Dun & Bradstreet's Industry Research Service

Dun & Bradstreet's
Industry Cursor

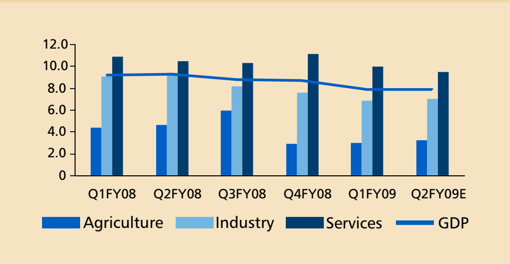
Issue 3 | November 2008

Indian macroeconomic update

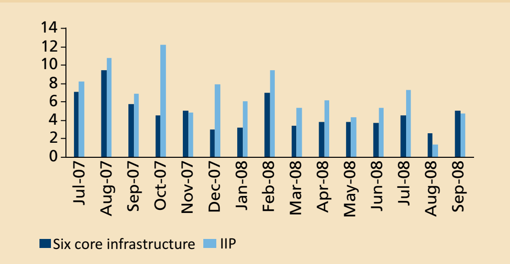
Highlights

- After witnessing a slump in August 2008, IIP picked up and registered a growth of 4.8% in September 2008 primarily due to a rise in production in anticipation of higher demand during the festive season.
- Intermediate goods sector continue to register negative growth.
- Capital goods posted an impressive growth of 18.8% in September 2008.
- Consumer durables posted an impressive growth vis-à-vis previous year.
- Inflation reduces to single digit level due to significant decline in prices of food products, textiles and metals.
- Rupee continues to depreciate in the light of the global financial crisis that triggered huge FII outflow from the country.

GDP: Growth (%)



IIP and core infrastructure: Growth (%)



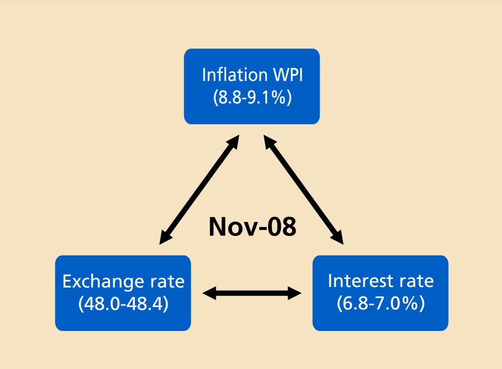
E: D&B estimate
Source: CSO, D&B Industry Research Service

Index of Industrial Production: Growth (%)

Indicator	Sep-08	Apr-Sep 2008
IIP General	**4.8 (7.0)**	**4.9 (9.5)**
Mining & Quarrying	5.7 (4.9)	3.9 (4.9)
Electricity	4.4 (4.5)	2.6 (7.7)
Manufacturing	4.8 (7.4)	5.2 (10.0)
Use based		
Basic goods	4.6 (6.5)	3.8 (9.3)
Capital goods	18.8 (20.9)	10.6 (20.2)
Intermediate goods	-3.3 (10.1)	0.1 (9.9)
Consumer goods	5.6 (-0.2)	7.7 (5.5)
Consumer durables	13.1 (-7.3)	6.8 (-3.2)
Consumer non-durables	2.8 (2.6)	8.0 (8.8)

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

Macroeconomic triad (forecast)



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

Contents

Macroeconomic update
Auto components 2
Banking 3
Cement 4
Chemical 5
Commercial vehicle 6
Hospitality 7
IT hardware 8
IT-ITeS 9
Passenger vehicle 10
Pharmaceutical 11
Power 12
Retail 13
Steel 14
Textile & garment 15
Two and three-wheeler 16

Auto components industry

Highlights

- Major auto components manufacturers — Bharat Forge, Amtek Auto to name a few — are cutting down production due to slowdown in demand for auto components from the automobiles sector, especially the commercial vehicle segment.
- SKF India, a leading manufacturer of automotive bearings, has decided to postpone the commissioning of its new plant at Haridwar to the first quarter of 2010 (from 2008-end) due to slowdown in demand from OEMs.
- The industry is witnessing lower exports to the US and Europe as OEMs in these countries have executed massive production cuts. In the meanwhile, domestic auto components manufacturers expect the situation to improve with depreciation in the rupee. Also, manufacturers are diverting their interests towards West Asia and Africa for exports.
- Volkswagen AG, Germany, will be sourcing auto components worth euro 1 billion for its global operations from India in the next 2-3 years.
- Bharat Forge, and Alstom Ltd, a power systems manufacturer, have decided to set up a JV to manufacture equipment for the power sector. This JV is a part of Bharat Forge's strategy to intensify its presence in the power sector.
- ACMA has requested the government to reduce customs duty on key raw materials, especially steel, to curb surging imports of auto components, and to offer special loans to the auto components industry at concessional interest rates to tide over the current slump in demand.
- The auto components manufacturers have strongly opposed the steel industry's demand for re-imposition of 5% import duty on non-alloy steel, which is used to manufacture car bodies and stamped auto components.
- The industry posted higher sales revenue but lower profits in the second quarter of FY09.

Raw materials prices (Rs/kg)

Parameters	Q2FY08	Q3FY08	Q4FY08	Q1FY09	Q2FY09
HR coils - 2.00 mm	34.5	34.1	37.3	45.1	45.2
Aluminium ingots	131.4	122.8	131.2	144.9	141.6

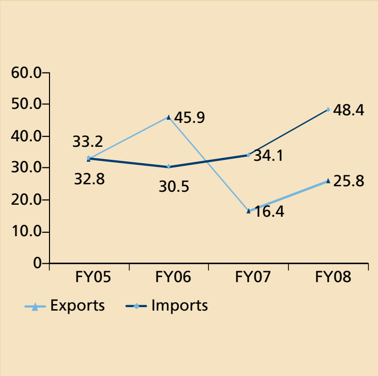
Note: Prices for Mumbai market
Source: CMIE

Industry: Key financial indicators (%)

Parameters	Q2FY08	Q3FY08	Q4FY08	Q1FY09	Q2FY09
Growth in net sales	7.8	11.8	11.8	19.6	20.1
Growth in operating profit	6.2	12.6	0.7	20.8	-4.4
Growth in net profit	-2.9	12.5	-8.3	38.6	-23.0
Net profit margin	7.0	6.3	6.7	8.6	4.7
Operating margin	16.5	16.0	15.5	17.0	13.3

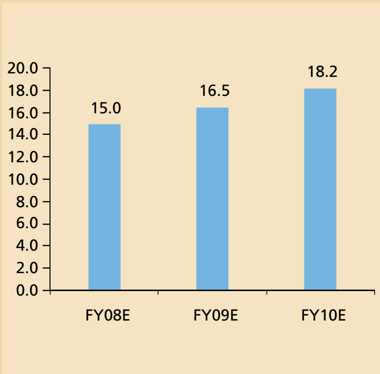
Note: Operating profit – PBDIT net of P&E; Net profit – PAT net of P&E
Source: CMIE

Auto components: Growth in export-import (%)



Source: ACMA

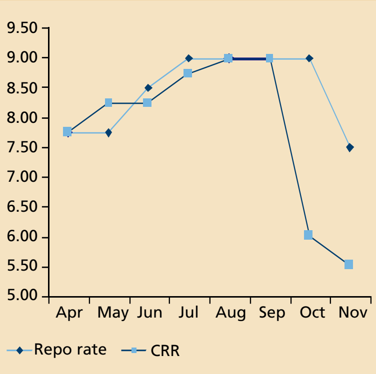
Estimates for auto components production (US$ billion)



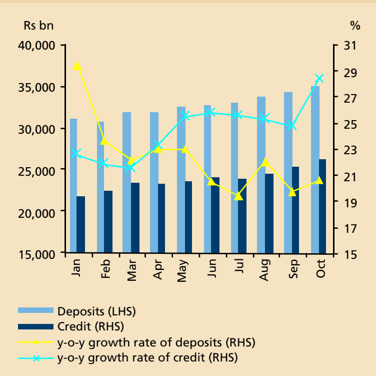
E: D&B estimate
Source: D&B Industry Research Service

Banking industry

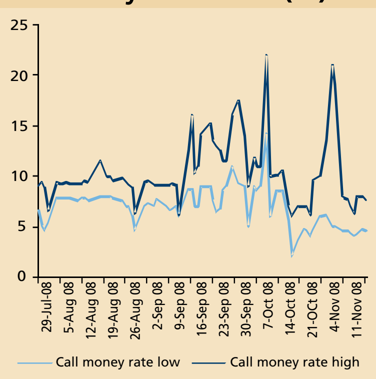
Movement in CRR and repo rate: 2008 (%)



Deposits, credit and growth rates:2008



Call money rates:2008 (%)



Source for all the charts: RBI

Highlights

- Public sector banks have cut lending rates following government intervention; deposit rates also set to fall.
- The government has directed banks to cut the high rates being offered on bulk deposits.
- The RBI has allowed banks to avail of additional liquidity support for meeting the liquidity requirements of MFs and NBFCs to the extent of up to 1.5% of their NDTL; banks' response remains tepid.
- The RBI has offered a buyback of MSS dated securities worth Rs 100 billion; the offer was fully subscribed.
- The RBI has permitted banks to issue guarantees and LCs for obligations (for margin money) under commodity derivative deals overseas.
- The RBI will now provide forex liquidity to banks having foreign branches or subsidiaries through forex swaps of tenor up to 3 months. It will also consider requests for SLR relaxation for the purpose.
- All in-cost ceiling on trade credits has been raised to 200 basis points over 6-month LIBOR for maturity period up to 3 years. The prevailing rate ceiling was 75 bps over 6-month LIBOR on maturity up to 1 year and 125 bps over 6-month LIBOR on maturity up to 1-3 years.
- The prudential norms for off-balance sheet exposures of banks have been amended. Applicability of 'borrower-wise asset classification' on derivatives deals (extension to funded facilities) is now confined only to overdues from forward contracts and plain vanilla swaps and options.
- Most banks recorded good growth in profits in the second quarter of FY09.

Key performance indicators of banks: July-September 2008 (%)

Bank	Net NPAs to advances	CAR	y-o-y growth in PAT
SBI	1.34	12.14	40.23
ICICI Bank	1.91	14.01	1.16
BOI	0.48	12.45	79.38
Canara Bank	0.89	13.21	31.84
Union Bank of India	0.14	12.53	31.07
PNB	0.42	12.44	31.31

Source: CMIE

Global news

- Bank of Japan lowered its key interest rate by 20 basis points to 0.30%.
- People's Bank of China lowered its 1-year benchmark interest rate by 27 basis points, which took the 1-year deposit rate to 3.60% and 1-year lending rate to 6.66%.
- Bank of England cut its official bank rate by 150 basis points to 3.0%.

Cement industry

Highlights

- Cement despatches grew at a lower pace of 6.2% during April-October 2008 as compared with 8.2% in the corresponding period a year ago.
- Higher input costs affected cement industry's profits. Profit margins earned in the September 2008 quarter were the lowest in the last two-and-a-half years.
- India Cements intends to invest around Rs 1.6 billion to set up 40 Megawatt of captive thermal power generation facilities to tide over rising power cost.
- Ambuja Cements plans to shift its upcoming grinding unit in Barh district on account of law and order issues.
- NTPC plans to venture into cement business in a JV set up. It has invited expressions of interest from companies to partner in this JV.

Cement: Production and despatches

Parameters	Oct-08		Apr08-Oct08	
	mn tonnes	y-o-y growth (%)	mn tonnes	y-o-y growth (%)
Production	14.71	6.13	100.96	6.22
Despatches	14.26	3.78	100.17	6.19

Source: CMA

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

Regions	Production		Consumption	
	mn tonnes	y-o-y growth (%)	mn tonnes	y-o-y growth (%)
Southern	29.6	11.1	27.1	12.4
Northern	19.0	9.0	16.2	1.8
Western	13.4	-2.0	16.2	7.6
Central	12.3	1.6	12.0	4.9
Eastern	12.1	8.5	13.2	10.0
All India	86.4	6.7	84.7	8.1

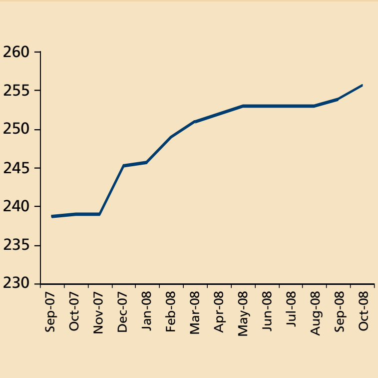
Source: CMIE

Industry: Key financial indicators (%)

Parameters	Q2FY08	Q3FY08	Q4FY08	Q1FY09	Q2FY09
Growth in net sales	22.31	17.67	17.02	11.48	13.84
Growth in operating profit	38.32	25.75	5.67	-5.63	-16.19
Growth in net profit	45.11	7.87	0.59	-8.74	-27.07
Operating profit margin	33.04	32.21	29.8	30.09	24.43
Net profit margin	19.23	16.02	16.25	17.17	12.34

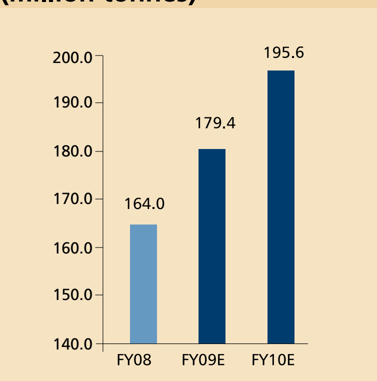
Note: Operating profit – PBDIT net of P&E; Net profit – PAT net of P&E
Source: CMIE

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



Source: CMIE

Cement consumption (million tonnes)



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

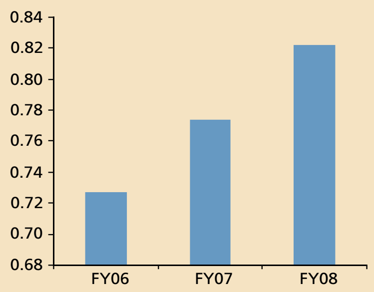
Chemical industry

Paints and varnishes industry

Highlights

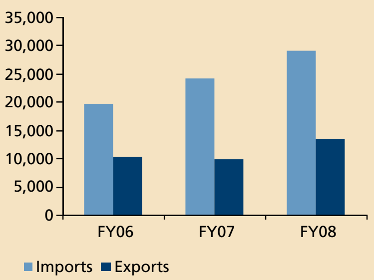
- Construction steel maker, Kamdhenu Ispat Ltd, has forayed into paint manufacturing for the home décor segment by setting up its first plant for an initial investment of Rs 300 million at Bhiwadi, Rajasthan.
- Nippon Paint (India) Co Ltd is planning to invest Rs 4.3 billion to manufacture industrial and decorative paints and expand its operation by 2011.
- Kansai Paints has decided to strengthen the production set-up of its Indian subsidiary, Kansai Nerolac Paints Ltd, by constructing a large-scale coatings plant. The new plant, which costs US$ 83 million and is slated to start operations in 2010, is coming up at Hosur near Bangalore and will manufacture coatings for automotive and construction applications. The plant's output capacity will be raised in phases to about 6,000 tonnes per month.
- Jotun Paints India Ltd has set up a greenfield manufacturing plant at Ranjangaon near Pune at an investment of US$ 25 million. The plant will produce 50 million litre of wet paint and 10,000 tonne of powder coatings. The company's small unit at Daman will be closed down once its Ranjangaon plant is operational.
- In addition to commissioning its 1,500 kilolitre per month solvent-based decorative paint plant in Goa, Berger Paints India Ltd is setting up a 750 kilolitre per month automotive paint plant near Pune by June 2009. The company, through its subsidiary, is also setting up its second decorative paints plant in Nepal with a capacity to produce 500 kilolitres per month.

Paints and varnishes production (MMT)



MMT- million metric tonnes
Source: CMIE

Paints and varnishes trade (MT)



MT- metric tonnes
Source: CMIE

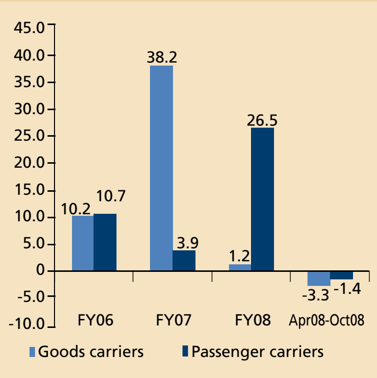
Industry: Key financial indicators (%)

Parameters	Q2FY08	Q3FY08	Q4FY08	Q1FY09	Q2FY09
Growth in net sales	9.51	20.45	14.58	22.67	21.99
Growth in operating profit	23.51	28.78	-0.17	34.97	7.94
Growth in net profit	27.3	119.2	39.15	50.4	6.03
Operating margin	16.02	15.45	13.84	15.81	14.24
Net profit margin	9.57	9.18	7.97	10.34	8.35

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

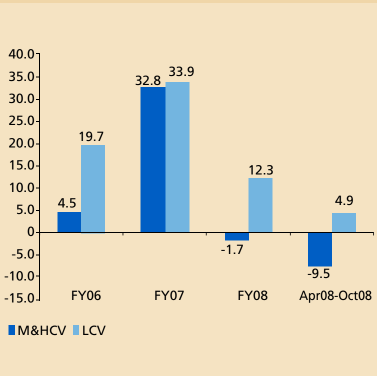
Commercial vehicle industry

Category-wise growth in CV sales (%)



Source: CMIE

Segmental growth in CV sales (%)



Source: CMIE

Highlights

- Liquidity crunch and high interest rates caused sales of commercial vehicles to drop by a steep 36% in October, which was the third consecutive month of lower sales.
- While sales of M&HCVs continued to be weak, sales of LCVs fell by 20.4% for the first time in the last 42 months.
- A slowdown in demand and rising inventory levels has forced CV manufacturers to reduce production. Tata Motors closed its M&HCV plant at Jamshedpur for 3 days during November 6-8. Ashok Leyland also announced in November that its manufacturing plants will work only 3 days a week until December.
- Asia Motor Works lowered its sales target for FY09 by 9,000 units to 8,000 vehicles.
- In view of the poor demand conditions, Force Motors has decided to put its bus project with MAN Nutzfahrzeuge AG of Germany on hold.
- CV industry posted lacklustre financial performance during the second quarter of FY09. Profit margins of Tata Motors and Ashok Leyland remained compressed.

Industry: Key financial indicators (%)

Parameters	Q2FY08	Q3FY08	Q4FY08	Q1FY09	Q2FY09
Growth in net sales	2.5	4.5	6.8	14.8	6.4
Growth in operating profit	6.4	0.8	-6.0	-23.5	-16.0
Growth in net profit	12.1	0.9	-3.2	-34.1	-33.6
Operating profit margin	11.6	11.6	9.9	7.9	9.0
Net profit margin	6.4	6.1	5.7	3.6	4.0

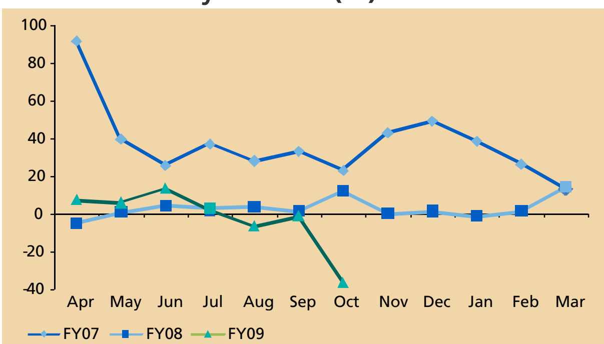
Note: Operating profit – PBDIT net of P&E; Net profit – PAT net of P&E
Source: CMIE

Commercial vehicle: Trend in production, sales and exports

Period	Production		Domestic sales		Exports	
	Vol (nos.)	y-o-y growth (%)	Vol (nos.)	y-o-y growth (%)	Vol (nos.)	y-o-y growth (%)
Oct-08	36,440	-24.9	28,027	-35.9	3,743	-25.9
Apr08-Oct08	292,236	-0.5	249,583	-3.0	30,937	-3.4
FY08	545,176	4.8	486,818	4.1	58,999	19.1

Source: CMIE

Trend in monthly CV sales (%)



Source: CMIE

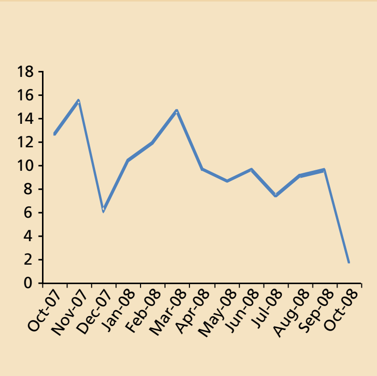
Decide with Confidence

Hospitality industry

Highlights

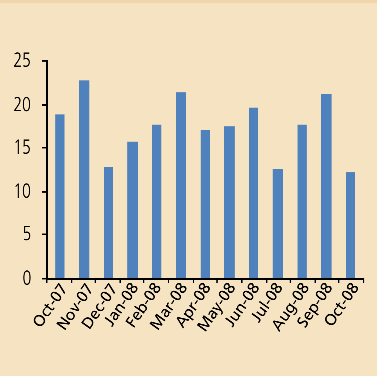
- The Indian hospitality industry has started feeling the heat of the US financial turmoil, as occupancy has dropped by 10% across the country during May-October 2008 and average room rates (ARR) has virtually stagnated in some regions.
- The government has suggested hoteliers to cut room tariffs by 10-15% to avoid a slump in the tourism industry in the wake of the current financial crisis.
- Indian Hotels Company (IHCL) recorded 4.84% fall in net profit in the second quarter of FY09 on account of decreased room occupancies and increased expenditure.
- The US-based Wyndham Group, which owns the Ramada brand, has tied up with Bangalore-based Royal Orchid Hotels, which will manage 10 Ramada hotels across the country.
- The UB Group is planning to enter the tourism industry by promoting its winery, Four Season at Baramati in Maharashtra, as a lifestyle destination.
- Pride Group of Hotels will invest Rs 7.5 billion to add 750 rooms in Delhi, Hyderabad, Cochin, Surat, Jaipur and Navi Mumbai by 2015.
- Bangalore-based Phoenix Group Global is planning to launch its own brand of luxury hotels and resorts in India and abroad under the brand name 'Zuri'.
- Faridabad-based real estate player SRS Group plans to develop ten premium hotels over the next 4-5 years under the SRS Hotels brand.
- US-based serviced apartment major Oakwood has opened its second property in India at Bangalore named 'Oakwood Premier Prestige Bangalore'. The property is built on about 200,000 square feet area at an investment of Rs 1 billion.

Growth in foreign tourist arrivals (%)



Source: Ministry of Tourism

Growth in foreign exchange earning (%)



Source: Ministry of Tourism

Tourism statistics

Parameters	Oct-08		Jan08-Oct08	
	Value	Growth (%)	Value	Growth (%)
Foreign tourist arrival (million)	0.45	1.80	4.32	9.37
Forex earning (Rs billion)	42.48	12.23	407.12	17.16

Source: Ministry of Tourism

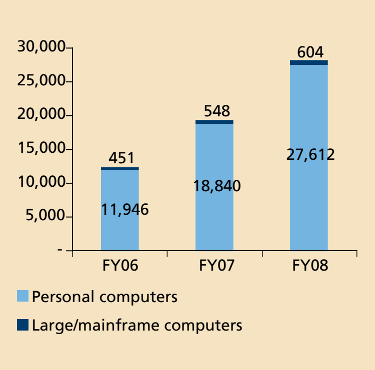
Industry: Key financial indicators (%)

Parameters	Q2FY08	Q3FY08	Q4FY08	Q1FY09	Q2FY09
Growth in net sales	16.56	13.74	11.57	11.42	9.39
Growth in operating profit	33.93	22.77	12.40	4.28	-12.45
Growth in net profit	45.39	21.11	8.12	4.64	-25.55
Operating margin	34.96	44.52	41.61	32.98	28.03
Net profit margin	16.23	24.83	19.64	15.23	10.97

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

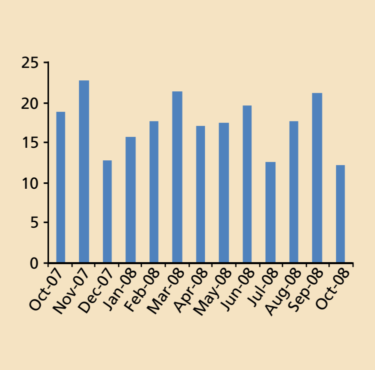
IT hardware industry

Computer imports (Rs million)



Source: CMIE

Printer & peripheral imports (Rs million)



Source: CMIE

Highlights

- State-run telecom major Bharat Sanchar Nigam Ltd (BSNL) announced its partnership with IT products company Novatium Solutions to offer a netPC, Nova, which is enabled with the BSNL broadband and is priced at Rs 2,999. The partnership's objective is to boost broadband penetration through affordable home PC devices.
- Hewlett-Packard aims at capturing the small and medium business data storage market in India through the launch of its competitively-priced storage products.
- Computer manufacturers including HP, Dell and Toshiba have recalled nearly 100,000 laptop batteries produced by Sony Corp on incidences of overheating; however, Sony's own VAIO notebooks are not affected by the recall.
- Hewlett-Packard Co seeks to strengthen its hold over the netbook market with the launch of Mini 1000, which operates on the Intel's Atom processor and costs US$ 400 per unit.
- Netbooks are pulling away cash-strapped consumers from the fully functional desktops and laptops. Vendors are targetting buyers who are opting for a second or third computer. While netbooks still have a fractional share in the overall PC market, their margins per unit are almost at par with laptops; further, the growing popularity of netbooks (due to falling average selling prices) is likely to erode margins and profitability of laptops.

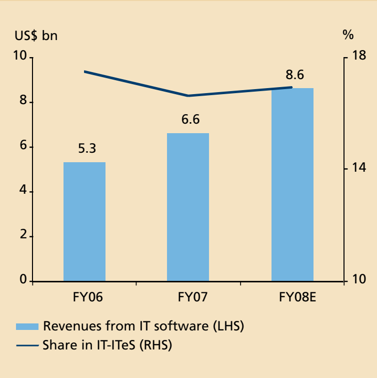
Company: Key financial indicators (July-September 2008)

Company	Net sales (Rs mn)	PBDIT (Rs mn)	PAT (Rs mn)	PBDIT margin (%)	PAT margin (%)
D-Link (India) Ltd	799.4	72.3	44.9	8.8	5.5
HCL Infoystems	30,764.8	1,090.8	674.0	3.5	2.2
Zenith Computers Ltd	794.2	23.4	2.4	2.9	0.3

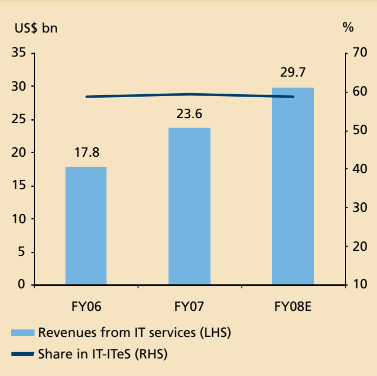
Note: Operating profit – PBDIT net of P&E; Net profit – PAT net of P&E
Source: CMIE

IT-ITeS industry

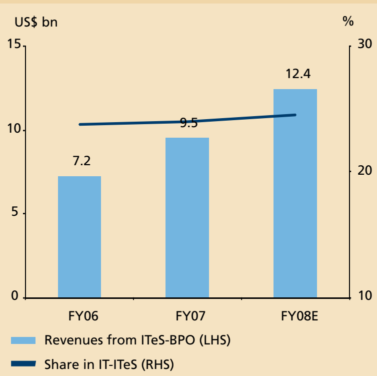
IT software



IT services



ITeS-BPO



Note for all the charts above
E: D&B estimate
Source: NASSCOM, D&B Industry Research Service

Highlights

- Industry body NASSCOM has lowered its growth projections for FY09 to 21-24% due to global slowdown.
- In the wake of global meltdown, attrition rate in the Indian ITeS-BPO sector decreased by 5-15%.
- Satyam has acquired captive software development centre of Motorola in Malaysia.
- Indian Inc is reducing its IT spend in the wake of the global financial crisis.
- Tech Mahindra is set to open a call centre in Britain, which is expected to create 500 jobs in the next 3 years.
- Indian IT majors are increasingly focussing on the consulting business, which will boost 'per-man-hour' billing.
- Nucleus Software Exports Ltd has upgraded its flagship product FinnOne adding six new modules.
- Wipro has entered an alliance with Sun Microsystems to enhance its presence with the Gulf Corporation Council (GCC) countries like the UAE and Saudi Arabia.
- HP signed a 10-year outsourcing contract (deal undisclosed) with Godrej, which would include ADM, infrastructure management, and transformational initiatives.

Industry : Key financial indicators (%)

Parameters	Q2FY08	Q3FY08	Q4FY08	Q1FY09	Q2FY09
Growth in net sales	23.9	22.2	27.2	28.8	30.3
Growth in operating profit	18.2	29.8	16.2	10.2	17.3
Growth in net profit	12.8	27.3	6.9	5.3	13.8
Operating margin	28.4	28.7	26.3	24.3	26.5
Net profit margin	21.1	21.8	18.8	17.4	19.1

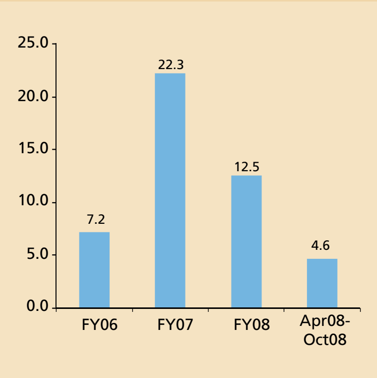
Note: Operating profit – PBDIT net of P&E; Net profit – PAT net of P&E
Source: CMIE

Passenger vehicle industry

Highlights

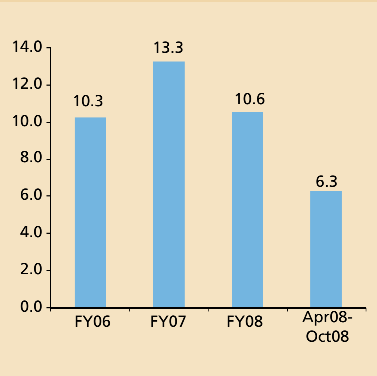
- Festive season fails to boost sales in October due to liquidity crunch and high finance cost; sales decline by 9.1%.
- Car sales growth slowed down to 4.6% during April-October 2008 from 13.9% in the same period last year. MUV sales growth also decelerated to 6.3% from 11.6% in the same period last year.
- Demand for high-end cars hit; luxury car sales in October at 26 units, a 20-month low.
- Honda Siel Cars India slashes the price of Civic Hybrid car by Rs 800,000 to Rs 1,336,000 (ex-showroom Delhi) till December, in a bid to boost sales.
- Maruti Suzuki and Mahindra & Mahindra posted higher sales revenues but lower profits in the September 2008 quarter.
- Global meltdown not to affect expansion plans of Ford, Toyota and General Motors' Indian operations.
- First Automobile Works of China and Ural India to set up a small car and bus manufacturing unit in West Bengal; investments worth Rs 15 billion planned.

Car sales growth (%)



Source: CMIE

MUV sales growth (%)



Source: CMIE

Passenger vehicle statistics

Period	Production		Domestic sales		Exports	
	Vol. (nos.)	y-o-y growth (%)	Vol. (nos.)	y-o-y growth (%)	Vol. (nos.)	y-o-y growth (%)
Oct-08	160,706	2.4	126,098	-9.1	33,061	99.4
Apr08-Oct08	1,094,131	10.4	904,902	4.9	190,672	59.2
FY08	1,762,129	14.0	1,547,985	12.2	217,054	9.4

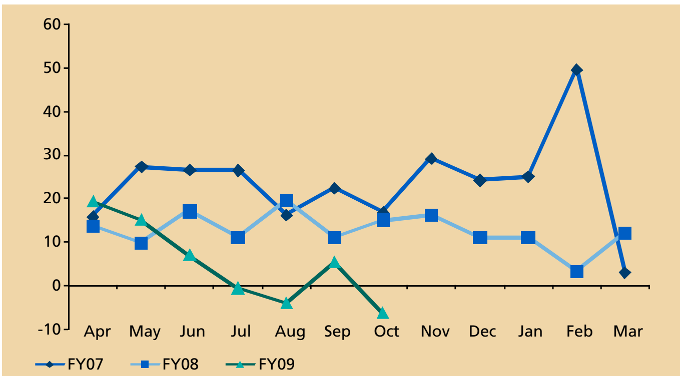
Source: CMIE

Company: Key financial indicators (July-September 2008)

Companies	Net sales (Rs mn)	Operating profit (Rs mn)	Net profit (Rs mn)	PBDITA margin (%)	Net profit margin (%)
Maruti Suzuki India	49,936.2	6,117.5	2,961.2	12.0	5.8
Mahindra & Mahindra	31,379.7	3,049.9	1,754.3	9.3	5.4
Hindustan Motors	1,658.0	-119.8	-204.6	-7.2	-12.2

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

Trend in monthly car sales (%)

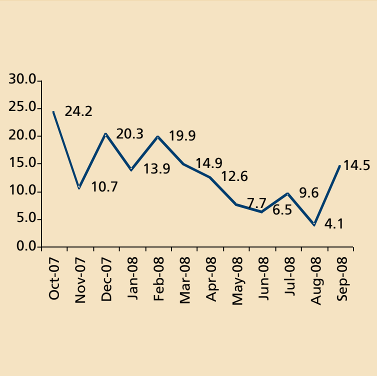


Source: CMIE

Decide with Confidence

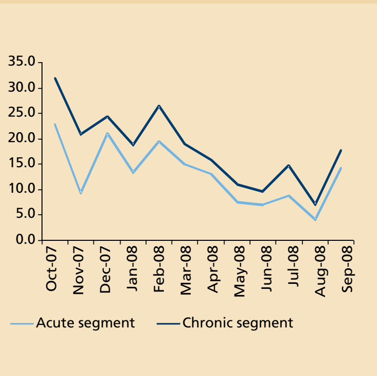
Pharmaceutical industry

Trend in domestic sales (%)



Note: growth is y-o-y basis in value terms
Source: ORG-IMS September 2008

Segmental growth (%)



Note: growth is y-o-y basis in value terms
Source: ORG-IMS September 2008

Highlights

- The global economic slowdown has affected the industry's topline growth; the y-o-y growth in net sales was merely 5.3% in the quarter-ended September 2008 as compared with 22.9% in the same quarter of the previous year.
- Rupee depreciation should ideally work in favour of export-oriented-sectors like pharmaceutical; however, the industry's gains from such depreciation are being off-set by expensive raw material imports. Further, the fall in rupee imposed a higher burden on interest charges and repayment obligations of many pharmaceutical companies.
- After Ranbaxy, Caraco (Sun Pharma's US-based subsidiary) and Lupin have come under the glare of US FDA for certain manufacturing deficiencies. The FDA has issued a warning letter to Caraco and decided to stop approval from its Detroit facility.
- Hit by the ban imposed by the US authorities and a weakening rupee, Ranbaxy Laboratories Ltd reported loss of Rs 3.52 billion, on a standalone basis, during the quarter ended September 2008 against profit of Rs 1.68 billion during the same quarter last year.
- Daiichi Sankyo Co, Japan completed the takeover of Ranbaxy Laboratories Ltd, by buying a 63.9% stake for US$ 4.20 billion.
- Elder Pharmaceuticals entered an in-licensing tie-up with Daiwa Pharmaceutical Company of Japan for introducing the latter's nutraceuticals in the Indian market.
- MSD Pharmaceuticals (India), the local affiliate of Merck & Co Inc, US, has launched GARDASIL, India's first vaccine to help prevent cervical cancer.

Super group performance (September 2008)

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

**Value represents retail sales of formulations in domestic market during 12 months up to September 2008*

Source: ORG-IMS (September MAT 2008)

Industry: Key financial indicators (%)

Parameters	Q2FY08	Q3FY08	Q4FY08	Q1FY09	Q2FY09
Growth in net sales	22.9	15.7	15.6	22.6	5.3
Growth in operating profit	16.5	7.2	6.7	-3.9	-17.8
Growth in net profit	13.6	-3.0	-2.2	-6.6	-29.0
Operating profit margin	22.7	22.1	21.0	19.1	17.7
Net profit margin	14.5	13.5	12.1	11.5	9.4

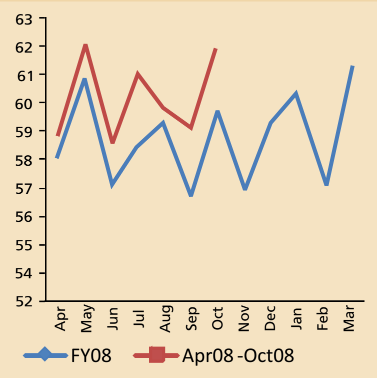
Note: Operating profit – PBDIT net of P&E; Net profit – PAT net of P&E
Source: CMIE

Power industry

Highlights

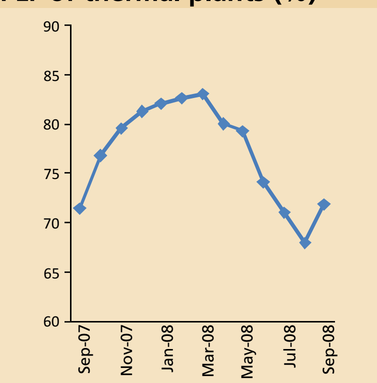
- India launched its second power exchange, Power Exchange India Limited (PXIL) on November 10, 2008.
- IEX has lowered the minimum tradable volume under the day-ahead market to 1 mega watt (MW), from the earlier limit of 10 MW, in an attempt to attract small players like captive power generators.
- In a step towards maintaining grid discipline, CERC has directed RLDC to report cases of over-drawal from the grid by state utilities when the frequency is less than 49.0 Hz.
- Investments in the power sector are expected to be affected by the global financial crisis. However, the drop in prices of commodities, like steel and copper, is expected to provide some relief to the power companies in terms of lower material costs for power projects.
- The dismal performance of the stock market in 2008 has made it difficult for power companies to raise funds from the equity markets; NHPC has postponed its IPO plans.
- BHEL has won a Rs 14.7-billion contract from NTPC to set up 2x660 MW supercritical Steam Turbine Generator package at Barh Thermal Power Project in Bihar. This is BHEL's first commercial order with supercritical parameters through the International Competitive Bidding route.
- ADB approved US$ 880 million loan for hydro power generation in Himachal Pradesh. The state plans to tap potential of its five rivers and to build hydro plants of combined capacity of 808 MW.
- The Power Ministry has approved and finalised the Request for Proposal and Transmission Service Agreement documents, which would enable the award of transmission projects through competitive bidding.

Power generation (billion units)



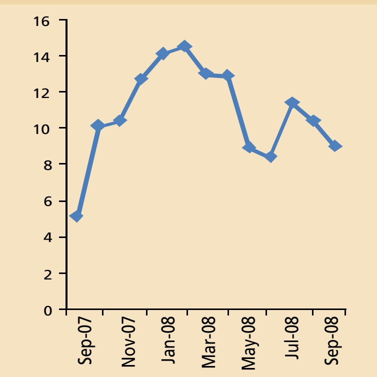
Source: CMIE

PLF of thermal plants (%)



Source: CMIE

Trend in energy deficit - All India (%)



Source: CEA

Power generation

Parameters	Oct-08		Apr08-Oct08	
	mn kWh	y-o-y growth (%)	mn kWh	y-o-y growth (%)
Thermal	50,252.2	7.9	329,708.5	6
Hydro	9,672	-13.5	77,243.3	-8.5
Nuclear	1,316.6	5.7	8,983.8	-11
All India	61,864.8	3.6	420,991.8	2.7

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

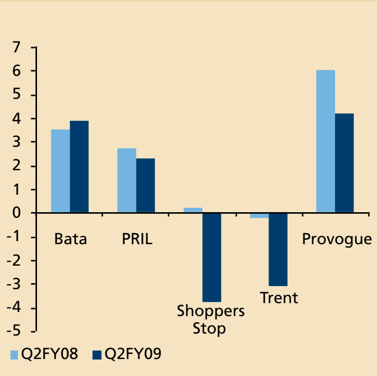
Note: Operating profit – PBDIT net of P&E; Net profit – PAT net of P&E
Source: CMIE

Retail industry

Highlights

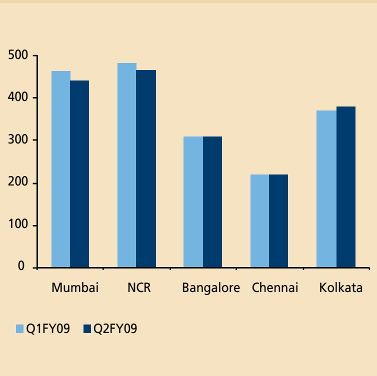
- Slowdown in consumer demand due to on-going financial crisis has led retailers to freeze their expansion plans. Consequently, there is a slowdown in demand of retail real estate. While average prime mall rental (APMR) remained stagnant in Kolkata, Chennai, and Bangalore; a 3.6% and 4.8% decline was recorded in the National Capital Region and Mumbai, respectively.
- The second quarter results of retail companies clearly depict effects of global meltdown. Overall sale does show a year-on-year increase but same store sales show a decline. Retailers have experienced a sharp decline in their net margins due to rise in interest expenses owing to higher interest rates.
- Negative consumer sentiments dampened sales in the Diwali season, a major draw for retailers. Consequently, the third quarter results of FY09 are expected to be bleak.
- Wincanton, a UK-based logistics major, called off the JV with Reliance Retail Ltd (RRL) because the latter is falling short on its growth projections; this is a major setback for RRL as Wincanton was supposed to manage RRL's complete logistics.
- Trent Ltd has launched "Fashion Yatra", a value segment apparel chain, at Kalyan, Mumbai, which is Trent's second venture targeted at masses after Westside.
- Pavers England Footprints Ltd, a UK-based footwear retailer, has decided to invest around US$ 10 million in India and will open 1,000 stores across the country by 2013.

Net margin of major retailers (%)



Source: CMIE

Comparison of APMR in major cities (rent per sq ft per month in Rs)



APMR- Average prime mall rental
Source: Cushman & Wakefield

Company: Key financial indicators (July-September 2008)

Company	Net sales		Operating profit		Net profit	
	Rs mn	y-o-y growth (%)	Rs mn	y-o-y growth (%)	Rs mn	y-o-y growth (%)
Pantaloon Retail (India) Ltd	15,112.10	39.10	1,560.40	61.95	350.20	20.93
Shoppers Stop Ltd	3,388.60	22.20	81.40	-39.07	-127.10	-
Vishal Retail Ltd	3,583.40	n.a.	444.50	n.a.	16.60	n.a.
Koutons Retail India Ltd	2,823.90	n.a.	489.00	n.a.	187.60	n.a.
Trent Ltd	1,334.90	14.75	70.20	-48.57	-41.90	-
Bata India Ltd	2,252.60	11.95	207.40	23.09	88.40	26.83
Provogue (India) Ltd	1,113.30	18.85	963.50	-7.44	289.60	-16.76
Celebrity Fashions Ltd	568.70	-35.49	-151.00	-	-396.70	-
Kewal Kiran Clothing Ltd	484.20	4.53	94.10	-30.04	38.10	-31.47
Archies Ltd.	352.90	24.39	5.30	-89.09	-11.00	-

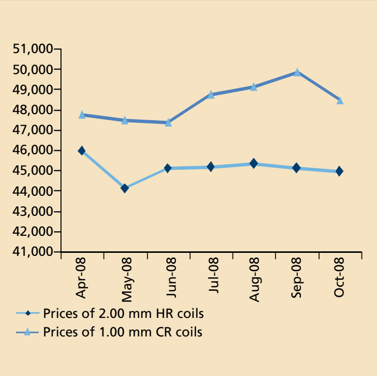
n.a.- Koutons and Vishal Retail's Q2FY08 financials not available.
"-"depicts growth not calculable due to loss.
Note: Operating profit – PBDIT net of P&E; Net profit – PAT net of P&E
Source: Company announcements

Steel industry

Highlights

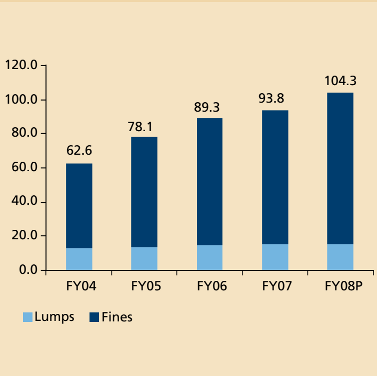
- NMDC Ltd has decided to raise iron ore contract prices by 40%, to be implemented retrospectively from April 1, 2008. This price hike is likely to affect companies that do not have captive mines — like RINL, Essar Steel Ltd, JSW Steel Ltd and Ispat Industries Ltd.
- The government has withdrawn 15% export duty on pig iron, iron/steel ingots, bars and rods, angles and sections, which was introduced earlier in May this year. This would improve global competitiveness of Indian steel exporters by providing buffer to their margins.
- Many steel manufacturers have cut down their production level to offset the adverse effect of slowdown in steel demand that emanated from recent global financial crisis. For instance, Bhushan Steel Ltd cut down production of galvanised steel by 20-30%.
- Slackening steel demand has compelled many steel makers to cut down their employee cost as a cost cutting measure. Essar Steel Ltd has served 'indefinitely laid off' notice to all of its 3,500 employees at its Canadian steel plant due to virtually no purchase order from North American markets due to global recession.
- Global financial crisis has adversely affected global steel demand and has sent steel prices southwards. Several steel manufacturers have lowered prices to match the prices of cheaper imported steel. Essar Steel Ltd has slashed its retail steel prices by Rs 4,000-5,000 per tonne. Likewise, Ispat Industries Ltd has cut down its steel prices by up to Rs 5,500 per tonne.

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



Source: CMIE

Trend of iron ore exports (million tonnes)



P: Provisional
Source: Indian Bureau of Mines

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
Apr-Oct 2008	32,574	33,200	3,564	2,280

** Provisional*
Source: JPC

Industry: Key financial indicators (%)

Parameters	Q2FY08	Q3FY08	Q4FY08	Q1FY09	Q2FY09
Growth in net sales	12.8	13.5	26.6	42.3	42.2
Growth in operating profit	18.2	17.1	17.6	22.2	19.2
Growth in net profit	19.0	12.7	11.6	19.3	17.6
Operating profit margin	26.1	26.0	23.5	24.7	23.1
Net profit margin	12.4	12.5	11.1	12.2	11.4

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

Textile & garment industry

Highlights

- The government has increased the Minimum Support Price (MSP) of cotton for the cotton season of FY09. While the MSP of medium staple cotton has been raised by 39% to Rs 2,500 per quintal, MSP of long staple cotton has been increased by 33.3% to Rs 3,000 per quintal. Industry players are not happy with such steep rise in cotton MSP as it would increase their input costs.
- Under the Scheme for Integrated Textile Parks (SITP), seven textile parks are being set up in Gujarat. These parks are expected to attract investments worth Rs 30.4 billion and will annually manufacture goods worth Rs 66 billion.
- T&G players are reducing their dependence on two of their largest export destinations – the US and Europe due to slowdown of demand in these markets and are exploring markets like Brazil, Argentina, Russia, China, Japan and the UAE.
- Several textile units in Gujarat have postponed their expansion plans on account of severe liquidity crunch caused by economic slowdown.
- Textile industry in Tamil Nadu (which accounts for around one-third textile production in India) is plagued with acute power shortage problem. SIMA has proposed a HSD model, under which the industry can generate power with high speed diesel oil and extra cost of power generation can be borne by the government and industry in 75:25 ratio.

Production of man-made fibres in July-September 2008

Category	Units	Jul-08	Aug-08	Sep-08
Synthetic	mn kg	80.0	59.9	59.4
y-o-y growth	%	9.1	-35.6	-33.5
Cellulosic	mn kg	18.7	18.7	22.2
y-o-y growth	%	-20.2	-19.9	-2.8

Source: Office of Textiles Commissioner

Installed capacities in textile mills: July-September 2008 (numbers)

Month	Spindles	Rotors	Looms
	mn	'000	'000
Jul-08	35.27	477	55
Aug-08	36.04	474	56
Sep-08	36.28	474	57

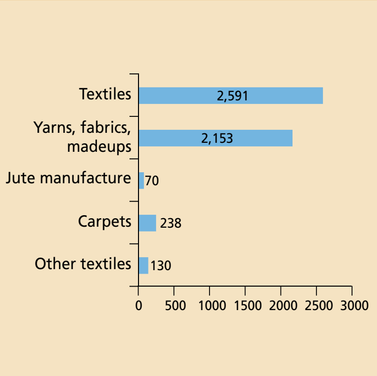
Source: Office of Textiles Commissioner

Industry: Key financial indicators (%)

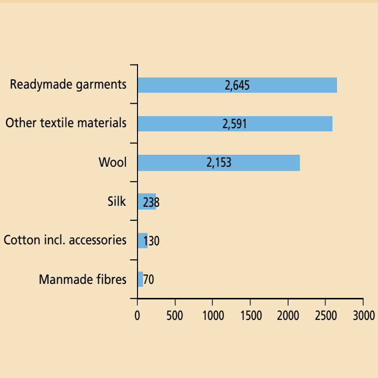
Parameter	Q2FY08	Q3FY08	Q4FY08	Q1FY09	Q2FY09
Growth in net sales	-3.0	-1.0	-3.8	13.2	21.8
Growth in operating profit	-13.6	-1.8	-13.7	10.4	8.8
Growth in net profit	-46.4	-34.4	-94.6	-91.0	-
Operating margins	13.8	12.5	10.5	10.3	10.2
Net margins	3.5	2.4	0.4	-0.3	-0.5

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

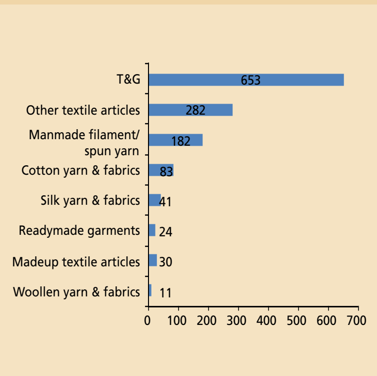
Composition of textile exports in Q1FY09 (US$ million)



Composition of garment exports in Q1FY09 (US$ million)



Composition of T&G imports in Q1FY09 (US$ million)



Source for all the charts: DGCI&S

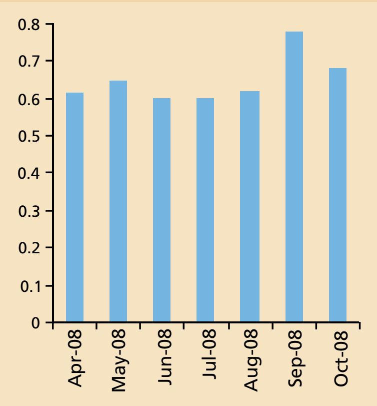
Decide with Confidence

Two-wheeler and Three-wheeler industry

Highlights

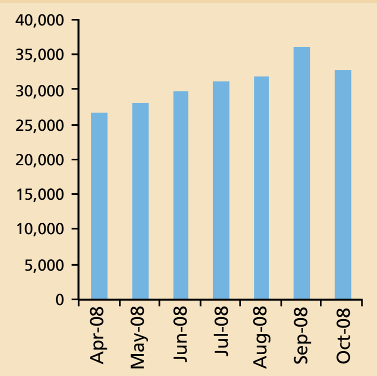
- Domestic sales of two-wheelers declined by 14.3% y-o-y in October, for the first time in FY09, due to a sharp drop of 18.2% y-o-y in domestic sales of motorcycles.
- Demand in the scooters and mopeds segments rose y-o-y by 4.8% and 0.7%, respectively in October 2008.
- Exports continued to witness strong growth; during April-October 2008, exports grew by 28.5% y-o-y.
- Suzuki Motorcycles India Pvt Ltd is planning to invest Rs 1,500 million by 2010 for expanding its capacity to 250,000 units per annum from its current capacity of 175,000 units, and for launching new products.
- Honda Motorcycle & Scooter India Private Ltd in planning to invest Rs 3,000 million over the next 3 years to enhance its installed capacity from the current 1.2 million units to 1.5 million units.
- Domestic sales of three-wheelers declined by 6.7% y-o-y in October 2008 primarily on account of a sharp 45.1% drop in sales of goods vehicles; however, a healthy 16% growth in passenger vehicle sales negated the overall decline in three-wheeler sales to some extent.

Two-wheeler: Domestic sales (million units)



Source: CMIE

Three-wheeler: Domestic sales (units)



Source: CMIE

Two-wheeler sales

	Oct-08		Apr08-Oct08	
	Vol (nos.)	y-o-y growth (%)	Vol (nos.)	y-o-y growth (%)
Motorcycles	538,353	-18.2	3,601,894	6.6
Scooters	103,101	4.8	671,932	7.0
Mopeds	33,732	0.7	250,896	5.7
Electric vehicles	3,059	45.9	17,580	54.3
Total domestic	678,245	-14.3	4,542,302	6.7
Exports	92,907	37.2	612,669	28.5
Total	771,152	-10.3	5,154,971	8.9

Three-wheeler sales

	Oct-08		Apr08-Oct08	
	Vol (nos.)	y-o-y growth (%)	Vol (nos.)	y-o-y growth (%)
Passenger carriers	25,842	16.0	160,076	16.9
Goods carriers	7,192	-45.1	57,473	-29.8
Total domestic	33,034	-6.7	217,549	-0.6
Exports	14,372	13.2	84,251	3.4
Total	47,406	-1.4	301,800	0.5

Source: CMIE

Industry: Key financial indicators (%)

Parameters	Q2FY08	Q3FY08	Q4FY08	Q1FY09	Q2FY09
Growth in net sales	-3.0	-1.0	-3.8	13.2	21.8
Growth in operating profit	-13.6	-1.8	-13.7	10.4	8.8
Growth in net profit	3.2	-6.8	-13.0	23.0	13.8
Operating margins	13.4	12.8	11.8	11.3	12.4
Net margins	7.0	6.9	6.5	6.5	7.1

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

Comment

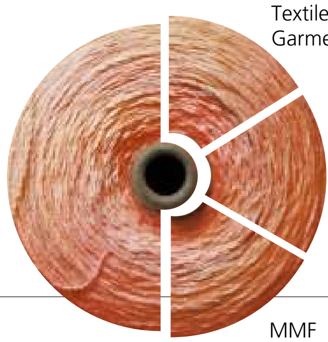
The ongoing liquidity crunch and inflationary pressures are expected to affect demand for two-wheelers. Nevertheless, softening in interest rates and healthy rural demand are expected to drive growth in the next 2 quarters of this fiscal.

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.

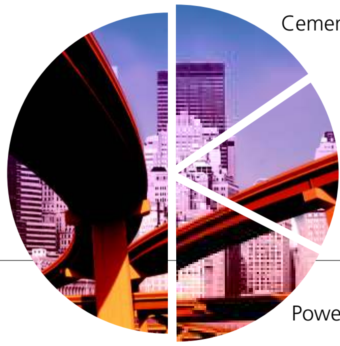
D&B's IRS also provides independent business environment analysis with focus on macroeconomic and business forecasting, and works closely with the clients towards meeting their strategic & business requirements.

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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