the accounting period exceeds Rs. 50 crores.

As can be seen from the next part of the study, for corporates there are a number of avenues for taking advantage of transfer pricing. Out of the total foreign exchange expended by a company a large proportion is spent on import of materials, capital goods, spare parts, etc. While there can be no scope for transfer pricing in case of dividend payouts, payments for technology, interest on loans received, issue of shares, etc. too can carry an element of transfer pricing. On the other hand, earnings in foreign exchange are largely dependent on exports. Together, exports and imports accounted for 79 per cent of total transactions in foreign exchange in 2000-01 of the sample companies - of which 41 per cent relates to imports and 38 per cent relates to exports. This shows the important role Customs Houses can play in detecting transfer pricing and ensuring that transactions are made at arms-length prices thus ensuring on one hand no

¹² See INDIA, Ministry of Industry and Company Affairs, Department of Company Affairs, *Report of the Expert Group on Transfer Pricing Guidelines*, August 2002 available at: http://dca.nic.in/expert_group_report.htm.

loss of revenue for the exchequer and on the other no undue loss of foreign exchange for the economy.

For detecting transfer pricing, the checking at Customs Houses should, therefore, be thorough. Customs Houses are better placed because these can make immediate and direct comparisons with similar other transactions. It would prove useful to have international market intelligence and a good sample of large shipments, which could be used to regularly enquire into transactions between closely associated companies. The point is whether a centralised system could be developed so that decision-making at customs houses is fast to avoid undue delays and inconvenience to the trading parties on the one hand and on the other there is transparency in transactions so that malpractices by the Customs Houses are minimised. With each of the major TNCs having thousands of affiliates it is going to be a gigantic task to maintain such an information system on a realtime basis.¹³ Also, the question of how much information needs to be made public is something one needs to give more thought to. In this respect, the DTR could be an indispensable means. As was brought out in the previous sections, there is heavy concentration both in exports and imports in terms of the trading parties. This suggests the relevance of focussing on the large companies to begin with for a meaningful monitoring of the transfer pricing phenomenon.

Presently, at the Customs, the emphasis has been on imports. As the title "Customs Valuation (Determination of Price of Imported Goods) Rules, 1988" itself suggests, the valuation rules are addressed to import valuation. Similarly, the Special Valuation Branches (SVB) located at the four major Customs Houses namely, Mumbai, Chennai, Kolkata and Delhi examine the influence of relationship on the invoice value of the imported goods in respect of transactions between related parties. In respect of

¹³ For instance, Sesa Goa Ltd reported that the number of affiliates and fellow subsidiaries with whom the company had no transactions during 2001-02 was 1,086. The company said it could provide the details of such companies to the concerned authorities as it would be unwieldy to provide the same in the Annual Report. See Sesa Goa Ltd., *37th Annual Report, 2001-2002*.

Technical Collaboration Agreements and Joint Venture Agreements, the terms and conditions of these agreements are examined to arrive at the conclusion, whether the existence of such agreement has influenced the invoice value of the imports. Even here, the onus is mainly on the importer to declare at the time of filing the Bill of Entry in case the imports are made from related parties as defined under the Customs Valuation Rules, 1988 or they were having special relationship like technical collaboration agreement. Understandably, all the finalised cases reported by the SVB Chennai relate to imports only. While the Commissioner of Customs can make a reference to the SVB regarding the valuation on account of a special relationship, even if the same is not disclosed by the importer, the procedure appears to be essentially of a voluntary disclosure nature. Further, with the emphasis being on collection of customs duties, the possibility of over-invoicing of imports could attract little attention. In fact, the cases reported by the Chennai SVB contain cases of additional loading to the invoice value and not any subtraction from it.

The emphasis on imports could be due to their implications for collection of customs duties. In case of exports, the maximum the Customs authorities might be concerned with is over-invoicing for its implications for drawback payment and possibly for meeting export obligations. On the other hand, there is considerable scope for under-invoicing in exports especially in case of TNCs' dealing with their parents and affiliates. It is important to note that even earlier, the names of manufacturer and supplier were part of only the import DTR and in case of exporter even the address of the exporter was missing. The emphasis on revenue leakages is further evident from the fact that providing appropriate HS codes was emphasised in case of exports but not for imports even though improper coding takes place in both types of transactions. As mentioned above, export transactions are equally important when it comes to plugging of leakages due to transfer pricing and hence need to be looked at more carefully than what has been the case so far.

Given the trends in globalisation of Indian industry, many Indian parties qualify to be termed as TNCs and many others would have related parties in other countries. Being the first entry/final exit points for goods it is important that transfer pricing should be dealt with at the level of Customs which could make the task of the other agencies involved lighter.

Part – II

Export Performance of Non-Government Companies

Introduction

During the 'nineties the Indian economic policy regime underwent major transformation and the regulations that made India a partially closed economy have been given up. The rationale was that restrictions on Foreign Direct Investment (FDI) and imports and strict internal regulations like the *Monopolies and Restrictive Trade Practices Act* (MRTPA) and *Industries (Development and Regulation) Act, 1951*, (IDRA), enabled local manufactures to exploit monopoly rent, produce poor quality goods and services, gave high profits with no obligation or concern for the average consumer. There was no pressure on the producers to export. Neither from quality point of view nor from the point of efficiency they were in a position to compete in external markets. The low export performance of large Indian companies and subsidiaries and affiliates of foreign companies was well documented.¹

Beginning with July 1991, a number of changes have been made in the country's regulatory policies. The important departure from the past was in the form of opening up of public sector reserved areas; drastic revision of IDRA with the objective of removing a major entry point hurdle, doing away with the registration requirements under MRTPA; removal of the general ceiling of 40 per cent on foreign-held equity under

¹ See for instance: S.K. Goyal, *Monopoly Capital and Public Policy: Business and Economic Power*, Allied Publishers, 1979; S.K. Goyal, *The Impact of Foreign Subsidiaries on India's Balance of Payments*, a report submitted to the CTC-ESCAP Joint Unit, Bangkok, 1979; K.K. Subrahmanian and P. Mohanan Pillai, *Multinationals and Indian Exports*, Sardar Patel Institute of Economic and Social Research, Ahmedabad, 1978, (Memeo); Nagesh Kumar, *Multinational Enterprises and Industrial Organisation*, Sage, Delhi, 1994; and K.S. Chalapati Rao, "An Evaluation of Export Policies and the Export Performance of Large Private Companies, in Pitou van Dijck and K.S. Chalapati Rao, *India's Trade Policy and the Export Performance of Industry*, Sage, Delhi, 1994. A study for the early 'nineties too underlined the low export performance of TNC affiliates in India. See: S.K. Goyal, et. al. "Economic Policies and Indian Development", Institute for Studies in Industrial Development, Discussion Paper, April 1997.

Foreign Exchange Regulation Act, 1973 (FERA); lifting of the restrictions on use of foreign brand names in the local market; removal of the restrictions on FDI entry into low technology consumer goods; abandonment of the phased manufacturing programme (PMP); dilution of the dividend balancing condition and export obligations; liberalisation of the terms for import of technology and royalty payments; etc. In the new policy regime, proposals for foreign investment need not necessarily be accompanied by foreign technology agreements. Import duties have been lowered substantially and quantitative restrictions have been withdrawn and the exchange rates have come to be determined by the market.

Part-I of the study presented an analysis of the DTR data for the years 1988-89 to 1994-95. To provide an additional dimension to the study and to bring out the trends in export-orientation, import intensity and ability to earn net foreign exchange of the private corporate sector in the post-WTO period and in response to the process of deregulation and trade liberalisation, it was decided to analyse the reported earnings and expenditures in foreign currencies by private sector companies.

While data on transactions in foreign currencies was initially compiled for over 2,500 companies for the period 1995-96 to 2000-01, to avoid problems of comparability of results across different years, to keep out certain categories of companies engaged in activities like electricity generation and distribution, which are unlikely to engage in export trade,² and companies which did not commence their commercial operations at the beginning of the period, a common set of 2,147 non-government, non-financial public limited companies from out of this data set were identified. The sample is selected from the Prowess corporate database of the Centre for Monitoring Indian Economy (CMIE).

² Though there is a case for including such companies in a study of the net foreign exchange earning capacity of the private corporate sector in general, for the present exercise such companies are being kept out.

Total paid-up capital (PUC) of the sample companies in 1995-96 was Rs. 25,081 crores and it formed nearly 42 per cent of the estimated PUC of non-government non-financial public limited companies at the end of the year. Each company has been classified on the basis of the main activity that contributed more than half of its sales. Companies that could not be classified in this manner are placed under the 'Diversified' category. Out of the 2,147 companies, 1,714 are manufacturing companies and the remaining fall under the categories of agriculture and allied activities, mining and quarrying, construction and services such as computer software, trade, hotels and restaurants, etc. The 1,714 companies include 39 diversified ones. Ownership classification of companies is similar to the one followed in Part I of the study. Companies with at least 25 per cent direct foreign equity and subsidiaries and other companies promoted in turn by such companies are classified as foreign-controlled companies (FCCs). The remaining are classified into three categories: (i) companies belonging to Business Houses and companies with more than Rs. 1,000 crore sales in 1994-95 and other independent companies with similar amount of sales are placed in the top most group (hereinafter T1); (ii) the second largest group consists of Houses/companies with sales between Rs. 500 crores and Rs. 1,000 crores (T2); and (iii) the remaining are classified as Other Indian Companies (OIC).³

The data set is consistent over the period in respect of its composition and company classification. It does not, however, take note of the merger of companies and de-merger of units, which could affect the relative changes in exports and imports of specific companies. While at the aggregate level, this may not pose a serious problem, at individual company and sectoral levels this phenomenon may give rise to some distortions. Company-level data in general suffers from a few other shortcomings. *One*, it does not take note of imported capital goods and

³ T1, T2 and OIC comprise non-FCCs only.

raw materials procured locally from other importers.⁴ *Second*, there could be an element of double counting when both actual exporter and the manufacturer claim the exports. *Third*, in case of Trading Houses and sub-contracting, while the main exporters show only the exports, the imported inputs would be on account of the supporting manufacturing unit. Also, foreign exchange earnings reported by the hotel industry could be equated better with earnings from tourism rather than being treated as earnings of individual companies. Given the nature of company financial data, it is not possible to segregate the distortions caused by such practices. What we will be analysing here are direct imports and possibly both direct and indirect exports. It is thus likely that import dependence would be underestimated and earnings in foreign currencies could be overstated. Another limitation is that the sample consists essentially of stock exchange listed companies and their subsidiaries. Since most companies with substantial FDI participation are keeping themselves out of the stock market⁵, the behaviour of foreign-controlled companies (FCCs) as emerging from the present study would only be reflective of the behaviour of the older FCCs. Since the attempt is to study a consistent set of companies to bring out the trends in a more appropriate manner, the sample fails to take note of the newer companies, which came into production towards the end of the period. While interpreting the results of this exercise, these factors should be kept in mind.

⁴ For instance, Hindustan Lever Ltd., reported in its Annual Report for the year 2001 that the imports exclude “purchases from canalising agencies and imported items purchased locally”. See: Hindustan Lever Ltd., *Report and Accounts 2001*, p. 22. and Hind Lever Chemicals Ltd., *Report and Accounts*, 2000, p.19.

⁵ Indeed, some of the listed FCCs are getting themselves delisted by buying out the shareholding of local investors. See for instance, S.K. Goyal, et. al., *Foreign Investment Approvals: An Analysis (August 1991 – July 1993)*, Institute for Studies in Industrial Development (ISID), a Report submitted to the Ministry of Finance, 1994; and K.S. Chalapati Rao, M.R. Murthy & K.V.K. Ranganathan, “Foreign Direct Investments in the Post-Liberalisation Period: An Overview”, *Journal of Indian School of Political Economy*, Vol. XI, No-3, July-September, 1999.

Exports and Imports of Sample Companies in relation to National Aggregates

The sample companies cover about one-fourth of the national exports during each of the six study years (Table-II.1). Their share in imports was initially somewhat higher at about 30 per cent but it came down towards the end of the period to 23 per cent.⁶ The trends in exports and imports of sample companies broadly followed the national pattern of exports and imports, more closely in case of the former (Table-II.2 & Graph-II.1). This is possibly because the companies had lesser say in export market while their imports are also dependent on local demand. On the other hand, while imports of sample companies are weakly related to the national trends, the relative movement of their imports and exports are quite similar suggesting close relationship between the two. Except for the final year when the exports-sales ratio increased suddenly, the sample companies did not become more export-oriented during the period (Table-II.3). The imports-sales ratio, however, declined. Since the exports-sales ratio of the sample companies fluctuated more than the imports sales ratio and exports-sales ratio was only about 10 per cent, it does appear that imports are related more to domestic sales rather than exports.

Table-II.1
Share of Sample Companies in National Exports and Imports

(Amount in Rs. Crores)

Year	Sample Companies		National External Trade		Share of Sample Companies in National External Trade (%)	
	Exports	Imports	Exports	Imports	Exports	Imports
(1)	(2)	(3)	(4)	(5)	(6)	(7)
1995-96	25,980	35,960	1,06,353	1,22,678	24.43	29.31
1996-97	30,300	40,964	1,18,817	1,38,920	25.50	29.49
1997-98	34,996	43,125	1,30,100	1,54,176	26.90	27.97
1998-99	35,627	43,787	1,39,752	1,78,332	25.49	24.55
1999-00	40,270	48,558	1,59,561	2,15,236	25.24	22.56
2000-01	49,751	53,610	2,03,571	2,30,873	24.44	23.22

⁶ Given the fact that most of the erstwhile public sector reserved areas have been thrown open to the private sector in the new regime, especially energy and telecommunications, the share of private sector in the country's imports is bound to increase fast. For instance, imports of Reliance Petroleum Ltd., which is not a part of the present sample, alone amounted to Rs. 22,400 crores in 2000-01 *i.e.*, about 11 per cent of total national imports during the year.

Table-II.2
Growth in Exports and Imports of Sample Companies

(Percentages)

Year	In Terms of Rupees	
	Annual Growth Rate (%)	
	Sample	National
(1)	(2)	(3)
Exports		
1995-96	-	-
1996-97	16.63	11.72
1997-98	15.50	9.50
1998-99	1.80	7.42
1999-00	13.03	14.17
2000-01	23.55	27.58
Imports		
1995-96	-	-
1996-97	13.92	13.24
1997-98	5.28	10.98
1998-99	1.53	15.67
1999-00	10.90	20.69
2000-01	10.41	7.27

Graph-II.1

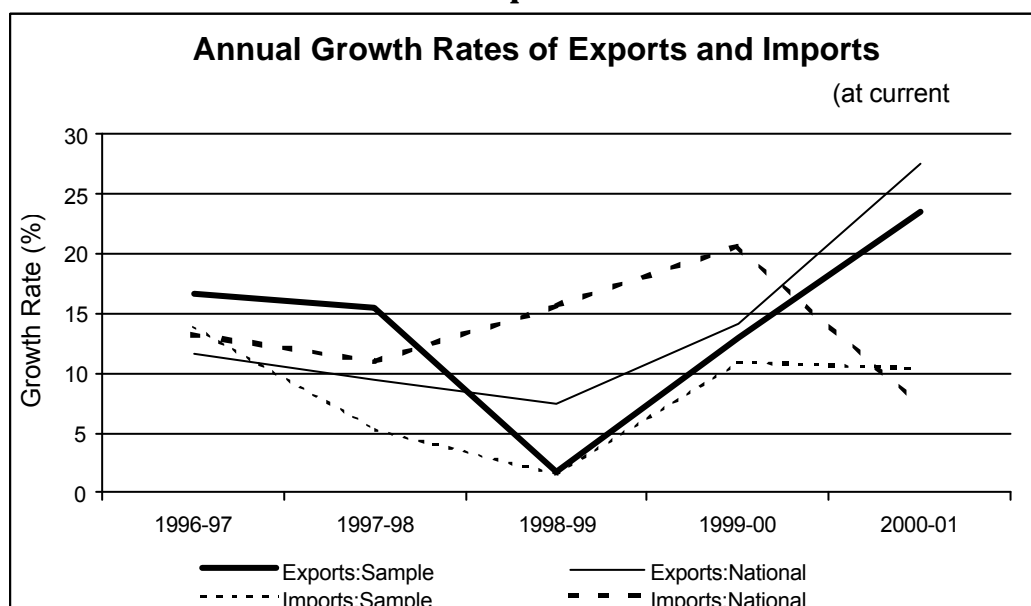


Table-II.3
Export Orientation and Import Intensity of Sample Companies

(Percentages)		
Year	Exports-Sales Ratio	Imports-Sales Ratio
(1)	(2)	(3)
1995-96	10.60	14.67
1996-97	10.74	14.52
1997-98	11.44	14.10
1998-99	10.81	13.29
1999-00	10.93	13.18
2000-01	12.44	13.40

Exports and other Earnings in Foreign Currencies

The sample companies are in wide-ranging industries and activities (Table-II.4). A comparison of the respective shares of different sectors in 1995-96 and 2000-01, a year in which the exports-sales ratio improved suddenly and substantially, suggests that there was no appreciable change in the relative shares. While the share of manufacturing sector increased marginally from 83.25 per cent to 84.99 per cent, that of primary products and services decreased. Within the manufacturing sector, shares of a number of sub-groups declined; some of them substantially. Major gains were recorded only in case of diversified companies and chemicals and chemical products. Diversified companies indeed held the largest share of 18.31 per cent in 2000-01. These companies contributed maximum to the additional exports of the sample companies. Incidentally, this group of companies consists of some of the largest recognised export houses which were accorded Star and Super Star Trading House status.⁷ Such Trading Houses accounted for as much as 78 per cent of the total exports of the diversified companies in 2000-01 compared to 54 per cent in 1995-96. Within the chemicals group, however, major gains were recorded by the pharmaceutical sub-group. Among the service sector companies, computer software companies gained substantially.

⁷ The Super Star Trading Houses are: (i) Century Textiles & Industries. Ltd. (ii) Hindustan Lever Ltd., and (iii) Reliance Industries Ltd. and the Star Trading Houses are: (i) Rallis India Ltd. and (ii) Raymond Ltd. This information is as per the data on CD-ROM released by the Federation of Indian Export Organisations (FIEO) in 2002.

Table-II.4
Industry/Activity-wise Exports of Sample Companies

	Sector/Activity	No. of Cos.	Exports (US \$ mn.)		Share in Total (%)		Increase		Share in Increase (%)
			1995-96	2000-01	1995-96	2000-01	Amount (US \$ mn.)	Per cent	
			(3)	(4)	(5)	(6)	(7)	(8)	
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	
I. Primary Products		104	351.56	449.97	4.53	4.13	98.41	27.99	3.15
1	Animal Products	4	13.05	18.07	0.17	0.17	5.02	38.43	0.16
2	Plantations & Agricultural Products	57	248.16	229.79	3.19	2.11	-18.37	-7.40	-0.59
3	Mineral Products	43	90.35	202.12	1.16	1.86	111.77	123.71	3.58
II. Manufactured Goods		1,714	6,466.87	9,255.08	83.25	84.99	2,788.21	43.12	89.30
4	Fats, Oils & Derived Products	41	163.09	171.56	2.10	1.58	8.47	5.19	0.27
5	Food Products, Beverages & Tobacco Products	97	287.88	260.33	3.71	2.39	-27.55	-9.57	-0.88
	- Beverages & Tobacco Products	30	178.25	148.25	2.29	1.36	-30.00	-16.83	-0.96
	- Marine Foods	8	14.71	15.32	0.19	0.14	0.61	4.16	0.02
	- Sugar	28	4.87	12.27	0.06	0.11	7.41	152.15	0.24
6	Textiles	273	1,254.14	1,411.22	16.15	12.96	157.08	12.53	5.03
	- Cotton Yarn, Textiles, etc.	149	818.92	959.90	10.54	8.81	140.99	17.22	4.52
	- Manmade Fibre Textiles	63	170.70	247.10	2.20	2.27	76.40	44.75	2.45
	- Jute Products	6	61.61	47.45	0.79	0.44	-14.16	-22.98	-0.45
	- Readymade Garments	23	48.08	42.39	0.62	0.39	-5.70	-11.85	-0.18
7	Leather & Leather Products	12	79.60	56.56	1.02	0.52	-23.04	-28.94	-0.74
8	Wood & Wood Products	8	8.39	4.51	0.11	0.04	-3.89	-46.30	-0.12
9	Paper & Paper Products	65	52.90	59.26	0.68	0.54	6.36	12.03	0.20
10	Chemicals & Chemical Products	298	921.56	1,571.86	11.86	14.43	650.31	70.57	20.83
	- Drugs & Pharmaceuticals	105	402.24	909.24	5.18	8.35	507.01	126.05	16.24
	- Dyes & Pigments	21	133.23	172.22	1.72	1.58	38.98	29.26	1.25
	- Pesticides	15	70.81	102.48	0.91	0.94	31.67	44.72	1.01
	- Cosmetics & Toiletries	21	75.49	90.91	0.97	0.83	15.42	20.43	0.49
	- Fertilisers	21	28.85	49.72	0.37	0.46	20.87	72.34	0.67
	- Paints & Varnishes	12	7.51	29.12	0.10	0.27	21.60	287.53	0.69
11	Plastic & Rubber Products	156	395.21	415.41	5.09	3.81	20.20	5.11	0.65
	- Plastic Products	122	196.57	250.08	2.53	2.30	53.51	27.22	1.71
	- Rubber & Rubber Products	34	198.64	165.33	2.56	1.52	-33.31	-16.77	-1.07
12	Non-Metallic Mineral Products	79	148.62	104.28	1.91	0.96	-44.34	-29.83	-1.42
	- Cement, Asbestos & Products	37	107.42	60.17	1.38	0.55	-47.26	-43.99	-1.51
	- Glass & Glass Products	36	37.76	34.11	0.49	0.31	-3.65	-9.68	-0.12
	- Abrasives	6	3.44	10.01	0.04	0.09	6.57	191.26	0.21
13	Metals & Metal Products	190	944.74	1,373.57	12.16	12.61	428.83	45.39	13.73
	- Ferrous Metals & Products	155	809.92	1,109.03	10.43	10.18	299.11	36.93	9.58
	- Non-Ferrous Metals & Products	35	134.82	264.55	1.74	2.43	129.73	96.22	4.15
14	Non-Electrical Machinery	114	213.72	310.15	2.75	2.85	96.43	45.12	3.09
15	Electrical Machinery, Appliances, etc	105	244.99	265.57	3.15	2.44	20.59	8.40	0.66
	- Domestic Electrical Appliances	26	44.47	25.73	0.57	0.24	-18.74	-42.14	-0.60
	- Wires & Cables	23	22.70	14.73	0.29	0.14	-7.97	-35.13	-0.26
16	Electronic Items & Components	89	129.56	221.94	1.67	2.04	92.38	71.30	2.96
	- Computer Hardware	15	39.78	53.26	0.51	0.49	13.49	33.91	0.43
	- Consumer Electronics	15	46.97	48.84	0.60	0.45	1.87	3.99	0.06
17	Transport Equipment	112	662.99	555.12	8.54	5.10	-107.86	-16.27	-3.45
	- Automobiles & Ancillaries	104	633.98	538.34	8.16	4.94	-95.63	-15.08	-3.06
18	Gems & Jewellery	19	298.30	452.80	3.84	4.16	154.50	51.79	4.95
19	Misc. Manufactured Articles	17	23.13	27.19	0.30	0.25	4.06	17.56	0.13
20	Diversified Companies	39	638.04	1,993.71	8.21	18.31	1,355.67	212.47	43.42
III. Services		329	949.20	1,185.05	12.22	10.88	235.85	24.85	7.55
24	Trading	159	885.57	824.06	11.40	7.57	-61.52	-6.95	-1.97
21	Computer Software	47	19.73	326.93	0.25	3.00	307.20	1,556.82	9.84
25	Hotels & Restaurants	37	8.86	25.07	0.11	0.23	16.21	183.06	0.52
22	Construction	71	34.96	8.96	0.45	0.08	-26.00	-74.37	-0.83
23	Other Services	15	0.07	0.03	0.00	0.00	-0.04	-59.00	0.00
	All Companies (I-II-III)	2,147	7,767.63	10,890.10	100.00	100.00	3,122.47	40.20	100.00

Over the last many years, as a matter of policy, Indian companies have been encouraged to set up joint ventures and wholly-owned subsidiaries abroad. One of the expectations was that these ventures would help promote the investing companies' exports through supply of capital goods and raw materials. The ventures can also be service ventures to provide after-sales service/organise sales network and procure materials for the parent Indian company. Besides improving export prospects, there is an additional advantage of earning interest, royalties, dividends and consultancy fees as also procure imports at competitive prices.⁸ Thus, it is likely that sources of earnings in foreign currencies would get diversified. Table-II.5 does suggest such a possibility as the share of exports in total earnings varied widely. At the aggregate level, share of exports in total earnings declined from 88.63 per cent to 77.51 per cent. While this happened for all the categories of companies, the decline was more pronounced in case of T2 and OICs. Share of exports in total earnings, however, declined for T1 and for FCCs. But the decline was less marked. Indian companies' earnings in foreign exchange can now be potentially influenced by earnings other than through exports - a little less than one-fourth of the total. Indeed, one-third of total earnings of T2 and one-fourth that of OICs is accounted by the other earnings.

Detailed data on the other earnings is not directly available in the database. It does, however, appear that a substantial part of the other earnings are for the services rendered including development of computer software and provision of IT services, and transactions in

⁸ FICCI, *Workshop on Indian Joint Ventures Abroad and Project Exports, 1982*; Sanjay Lall, *Developing Countries as Exporters of Technology: A First look at the Indian Experience*, Macmillan, London, 1982; K.V.K. Ranganathan, *Indian Joint Ventures abroad: with Special Reference to Islamic Countries*, Economic and Political weekly, Vol. XIX, Nos. 20 & 21, 1984; J.P. Agarwal, *Pros and Cons of Third World Multinationals : A Case Study of India*, JCB Mohr (Paul Sieback) Tubigen, 1985; and Rajiv B. Lall, *Multinationals from the Third World : Indian Firms Investing Abroad*, Oxford University Press, Delhi, 1986.

Table-II.5
Share of Exports in Gross Earnings in Foreign Currencies

(Amount in Rs. Crores)

Year	Exports	Other Earnings	Total Earnings in Foreign Currencies	Share of Exports in Total Earnings (%)
(1)	(2)	(3)	(4)	(5)
T1: Top 50 Houses (277)				
1995-96	9,491	1,342	10,832	87.61
1996-97	10,767	2,926	13,693	78.63
1997-98	12,595	3,340	15,936	79.04
1998-99	11,997	4,246	16,243	73.86
1999-00	14,667	3,963	18,630	78.73
2000-01	19,441	4,869	24,310	79.97
T2: Next 50 Houses (150)				
1995-96	2,725	327	3,052	89.28
1996-97	3,211	544	3,755	85.51
1997-98	3,713	666	4,379	84.79
1998-99	3,812	958	4,770	79.91
1999-00	4,108	1,425	5,530	74.23
2000-01	4,690	2,264	6,954	67.45
OICs: Other Indian Cos. (1,431)				
1995-96	9,098	1,061	10,159	89.56
1996-97	10,727	1,397	12,124	88.48
1997-98	12,250	1,821	14,071	87.06
1998-99	12,985	2,819	15,804	82.16
1999-00	14,416	3,306	17,722	81.35
2000-01	17,740	5,529	23,269	76.24
FCCs: Foreign-Controlled Cos. (289)				
1995-96	4,666	603	5,269	88.56
1996-97	5,596	745	6,341	88.25
1997-98	6,438	1,375	7,812	82.40
1998-99	6,833	1,184	8,017	85.23
1999-00	7,081	1,397	8,478	83.52
2000-01	7,880	1,774	9,654	81.63
All Companies (2,147)				
1995-96	25,980	3,333	29,313	88.63
1996-97	30,300	5,612	35,912	84.37
1997-98	34,996	7,202	42,198	82.93
1998-99	35,627	9,208	44,835	79.46
1999-00	40,270	10,090	50,360	79.96
2000-01	49,751	14,435	64,187	77.51

Figures in brackets are number of companies in the respective category.

foreign currencies conducted at hotels. It can be seen from Table-II.6 that in the case of service sector companies the share of other earnings in total earnings increased gradually from 38 to 63 per cent. The corresponding share in the primary sector was considerably higher when compared to that of manufacturing companies. After an initial increase, share of other earnings declined in case of manufacturing companies. It thus appears that promotion of Indian investments abroad may have less to do with other earnings in foreign currencies.

Table-II.6
Sector-wise Relative Importance of Other Earnings
in Foreign Currencies

(Percentages)

Year	Sector		
	Primary	Manufacturing	Services
(1)	(2)	(3)	(4)
1995-96	14.62	5.13	38.17
1996-97	12.09	8.20	46.14
1997-98	11.72	8.30	50.10
1998-99	11.44	7.79	62.53
1999-00	12.68	5.85	63.18
2000-01	8.23	4.70	69.20

Ownership Category and Activity-wise Trends in Number of Exporters

In general, there are more companies in the higher exports-sales ratios in 2000-01 compared to 1995-96 (Table-II.7). However, nearly 40 per cent of the companies are not in the export trade or in their case, the exports are negligible compared to the sales. More importantly, nearly one-third of the companies of the T1 and almost half of the OICs are not in export trade. Though, the number of non-exporters are relatively fewer in case of FCCs, the non-exporters still constituted about one-fourth of the total number of FCCs. What seems to have happened is that those engaged in some export trade initially, *i.e.*, those in the less than 5 per cent range of exports sales ratio moved to the upper ranges. While the number of companies which did not participate in export trade in any of the years was 556, or about one-fourth of the total, those that did not engage in

Table-II.7
Distribution of Companies according to Export-Sales Ratio

(Percentages)

Exports Sales Ratio	1995-96	1996-97	1997-98	1998-99	1999-00	2000-01
(1)	(2)	(3)	(4)	(5)	(6)	(7)
T1: Top 50 Houses						
0	89	86	81	85	91	89
0 - 5	92	85	87	86	76	76
5 - 10	34	36	38	37	39	34
10 - 25	42	47	43	48	43	49
25 & above	20	23	28	21	28	29
All Cos.	277	277	277	277	277	277
T2: Next 50 Houses						
0	45	47	46	47	49	45
0 - 5	44	38	33	34	34	28
5 - 10	13	16	17	14	15	23
10 - 25	23	23	31	33	28	29
25 & above	25	26	23	22	24	25
All Cos.	150	150	150	150	150	150
OICs: Other Indian Cos.						
0	669	652	662	677	690	673
0 - 5	305	295	269	272	264	266
5 - 10	96	100	105	92	102	103
10 - 25	132	127	127	126	117	123
25 & above	229	257	268	264	258	266
All Cos.	1,431	1,431	1,431	1,431	1,431	1,431
FCCs: Foreign-Controlled Cos.						
0	79	73	67	63	67	68
0 - 5	100	101	98	107	100	94
5 - 10	40	44	42	38	46	38
10 - 25	43	43	50	49	46	52
25 & above	27	28	32	32	30	37
All Cos.	289	289	289	289	289	289
All Companies						
0	882	858	856	872	897	875
0 - 5	541	519	487	499	474	464
5 - 10	183	196	202	181	202	198
10 - 25	240	240	251	256	234	253
25 & above	301	334	351	339	340	357
All Cos.	2,147	2,147	2,147	2,147	2,147	2,147

exports in at least one of the years was quite high at 1,201, *i.e.*, 56 per cent of the total. If one considers exporting without any break to be an indication of regular exporter, the number of regular exporters *i.e.*, those who exported in all the initial three years was 1,107. The corresponding number in the final three years is practically the same at 1,111. In all, only 946 companies, or about 45 per cent of the total, exported in all the six years. These, however, accounted for 90 per cent of the total exports in 2000-01. Thus, while there is an increase in the number of companies with higher export-sales ratios, the number of exporters remained static during the period.

Export Orientation

Maximum increase in exports was recorded by the T1 companies followed by OICs (Table-II.8). Exports of FCCs, however, increased the slowest. Their exports-sales ratio indeed declined at the aggregate level.⁹ From the Table-II.9 it can be seen that irrespective of the group affiliation, export-orientation experienced two spurts first in 1997-98 and next in 2000-01, the latter coinciding with the national level experience. Within the sample, various categories of companies behaved differently in terms of export-orientation. This latter group was also better placed in terms of export-orientation (Table-II.9 & Graph-II.2). Thus, the increase in overall exports was due to T1 and OICs. In terms of export orientation, as reflected in the export-sales ratios, non-large house Indian companies fared the best followed by the large house companies. In terms of export-orientation too, FCCs lagged behind. FCCs with their established brand names, superior technology and product acceptance, close association with the consumers through world- wide subsidiaries and affiliates were expected to be

⁹ A number of studies in India focused this aspect of TNCs exports. The general findings of these studies reveals that either the FCCs were not significantly better export-oriented than the Indian companies and /or that their operations have had a negative impact on the over all balance of payments position. In certain cases, the apparent better position was mainly due to export of traded products, often unrelated to the main operations of the exporting company. For details see K.S. Chalapati Rao, *op. cit.*

Table-II.8
Company Category-wise Export Earnings of Sample Companies

(Amount in US \$ mn.)

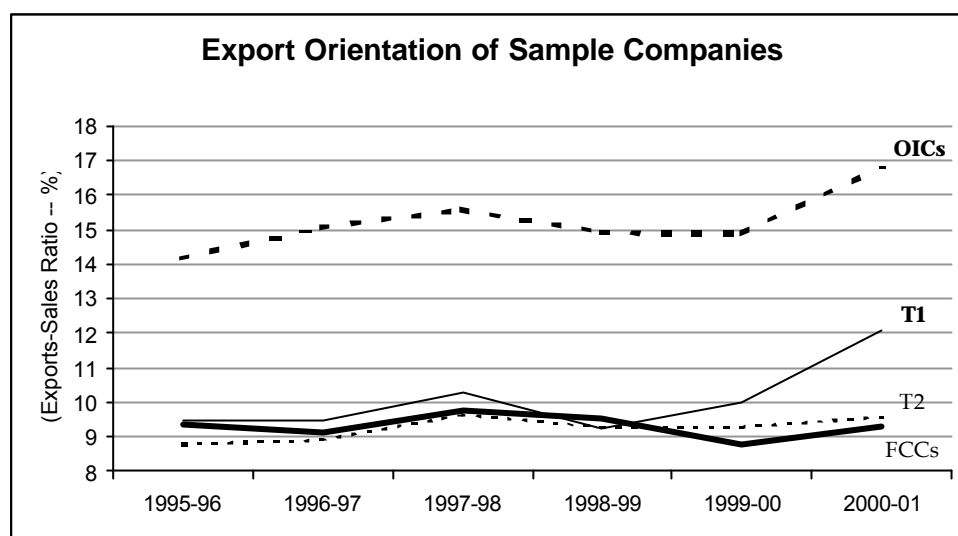
Company Category	No. of Companies	1995-96	2000-01	Increase (%)
(1)	(2)	(3)	(4)	(5)
T1: Top 50 Houses/ Largest Companies	277	2,838	4,255	49.97
T2: Second 50 Houses/ Large Cos.	150	815	1,026	25.99
OICs: Other Indian Cos.	1431	2,720	3,883	42.76
Indian Cos. (T1+T2+OICs)	1858	6,372	9,165	43.83
FCCs: Foreign Controlled Cos.	289	1,395	1,725	23.63
All Sample Companies	2147	7,768	10,890	40.20

Table-II.9
Changes in the Export Orientation of Sample Companies

(Rs. Crores)

Company Affiliation/ Year	Net Sales	Exports	Exports-Sales Ratio (%)
(1)	(2)	(3)	(4)
T1: Top 50 Houses (277)			
1995-96	99,989	9,491	9.49
1996-97	113,563	10,767	9.48
1997-98	122,699	12,595	10.27
1998-99	129,525	11,997	9.26
1999-00	146,857	14,667	9.99
2000-01	160,840	19,441	12.09
T2: Next 50 Houses (150)			
1995-96	31,035	2,725	8.78
1996-97	36,088	3,211	8.90
1997-98	38,533	3,713	9.64
1998-99	41,104	3,812	9.27
1999-00	44,223	4,108	9.28
2000-01	49,029	4,690	9.57
OICs: Other Indian Cos. (1,431)			
1995-96	64,184	9,098	14.17
1996-97	71,221	10,727	15.06
1997-98	78,640	12,250	15.58
1998-99	87,106	12,985	14.91
1999-00	96,827	14,417	14.89
2000-01	105,406	17,740	16.83
FCCs: Foreign-Controlled Cos. (289)			
1995-96	49,960	4,666	9.34
1996-97	61,252	5,596	9.14
1997-98	66,083	6,438	9.74
1998-99	71,721	6,833	9.53
1999-00	80,625	7,081	8.78
2000-01	84,786	7,880	9.29
All Companies (2,147)			
1995-96	245,169	25,980	10.60
1996-97	282,123	30,300	10.74
1997-98	305,955	34,996	11.44
1998-99	329,456	35,627	10.81
1999-00	368,533	40,270	10.93
2000-01	400,061	49,751	12.44

Graph-II.2



in a better position to promote host country exports. This does not seem to have happened in India even in the 'nineties.

Pattern of Expenditure in Foreign Currencies

Just as companies earn foreign exchange through means other than exports, they also spend foreign exchange in a similar manner. Table-II.10 provides the pattern of foreign exchange spending by the sample companies. Unlike in the case of earnings, somewhat more detailed information on other forms of expenditure is available. As in the case of earnings where the share of exports declined, the overall share of imports in total expenditure in foreign currencies also declined. Differences between various categories of companies also exist. For example, in case of the T1 companies, the decline was only marginal. On the other hand, the decline was more prominent in case of other companies especially, OICs.

Interest payments in case of T1 companies and dividend payments together with royalty payments in case of FCCs constituted other important identifiable items of expenditure in foreign currencies. Interest-

Table-II.10
Composition of Expenditure in Foreign Currencies
by different Categories of Companies

(Percentages)

Company Affiliation/Year	Total Expenditure (Rs. Crores)	Imports	Interest	Dividends	Know-how and Royalty	Others	Total
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
T1: Top 50 Houses (277)							
1995-96	18,204	82.87	3.33	0.63	6.03	7.13	100.00
1996-97	20,316	82.44	3.94	0.97	2.69	9.96	100.00
1997-98	24,258	83.67	5.34	0.90	1.40	8.69	100.00
1998-99	25,246	79.73	6.60	0.87	2.31	10.49	100.00
1999-00	26,070	80.50	5.62	0.72	2.66	10.50	100.00
2000-01	29,393	80.75	5.61	0.53	1.18	11.93	100.00
T2: Next 50 Houses (150)							
1995-96	5,444	91.21	1.69	0.30	1.18	5.63	100.00
1996-97	5,615	89.75	2.00	0.45	1.79	6.01	100.00
1997-98	5,625	86.72	2.88	0.45	1.91	8.03	100.00
1998-99	5,156	84.23	4.88	0.37	1.49	9.03	100.00
1999-00	5,969	84.13	3.74	0.27	1.62	10.24	100.00
2000-01	7,318	84.37	2.42	0.21	1.27	11.73	100.00
OICs: Other Indian Cos. (1,431)							
1995-96	9,502	91.39	0.95	0.24	1.97	5.46	100.00
1996-97	10,199	91.12	1.02	0.27	1.55	6.04	100.00
1997-98	10,966	88.65	1.61	0.33	1.45	7.96	100.00
1998-99	12,003	83.73	1.79	0.27	2.33	11.87	100.00
1999-00	13,785	84.21	1.50	0.23	0.68	13.39	100.00
2000-01	16,342	80.48	1.37	0.24	0.60	17.30	100.00
FCCs: Foreign-Controlled Cos. (289)							
1995-96	8,326	86.78	1.13	4.11	2.28	5.70	100.00
1996-97	11,314	87.35	0.83	3.70	2.30	5.83	100.00
1997-98	9,956	82.64	1.05	5.32	3.57	7.43	100.00
1998-99	11,323	81.82	1.18	6.15	3.10	7.76	100.00
1999-00	13,135	83.30	0.66	6.10	3.23	6.72	100.00
2000-01	13,281	79.44	0.75	8.61	3.16	8.05	100.00
All Companies (2,147)							
1995-96	41,475	86.70	2.13	1.20	3.71	6.26	100.00
1996-97	47,444	86.34	2.34	1.41	2.25	7.67	100.00
1997-98	50,806	84.88	3.42	1.59	1.89	8.21	100.00
1998-99	53,728	81.50	4.22	1.80	2.40	10.08	100.00
1999-00	58,958	82.36	3.36	1.76	2.22	10.31	100.00
2000-01	66,333	80.82	3.24	2.04	1.44	12.45	100.00

Figures in brackets are number of companies in the respective category.

ingly, the share of royalty payments declined significantly in case of T1 companies. This could be interpreted in two ways. *One*, large Indian companies are depending less and less on technology imports and *two*, they are focussing more on commodities which are not associated with technology imports. An equally important possibility is that foreign companies are less inclined to provide technology to un-associated Indian companies in the post-liberalisation period.¹⁰ In the new regime, not only the relative share of technical collaborations in the total foreign collaboration approvals but also the importance of arms-length transfer of technology declined.¹¹ An interesting major development in case of the T2 companies, and to some extent T1 companies as well, is the increasing share of other forms of expenditure in foreign currencies. The corresponding share was somewhat stable in case of FCCs. While foreign travel is one component of such other expenditure, it should be seen whether commissions, insurance, etc. explain a substantial portion of the other expenditure.

From Table-II.11 it can be seen that Service sector companies once again behaved differently with very high share of other items of expenditure. Such items accounted for close two-thirds of the total expenditure. In case of manufacturing companies too the corresponding share increased while for primary sector companies, the share declined steeply. A comparison with Table-II.6 suggests that the other items could be closely related to earnings in foreign currencies other than through exports.

¹⁰ See: Goyal, S.K., *op. cit.* (1994); and M.R. Murthy and K.V.K. Ranganathan, 'Foreign Private Capital: Penetration through Collaboration' *Young Indian*, Vol. 8, Issue No. 10, October 11, 1997.

¹¹ See: S.K. Goyal, et. al., *Foreign Investment Approvals & Implementation Status: A Review (August 1991 - December 1994)*, Institute for Studies in Industrial Development, 1995, a report submitted to the Ministry of Finance.

Table-II.11
Sector-wise Relative Importance of Expenditure other than Imports
in Foreign Currencies

(Percentages)

Year	Sector		
	Primary	Manufacturing	Services
(1)	(2)	(3)	(4)
1995-96	25.19	11.64	37.33
1996-97	16.23	11.90	40.43
1997-98	16.76	12.75	45.55
1998-99	17.90	15.44	53.31
1999-00	13.40	13.92	54.08
2000-01	8.81	14.17	66.36

Within imports too substantial changes are taking place. Imports of raw materials, stores and spares are becoming more significant (Table-II.12, Graphs-II.3A&B). On the other hand, share of capital goods fell quite steeply. While falling imports of capital goods may be a reflection of the slowing down of the economy, the fast increasing imports especially of raw materials suggest the long term dependence on imported intermediate inputs by large Indian companies. Interestingly, non-large house Indian companies did not experience a similar decline in the share of imported capital goods. Another factor which emerged of late is the import of finished goods possibly for re-sale in the domestic market. The share of imported finished goods in total imports was not only high in case of foreign-controlled companies, unlike in case of Indian companies, the share did not record a decline in 2000-01. In case of OICs too, finished goods in general claimed an increasing share, if one ignores the final year. Over all, the number of companies importing finished goods increased gradually from 188 in 1995-96 to 249 in 2000-01. Out of the 61 companies which imported Rs. 10 crores or more worth of finished goods in 2000-01 29, or about half, are FCCs.

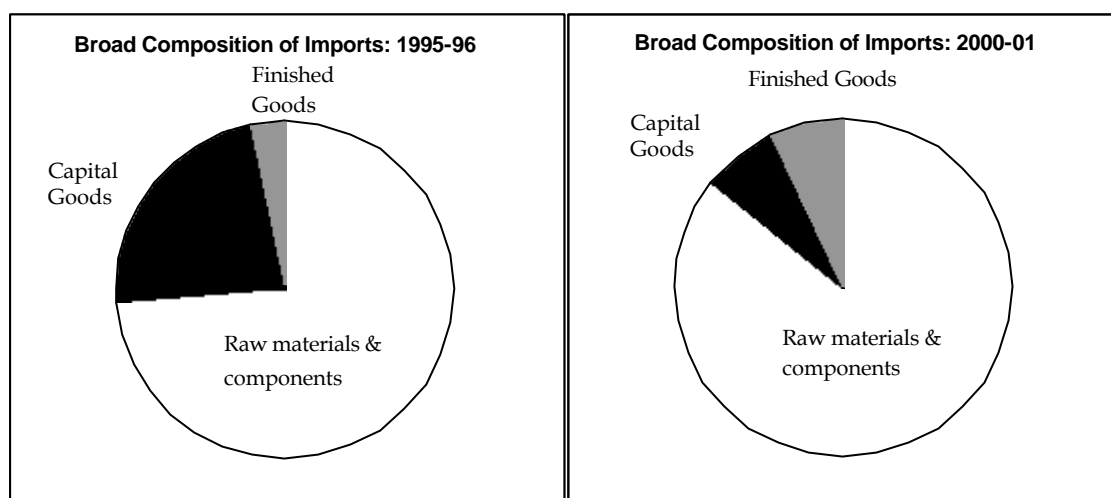
Table-II .12
Composition of Imports: Category-wise

(Percentages)

Company Affiliation/ Year	Total Imports (Rs. Crores)	Raw Materials	Capital Goods	Finished Goods	Total
(1)	(2)	(3)	(4)	(5)	(6)
T1: Top 50 Houses (277)					
1995-96	15,086	70.02	25.60	4.39	100.00
1996-97	16,748	74.82	20.15	5.03	100.00
1997-98	20,298	72.97	19.53	7.49	100.00
1998-99	20,129	69.40	21.48	9.12	100.00
1999-00	20,987	80.50	8.03	11.47	100.00
2000-01	23,735	89.63	5.06	5.31	100.00
T2: Next 50 Houses (150)					
1995-96	4,965	66.54	32.54	0.92	100.00
1996-97	5,039	74.21	21.53	4.26	100.00
1997-98	4,878	80.73	15.09	4.18	100.00
1998-99	4,342	80.19	14.60	5.21	100.00
1999-00	5,022	80.77	14.28	4.95	100.00
2000-01	6,174	89.49	6.71	3.80	100.00
OICs: Other Indian Cos. (1,431)					
1995-96	8,684	76.50	21.55	1.95	100.00
1996-97	9,294	74.28	21.97	3.75	100.00
1997-98	9,722	78.89	16.01	5.10	100.00
1998-99	10,051	78.03	12.42	9.55	100.00
1999-00	11,608	77.79	9.71	12.50	100.00
2000-01	13,152	81.37	11.80	6.83	100.00
FCCs: Foreign-Controlled Cos. (289)					
1995-96	7,226	82.29	12.61	5.10	100.00
1996-97	9,882	65.95	28.01	6.04	100.00
1997-98	8,228	76.98	14.63	8.39	100.00
1998-99	9,264	74.00	12.50	13.51	100.00
1999-00	10,941	74.58	13.40	12.02	100.00
2000-01	10,550	78.63	8.13	13.23	100.00
All Companies (2,147)					
1995-96	35,960	73.57	22.97	3.46	100.00
1996-97	40,964	72.48	22.63	4.89	100.00
1997-98	43,125	75.95	17.30	6.75	100.00
1998-99	43,787	73.42	16.82	9.76	100.00
1999-00	48,558	78.55	10.29	11.16	100.00
2000-01	53,610	85.42	7.51	7.07	100.00

Figures in brackets are number of companies in the respective category.

Graphs-II.3A&B



Size of Pies not to scale.

Notable among the FCCs are: Aventis Pharma, BASF (India), Birla 3M, Burroughs Wellcome, Carrier Aircon, Clariant (India), Gestetner, Glaxo, Hind Lever Chemicals, Hindustan Lever, Infar (India), Kalyani Sharp, Kodak (India), Krone Communications, Lederle, Novarts, Pfizer, Ricoh (India), Sandvik Asia, Smithkline Beecham Pharmaceuticals (India) Ltd., and Wyeth Lederle. Prominent among the Indian companies are: Adani Exports, Deepak Fertilisers & Petrochemicals, HCL Infosystems, IVP Ltd., Grasim Industries, and Priya Ltd. Adani Export presents an interesting case. The company is a recognised Super Star Trading House which has also been conferred the Golden trader status.¹² It can be seen from Table-II.13 that while the company's exports declined after 1997-98, imports increased substantially. What is even more important is the fact that practically all the imports were of finished goods. This offers a clear case of imports not being related to exports and the net balance on trade account falling substantially due to the import of finished goods.

¹² Exporters who have attained Export House, Trading House, Star Trading Houses and Super Star Trading Houses status for three terms and more and continue to export were eligible for Golden status certificate.

Table-II.13**Exports and Imports of Adani Exports Ltd.**
(A Golden Super Star Trading House)

	Exports	Imports	Import of Finished Goods	Trade Balance
(1)	(2)	(3)	(4)	(5)
1995-96	775.69	200.29	173.92	572.86
1996-97	1,089.35	282.68	282.68	805.80
1997-98	1,634.81	409.67	409.51	1,218.93
1998-99	1,108.85	418.96	418.79	681.26
1999-00	1,169.99	857.23	857.23	306.31
2000-01	985.86	642.72	641.75	336.91

Another interesting case is that of Hind Lever Chemicals Ltd. (HLCL), 50 per cent of whose shares are held by Hindustan Lever Ltd (HLL). While HLL does not show any significant amount of import of finished goods, HLCL reported increasing amounts of finished goods since 1998-99. Incidentally, HLCL ceased to be a subsidiary of HLL in 1999 and, as stated earlier, both the companies clarify that the reported import figures do not include imported items purchased locally and those obtained from canalising agencies. Given the possible coordination between the two group companies it should be seen to what extent the imports of HLCL are used for own purposes and for use by HLL or other companies of the group. By itself, HLL is able to show a highly favourable surplus on account of net foreign exchange earnings. If the imports of HLCL are also combined, it is easy to see that the position changes drastically (Table-II.14). Had HLL's share been just a little higher, HLCL would have been a subsidiary of HLL and HLCL's accounts would have been consolidated with HLL's. The consolidated accounts would have reflected HLCL's imports too and the group's net earning position would have been not so favourable. While the trade balance on account of HLL appears to have risen fast from Rs. 118.20 crores in 1995-96 to Rs. 1,182.23 crores in 2000-01, when seen in combination with HLCL's trade balance, the rise, however, does not appear to be so impressive. Indeed, net

earnings turn out to be highly negative in the intermediate years and only nominal in the final year. Seen in the background of the transformation of HLCL into a fertiliser company after exchange of business with HLL, from being a manufacturer of detergents¹³, it is easy to see how individual company export and import values can be misleading. Incidentally, exports of HLCL are practically nil once again underlining the fact that imports may not be related to exports at the level of individual company. More importantly the cases of Adani Exports and the HLL group raise serious questions about the possible benefits from Export and Trading Houses in terms of net foreign exchange earnings.

Table-II.14
Exports, Imports and Net Earnings in Foreign Currencies by Hind Lever Chemicals Ltd and Hindustan Lever Ltd

(Amount in Rs. Crores)

	Exports	Imports	Of which, Finished Goods	Trade Balance	Net Earnings
(1)	(2)	(3)	(4)	(5)	(6)
Hind Lever Chemicals Ltd					
1995-96	0.00	0.00	0.00	0.00	0.00
1996-97	4.98	305.30	0.00	-300.32	-300.36
1997-98	0.00	318.22	0.00	-318.22	-318.24
1998-99	0.20	545.60	231.28	-545.40	-545.42
1999-00	0.00	815.30	450.05	-815.30	-815.87
2000-01	0.00	811.14	400.45	-811.14	-811.70
Hindustan Lever Ltd					
1995-96	529.10	410.90	2.32	118.20	58.76
1996-97	638.80	248.86	8.33	389.94	301.73
1997-98	762.70	427.10	26.78	335.60	190.45
1998-99	1073.47	465.28	34.63	608.19	386.22
1999-00	1311.56	438.64	18.64	872.92	573.34
2000-01	1692.06	509.83	22.18	1182.23	813.33
Hind Lever Chemicals Ltd and Hindustan Lever Ltd Combined					
1995-96	529.10	410.90	2.32	118.20	58.76
1996-97	643.78	554.16	8.33	89.62	1.37
1997-98	762.70	745.32	26.78	17.38	-127.79
1998-99	1073.67	1010.88	265.91	62.79	-159.20
1999-00	1311.56	1253.94	468.69	57.62	-242.53
2000-01	1692.06	1320.97	422.63	371.09	1.63

¹³ The company was earlier known as Stepan Chemicals Ltd. It swapped its facilities of soaps and detergents with HLL's fertilizer and industrial chemicals division located at Haldia in West Bengal in 1996.

Import Intensity

Import dependence too varied (Table-II.15). It does appear that the overall import dependence declined for all categories of companies. It has, however, to be noted that the observed import-sales ratios could be misleading because companies while on the one hand are not only importing substantial amount of finished goods, but they are also buying finished goods from the local manufacturers. To that extent, one should compare imports with sales emerging out of own production only. Also, there could be a hidden amount of indirect imports whether purchased from local traders who brought the items for stock and sale or because the local supporting manufacturers themselves are using imported raw materials and components. One may refer to the case of Colgate's production associates described in the previous section. Column (5) of Table-II.15 shows the ratio of sales of traded items to own manufactures. Though the ratio declined suddenly in the final year, it was above 10 per cent in all the other years. It can be seen that the ratio is the highest for FCCs (Graph-II.4). On the other hand, finished goods too occupied an important position in the imports of FCCs. Such trading is prominent in many consumer non-durables (See Table-II.16 for illustrative cases). Assuming that imported raw materials and capital goods would be used in own manufacture and are not passed on to units with which the companies have production arrangements, it would be more appropriate to compare import of raw materials (and capital goods) with sale of own manufactures. The relevant ratios are shown in columns (7) and (8) of Table-II.15. Once again, the results are mixed.

While the top 50 house companies show an increasing dependence on imported raw materials, there are no clear patterns in case of the second 50 group and other Indian companies. In case of FCCs too the ratio did not show any clear trend. It was, however, lower than that in the initial two years. It does appear that FCCs are increasingly depending on imports for finished goods and traded items instead of for local production purposes.

Table-II.15
Changes in the Import Intensity of Sample Companies

(Percentages)

Company Affiliation/ Year	Net Sales (Rs. Crores)	Imports (Rs. Crores)	Imports/Sale s Ratio	Ratio of Traded Sales to Manufacturing Sales	Share of finished goods in imports	Ratio of Imports to Sales of Own Manufactures Capital Goods and Raw Material Imports	Raw Materials Imports
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
T1: Top 50 Houses (277)							
1995-96	99,989	15,086	15.09	11.03	4.39	15.73	11.52
1996-97	113,563	16,748	14.75	10.64	5.03	15.45	12.17
1997-98	122,699	20,298	16.54	11.13	7.49	17.25	13.61
1998-99	129,525	20,129	15.54	11.02	9.12	16.29	12.44
1999-00	146,857	20,987	14.29	10.00	11.47	14.37	13.07
2000-01	160,840	23,735	14.76	9.32	5.31	15.89	15.04
T2: Next 50 Houses (150)							
1995-96	31,035	4,965	16.00	11.27	0.92	16.76	11.25
1996-97	36,088	5,039	13.96	11.97	4.26	14.41	11.17
1997-98	38,533	4,878	12.66	13.66	4.18	13.48	11.35
1998-99	41,104	4,343	10.56	12.56	5.21	11.05	9.35
1999-00	44,223	5,022	11.36	7.21	4.95	11.56	9.82
2000-01	49,028	6,174	12.59	6.85	3.80	13.36	12.42
OICs: Other Indian Cos. (1,431)							
1995-96	64,184	8,684	13.53	10.20	1.95	14.97	11.68
1996-97	71,221	9,294	13.05	9.48	3.75	14.13	10.91
1997-98	78,640	9,722	12.36	9.95	5.10	13.45	11.18
1998-99	87,106	10,051	11.54	12.70	9.55	12.37	10.67
1999-00	96,827	11,608	11.99	11.64	12.50	12.50	11.11
2000-01	105,406	13,152	12.48	7.53	6.83	13.77	12.03
FCCs: Foreign-Controlled Cos. (289)							
1995-96	49,960	7,226	14.46	12.17	5.10	13.36	11.58
1996-97	61,252	9,882	16.13	11.72	6.04	14.79	10.38
1997-98	66,083	8,228	12.45	12.03	8.39	11.21	9.42
1998-99	71,721	9,264	12.92	14.99	13.51	11.35	9.71
1999-00	80,625	10,941	13.57	14.49	12.02	12.09	10.25
2000-01	84,786	10,550	12.44	14.11	13.23	10.97	9.94
All Companies (2,147)							
1995-96	245,169	35,960	14.67	11.11	3.46	14.97	11.68
1996-97	282,123	40,964	14.52	10.79	4.89	14.13	10.91
1997-98	305,955	43,125	14.10	11.37	6.75	13.45	11.18
1998-99	329,456	43,787	13.29	12.59	9.76	12.37	10.67
1999-00	368,533	48,558	13.18	11.13	11.16	12.50	11.11
2000-01	400,061	53,610	13.40	9.69	7.07	13.77	12.03

Table - II.16
Selected List of Consumer Items Marketed by MNCs and Indian Large Companies

Marketed by	Product	Made by
Asian Cables Ltd*	Wilman Shaving Cream	Jokhi Cosmetics & Consumer Products Pvt Ltd, Mumbai
Asian Cables Ltd*	Wilman Shaving Foam	Vimsons Aerosol, Anand
Bajaj Sevashram Ltd	Bajaj Brahmi Amla Hair oil	Frangrance Cosmetic Pvt Ltd
Bajaj Sevashram Ltd	Bajaj Brahmi Amla Hair Oil	Vina Cosmetics Inds, Dabhasa
Balsara Home Products Ltd	Odonil	Varun Industries, Silvassa
Balsara Home Products Ltd	Babool Tooth Paste	Vaspar, Silvassa
Balsara Home Products Pvt Ltd	Tooth Paste (Meswak)	Paun Household Products Pvt Ltd
Britannia Industries Ltd	Processed Cheese & Flavoured Milk	Dynamix Dairy Inds Ltd., Baramati
Britannia Industries Ltd	Tiger Brand Glucose Biscuits	French Foods India Pvt Ltd., Faridabad
Britannia Industries Ltd	Tiger Brand Glucose Biscuits	Gokul Foods Pvt Ltd., Fatehpur
Britannia Industries Ltd	Tiger Brand Glucose Biscuits	RKM Foods, Patankot
Britannia Industries Ltd	Tiger Brand Glucose Biscuits	Super Snacks Pvt Ltd., Ghaziabad
Cadbury India Ltd	Drinking Chocolate	Shree Warna Sahakari Dudh Utpadak Prakriya
Cadila Laboratories Ltd*	Talcum Powder & Cleanser	Frontline Cosmetics, Ahmedabad
Calcutta Chemical Co Ltd*	Margo Soap	Super Cosmetics Pvt Ltd, Kanpur
Coca Cola India Pvt Ltd	Sunfill Soft Drink Concentrate	Enrich Agro Food Products Ltd.
Colfax Laboratories India Ltd*	Blue Stratos After Shave Lotion	PJM Pharmaceuticals Pvt Ltd
Colgate Palmolive India Ltd	Charmis Cold Cream	Accra Pac (I) Ltd., Vapi
Colgate Palmolive India Ltd*	Tooth Brushes	Advani Industries, Maharashtra
Colgate Palmolive India Ltd	Colgate Dental Cream	Colgate Palmolive Nepal Pvt Ltd
Colgate Palmolive India Ltd	Tooth Brushes	Contemporary Targets Ltd., Vadodara
Colgate Palmolive India Ltd	Tooth Brushes	Contemporary Targett Prafull Pvt Ltd, Delhi
Colgate Palmolive India Ltd	Palmolive Shaving Cream	Coral Cosmetics Ltd., Thane
Colgate Palmolive India Ltd*	Tooth Powder	Crystal Cosmetics Ltd., Hyderabad
Colgate Palmolive India Ltd*	Tooth Brushes	Dye-Azo Pvt Ltd
Colgate Palmolive India Ltd	Tooth Brushes	Logic Plastics Pvt Ltd., Daman
Colgate Palmolive India Ltd	Tooth Paste	Lumena Home Products Pvt Ltd.
Colgate Palmolive India Ltd*	Shampoo & Palmolive Brilliantine	MG Shahani & Co (Delhi) Ltd, Delhi
Colgate Palmolive India Ltd	Colgate Dental Cream	Sterling Home Products Pvt Ltd
Colgate Palmolive India Ltd	Cibaca Tooth Paste	Sunshine Cosmetics Pvt Ltd
Colgate Palmolive India Ltd	Tooth Brushes	United Bristlers & Brushes Pvt Ltd, Mumbai
Dabur India Ltd	Dabur Amla Kesh Tel, Dabur Vatika & Dabur Lal Dant Manjan	Dabur Nepal Pvt Ltd
Dabur India Ltd	Dabur Vatika Shampoo	Northern Aromatics Ltd
Eskayef Ltd*	Iodex Burn Spray	Accra Pac India, Vapi
Frito Lay India	Lehar Sohan Papdi	Bikanerwala Foods Pvt Ltd, Delhi
Gillette India Ltd	Shaving Gel	Aeropharma Ltd, Murbad Gel imported by Gillette India)
Marketed by	Product	Made by
Godrej Consumer Products Ltd	Godrej Fairglow Fairness Cream	Kraftech Products Inc
Godrej Consumer Products Ltd	Ezee Liquid Detergent	Loco Products Co. Pvt Ltd

Godrej Consumer Products Ltd	Godrej Shaving Round	Pioneer Cosmetics, Dadra
Godrej Soaps Ltd*	Godrej Rich Foam	Kaivan Cosmetics, Daman
Godrej Soaps Ltd*	Cinthol Luxury Toilet Powder	Konkan Laboratories Pvt Ltd
Godrej Soaps Ltd*	Godrej Lather Shaving Cream	National Trading Co., Bomaby
Godrej Soaps Ltd*	Velvette Egg Shampoo (Sachet)	Shree Cosmetics, Pondicherry
Godrej Soaps Ltd*	Godrej Hair Dye	Urisan Cosmetics Pvt Ltd., Mumbai
Godrej Soaps Ltd*	Velvette Black Shampoo (Sachet)	Venmetics, Pondicherry
Henkel Spic India Ltd	FA Soap	VVF Ltd, Navsari
Hindustan Ciba-Geigy Ltd*	Cibaca Tooth Powder	Kent Labs (Mumbai) Pvt Ltd
Hindustan Lever Ltd	Taj Mahal Tea Bags	Aadithya Industries, Coimbatore
Hindustan Lever Ltd	Sun Silk Shampoo	Alfa Packaging, Silvassa+D30
Hindustan Lever Ltd	Nail Enamel Remover	Alpa R & P Ltd
Hindustan Lever Ltd	Clinic Plus Coconut Hair Oil	Beta Cosmetics, Silvassa
Hindustan Lever Ltd	Close Up Tooth Paste	Global Healthcare Products, Silvassa
Hindustan Lever Ltd	Close-up Tooth Paste	Global Healthcare Products Pvt Ltd.
Hindustan Lever Ltd	Clinic Plus Shampoo	Healthcare Products Pvt Ltd
Hindustan Lever Ltd	Kissan Fruit Kick Squash & Kissan Jam	Himalayan Frozen Foods Ltd
Hindustan Lever Ltd*	Tooth Paste	International Healthcare Products Pvt Ltd, Mumbai
Hindustan Lever Ltd	Max Magic, Sugar Confectionary	Makson Foods Pvt Ltd, Surendra Nagar
Hindustan Lever Ltd	Fair & Lovely Fairness Cream, Ayush Shampoo & Pepsodent Tooth Paste	Mul Dentpro Pvt Ltd., Daman
Hindustan Lever Ltd	Lifebuoy Soap	Nahar Industrial Enterprises Ltd., Ludhiana
Hindustan Lever Ltd	Pepsodent Tooth Paste	Prime Healthcare Products, Daman
Hindustan Lever Ltd	Taj Mahal Tea Bags	Swaraj Techno Engineers Pvt Ltd, Faridabad
Hindustan Lever Ltd	Tooth Brushes	Unident Brushes Pvt Ltd
Hindustan Lever Ltd (imported and marketed by)	Dove Soap	Lever Faberge Deutschland GMBH, Mannheim, Germany
Indexport Ltd s/o Hindustan Lever Ltd*	Liril Freshness Talc, Sun Silk & Clininc Shampoo	International Healthcare Products Ltd, Mumbai
Indexport Ltd s/o Hindustan Lever Ltd*	Tooth Paste	Mul Healthcare Products Pvt Ltd
Indexport Ltd. (Subsidiary of Hindustan Lever Ltd)	Denim After Shave lotion	Accra Pac (I) Ltd., Vapi
Indexport Ltd. s/o Hindustan Lever Ltd*	Fair & Lovely Cream	International Healthcare Products Pvt Ltd., Mumbai
Indexport Ltd. s/o Hindustan Lever Ltd*	Sun Silk Shampoo	International Healthcare Products Pvt Ltd., Mumbai
Indian Shaving Products Ltd*	7 O' Clock Ejtek Shaving Cream	Lucky Laboratories Ltd, Sikandrabad
JB Advani & Co (Mysore) Ltd*	English Leather Talcum Powder	Peerless Panoramic Products Pvt Ltd
Marketed by	Product	Made by
JL Morison India Ltd*	Addis Shaving Brush	Crystal, Mumbai
JL Morison India Ltd*	Nivea Shaving Brush	Herman Plastic Industries
JL Morison India Ltd	Nivea Body Talc & Nivea Shaving Cream	Kaivan Cosmetics, Daman
JL Morison India Ltd*	Nivea Fine Talc	Saina Industries, Silvassa
Kissan Products Ltd. (Licensee)*	Kissan Milk Biscuits	Premier Biscuits Pvt Ltd.,

Kores India Ltd	Glue Stick	Vapson Chemical Products Pvt Ltd, Mumbai
Leo Mattel (India) Pvt Ltd	Barbie Pretty & Cool Dolls	Fancy Fittings Ltd, Mumbai
Muller & Phipps India Ltd*	Cuticura Lavender Mist (Large)	Alpha Cosmetics
Muller & Phipps India Ltd*	Cuticura International Classic	Anand Cosmetics, Bangalore
Muller & Phipps India Ltd*	Cavisan	Chemicure Laboratories Pvt. Ltd., Udaipur
Muller & Phipps India Ltd*	Cuticura Prickly Heat Powder	Lakshmi Cosmetics, Pondicherry
Muller & Phipps India Ltd*	Cuticura Lavender Mist	Pavitra Cosmetics, Madras
Muller & Phipps India Ltd*	Cuticura International Classic	Venus Products
Muller & Phipps India Ltd*	Flush Up	Walsons Laboratories, Calicut
Nature Cosmetic Enterprises Pvt Ltd*	Lure Shampoo	Modern Cosmetics, Virar
Nestle India Ltd	Maggie Tomato Ketchup	Nijjer Agro Foods Ltd
Parle Prodcuts Ltd	Hide & Seek Biscuits	BBL Foods Pvt Ltd
Parle Products Ltd*	Prudent Tooth Paste	Flash Laboratories Ltd
Pepsi Foods Ltd	Diet Pepsi Soft Drink	Jai Drinks Pvt Ltd, Jaipur
Pond's India Ltd*	Pond's Conditioning Shampoo	Care Treat, Bharuch
Pond's India Ltd*	Pond's Soap	Godrej Soaps Ltd
Pond's India Ltd*	Pond's Sandal Talc	International Healthcare Products Ltd, Mumbai
Pond's India Ltd*	Pomade (Vaseline)	JB Advani & Co (Mysore) Ltd
Procter & Gamble Home Products Ltd	Old Spice Shaving Cream	Colfax Laboratories Pvt Ltd, Panda
Procter & Gamble Home Products Ltd	Head & Shoulders Shapoo Sachet	Procter & Gamble Mfg (Thailand) Ltd
Rallis India Ltd*	Rallicoil (Mosquito Coil)	Senio Chemicals Pvt Ltd, Hyderabad
Reckitt Benckiser (I) Ltd	Mortein Mosquito Coil	Hindustan Seals Ltd
Reckitt Benckiser (I) Ltd*	Dettol	Universal Generics Pvt Ltd., Mumbai
Reckitt Benckiser (I) Ltd	Dettol Shaving Cream	VVF Ltd, Navsari
Sara Lee TTK Ltd	Brylcream Stylus Cream	Padmam Herbal Care Pvt Ltd
Smithkline Beecham	ENO Fruit Salt	Southern Drugs & Pharmaceuticals
Tropicana Beverages Co.	Tropicana Fruit Juice	Dynamix Dairy Inds Ltd., Baramati
Wipro Ltd*	Santoor Beauty Talc	Saina Industries, Silvassa

* From S.K. Goyal, et. al., *India's Imports & Exports: Some Insights*, ISID, 1991.

Graph-II.4



While studies have shown that FCCs have not been major exporters from India, it was suggested that in the earlier regulated regime, when FCCs in general could not have a foreign subsidiary status, technology imports had also to be licensed on a case-to-case basis and companies were even prevented from seeking foreign technology in case indigenous technologies were available, foreign parent companies were not prepared to integrate the operations of their Indian affiliates which could have helped in better access to technology and markets of the parent companies. These restrictions have since been done away with. As a result, a good number of former minority FCCs acquired subsidiary status.¹⁴

Further, among the new approvals, those with majority stake for the foreign shareholder are progressively claiming an increasing share.¹⁵ Also, import of technology has been allowed through the automatic

¹⁴ These include Colgate, Cadbury, Coats Viyella, Kodak, Avery, Atlas Copco, Cummins, BASF, Bata, Bayer, Birla 3M, Carrier Aircon, Colour-Chem, Coates of India, Foseco, Goodlass Nerolac, ICL, Kalyani Sharp, Otis, Philips, Reckitt Benckiser, Procter & Gamble, Ricoh, Singer, Timken, Whirlpool, etc.

¹⁵ From 30.74 per cent in August 1991 to 1992, the share of subsidiaries in total financial collaboration approvals went up to 58.77 per cent during 1996 to August 1998. See: K.S. Chalapati Rao, M.R. Murthy & K.V.K. Ranganathan, *op. cit.*

approval route in most cases (Table-II.17 & Graph-II.5). In spite of these changes, the fact that FCCs did not turn out to be more export-oriented, therefore, needs a closer examination. Is it because FCCs are under lesser pressure now than earlier to export or the industrial composition of FCCs is such that there was little scope for improvement? It is also a fact that some of the major FCCs grew through mergers which add to the export volumes of FCCs covered in the sample. Had it not been so, exports of sample FCCs would have grown even slower. For example, exports of Brooke Bond (India) Ltd and Ponds (India) Ltd., which were merged with Hindustan Lever Ltd. (HLL), a Golden Super Star Trading House, in 1996 and 1998 respectively, are reflected in HLL's exports for the first time in 1996-97 and 1998-99 respectively. But for a sharp jump in the final year, the export-sales ratio of FCCs did not improve at the aggregate level.

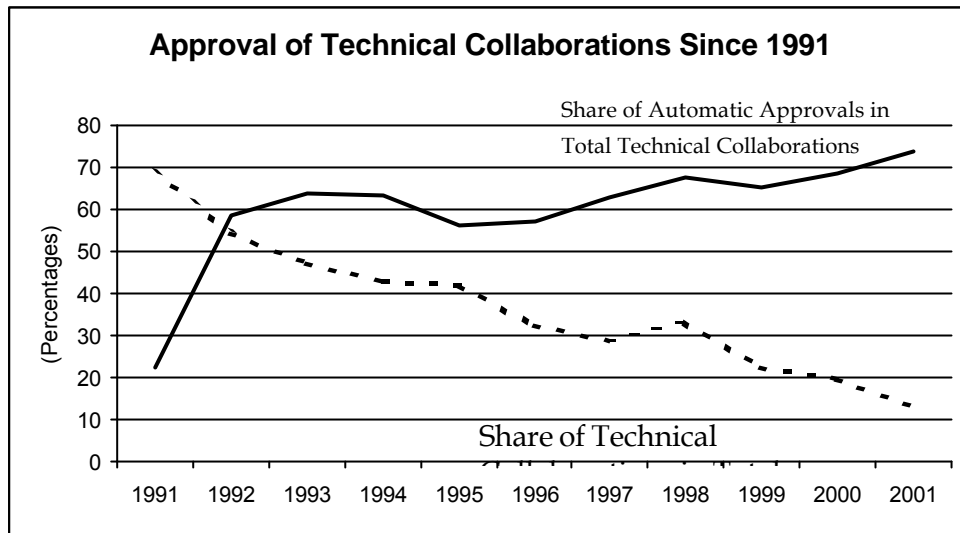
Table-II.17

Relative Share of Technical Collaborations in Foreign Collaboration Approvals

Year	Number of Foreign Collaborations Approved			Share of Technical Collaborations in Total Approvals (3)/(2) x 100	Share of Automatic Approvals in Total Technical Collaborations (4)/(3) x 100
		Of which, Technical			
			Approved by RBI under the Automatic Route		
(1)	(2)	(3)	(4)	(5)	(6)
1991	950	661	147	69.58	22.24
1992	1,520	828	485	54.47	58.57
1993	1,470	691	441	47.01	63.82
1994	1,854	792	501	42.72	63.26
1995	2,337	982	552	42.02	56.21
1996	2,303	744	424	32.31	56.99
1997	2,325	660	416	28.39	63.03
1998	1,786	595	401	33.31	67.39
1999	2,224	498	324	22.39	65.06
2000	2,144	418	286	19.50	68.42
2001	2,270	288	212	12.69	73.61

Source: Ministry of Commerce & Industry, *SIA Newsletter*, April 2002 and September 2001.

Graph-II.5



Ownership Category-wise Net Earnings in Foreign Currencies

In view of the serious foreign exchange constraint faced by the country in the earlier regime, it had been a matter of importance to which extent the corporate sector was able to meet its requirement of foreign exchange and its ability to contribute net foreign exchange for the economy. The emphasis was more on large Indian companies and foreign companies both of which are expected to have better access to external markets due to their size and foreign affiliation respectively. As mentioned earlier, it has been, however, observed that these two categories were net spenders of foreign exchange.¹⁶ While the country has accumulated huge foreign exchange reserves, these have been built-up more through capital inflows which have servicing obligations instead of through surpluses on the trade account. How the large corporate sector's contribution has changed in the new regime, therefore, continues to be a matter of significance. Table-II.18 presents the net foreign exchange earnings by different sets of companies during the study period. While

¹⁶ S.K. Goyal, *The Impact of Foreign Subsidiaries on India's Balance of Payments*, a report submitted to the CTC-ESCAP Joint Unit, Bangkok, 1979; Sumitra Chishti, 'International Trading Environment: Technological Aspects and India's Exports', *Foreign Trade Review*, Vol. 20, Issue No. 1, 1985; Pitou van Dijck and K.S. Chalapati Rao, *India's Trade Policy and the Export Performance of Industry*, Sage, Delhi, 1994; and Ravindra H Dholakia and Deepak Kapur, 'Economic Reforms and Trade Performance - Private Corporate Sector in India', *Economic and Political Weekly*, Vol. 36, Issue No. 49, 2001.

net outgo of foreign exchange on account of the operations of the sample companies declined at current prices, from Rs. 12,000 crores to nearly Rs. 2,000 crores, the T1 companies and FCCs continue to be net spenders of foreign exchange and a major portion of the deficit is accounted for by T1 companies. Total expenditure in their case exceeded the earnings in all the years. Interestingly, net earnings improved substantially in case of T2 companies. OICs even turned net earners of foreign exchange. But for the fact that OICs improved their foreign exchange earning capacity, the overall deficit would have been substantially higher.

It should be seen to what extent industry characteristics are responsible for the export earnings and observed net earnings capacity of different groups. This is particularly so in the context of differing behaviour of companies in particular sectors in terms of relative share of other earnings in total earnings in foreign currencies. It is possible that an analysis at industry group level may throw better light on exports and provide answers to questions such as: (i) are a good number of non-house companies, which turned out to be better export-oriented, engaged in textiles, pharmaceutical products and software; and (ii) do FCCs, irrespective of the industry in which they operate, focus on the domestic market, etc.

One way of looking at the export performance of companies is through the extent of imports covered by their exports. While at the aggregate level, 92.8 per cent of the imports are covered by the sample companies' exports, the ratio was the lowest for FCCs at slightly less than three-fourths. Other Indian companies performed the best among all the categories of companies (Table-II.19). In most product groups, domestic companies, especially the non-large house companies displayed better exports-imports ratio. While due importance has been given to composition of sales while classifying companies, the same classification might have only a limited relevance when it comes to individual company's exports especially in case of Export and Trading Houses. For instance, ITC, a Golden Star Trading House, has been classified under the

Table-II.18
Earnings and Expenditure in Foreign Currencies
by different Categories of Companies

(Amount in Rs. Crores)

Company Affiliation/ Year	Total Earnings	Total Expenditure	Net Earnings (2) - (3)	Earnings/Expen- diture Ratio (2)/(3) x 100
(1)	(2)	(3)	(4)	(5)
T1: Top 50 Houses (277)				
1995-96	10,832	18,204	-7,372	59.50
1996-97	13,698	20,316	-6,618	67.42
1997-98	15,936	24,258	-8,322	65.69
1998-99	16,243	25,246	-9,003	64.34
1999-00	18,630	26,070	-7,440	71.46
2000-01	24,310	29,393	-5,083	82.71
T2: Next 50 Houses (150)				
1995-96	3,052	5,444	-2,392	56.06
1996-97	3,755	5,615	-1,860	66.87
1997-98	4,379	5,625	-1,246	77.85
1998-99	4,770	5,156	-386	92.51
1999-00	5,530	5,969	-439	92.65
2000-01	6,954	7,318	-364	95.03
OICs: Other Indian Cos. (1,431)				
1995-96	10,159	9,502	657	106.91
1996-97	12,124	10,199	1,925	118.87
1997-98	14,071	10,966	3,105	128.31
1998-99	15,804	12,003	3,801	131.67
1999-00	17,722	13,785	3,937	128.56
2000-01	23,269	16,342	6,927	142.39
FCCs: Foreign-Controlled Cos. (289)				
1995-96	5,269	8,326	-3,057	63.28
1996-97	6,341	11,314	-4,973	56.05
1997-98	7,812	9,956	-2,144	78.47
1998-99	8,017	11,323	-3,306	70.80
1999-00	8,478	13,135	-4,657	64.55
2000-01	9,654	13,281	-3,627	72.69
All Companies (2,147)				
1995-96	29,313	41,475	-12,162	70.68
1996-97	35,912	47,444	-11,532	75.69
1997-98	42,198	50,806	-8,608	83.06
1998-99	44,835	53,728	-8,893	83.45
1999-00	50,360	58,958	-8,598	85.42
2000-01	64,187	66,333	-2,146	96.76

Figures in brackets indicate the number of companies in the respective category.

Table-II.19
Product Group/Activity-wise and Ownership Category-wise
Ratio of Exports to Imports: 2000-01

(Percentages)

Activity	T1: Top 50 Houses	T2: Next 50 Houses	OICs: Other Indian Cos.	FCCs: Foreign-Controlled Cos.	All Companies
(1)	(2)	(3)	(4)	(5)	(6)
1. Animal Products			122.49	4,499.42	1,312.40
2. Plantations & Agricultural Products	1,503.32		1,892.08	1,653.34	1,734.04
3. Mineral Products	6.02		129.46	65.33	13.65
4. Fats, Oils & Derived Products	37.66	25.18	104.88	0.13	43.78
5. Food Products, Beverages & Tobacco Products	118.03	306.33	254.97	283.28	265.40
6. Textiles	229.7	220.64	307.99	143.72	252.38
7. Leather & Leather Products			310.10	150.00	285.32
8. Wood & Wood Products	3.57		65.03		63.96
9. Paper & Paper Products	21.15		32.23	100.36	45.38
10. Chemicals & Chemical Products	54.88	26.75	126.13	41.27	74.82
11. Plastic & Rubber Products	64.88	121.80	102.30	24.69	78.79
12. Non-Metallic Mineral Products	76.33	31.43	77.62	18.70	56.63
13. Metals & Metal Products	109.71	46.17	121.27	187.55	103.51
14. Non-Electrical Machinery	142.33	164.98	108.15	98.59	110.03
15. Electrical Machinery, Appliances, etc.	99.71	26.87	131.07	78.78	81.63
16. Electronic Items & Components	21.44	27.12	31.42	33.17	28.52
17. Transport Equipment	126.01	91.80	112.08	33.26	56.12
18. Misc. Manufactured Articles	82.12		105.49	7.17	79.30
19. Gems & Jewellery		6.34	130.03		128.42
20. Diversified Companies	112.22	597.35	65.68	249.84	124.14
21. Construction	1,044.64		20.67	47.14	43.87
22. Trading, Hotels & Restaurants	360.35	1,569.63	237.09	13.18	244.47
23. Computer Software	202.10	5.94	338.27		206.90
All Companies	81.91	75.96	134.89	74.69	92.80

Food, Beverages and Tobacco Products category because of the high 88.53 per cent share of cigarettes and smoking tobacco in its sales in 2000-01. The company's exports, however, include many unprocessed agricultural items. According to the company, its International Business Division trades in a wide range of agricultural commodities and aqua exports.¹⁷ These, obviously, have no direct relationship with the concerned TNC's strength in international markets nor are they related to its main product, *i.e.*, cigarettes.

¹⁷ These include soya meal, rice, aqua products, peanuts, coffee, wheat, sesame seeds, black pepper, processed frozen fruits and vegetables, etc.

Except for metals and metal products, where exports exceeded imports considerably, in all other chemical and engineering industries, FCCs were not meeting their imports through exports. Moreover, their ratios were lower than the corresponding sector averages. Another exception is Electronic Items and Components. Even in this case, the difference was quite narrow. Though FCCs fared better than the group's average in case of diversified companies, it should be noted that among such FCCs was Hindustan Lever Ltd., a Golden Super Star Trading House some of whose export products not only do not fall under the manufacturing sector but are also purchased from others. For instance, during 2000, the company purchased goods worth Rs. 2,613 crores (of which, marine products -- Rs. 585 crores, agricultural commodities, scourers and edible oils, fats, etc. -- Rs. 607 crores).

Table-II.20
Sector-wise Earnings, Expenditure and Net Earnings in Foreign Currencies

(US \$ mn.)

Year	Primary			Manufacturing			Services		
	Earnings	Expen- diture	Net Earnings	Earnings	Expen- diture	Net Earnings	Earnings	Expen- diture	Net Earnings
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
1995-96	1,181	1,377	196	38,240	22,802	-15,438	2,054	5,134	3,080
1996-97	2,603	1,590	-1,013	42,308	27,456	-14,852	2,534	6,867	4,333
1997-98	3,265	1,945	-1,320	44,274	31,562	-12,713	3,267	8,692	5,425
1998-99	4,951	2,367	-2,585	44,757	32,186	-12,571	4,020	10,282	6,262
1999-00	5,229	1,946	-3,283	48,207	36,186	-12,021	5,523	12,228	6,705
2000-01	7,492	2,240	-5,252	51,700	44,366	-7,333	7,141	17,580	10,439

Note: Converted into US\$ using the ratios obtained from the data on national exports and imports provided in the *Economic Survey*.

It can be seen from Table-II.20 that a substantial part of the net earnings is contributed by the Services sector comprising essentially of trading companies, hotels & restaurants and computer software companies. Net earnings of the manufacturing sector also improved as the imports remained stable while exports increased. The Primary sector did record increasing deficits mainly because of companies in the petroleum refining and lubricants. The results thus further reflect the importance of industry attributes compared to ownership characteristics.

India's External Trade during the 'Nineties: Some Aspects
– An Analysis of Customs House and Company Data

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