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General Review

Review of developments

(a) Macroeconomic overview

The economy appears to be in a resilient mode in terms of growth, inflation, and balance of payments, a combination that offers large scope for consolidation of the growth momentum with continued macroeconomic stability. Real Gross Domestic Product (GDP) is estimated to have grown by 8.1 per cent* in 2003-04, buoyed by a strong agricultural recovery of 9.1 per cent from the drought-affected previous year. A growth rate higher than 8 per cent has been achieved in the past in only three years: 1967-68 (8.1 per cent), 1975-76 (9.0 per cent) and 1988-89 (10.5 per cent). However, the higher than expected growth in 2003-04, like in the other three years referred to above, was on the back of a year of poor growth (4.0 per cent) due to an unfavourable monsoon and fall in agricultural production. The key macro aggregates are in Table 1.1 and Figure 1.1.

1.2 Apart from agriculture, the industry and services sectors also maintained the momentum with GDP growth from these two sectors accelerating from 6.4 per cent and 7.1 per cent, respectively, in 2002-03, to 6.5 per cent and 8.4 per cent, respectively, in 2003-04 (Table 1.2). A broad-based acceleration in growth from the second to the third quarter of 2003-04 was also observed in mining and quarrying; electricity, gas and water supply; trade, hotels, transportation and communication; and financing, insurance, real estate, and business services.

1.3 The quarterly GDP data released by the CSO indicate GDP growth rates at 5.7 per cent, 8.4 per cent, and 10.4 per cent respectively in the first three quarters of 2003-04. The GDP growth rate of 10.4 per cent in the 3rd quarter of 2003-04 was the highest in any quarter since at least 1997-98, when CSO started compiling quarterly estimates, and was supported by a growth of 16.9 per cent in agriculture, forestry and fishing, 6.5 per cent in industry and 9.0 per cent in the services sectors.

1.4 A benign world economic environment provided a conducive backdrop to the robust performance of the Indian economy in 2003-04. World output growth is estimated to have accelerated from 3.0 per cent in 2002 to 3.9 per cent in 2003. Strong performance by the US, China, and Russia, and a strong turnaround in Japan helped to brighten the world economic outlook in 2003. Volume of world trade in goods and services also grew rapidly by 4.5 per cent, compared to only 3.1 per cent in the previous year. The robust performance of India and the emerging market economies also contributed to the good performance of the world economy.

1.5 The Meteorological Department has predicted normal rainfall – 100 per cent of long period average – for the current year. The pre-monsoon rainfall (March 1 to end-May, 2004), which has been estimated at 25 per cent above normal, augurs well for the kharif sowing. Industry, which normally responds to a good agricultural year, is expected to do well, along with the services sector, which has been buoyant since 2001-02. Institutional projections of GDP growth for 2004-05 vary from 6.0 to 7.4 per cent.

* GDP for 2003-04 (Rs.27,55,034 crore at current market prices) as well as its growth rate of 8.1 per cent (at factor cost at constant prices) are based on the Advance Estimates released by the CSO on February 9, 2004. As the Survey was going to print, CSO released the Revised Estimates for 2003-04. According to the Revised Estimates, GDP at current market prices for 2003-04 is Rs.27,72,194 crore, and the growth of GDP at factor cost at constant prices is 8.2 per cent.

Table 1.1 : Key indicators

Items	2000-01	2001-02	2002-03	2003-04	2000-01	2001-02	2002-03	2003-04
	Absolute values				percentage change over previous period			
Gross national product (at factor cost) (Rs.thousand crore)								
At current prices	1885.7	2078.9	2230.3 Q	2497.7 A	8.0	10.2	7.3 Q	12.0 A
At 1993-94 prices	1187.0	1259.8	1306.8 Q	1413.0 A	4.4	6.1	3.7 Q	8.1 A
Gross domestic product (at factor cost) (Rs. thousand crore)								
At current prices	1903.0	2091.0	2249.5 Q	2516.9 A	8.0	9.9	7.6 Q	11.9 A
At 1993-94 prices	1198.6	1267.8	1318.3 Q	1424.5 A	4.4	5.8	4.0 Q	8.1 A
Agriculture and allied sectors (Rs. thousand crore) (at 1993-94 prices)	286.7	305.3	289.4 Q	315.8 A	-0.1	6.5	-5.2 Q	9.1 A
Index of agricultural production(1)	165.7	178.3	150.5 P	179.6 P	-6.3	7.6	-15.6 P	19.3 P
Foodgrains production (million tonnes)	196.8	212.9	174.2 P	210.8 P	-6.2	8.2	-18.2 P	21.0 P
Index of industrial production(2)	162.6	167.0	176.6	188.7	5.0	2.7	5.7	6.9
Electricity generated (in billion kwh)	498.5	515.3	534.0	558.1	3.9	3.1	3.6	4.5
Wholesale price index(3)	159.2	161.8	172.3	180.3	5.5	1.6	6.5	4.6
Consumer price index for industrial workers(4)	445	468	487	504	2.5	5.2	4.1	3.5
Money supply (M3)(5) (Rs. thousand crore)	1,313.2	1,498.4	1719. 2	2000.3	16.8	14.1	14.7	16.4
Imports at current prices								
(in Rs. crore)	2,30,873	2,45,200	2,97,206	3,46,474	7.3	6.2	21.2	16.6
(in US $ million)	50,536	51,413	61,412	75,400	1.7	1.7	19.4	22.8
Exports at current prices								
(in Rs. crore)	2,03,571	2,09,018	2,55,137	2,83,604	27.6	2.7	22.1	11.2
(in US $ million)	44,560	43,827	52,719	61,718	21.0	-1.6	20.3	17.1
Foreign currency assets (6)								
(in Rs. crore)	1,84,482	2,49,118	3,41,476	4,66,215	20.6	35.0	37.1	36.5
(in US $ million)	39,554	510,49	71,890	1,07,448	12.8	29.1	40.8	49.5
Exchange rate (Re./US $) (7)	45.68	47.69	48.40	45.95	-5.1	-4.2	-1.47	5.33

Note : Gross national product and Gross domestic product figures are at factor cost (new series base 1993-94).
Q-Quick estimates; A-Advance estimates; P-Provisional;

1. **Index of agricultural production (of 46 crops, including plantations) with base triennium ending 1981-82=100 (revised).**
2. **Index of industrial production; (base 1993-94=100).**
3. **Index (with base 1993-94=100) at the end of fiscal year.**
4. **Index (with base 1982=100) at the end of fiscal year.**
5. **Outstanding at the end of financial year.**
6. **Outstanding at the end of financial year.**
7. **Percent change indicates the rate of appreciation (+)/depreciation (-) of the Rupee vis-á-vis the US Dollar.**

Table 1.2 : Sectoral real growth rates in GDP (at factor cost)

Item	1996-97	1997-98	1998-99	1999-2000	2000-2001	2001-2002 (P)	2002-2003 (Q)	2003-2004 (A)
	Percentage change over the previous year							
I. Agriculture & allied	**9.6**	**-2.4**	**6.2**	**0.3**	**-0.1**	**6.5**	**-5.2**	**9.1**
II. Industry	**7.1**	**4.3**	**3.7**	**4.8**	**6.5**	**3.4**	**6.4**	**6.5**
1. Mining & quarrying	0.5	9.8	2.8	3.3	2.4	2.2	8.8	4.0
2 Manufacturing	9.7	1.5	2.7	4.0	7.4	3.6	6.2	7.1
3. Electricity, gas & water supply	5.4	7.9	7.0	5.2	4.3	3.6	3.8	5.4
4. Construction	2.1	10.2	6.2	8.0	6.7	3.1	7.3	6.0
III. Services	**7.2**	**9.8**	**8.4**	**10.1**	**5.5**	**6.8**	**7.1**	**8.4**
5. Trade, hotels, transport & communications	7.8	7.8	7.7	8.5	6.8	8.7	7.0	10.9
6. Financial services	7.0	11.6	7.4	10.6	3.5	4.5	8.8	6.4
7. Community, social & personal services	6.3	11.7	10.4	12.2	5.2	5.6	5.8	5.9
IV. Total GDP at factor cost	**7.8**	**4.8**	**6.5**	**6.1**	**4.4**	**5.8**	**4.0**	**8.1**

A : Advance estimates; Q : Quick estimates; P: Provisional estimates
Source : Central Statistical Organisation.

1.6 The growth recovery in 2003-04 was accompanied by continued maintenance of relative stability of prices. Inflation, as measured by the wholesale price index (WPI), was 4.6 per cent at end-March 2004 over end-March 2003, and 5.5 per cent on average. The manufacturing sector was the major contributor accounting for nearly 80 per cent of the inflation. Within the manufacturing sector, the prime movers were sugar, edible oils, textiles, leather and leather products, basic metal and alloys and iron and steel.

1.7 A firming of energy and primary product prices had resulted in the inflation rate crossing 6 per cent in January 2004. However, the inflation rate softened considerably during March 2004. The high point-to-point inflation through much of 2003-04 and its sharp deceleration in March 2004 were partly because of the carry over of the price increase that took place in the last quarter of 2002-03, especially in March 2003. Retail price inflation, as measured by the Consumer Price Index for Industrial Workers (CPI-IW), touched a peak of 5.1 per cent in April 2003 followed by a declining trend and reached 3.5 per cent in March 2004. CPI inflation declined further to 2.2 per cent in April 2004, compared to 5.1 per cent in April 2003, and abundant food grain stocks helped in maintaining stability in food prices.

1.8 The point-to-point inflation (WPI) was 5.5 per cent in the week ending June 5, 2004. The Reserve Bank of India (RBI), in its Annual Policy Statement for 2004-05, has placed the inflation rate, on a point to point basis, at around 5 per cent in 2004-05. After a long delay, prices of motor spirit, high speed diesel and LPG were revised upwards on June 15, 2004. The high international price of petroleum crude – for example, at around US$36 per barrel (Brent crude) on June 11, 2004 – and the necessary revision of prices of LPG and kerosene as well as motor spirit and high speed diesel in line with market developments would exert upward pressure.

1.9 The weakening of the US dollar, caused mainly by widening US deficits, has affected the rupee-dollar exchange rate. The Indian rupee, which started strengthening from June 2002 onwards, had appreciated, on a monthly average basis, by 8.8 per cent against the US dollar by March 2004. On annual average basis, the rupee, after depreciating by 1.5 per cent in 2002-03, appreciated by 5.3 per cent in 2003-04 vis-à-vis the US dollar. The movements in the rupee value were smooth and orderly, avoiding undue adjustment costs. Furthermore, while the rupee appreciated against the US dollar in 2003-04, it depreciated against the currencies of major non-dollar trading partners. Given the inflation differential, the appreciation has been less pronounced in trade weighted effective terms, with the Real Effective Exchange Rate (REER) of the rupee (5-country index with base 1993-94) appreciating by around 2 per cent on an annual basis in 2003-04.

1.10 A strong balance of payments (BOP) position in recent years has resulted in a steady accumulation of foreign exchange reserves. After a robust growth of US$21.3 billion in 2002-03, foreign exchange reserves (including gold, SDRs and Reserve position in IMF), increased by an unprecedented US$36.9 billion in 2003-04. The level of reserves crossed the US$100 billion mark on December 19, 2004 and stood at US$119.3 billion as of May 31, 2004. This accretion to reserves is attributed not only to capital inflows and current account surplus, but also to valuation gains arising from a steady appreciation of the major non-US dollar global currencies (the Euro and the Pound Sterling in particular) against the US dollar.

1.11 The focus of the monetary policy in 2003-04 was, thus, on dealing with this surge in reserves. The RBI had to moderate the impact of these inflows (Rs. 124,169 crore in domestic currency terms) through open market sale of Government securities and repo operations through the Liquidity Adjustment Facility. Moreover, outward foreign investment policies were liberalized and interest spreads over LIBOR on various non-resident deposit schemes were reduced.

1.12 The current account of BOP has been in surplus since 2001-02. Fuelled by strong growth in imports, reflecting an upsurge in economic activity, the current account balance – in surplus for previous six successive quarters – turned into deficit in the first quarter of 2003-04. But the trend was quickly reversed in the subsequent months, with the current account posting a surplus of US$3.2 billion in the first nine months of 2003-04. While the trade deficit increased from US$12.9 billion in the whole of 2002-03 to US$15.0 billion in April-December 2003, the deficit was neutralized by a higher surplus in the 'invisibles' in April-December 2003. Buoyant inflows of private transfers and higher inflows from software services exports, *inter alia*, contributed to this buoyancy in invisibles surplus. Growth momentum of merchandise exports was also broadly sustained with exports (in US dollar value, custom basis) growing by 17.1 per cent in 2003-04 on top of a rise of 20.3 per cent in 2002-03. The growth in merchandise imports was even faster, from 19.4 per cent in 2002-03 to 22.8 per cent in 2003-04.

1.13 The main contributors to capital account surplus, which increased from US$11.0 billion in 2001-02 to US$12.8 billion in 2002-03, were the banking capital inflows, foreign investment and 'other capital' inflows. Similarly, surplus in 2003-04 (April-December) was the result of the continuing steady growth in non-debt creating inflows, with external assistance recording net outflows due to prepayment of external debt. Outflows under external commercial borrowings were also higher because of redemption of India Resurgent Bonds in October 2003. The surge in foreign investment inflows (net), estimated at US$10.1 billion in April-December 2003, was mainly attributable to a sharp rise in foreign institutional investors' (FII) investment inflows. FII investment witnessed a sharp recovery from US$0.3 billion in 2002-03 to US$7.2 billion in April-December 2003. According to SEBI, FII investment in full year 2003-04 amounted to US$10 billion, two thirds of which occurred in the second half of the year. The inflows acquire significance in view of the cumulative FII investment in India since 1992, which stand at around US$27 billion.

1.14 Reserve money growth nearly doubled from 9.2 per cent in 2002-03 to 18.3 per cent in 2003-04, driven entirely by the increase in the net foreign exchange assets of the RBI. Reserve money growth in 2003-04 was the highest in recent years. Net RBI credit to the government continued to remain negative, owing to the open market sale of government securities to sterilise the foreign inflows. The declining stock of government securities held by the RBI somewhat constrained the scope of these operations. Broad money (M_3) grew by 16.4 per cent in 2003-04, higher than the targeted growth of 14.0 per cent mentioned in the annual monetary and credit policy, reflecting, primarily, the higher-than-anticipated GDP growth achieved during the year.

1.15 The money multiplier – the ratio of M_3 to reserve money – after increasing from 4.43 in 2001-02 to 4.66 in 2002-03, declined to 4.58 in 2003-04, suggesting some headroom for further expansion in M_3. The virtuous decline in income velocity of money – the ratio of gross domestic product at current market prices to the average money stock during the year – continued in 2003-04. Income velocity declined from 1.62 in 2001-02 to 1.50 in 2002-03 and further to 1.48 in 2003-04, indicating greater 'monetisation' of the Indian economy, with less of barter and more and more of M_3 being used for transactions in generating a unit of income.

1.16 Adequate liquidity in the banking system continued, and with a resurgence of growth, supported a credit pick up in 2003-04. Total bank credit (food and non-food) increased by 14.6 per cent in 2003-04 after an increase of 16.1 per cent in the previous year. Food credit, which after accelerating in 1999-2000 and 2000-01 had declined by 8.3 per cent in the 2002-03, fell by a steep 27.3 per cent in 2003-04 because of lower procurement and higher off-take of foodgrains. The flow of non-food credit, which remained subdued in the first two quarters, started picking up from the third quarter of 2003-04. Offtake of non-food credit in the last two quarters of 2003-04 amounted to Rs.1,01,407 crore, much higher than Rs.71,980 crore in the corresponding quarters of the previous year. For the year as a whole, non-food credit grew by 17.6 per cent, compared to a growth of 18.6 per cent (net of merger) in 2002-03.

1.17 In 2003-04, the total flow of agricultural credit from all lending institutions is estimated at around Rs.80,000 crore. The number of Kisan Credit Cards (KCC) increased from 6.1 lakh at the end of March 1999 to 413.79 lakh at the end of March 2004. To strengthen credit delivery to rural areas, a pilot project of linking self help groups (SHGs) of the rural poor with the banking system was launched in 1992. A unique feature of this programme is the absence of subsidies. By March 2004, 10.8 lakh SHGs were linked with banks, with 90 per cent of these formed exclusively by women. Cumulative assistance extended by over 30,000 branches of 504 banks that participated in the programme amounted to Rs.3,905 crore by March 31, 2004. In the year 2003-04, 3.62 lakh new SHGs were extended loans by banks as compared with 2.56 lakh new SHGs in 2002-03.

1.18 The downward trend in interest rates continued in 2003-04. RBI reduced the Bank Rate from 6.25 per cent to 6.00 per cent from the close of business on April 29, 2003. Also, the cash reserve ratio (CRR) was reduced by 25 basis points to 4.50 per cent in June, 2003. Lending rates have remained sticky and have not fallen by as much as the deposit rates. As a result, interest spread of commercial banks witnessed an increase in recent years. The RBI has advised scheduled commercial banks (SCBs) to announce benchmark prime lending rates based on their actual costs, and this has fortified the soft interest rate regime. A significant development in 2003-04 was the lower than budgeted market borrowings by the Central government, which was facilitated by an improvement in the cash position. During the year 2003-04, SCBs improved their profitability on account of higher income from treasury operations and higher spread.

1.19 Banks' recovery management improved considerably with corporate debt restructuring; recovery through Lok Adalats, Civil Courts, Debt Recovery Tribunals and compromise settlements; and the enactment of Securitisation and Reconstruction of Financial assets and Enforcement of Security Interest (SARFAESI) Act, 2002. Gross NPAs declined from Rs.70,861 crore in 2001-02 to Rs.68,715 crore in 2002-03, while net NPAs declined from Rs.35,554 crore to Rs.32,764 crore. The ratio of gross NPAs to gross advances for all SCBs declined from 12.7 per cent in 1999-00 to 8.8 per cent in 2002-03.

1.20 At the end of March 2003, capital to risk weighted assets ratio (CRAR) for public sector banks (PSBs) stood at 12.6 per cent, higher than the level of 11.8 per cent at the end of March, 2002. All the PSBs had CRAR above the stipulated minimum of 9 per cent in 2002-03. Of the 27 PSBs, as many as 26 banks had CRAR exceeding 10 per cent.

1.21 The spot yield curve on government securities steepened while yields declined at both ends. The short rate (91 days) dropped from 5.63 per cent in end-March 2003 to 4.72 per cent in end-March 2004. The long rate (10 years) dropped from 6.52 per cent to 5.44 per cent during the same period. Given 4.5 per cent inflation, this translates to a real rate of return of roughly 20 basis points at the short end and roughly 90 basis points at the long end.

1.22 Equity market return was 85 per cent in 2003-04, the second highest in Asia. With good corporate earnings in 2003-04, the Sensex crossed 6,194 on January 2004, after remaining low in the first half of 2003-04. There was a revival in primary market in 2003-04 with Rs. 23,271 crore raised as against Rs. 4,070 crore in the previous year. The secondary market rally and primary market revival were both helped by FII inflows. Market capitalisation of listed companies rose from Rs.7.2 trillion in 2002-03 to Rs.13.8 trillion in 2003-04 (49 per cent of GDP). Spot market trading volume rose sharply, from Rs.9.3 trillion in 2002-03 to Rs.16 trillion in 2003-04.

1.23 Stock market volatility in 2003-04 was already high compared to other Asian countries. After heavy net FII inflows of US$1.48 billion in April 2004, there was a net FII outflow of US$0.8 billion in May 2004. This reflected a broad-based outflow of FII money from emerging markets, spurred by hardening of interest rates in the US, a Chinese slowdown and further oil price increases. Moving beyond the recent elections to the Lok Sabha, on Friday, May 14, Nifty fell 7.8 per cent. On Monday, May 17, when the market reopened, the index fell 10 per cent, triggering a one-hour trading suspension. On resumption of trading, the index fell another 5 per cent, and triggered a two-hour suspension. At its lowest point, Nifty was 17.5 per cent down. Markets revived soon thereafter. The risk management system withstood the severe test imposed by highly volatile stock prices. The current index (June 17) is higher than in end-September 2003.

1.24 The combined fiscal deficit of the Centre and the States, which had been decreasing in the early nineties, worsened subsequently to reach a level of 10.1 per cent in the revised estimates (RE) for 2002-03, higher than the pre-reform level of 9.4 per cent. The revenue deficit followed a more disturbing trend, deteriorating more sharply than the fiscal deficit. The combined revenue deficit as a proportion of GDP, after declining from 4.2 in 1990-91 to 3.6 per cent in 1996-97, increased to 7.0 per cent in 2001-02, to decline again to 6.7 per cent in 2002-03 (RE) and further to a budget estimate (BE) of 5.8 per cent in 2003-04. For 2003-04, the combined fiscal deficit was budgeted at Rs.2,59,265 crore, constituting 9.4 per cent of GDP. Furthermore, a declining share of capital expenditure (excluding loans) in total expenditure, from 13.5 per cent in 1990-91 to 10.3 per cent in 2001-02, suggests a worsening quality of the deficit. With sustained efforts at stepping up capital expenditure, the share subsequently improved to 11.8 per cent in 2002-03. It was budgeted to go up to 14.5 per cent in 2003-04.

1.25 Fiscal deficit of the Central Government was budgeted at 5.6 per cent of GDP (Rs. 1,53,637 crore) in 2003-04, compared to Rs. 1,31,306 crore amounting to 5.3 per cent of GDP in 2002-03. Revenue deficit was budgeted at 4.1 per cent of GDP as compared with 4.4 per cent of GDP in the previous year. The reduction in revenue deficit was budgeted to be achieved from higher growth in revenue receipts and lower growth in revenue expenditure. In the event, according to unaudited figures, fiscal and revenue deficits, as a proportion of GDP, are estimated to have been 4.6 per cent and 3.6 per cent in 2003-04.

1.26 To enable the States to benefit from the soft interest rate regime, a debt-swap scheme mutually agreed between the States and the Centre is in operation since 2002-03. States are allowed to retire loans taken from the Central government bearing a coupon rate in excess of 13 per cent. The retirement of high cost loans is funded through additional market borrowings and a specified percentage of small saving collections. High cost Central loans to States amounting to Rs13,719 crore and Rs. 44,565 crore were retired in 2002-03 and 2003-04 respectively. Over the three-year period ending 2004-05, all the Central loans bearing coupon rate of 13 per cent and above are expected to be swapped, resulting in substantial saving in interest payments for the State Governments.

1.27 The Budget for 2003-04 undertook to provide a major thrust to infrastructure, principally to roads, railways, airports, and seaports, through innovative funding mechanisms. The total cost of these projects was estimated at about Rs. 60,000 crore. The scheme undertook to leverage public funds through private sector partnership through three critical components: release of public funds only when linked to specific and well-defined milestones in completion of the project, in physical terms; a sharing of the risks with the private promoters and financiers; and no open-ended Government guarantees at any stage. Implementation work on these projects has made substantial progress. NHAI has invited bids for 622 km. of highways and DPRs for 1510 km. are under preparation. The restructuring of the Mumbai and Delhi airports is under implementation. Bids have been invited for the modernisation of the Cochin port. Rail Vikas Nigam Ltd. (RVNL) is executing 61 projects.

1.28 As a ratio to total expenditure, the combined plan and non-plan expenditure of the Centre in social services (comprising education, health, family welfare, water supply, housing, social welfare, nutrition, and rural development) increased from 9.3 per cent in 1997-98 to 11.0 per cent in 2003-04. Expressed as a ratio of GDP at current market prices, the expenditure on social services increased from 1.4 per cent in 1997-98 to 1.9 per cent in 2003-04.

1.29 An Interim Budget for 2004-05 seeking a vote-on-account was presented on February 3, 2004, prior to the dissolution of the Thirteenth Lok Sabha and announcement of elections. While the Budget did not contain any fresh tax proposals, revenue and fiscal deficits – as proportions of GDP – were budgeted at 2.9 per cent and 4.4 per cent for 2004-05.

1.30 A significant reform initiative taken both by the Central government and some States has been the enactment of Fiscal Responsibility Acts. The enactment of the Fiscal Responsibility and Budget Management (FRBM) Act in 2003 marked an important landmark in this context. The FRBM Act mandates the Central Government to reduce the fiscal deficit and eliminate the revenue deficit by 2007-08, and thereafter build up adequate revenue surplus. The Act provides for greater transparency in budget formulation and execution, and a prudent fiscal policy stance is a natural concomitant of this legislation. A few States have put in place fiscal responsibility legislations to strengthen the institutional backing for fiscal reforms. These States include Karnataka, Kerala, Punjab, Tamil Nadu and Uttar Pradesh.

1.31 Among the major institutional and legislative reforms was a new pension system based on defined contribution basis operative from January 1, 2004. This new system is for new entrants to Central Government service, except to the Armed Forces, in the first stage. To tackle the problems of demand-supply imbalance in the recently deregulated sugar industry, the Essential Commodities Act, 1955, was amended to regulate free sale releases to ensure that sugar mills do not sell sugar in excess of their quota and Courts do not intervene in the release mechanism. Parliament also passed the Industrial Development Bank (Transfer of Undertaking and Repeal) Bill, 2003 and the Sick Industrial Companies (Repeal Provisions) Bill, 2001.