



Industry

CURSOR

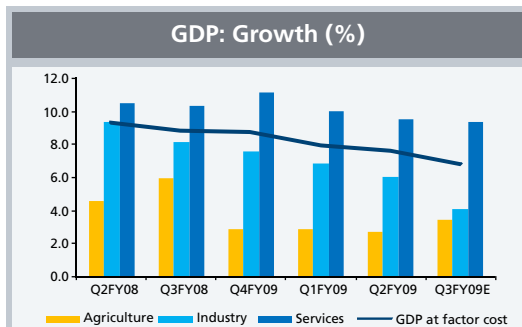


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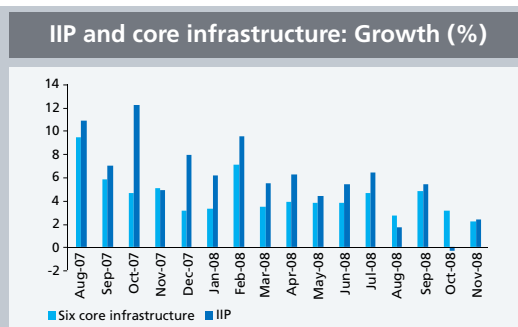
Indian macroeconomic update

Highlights

- IIP bounced back from registering a 0.4% contraction in Oct-08 to 2.4% growth in Nov-08. However, it is still lower than the growth it exhibited in Nov-07 (4.9%).
- 10 out of the 17 industry groups have exhibited positive growth in Nov-08 vis-à-vis the same period last year.
- Production of capital goods registered a negative growth in Nov-08, unprecedented since Apr-02, signifying the depressing state of investment activity in the economy.
- Consumer durables registered a de-growth for the second consecutive month ending Nov-08 reflecting the postponement and/or curbing of discretionary expenditures on the part of consumers in the light of ongoing economic slowdown and uncertainty.
- WPI-Inflation moved below 6% level at 5.91% for the week ending 27-Dec-08; first time since Feb-08.



E: D&B estimate
Source: CSO, D&B Industry Research Service



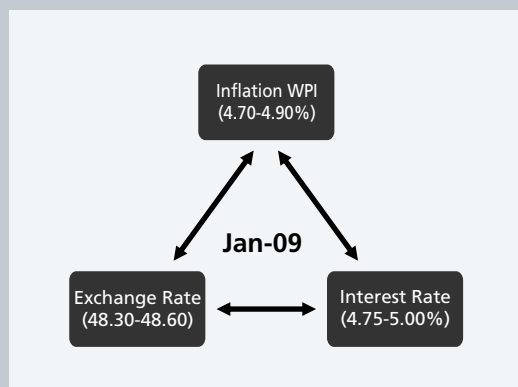
Source: CSO, Ministry of Commerce and Industry

Index of Industrial Production: Growth (%)

Indicator	Nov-08	Apr-Nov 2008
IIP General	2.4 (4.9)	3.9 (9.2)
Mining & Quarrying	0.5 (6.4)	3.3 (5.1)
Electricity	3.1 (5.8)	2.9 (7.0)
Manufacturing	2.4 (4.7)	4.1 (9.8)
Use based		
Basic goods	2.3 (5.2)	3.5 (8.4)
Capital goods	-2.3 (24.2)	7.6 (20.9)
Intermediate goods	2.6 (5.5)	0.1 (9.9)
Consumer goods	4.4 (-3.0)	5.9 (5.4)
Consumer durables	-4.2 (-5.5)	4.4 (-1.9)
Consumer non-durables	7.3 (-2.0)	6.5 (8.1)

Note: Figures in () indicate the same period last year
Source: CSO

Macroeconomic triad (forecast)



Note: Exchange rate: INR/US\$
Interest rate corresponds to yield on T-Bills 15-91 days
Source: D&B Industry Research Service

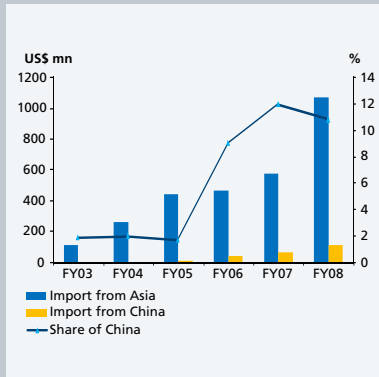
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Auto components industry

Highlights

Auto components import by India



Source: CMIE

Growth in automobile production (%): Quarterly



Source: CMIE

- In view of the depressed demand condition and to check inventory build-up, in January, Bosch Ltd announced a temporary shutdown at some of its plants – starters & generators plant at Naganathapura (10-31 January); some manufacturing activities at Bangalore plant (15-17 January), and Nashik plant (19-24 January). Several other auto component manufacturers such as SKF India, Trinity Engineering, Pricol etc had announced temporary closures at their plants for a few days in December 2008.
- Due to the sharp fall in demand by OEMs, several auto components firms including Omax Autos and Motherson Sumi Systems, which have multiple plant locations, are planning to consolidate some of their manufacturing operations into a single location to reduce costs.
- In view of the slowdown in global markets, Bharat Forge plans to cut production of auto components, most of which will happen in markets such as Europe where OEMs have been cutting production.
- In January, Anand Automotive Systems entered into a JV with Takata Corporation, Japan to manufacture safety systems such as seat belts and airbags for OEMs in the domestic market. The JV will set up plants in Delhi and Chennai, at an investment of Rs 2.3 billion.
- Motherson Sumi Systems announced acquisition of the UK-based Visicorp's global rear view mirror business, which is spread across Europe, America, Australia and Asia.
- Birla Precision Technologies, a JV between Yash Birla Group and Kennametal Inc, USA, is planning to invest Rs 400 million in FY10 towards expansion of its auto components manufacturing business.
- In December 2008, Bharat Forge filed an application to impose anti-dumping duty on imports of front axle beams and steering knuckles for heavy and medium commercial vehicles from China.

Raw material prices (Rs/tonne)

Parameters	Aug-08	Sep-08	Oct-08	Nov-08	Dec-08
HR coils (2.00 mm)	45,349.0	45,133.0	44,966.0	43,270.0	39,452.5
y-o-y growth (%)	29.6	32.3	33.2	26.3	15.2
CR coils (0.63 mm)	50,009.5	49,618.0	48,605.5	45,158.0	40,525.5
y-o-y growth (%)	29.9	33.7	32.3	22.5	6.6

Note: Prices for Mumbai market
Source: CMIE

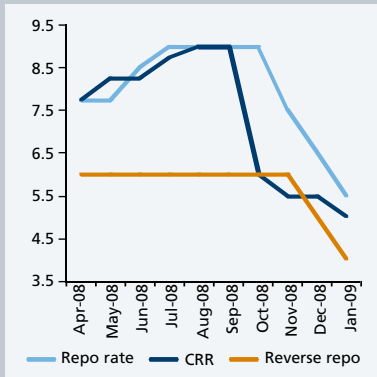
Comment

There has been a steep 20% decline in automobile production in the December 2008 quarter. Production of automobiles is expected to remain weak in the last quarter of FY09 as well. This in turn implies lower orders for auto components from the OEMs.

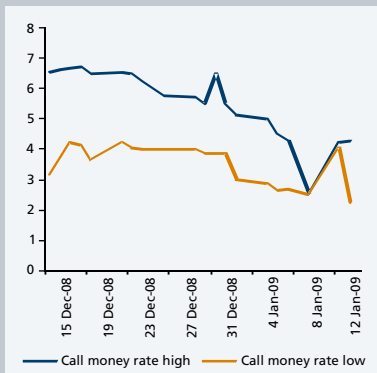
Banking industry

Highlights

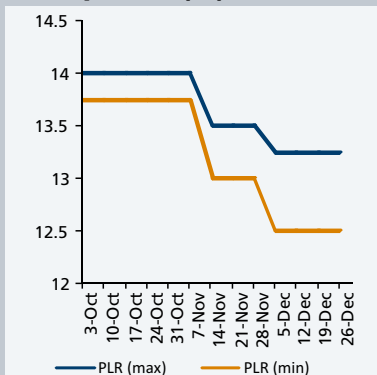
Movement in CRR, repo rate and reverse repo rate: Apr08-Jan09 (%)



Movement in call money rates: Dec08-Jan09 (%)



Movement in prime lending rate: Q3 FY09 (%)



Note: PLR relates to 5 major banks
Source for all above charts: RBI

- Repo and reverse repo rates were lowered on January 2, 2009 by 100 basis points to 5.50% and 4.00% respectively. CRR was also reduced by 50 basis points to 5.00% of NDTL effective from the fortnight beginning January 17, 2009.
- PSBs have cut interest rates on home loans below Rs 2 million to boost housing demand.
- Selected banks have cut their PLRs by 50-75 basis points during December 2008-January 2009. PSBs have also decided to cap bulk deposit rates at 7.50%.
- As a part of the second stimulus package, the Stressed Asset Stabilisation Fund of IDBI Bank will function as an SPV to provide liquidity support to NBFCs to the extent of Rs 200-250 billion.
- ICICI Bank has decided to cut business hours at all branches on Saturdays effective February 2009. This move comes after cutting business hours at select branches by three hours in December.
- The Government of India decided to extend interest subvention of 2 percentage points effective December 1, 2008 till March 31, 2009 on pre and post shipment rupee export credit, for certain labour intensive export sectors.
- Some banks have started levying a fee on cash payments of card outstandings.
- IDBI Bank plans to sell its wholly-owned housing finance company IDBI Home Finance in order to keep only one business unit for its home loans business.
- The RBI launched a cross-border one-way remittance scheme (India to Nepal) called Indo-Nepal Remittance Scheme, targeting Nepalese migrants in India.

Global news

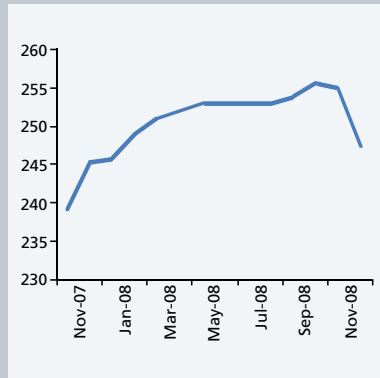
- The Fed lowered its target for the federal funds rate to 0.00-0.25%.
- The Bank of Japan cut its key policy rate to 0.10% from the earlier 0.30% to boost the economy.
- The People's Bank of China cut interest rates by 27 basis points, bringing down one year lending rate to 5.31% and one year deposit rate to 2.25%. Reserve requirements were also lowered by 0.50 percentage points.
- The Fed began buying mortgage backed securities as a part of its measures to boost the credit market.

Cement industry

Highlights

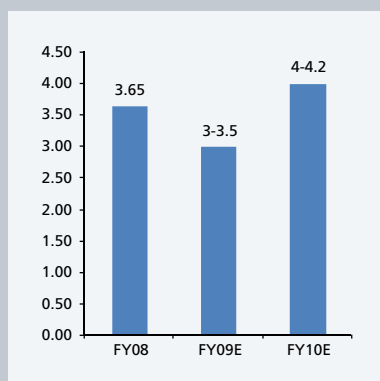
- Cement production and despatches in the country grew by 11.96% and 12.11% respectively in December 2008 as compared with 5.0% and 4.8% in December 2007.
- During December 2008, cement prices in almost all major markets in the country witnessed a drop. Cement prices on an average fell by Rs 5-7 per bag in December.
- Cement despatches in the eastern and northern regions grew by 17.4% and 22.8%, respectively, during December 2008, as against 8.0% and 9.0%, respectively, in the same month last year.
- The government of India re-imposed countervailing and special additional duties on cement imports. Cement imports from Pakistan to fall drastically.
- In order to support the domestic cement industry, which is witnessing sluggish demand, the Government of India removed the ban on cement exports. Earlier in May 2008, it had permitted cement exports from Gujarat.
- Binani Cement to set up a 2.5 million tonne plant at Junagadh in Gujarat. It also plans to set up a 2.0 million tonne cement plant in Mauritius.
- Prism Cement reported a 51.9% drop in its profit after tax in the quarter ended December 2008, mainly on account of lower realisations and increase in power and fuel costs.
- Net profit of JK Lakshmi Cement declined by 8.2% to Rs 560 million during October – December 2008. The drop in net profit is mainly attributable to rise in raw materials, power and fuel costs.

Trend in average wholesale cement prices – Mumbai (Rs/bag)



Source: CMIE

Estimated exports (million tonnes)



Source: CMA, D&B Industry Research Service

Cement: Production and despatches

Parameters	Dec-08		Apr08-Dec08	
	mn tonnes	y-o-y growth (%)	mn tonnes	y-o-y growth (%)
Production	15.82	11.96	131.2	7.25
Despatches	16.01	12.11	130.7	7.48

Source: CMA

Cement: Region-wise scenario (April-November 2008)

Regions	Production		Consumption	
	mn tonnes	y-o-y growth (%)	mn tonnes	y-o-y growth (%)
Northern	25.75	9.88	22.06	2.33
Western	17.93	-2.05	21.38	6.61
Central	16.47	2.75	16.17	6.71
Eastern	16.13	9.56	17.38	11.07
Southern	39.10	11.00	35.63	11.94

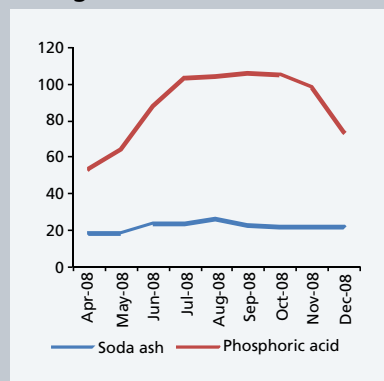
Source: CMIE

Chemical industry

Inorganic chemicals

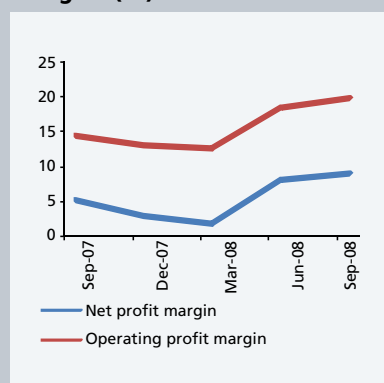
Highlights

Prices of inorganic chemicals (Rs/kg)



Source: Chemical Weekly

Inorganic chemicals profit margins (%)



Source: CMIE

- The Directorate General of Anti-Dumping & Allied Duties has initiated an anti-dumping investigation into imports of phosphoric acid of all grades and concentration (excluding agriculture/fertiliser grade) from South Korea following a petition by local producers.
- Anti-dumping investigation has also been initiated into imports of carbon black from Australia, China, Iran, Malaysia, Russia, and Thailand, following a complaint lodged by the Association of Carbon Black Manufacturers, Kolkata.
- Aditya Birla Nuvo Ltd is planning to expand its capacity to produce carbon black from 0.78 million tonnes to 0.93 million tonnes per annum. In the first phase of this expansion programme 0.07 million tonnes of capacity is to be added with a capital expenditure of Rs 2.70 billion.
- In wake of environmental protests, Tata Chemicals announced in October 2008 that it would wait to receive an environmental clearance before going ahead with its plans to set up a soda ash manufacturing plant in Tanzania.
- Tata Chemicals has put on hold expansion of its Mithapur (Gujarat) soda ash facility from 0.98 million tonnes to 1.2 million tonnes. The company took this decision in November 2008 on account of weak demand.
- In November 2008, Bharat Heavy Electricals Ltd and Bharat Electronics Ltd announced their plan to set up a facility to manufacture 2,500 tonnes of polycrystalline silicon or polysilicon per annum.
- Meghmani Finechem Ltd is expected to start chlor-alkali production on April 1, 2009 at its plant at Dahej in Gujarat. The plant uses membrane cell technology and, has a production capacity of 0.11 million tonnes of caustic soda and 0.1 million tonnes of chlorine gas.

Inorganic chemicals industry: Key financial indicators (%)

Parameters	Sep-07	Dec-07	Mar-08	Jun-08	Sep-08
Growth in net sales	18.22	13.31	26.93	32.78	43.38
Growth in operating profit	21.33	6.82	17.32	112.72	97.78
Growth in net profit	39.87	-26.99	-24.00	281.50	146.60
Operating profit margin	14.33	13.04	12.56	18.51	19.85
Net profit margin	5.02	2.86	1.68	7.94	8.93

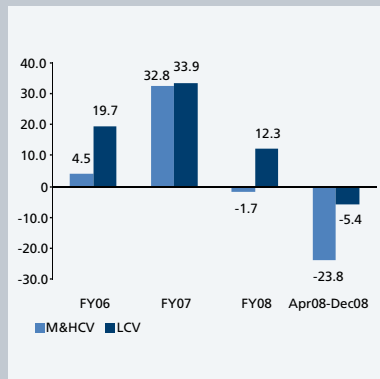
Note: Operating profit – PBDIT net of P&E; Net profit – PAT net of P&E
Source: CMIE

Commercial vehicle industry

Highlights

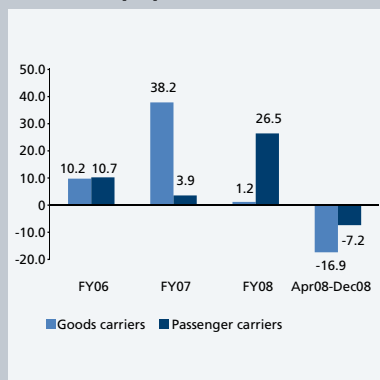
- Inadequate availability of finance and high cost of financing continue to force customers to postpone purchases. In December, sales of commercial vehicles dropped by 58.3% to 17,920 units, the lowest in the last 44 months. Both Tata Motors and Ashok Leyland posted steep decline of 55.9% and 74.1%, respectively.
- Cumulative sales of commercial vehicles during April-December 2008 were lower by 15.5% at 288,140 units.
- In a bid to boost sales, in January, the government revised the rate of depreciation on commercial vehicles, purchased between January and March 2009 to 50%, from the earlier rate of 33.3%. The impact of this measure on sales is expected to be seen in the March quarter.
- The government also announced that state transport undertakings would be provided assistance under the Jawaharlal Nehru National Urban Renewal Mission for the purchase of buses for urban transport systems till June 2009.
- The government also announced that an arrangement would be made with leading public sector banks to provide a line of credit to non-banking finance companies specifically for purchase of commercial vehicles.

Segmental growth in CV sales (%)



Source: CMIE

Category-wise growth in CV sales (%)



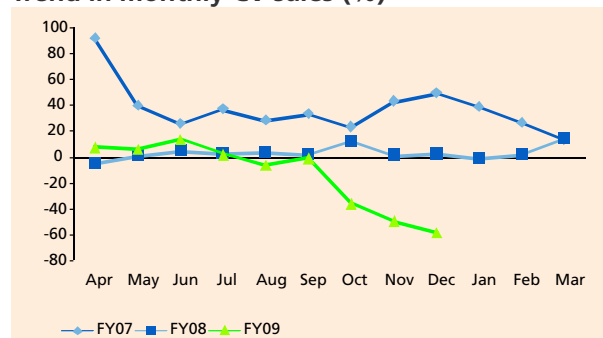
Source: CMIE

Commercial vehicle: Trend in production, sales & exports

Period	Production		Domestic sales		Exports	
	Vol (nos.)	y-o-y growth (%)	Vol (nos.)	y-o-y growth (%)	Vol (nos.)	y-o-y growth (%)
Dec-08	14,883	-69.5	17,920	-58.3	2,362	-57.4
Apr08-Dec08	327,425	-16.0	288,140	-15.5	36,038	-13.5
FY08	545,176	4.8	486,818	4.1	58,999	19.1

Source: CMIE

Trend in monthly CV sales (%)



Source: CMIE

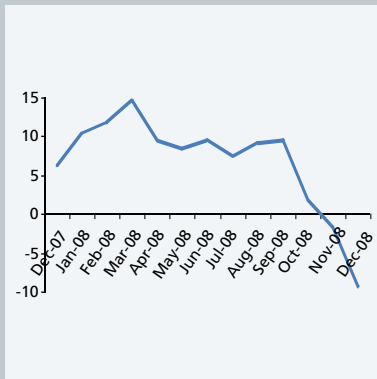
Comment

Lack of availability of finance and high interest rates continue to act as the major deterrents to boosting CV sales. With interest rates and fuel prices likely to come down further, coupled with the special measures announced by the government, demand for commercial vehicles is expected to get some boost, though not in the immediate future.

Hospitality industry

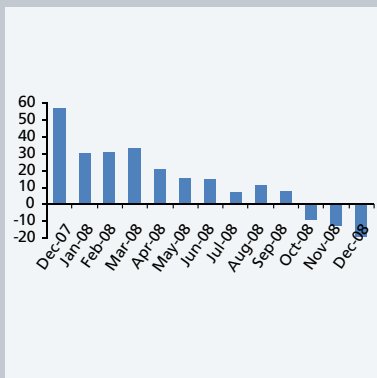
Highlights

Growth in foreign tourist arrivals (%)



Source: Ministry of Tourism

Growth in foreign exchange earning (%)



Source: Ministry of Tourism

- Tourist arrivals in the peak season was adversely affected by global financial meltdown and terrorist attacks at Mumbai, as is evident in the 9.24% y-o-y fall in foreign tourist arrivals to 0.52 million in December 2008.
- Foreign exchange earnings from tourism also decreased by 18.73% y-o-y to US\$ 1.05 billion in December 2008.
- Union finance ministry has rejected tourism ministry's proposal to provide capital subsidy to private companies that are building one-three-star category hotels.
- Carlson Hotels, which currently has six 'Park Plaza' hotels in India, is planning to open 5 more hotels under the same brand by the end of 2010.
- Lemon Tree Hotels is planning to develop 20 hotels in mid-price segment across 15 major Indian cities by 2011, with an estimated investment of Rs 12 billion.
- Chennai-based Sabari Group of Hotels has acquired 'Nilgiris Nest' hotel chains for Rs 950 million. The group has also acquired land to develop hotels at Coimbatore, Bengaluru and Pune.
- Indian Hotels Company Ltd launched its new premium hotel at Bengaluru with a new name and identity: "Vivanta by Taj - Whitefield, Bangalore".
- Roots Corporation, a wholly owned subsidiary of Indian Hotels Company Ltd has launched a 99-room Ginger hotel in Ludhiana. The property is the first Ginger hotel located in a shopping mall and 15th hotel under the portfolio.
- The State Bank of India has picked up 19.7% equity in Orissa-based Mayfair Hotels and Resorts Ltd through a private equity deal.

Tourism statistics

	Dec-08		2008	
	Value	Growth (%)	Value	Growth (%)
Foreign tourist arrival (million)	0.52	-9.24	5.37	5.71
Forex earning (US\$ billion)	1.05	-18.73	11.75	9.51

Source: Ministry of Tourism

Company: Key financial indicators (July-September 2008)

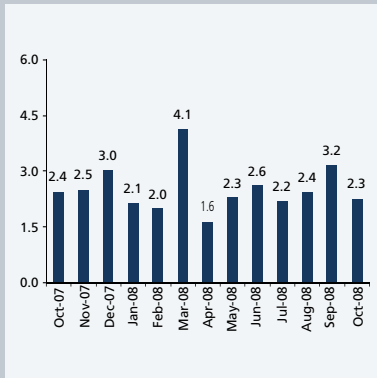
	Q2FY08	Q3FY08	Q4FY08	Q1FY09	Q2FY09
Growth in net sales	16.57	13.74	11.60	11.42	9.13
Growth in operating profit	33.78	22.77	12.42	4.28	-12.51
Growth in net profit	43.58	21.11	8.34	4.64	-24.14
Operating margin	34.92	44.52	41.58	32.98	28.37
Net Profit Margin	16.03	24.83	19.62	15.23	11.28

Note: Operating profit – PBDIT net of P&E; Net profit – PAT net of P&E

Source: CMIE

IT hardware industry

Computer hardware & peripheral production (Rs billion)



Source: CMIE

Highlights

- The Karnataka government has plans of setting up electronics hardware parks in the regions of Kolar and Tumkur. Various industry bodies (MAIT, CII and Kassia) have asked for incentives in the form of land on lease for a period of 30 years and a five-year tax holiday.
- Samsung India has announced its foray into the portable PC segment with its notebook PCs and into the rapid growing Netbook segment with its N-series.
- Qualcomm, a San Diego based wireless communications major, announced the introduction of its small laptop "Kayak". The laptop priced at Rs 10,000 shall be primarily used to access internet services and will be launched in the second half of 2009.

Company: Key financial indicators (July-September 2008)

Company	Net sales (Rs mn)	Operating profit (Rs mn)	Net profit (Rs mn)	Operating profit margin (%)	Net profit margin (%)
Moser Baer India Ltd.	6,359.5	1,433.8	-438.9	22.5	-6.9
P C S Technology Ltd.	739.6	39.6	8.4	5.4	1.1
T V S Electronics Ltd.	537.1	32.5	5.4	6.1	1.0
V X L Instruments Ltd.	149.4	29.6	-1.6	19.8	-1.1

Note: Operating profit – PBDIT net of P&E; Net profit – PAT net of P&E
Source: CMIE

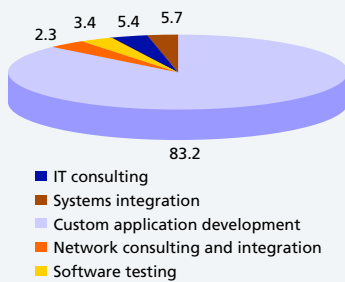
Global news

- Japan's Toshiba Corp has cut down the production of NAND flash memory chips (used in iPods and other digital music players) by around 30% on account of tepid demand resulting from the ongoing economic crisis.
- Chinese computer giant Lenovo announced 2,500 job cuts (around 11% of its global workforce) on account of the global economic crisis. This move is expected to help the company in saving US\$ 300 million annually.
- Dell Inc, world's second largest PC maker, has announced 1,900 job cuts out of its 3,000 workforce at its manufacturing plant in Ireland. The company further plans to increase outsourcing of manufacturing to curtail costs.

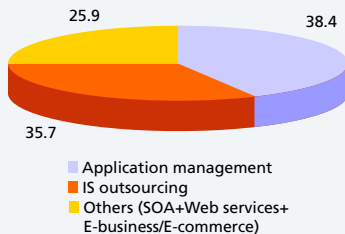
IT-ITeS industry

Highlights

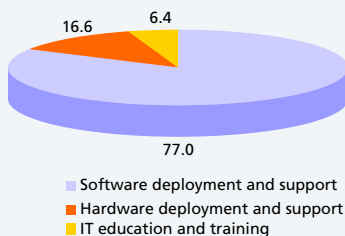
Break-up of project-oriented services exports in FY08 (%)



Break-up of IT outsourcing exports in FY08 (%)



Break-up of support and training exports in FY08 (%)



Source for all the three charts above: NAASSCOM

- Satyam Computer Services disclosed to have fabricated entries amounting to Rs 71.36 billion, which includes a fictitious cash balance of Rs 50.40 billion. This stands out as the greatest fraud in the history of Indian Inc.
- Government of India diluted the existing board of Satyam and appointed a new three-member board comprising Deepak Parekh, C. Achutan, and Kiran Karnik.
- BSE replaced Satyam Computer Services with Sun Pharma in the benchmark share index (Sensex).
- Deloitte Haskins & Sells and KPMG have been appointed as new joint statutory auditors for Satyam Computer Services replacing PwC.
- The World Bank has barred India's three IT-ITeS firms, namely Satyam Computer Services, Wipro Technologies and Megasoft from doing business with it for a period of eight years (beginning September 2008), four years (beginning June 2007) and four years (beginning December 2007) respectively.
- Infosys Technologies reported a growth of 35.5% in its revenues for the quarter ending December 2008.
- Infosys Technologies has won a five-year multi-million dollar deal from pharma giant AstraZeneca for delivering end-to-end application maintenance services. The size of the deal is undisclosed.
- Wipro Technologies acquired Citigroup's India-based captive IT unit for a total consideration of US\$127 million.
- IBM has entered into a 5-million dollar IT services agreement with Kotak Mahindra Bank for building and maintaining green data centre.

Company: Key financial indicators (October-December 2008)

Company	Net sales (Rs mn)	Operating profit (Rs mn)	Net profit (Rs mn)	Operating margin (%)	Net profit margin (%)
Infosys Technologies Ltd	54,290.0	20,040.0	15,380.0	35.3	27.1
C M C Ltd	1,817.1	316.7	233.6	17.3	12.8
Mastek Ltd	1,554.4	288.3	231.2	18.4	14.7
Infotech Enterprises Ltd	1,476.5	205.2	73.3	11.9	4.3
N I I T Technologies Ltd	1,282.8	223.6	120.2	17.1	9.2
Sonata Software Ltd	585.7	164.5	137.5	28.1	23.5
R S Software (India) Ltd	392.4	48.3	16.6	12.3	4.2
P S I Data Systems Ltd	215.1	-42.7	-55.7	-19.9	-25.9

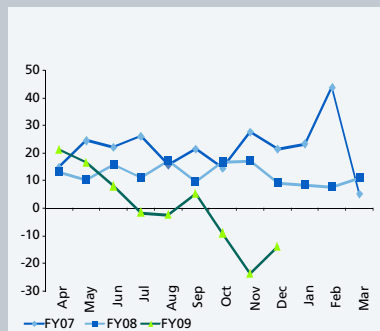
Note: Operating profit – PBDIT net of P&E; Net profit – PAT net of P&E
Source: CMIE

Passenger vehicle industry

Highlights

- Sales of passenger vehicles were weak in December as well, as economic uncertainty and depressed sentiments forced consumers to refrain from purchasing vehicles. Sales of cars declined by 8.3%, while those of multi-utility vehicles dropped by 44.1%.
- During April-December 2008, cumulative sales of cars grew by a mere 0.3%, while sales of multi-utility vehicles declined by 4.8%, over sales in the same period of 2007.
- Exports of passenger vehicles continue to grow buoyantly, on the back of rising car exports. During April-December 2008, passenger vehicle exports grew by a sharp 66.2%.
- In January, Mahindra & Mahindra launched a multi-purpose vehicle Xylo and Fiat India launched its mid-sized sedan Linea.
- Several companies have withdrawn their discount schemes and are contemplating increasing vehicle prices in January, citing rising cost pressures.

Trend in passenger vehicle sales (%)



Source: CMIE

Passenger vehicle statistics

Period	Domestic sales		Exports	
	Vol. (nos.)	y-o-y growth (%)	Vol. (nos.)	y-o-y growth (%)
Dec-08	99,352	-13.9	28558	64.7
Apr08-Dec08	1,104,237	-0.5	254,058	66.2
FY08	1,547,985	12.2	217,054	9.4

Source: CMIE

Segmental sales performance (%)

Segments	Q1FY09	Q2FY09	Q3FY09
Mini	-7.5	-27.2	-50.8
Compact	14.7	-0.6	-9.8
Mid-size	14.1	6.3	4.8
Executive	-11.7	-10.8	-46.5
Premium	40.8	35.8	-8.9
Luxury	53.7	46.2	-52.3
All cars	13.6	0.4	-11.6

Source: CMIE

Comment

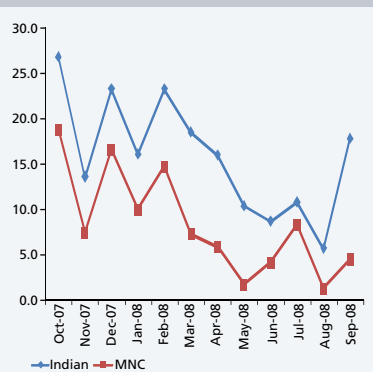
Sales of passenger vehicles are expected to remain weak in the March 2009 quarter as well. It will take at least a few months before the impact of the various measures initiated by the government is reflected on sales of vehicles. With several companies having withdrawn their discount schemes and contemplating price hikes from January, the scenario continues to appear bleak.

Pharmaceutical industry

Highlights

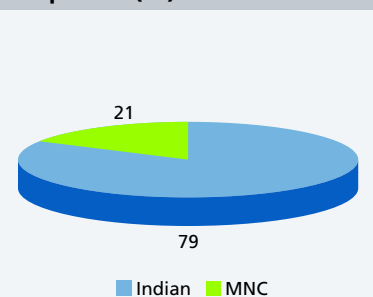
- Domestic sales of formulations in value terms grew by 6.8% in November 2008, as per ORG-IMS Stockist Secondary audit.
- Dabur Pharma, a leading company for cancer research and anticancer products, has received the government's consent to change its name to 'Fresenius Kabi Oncology' with effect from January 09, 2009. Singapore based pharmaceutical company, Fresenius Kabi acquired Dabur Pharma for Rs 10 billion in April, 2008.
- Piramal Healthcare to acquire US-based Minrad International, producer of inhalation anesthetics for US\$ 40 million (Rs 1.9 billion). With this acquisition, Piramal Healthcare will gain access to the intellectual property for manufacturing inhalation anesthetics (including sevoflurane-the largest selling inhalation anesthetic in the US and desflurane).
- Jubilant Biosys Ltd, the drug research subsidiary of Jubilant Organosys Ltd, has entered into a drug discovery partnership with US based BioLeap, LLC for pre-clinical drug discovery. BioLeap is a leader in computational fragment-based drug design (pre-clinical drug discovery).
- Ranbaxy Laboratories has initiated Phase I clinical studies on its lead compound for respiratory inflammation being developed under its collaborative research program with GlaxoSmithKline Pharmaceuticals.
- Aurobindo Pharma Ltd has received US FDA approval for Stavudine Capsules and Stavudine oral solution (used to treat Human Immunodeficiency Virus infection)
- Glenmark Pharmaceutical's Crofelemer, a drug under development for multiple indications including HIV-associated diarrhea, has entered phase III clinical trials.

Trend in pharmaceutical companies' sales growth (%)



Note: Growth is y-o-y basis in value terms for formulations in domestic market during the 12-month- ended September 2008
Source: ORG-IMS September 2008 (MAT)

Market share of pharmaceutical companies (%)



Note: Market share in value terms for formulations in domestic market during the 12-month- ended September 2008
Source: ORG-IMS September 2008(MAT)

Table: Super group performance (Oct07-Sep08)

Super group	Market share (%)	Value growth (%)	Volume growth (%)
Anti-infectives	18.1	17.2	17.1
Cardiac	11.0	18.0	15.7
Gastro Intestinal	10.7	8.7	7.2
Respiratory	9.0	14.2	13.2
Pain / Analgesics	8.7	7.8	6.2

Note: Market share and growth (y-o-y basis) in value terms for formulations in domestic market during the 12-month-ended September 2008, Source: ORG-IMS September 2008 (MAT)

Table: Market share, value and volume growth for top players (Oct07-Sep08)

Company	Market share (%)	Value growth (%)	Volume growth (%)
Cipla	5.3	17.7	17.7
Ranbaxy Laboratories	5.1	17.6	15.2
GlaxoSmithkline Pharmaceuticals	4.5	3.6	4.1
Piramal Healthcare	3.8	3.8	2.3
Zydus Cadila	3.6	8.8	7.2

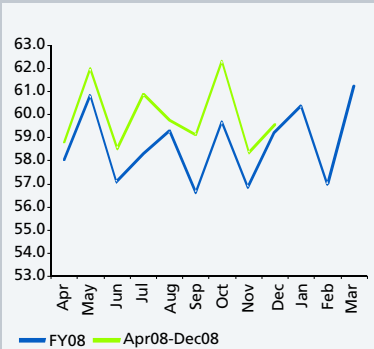
Note: Market share and growth on y-o-y basis in value terms for formulations in domestic market during the 12-month-ended September 2008
Source: ORG-IMS September 2008 (MAT)

Power industry

Highlights

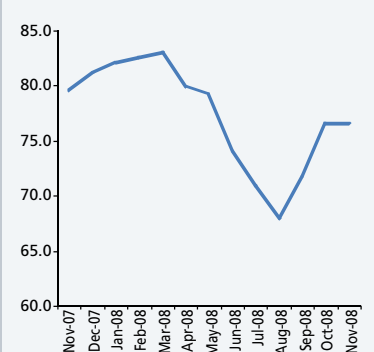
- In December 2008, CERC issued an order that the commission is empowered to fix price cap for inter-state sale of electricity. However, the statutory powers of fixing price cap would depend on overall circumstances and all relevant factors.
- IEX has received approval from CERC to conduct power trading on week-ahead and month-ahead basis in addition to day-ahead basis.
- MCX has launched futures trading in electricity, the first instance in India. This would enable market participants to hedge their risk.
- The Uttar Pradesh government has decided to implement the franchisee-based system for power distribution in the state.
- Larsen & Toubro has signed a memorandum of understanding with US-based Westinghouse Electric Company (WEC) to build nuclear power reactors in India.
- PGCIL has commissioned the 1,700 MW Rachi-Sipat transmission line, thus increasing the total transmission capacity of National Grid from 17,000 MW to 18,700 MW.
- Reliance Industries Ltd would provide gas to Reliance Power for its 7,480 MW gas-based power project at Dadri, Uttar Pradesh, subject to availability. This was decided at a meeting of the Empowered Group of Ministers.
- Thermal power plants continue to face coal shortage and around 43 plants were running at critical coal stock of less than 7 days, this situation many affect the future projects which had to go for fuel linkage.

Power generation (billion units)



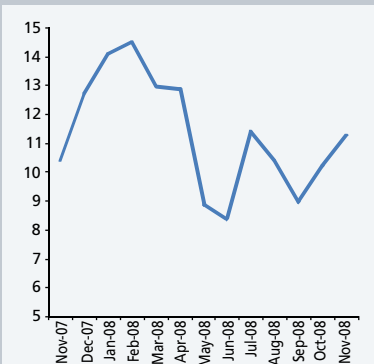
Source: CMIE

PLF of thermal plants (%)



Source: CMIE

Trend in energy deficit - All India (%)



Source: CEA

Power generation

Parameters	Dec-08		Apr08-Dec08	
	mn kWh	y-o-y growth (%)	mn kWh	y-o-y growth (%)
Thermal	51,637.8	3.5	430,372.1	5.7
Hydro	6,666.2	-14.0	92,097.7	-8.6
Nuclear	1,068.6	-21.1	11,314.1	-12.0
All India	59,591.7	0.6	539,404.2	2.6

Source: CMIE

Industry: Key financial indicators (%)

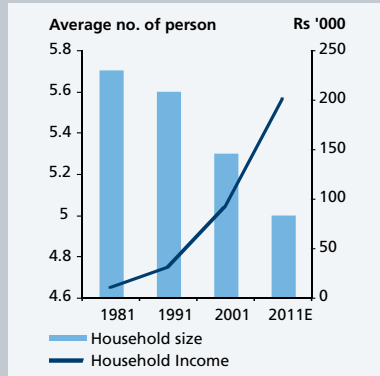
Parameter	Q2FY08	Q3FY08	Q4FY08	Q1FY09	Q2FY09
Growth in net sales	10.6	9.8	21.9	9.8	25.9
Growth in operating profit	5.6	6.9	23.2	-10.0	27.2
Growth in net profit	31.7	3.2	9.4	-17.7	22.7
Operating profit margin	37.9	35.5	33.3	31.7	32.6
Net profit margin	20.7	17.8	14.9	16.2	17.9

Note: Operating profit – PBDIT net of P&E; Net profit – PAT net of P&E
Source: CMIE

Retail industry

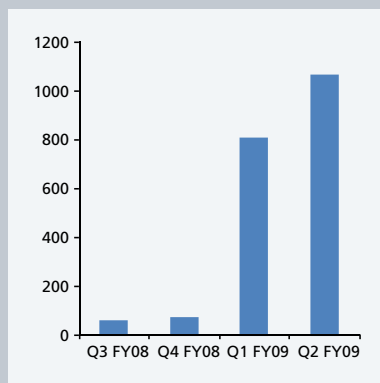
Highlights

Indian households: Decreasing size and increasing incomes



E: D&B estimate
Source: NAS

FDI inflows into single-brand retailing (Rs million)



Source: DIPP

- In the current economic slowdown, while organised retailing is taking a hit, jewellery retailing is experiencing an upsurge in sales. The collapse in equity and property markets have led investors to divert their funds to gold and other precious metals which are perceived to be safer in a volatile economic environment.
- The food and grocery arm of Subhiksha plans to relocate 10% of its stores with high rentals and low consumer demand. It is a right time to capitalise on decreasing retail real estate rentals and the company is looking to do the same.
- Tata Croma has launched its private labels under the brand name 'Croma'. The company will be sourcing its products from China and the back-end will be managed by Australia's leading electronic retail chain Woolworth.
- Welspun has decided to reach the customers directly by introducing a mobile format under the brand name 'Wheel Home' for its home décor products. The products will be sold through mobile vans which will venture in different parts of cities.
- In a rebranding effort, Indiabulls Megastore has been branded as 'Happy Store' with a complete overhaul including new logos and branding activities. It is noticeable that Indiabulls, after acquiring the chain from Piramal Retail, branded the chain as Indiabulls Megastore.

Major Expansion Plans of retailers

Company	Format/Vertical	No. of stores	Expected year of completion
V Mart	Hypermarket	48	2010
Rosebys	Home Furnishings	250	2009
Piquadro	Lifestyle	15	2013
Sunglass Hut	Eyewear	100	2015
Femella Fashions	Women's wear	50	2009
Priknit	Apparel	1000	2010
6Ten	Food	3500	2011
United Retail	Kid's Wear	80	2013
Cornerstone	Men's Wear	1500	2011

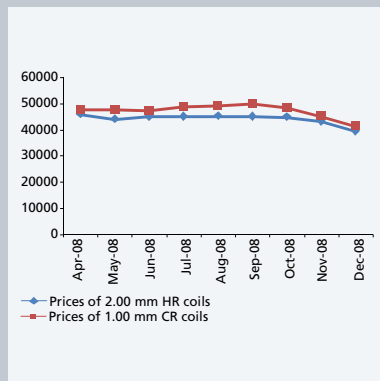
Source: Company announcements

Steel industry

Highlights

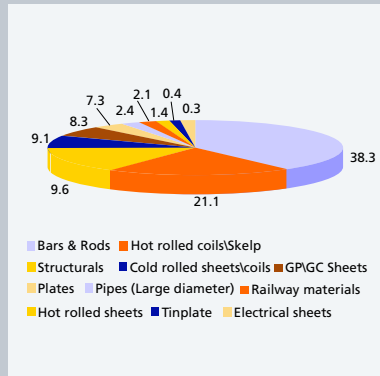
- Government of India has re-imposed countervailing duty (10%) on import of thermo-mechanically treated (TMT) bars and structurals. This would discourage cheap imports and thus boost domestic steel demand.
- Government of India has invited views from steel players on levying anti dumping duty on imports of steel from China, Thailand and Ukraine by end of January. Interestingly, there is no consensus among steel companies over this issue.
- Domestic steel manufacturers are planning to give discounts of up to Rs 1,500 per tonne on certain steel products to select customers (those having quarterly or a six month purchase contract for steel). Consumer durables firms and automobile manufacturers are likely to benefit from this move.
- JSW Steel Ltd has decided to commission its additional 3 million tonne capacity line at Vijaynagar plant in Karnataka by February. The company expects demand to pick up in the coming months from sectors such as construction and automotive, mainly due to the boost given by the government to the infrastructure sector and reduction of 4% in the CENVAT.
- The capacity expansion work at Tata Steel's Jamshedpur plant from 5.0 million tonnes (MT) per annum to 7.0 MT per annum is almost complete as per its pre-defined schedule.
- Tata Steel Ltd has ruled out any possibility of lay-offs in any of its steel plants in the country.
- Larsen and Toubro (L&T) has bagged an order of Rs 4.01 billion from Bhushan Steel for engineering related works at its Angul plant located in Orissa. This order includes setting up of steel melt shop and coke oven, apart from the civil, structural, equipment and piping works.

Trend in HRC and CRC prices-Mumbai (Rs/tonne)



Source: CMIE

Composition of finished steel production in FY08* (%)



*Provisional
Source: JPC

Steel: Demand-supply dynamics ('000 tonnes)

Period	Production	Consumption	Imports	Exports
Apr-08	4,338	4,165	360	375
May-08	4,380	4,412	469	289
Jun-08	4,637	4,613	381	356
Jul-08	4,685	5,280	620	275
Aug-08	4,782	4,980	595	295
Sep-08	4,808	5,080	661	320
Oct-08*	4,944	4,670	478	370
Nov-08#	3,999	3,870	653	330
Dec-08#	5,537	5,675	558	320
Apr-Dec 2008	42,110	42,745	4,775	2,930

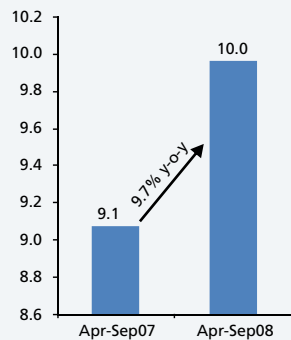
* Provisional; #Estimate
Source: JPC

Textile & garment industry

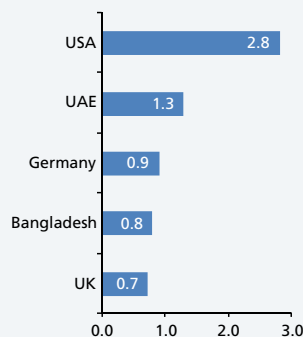
Highlights

- Inflation index for textiles declined marginally by 0.1% to 141.1 in the week ended December 27, 2008. However, prices of raw silk increased by 5%.
- India's T&G exports are likely to miss the target set for FY09 at US\$ 26.5 billion on account of slowdown in demand from key international markets like the US. During the first half of FY09, India's T&G exports were a mere US\$ 10.0 billion, less than half of the set target.
- In an effort to curb costs due to slowdown in demand, many big organised retailers like Pantaloons, Shoppers Stop, Globus and Reliance Retail have reduced their garment sourcing by 15%. This is bound to negatively impact the garment manufacturing sector.
- Raymond Apparel plans to open 100 stores under the newly launched chain 'Neckties & More', which will feature men's accessories. The company took this decision after recording strong growth in its accessories business during the last few years.

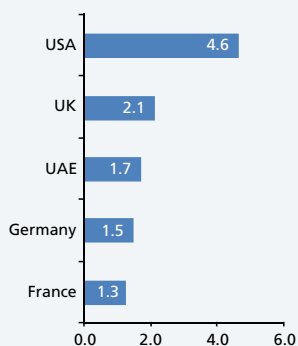
Textile and garment exports Apr08-Sep08 (US\$ billion)



Top textiles export destinations Apr08-Sep08 (US\$ billion)



Top garment export destinations Apr08 - Sep08 (US\$ billion)



Source for all the above charts: DGCI&S

Production of man-made fibres: August-October 2008

Category	Units	Aug-08	Sep-08	Oct-08
Synthetic	mn kg	59.9	59.4	63.0
y-o-y growth	%	-35.5	-33.5	-24.6
Cellulosic	mn kg	18.7	22.2	22.2
y-o-y growth	%	-20.0	-2.8	-7.0

Source: Office of Textiles Commissioner

Installed capacities in textile mills: September-November 2008

	Spindles	Rotors	Looms
	mn	000 nos.	000 nos.
Sep-09	36.3	474.0	57.0
Oct-09	36.4	474.0	57.0
Nov-09	36.6	479.0	57.0

Source: Office of Textiles Commissioner

Company: Key financial indicators (July-September 2008)

Company name	Net sales (Rs mn)	Operating profit (Rs mn)	Net profit (Rs mn)	Operating profit margin (%)	Net profit margin (%)
Raymond Ltd	4,391.2	629.0	243.4	14.3	5.5
Welspun India Ltd	3,789.8	437.0	-2.4	11.5	-0.1
R S W M Ltd	3,369.5	-0.4	-358.2	*	-10.6
Century Enka Ltd	3,248.9	280.8	50.2	8.6	1.5
Gokaldas Exports Ltd	3,225.8	214.3	30.6	6.6	0.9

Note: Operating profit – PBDIT net of P&E; Net profit – PAT net of P&E

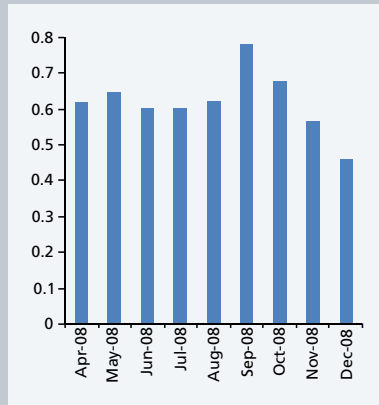
* Negligible
Source: CMIE

Two-wheeler and Three-wheeler industry

Highlights

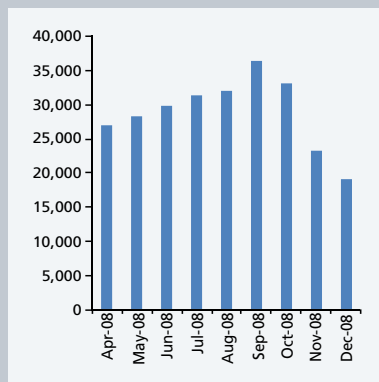
- Domestic sales of two-wheelers continued to decline in December; sales declined by 10.1% y-o-y, primarily on the back of a sharp 23% decline in sales of motorcycles.
- Sales of scooters and mopeds witnessed a healthy rise of 16.5% and 9.2% y-o-y, respectively, in December.
- During April-December 2008, cumulative domestic sales of two-wheelers grew by 1.9% as compared with the same period in 2007.
- Exports continued to show strong growth, as it grew by 32.8% y-o-y during December 2008; during April-December 2008, exports cumulatively grew by 31.2% y-o-y.
- Hero Honda introduced 3 new variants of its bikes in December - the refurbished Glamour at a price range of Rs 45,800–Rs 47,700 (ex-showroom Delhi); the Glamour Fi at price of Rs 51,450–Rs 55,450 (ex-showroom Delhi) and the CD Deluxe at a price of Rs 33,700–Rs 36,900 (ex-showroom Delhi).
- Bajaj Auto plans to launch a new 135cc motorcycle Bajaj XCD 135 DTS-Si in January, at a price of Rs 45,000. It also intends to launch two more new products in April and July.
- Eletrotherm introduced a new electric two-wheeler model, 'Yoelectron', at a price of Rs 28,000–Rs 29,000.
- Domestic three-wheelers sales also continue to witness steep decline; sales dropped by 29% y-o-y in December. This decline was due to fall in domestic sales of both goods carriers and passenger carriers. Sales of three-wheeler goods carriers fell by 53.8% y-o-y, while those of passenger carriers dropped by 15.7% y-o-y.

Two-wheeler: Domestic sales (million units)



Source: CMIE

Three-wheeler: Domestic sales (units)



Source: CMIE

Two-wheeler sales

Segment/period	Dec-08		Apr08-Dec08	
	Vol (Nos)	y-o-y growth (%)	Vol (Nos)	y-o-y growth (%)
Motorcycles	335,820	-23.0	4,368,885	0.3
Scooters	90,247	16.5	862,268	8.5
Mopeds	33,719	9.2	319,227	5.8
Electric vehicles	1,556	31.9	20,726	42.3
Total domestic	461,342	-15.4	5,571,106	1.9
Exports	90,756	32.8	792,670	31.2
Total	552,098	-10.1	6,363,776	4.8

Source: CMIE

Three-wheeler sales

Segment/period	Dec-08		Apr08-Dec08	
	Vol (Nos)	y-o-y growth (%)	Vol (Nos)	y-o-y growth (%)
Passenger carriers	14,724	-15.7	192,934	11.2
Goods carriers	4,324	-53.8	66,822	-34.6
Total domestic	19,048	-29.0	259,756	-5.8
Exports	16,582	30.6	120,358	13.9
Total	35,630	-9.8	380,114	-0.4

Comment

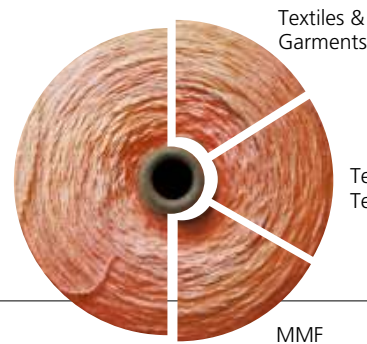
The ongoing liquidity crunch and higher interest rates were the main reasons which affected sales of two wheelers in the past 3 months. However, softening in interest rates, expected easing in liquidity position and implementation of Sixth Pay Commission recommendations are expected to give some boost to two-wheeler sales in the last quarter of FY09.

D&B's Industry Research Service (IRS) provides comprehensive industry analyses with focus on the strategic considerations. D&B's IRS employs an integrated framework to analyse industry attractiveness in terms of its future growth potential, competitive intensity and risk assessment.

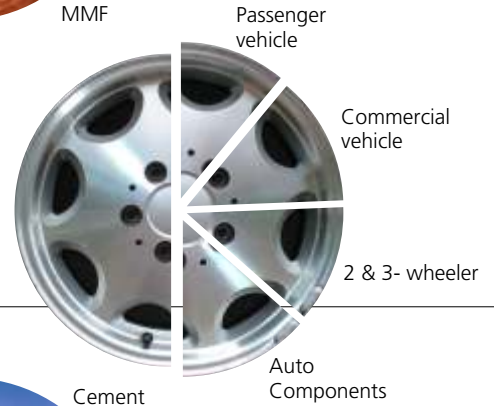
The reports' in-depth analytical content would provide valuable insights to financial institutions, banks, equity broking houses, and corporates towards accurate & informed decision making. The reports would also be useful to the industry practitioners, academicians & scholars.

D&B's IRS also provides independent business environment analysis with focus on macroeconomic and business forecasting, and works closely with the clients towards meeting their strategic & business requirements.

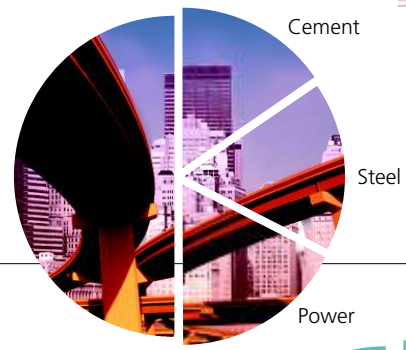
D&B's IRS offers the following sector/ industry reports either as a bundled suite or individual reports:



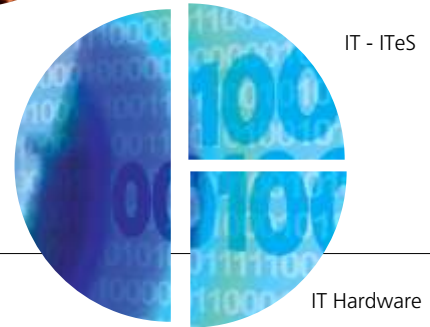
Textiles



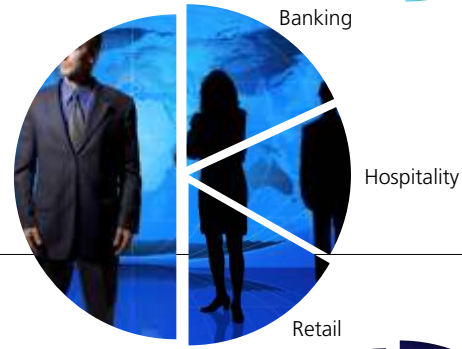
Auto



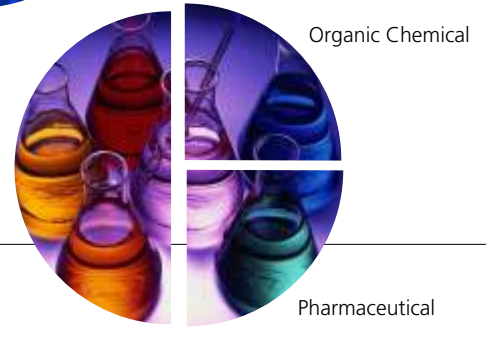
Core Sector



Infotech



Services



Chemical



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