

## Weekly Economic Bulletin

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## News Feature

### Economy to grow 7-7.5 pc in current fiscal year: Plan Panel

Economy will expand at 7-7.5 per cent in the current fiscal year that began in April, Kirit Parikh, a member of the Planning Commission said.

"I think the worst is over," he told on the sidelines of an energy conference.

His estimate is higher than the Reserve Bank of India's projection of around 6 percent in the 2009/10 fiscal year.

"We will see a turnaround. We are seeing a turnaround and we will get something like about 7.5 percent growth rate," Parikh said.

<http://economictimes.indiatimes.com/News/Economy/Indicators/Economy-to-grow-7-75-pc-in-current-fiscal-year-Plan-Panel/articleshow/4498862.cms>

### Q4 results of cos indicate economic recovery

Financial results of Indian companies for the three months to March show telltale signs of an economic recovery, with most firms posting better-than-expected revenues despite a slump in overall demand.

Aggregate results of 26 companies, part of the National Stock Exchange's (NSE) Nifty index, saw 2% higher sales during the period compared with the corresponding period of the previous year despite the high base effect, or the statistical impact of high growth rate recorded in the year-ago period.

When evaluated on a sequential basis, the companies fared much better during the quarter compared with their showing in the previous one that ended December 2008.

The March quarter saw these 26 firms posting a 3% rise in net sales and a marginal 1% drop in profits on a quarter-on-quarter basis, while the same set of companies saw a 10% fall in net sales and a 6% drop in net profit in the previous quarter.

<http://economictimes.indiatimes.com/News/Economy/Indicators/Q4-results-of-cos-indicate-economic-recovery/articleshow/4507564.cms>

### Manufacturing industry shows signs of recovery

The manufacturing industry seems to be showing some signs of recovery. The number of sectors reporting high and moderate production growth in the last quarter of 2008-09 showed a moderate improvement, as per a survey conducted by industry body CII.

The CII ASCON survey revealed that sectors such as fertilisers, pig iron, steel and mopeds moved from negative to moderate growth in production of up to 10%. Others such as vanaspati moved from moderate to high growth (10-20%) between the third and fourth

quarter of FY09. Sectors reporting excellent production growth of over 20% include industrial gases, power transformers and electric two-wheelers.

Other sectors such as cement, sponge iron, auto components, auto industry including cars, scooters and motor cycles, and consumer durables continue to see moderate growth of up to 10%. Sectors such as edible oils, medium & heavy commercial vehicles, light commercial vehicles, multi-utility passenger vehicles and capital goods reported a sequential production decline in the fourth quarter.

<http://economictimes.indiatimes.com/News/Economy/Indicators/Manufacturing-industry-shows-signs-of-recovery/articleshow/4507505.cms>

## **Overseas News**

### **India's forex reserves at \$251.702 bn as on May 1**

India's foreign exchange reserves fell to \$251.702 billion as on May 1, from \$253.091 billion a week earlier, the RBI said in its weekly statistical supplement.

Changes in foreign currency assets, expressed in dollar terms, include the effect of appreciation or depreciation of other currencies held in its reserves such as the euro, pound sterling and yen, the central bank said.

Foreign exchange reserves include India's Reserve Tranche Position in the International Monetary Fund, the central bank said.

<http://economictimes.indiatimes.com/News/Economy/Indicators/Indias-forex-reserves-at-251702-bn-as-on-May-1/articleshow/4499928.cms>

### **Disney, Sun's FM radio arm get FIPB nod**

Disney gets clearance to enter distribution, marketing and advertising of motion pictures of the Disney Group in the home entertainment segment.

Walt Disney India, a leading broadcaster of kids' channels, and Kalanithi Maran's FM radio arm, South Asia FM, have obtained necessary clearances from the Foreign Investment Promotion Board (FIPB) for expansion and an increase in foreign investment, respectively.

FIPB has given its nod to a proposal from Walt Disney India to foray into distribution, marketing and advertising of motion pictures of the Disney Group in the home entertainment segment. Disney will also look at publishing speciality books for children and families to expand the brand presence of Walt Disney beyond the TV channels, Toon Disney and Disney. The company has indicated to the FIPB that foreign investment will not be brought in for expansion.

For its expansion Mauritius-based South Asia Multimedia Technologies is set to increase its stake in the Kalanithi Maran's FM radio arm, South Asia FM, from 6.98 per cent to the

permissible 20 per cent. The FIPB has approved an application submitted by South Asia FM, a subsidiary of Sun TV, the channel owned by Kalanithi Maran.

Sun TV owns 64.12 per cent in South Asia FM. Its stake in the radio arm is likely to come after this exercise. Sun TV Network operates its FM radio business through South Asia FM and Kal Radio. The Network has the permission to operate 45 private FM stations in the country, the highest by a single company.

South Asia FM is looking to raise money to fund the radio business across all its stations, industry sources said. South Asia Multimedia is likely to purchase the existing equity shares of South Asia FM or will subscribe to fresh equity. The company, however, has not indicated the foreign investment that may come in as a result of South Asia Multimedia increasing its stake.

<http://www.business-standard.com/india/news/disney-sun/s-fm-radio-arm-get-fipb-nod/357460/>

## **Trade News**

### **India, Nepal to review peace-friendship treaty**

Despite the current political crisis in Nepal, India and its Himalayan neighbour are seeking to review their 60-year-old trade treaty - India-Nepal Treaty of Peace and Friendship, 1950. Both the nations are willing to sit for talks whenever Kathmandu requests. However, in view of the ongoing general elections in India, a fresh agreement would be signed only after the new government comes into power at the Centre in June.

The trade treaty, which was last renewed in 2007, has to be renewed every five years. However, according to officials, Nepali investors feel five years is too short a period to gauge the investment climate and set up a venture that takes approximately four years. Nepal has sought the treaty to be extended to 10 years from now on.

However, the real integration of the two economies is happening via investments. In 2007, India made approximately \$800-million investment in Nepal via 373 projects and over 43% of total foreign investments. Some of the key sectors where Indian companies are contributing to the growth process in Nepal are food processing, engineering, education, health and tourism.

Both the countries have agreed to open new trade routes. Now, India would throw open four air routes via New Delhi, Mumbai, Chennai and Kolkata. Two land routes via Brahmadandi and Tanakpur in the west are also in the pipeline to be opened up.

In an important decision, India has agreed to simplify the cumbersome duty refund procedure. Now Nepal, which trades with India in Indian and Nepali rupee, would get the same benefits that India gets from its dollar trade with other countries, including zero excise duty and tax rebate.

Senior Ficci officials have told that in an effort to further foster relations between the two countries, it has tied up with FNCCI (Federation of Nepalese Chambers of Commerce and Industry) to work together to help strengthen economic co-operation between the two countries.

The two bodies are primary members of Saarc Chamber of Commerce and Industry and have been actively promoting regional economic cooperation in South Asia

Infact, Ficci has been sensitising the business community of India from time to time on the opportunities that exist and has also assisting the government in formulating the India-Nepal Trade Treaty and infrastructural development in the process of industrialisation of Nepal.

<http://www.financialexpress.com/news/india-nepal-to-review-peacefriendship-treaty/454953/>

### **India, Kazakhstan to sign N-deal**

India and Kazakhstan are expected to sign by next month a broad-based civil nuclear agreement under which the uranium-rich central Asian country will supply fuel and technology to New Delhi.

India has sent a draft of the Inter Governmental Agreement for Cooperation in Peaceful Uses of Nuclear Energy to Kazakhstan for its perusal before the two sides ink the pact.

Kazakhstan will be the fourth country after the US, Russia and France with whom India will have such a broad-based civil nuclear agreement, since the Nuclear Suppliers Group lifted ban on New Delhi last September to have trade in this field.

"There is progress in preparation of the agreement on nuclear cooperation in peaceful uses. We are finishing up the agreement and will be sending it to Indian side," Kazakhstan's Ambassador Kairat Umarov told.

"Final touches are being given (to the text of the agreement) on our side. Soon we will pass it on to the Indian side for consideration," he said.

Asked by when the pact is expected to be signed, Umarov said if all goes well, "probably by the end of first half of this year, surely."

<http://www.business-standard.com/india/news/india-kazakhstan-to-sign-n-deal/61071/on>

### **South Indian tea exports to Egypt grow in FY09**

Exports to Egypt from South India surged in 2008-09 despite a slight drop in all-India exports. With the renovation work in full swing at the Indian Tea Promotion Centre in

Cairo, the United Planters' Association of Southern India (Upasi) is hoping to step up export of South Indian tea to Egypt in the coming months.

"We are planning to open the renovated promotion centre in June 2009 but will start operations earlier," Upasi secretary general Ullas Menon told.

He said the tea exports from India to Egypt grew manifold from 4.5 million kg in 2007-08 to nearly 16 million kg last year. "Nearly 80% to 90% tea exported to Egypt is from South India."

"We have already hired two consultants in Egypt to promote Indian tea and soon, tea samples would be sent there for display," Mr Menon said. The promotion centre at Cairo is a joint initiative of the Indian government, Tea Board and Upasi.

South India's tea exports rose by 14.59% last year compared to the previous year. Data compiled by the Tea Board showed the region exported 86.14 million kg tea in 2008-09 against 75.17 million kg in the previous year.

<http://economictimes.indiatimes.com/News/Economy/Foreign-Trade/South-Indian-tea-exports-to-Egypt-grow-in-FY09/articleshow/4497018.cms>

## **Sectoral News**

### **Car sales up 4.2%, bikes jump 12.1% in April: SIAM**

Domestic car sales showed their upward trend for the third consecutive month with April sales registering 4.20 per cent growth after prolonged decline that started in the second half of 2008.

According to the Society of Indian Automobile Manufacturers (SIAM), domestic passenger car sales in April went up to 1,02,899 units from 98,752 units in the same month last year, but it is too early to predict a recovery for the segment.

Total two-wheeler sales in April also surged by 13.71 per cent to 7,00,995 units compared with 6,16,468 units in the same period last year. Bike sales, during the same month, was up 12.11 per cent at 5,62,357 units as against 5,01,592 units in the corresponding month a year ago, SIAM said.

SIAM, however, said it is too early to say that the country's auto market is on a recovery path.

"On a month-on-month basis, all the segments, except for the two-wheeler, recorded lesser sales compared with last month. Signs are not very encouraging and things are still very sensitive," SIAM Senior Director Sugato Sen said.

"The growth that we are seeing is mainly because of the low base effect of the last year," he added.

The industry witnessed a total vehicle sales of 8,94,058 units as against 8,07,183 units in April this year, up 10.76 per cent, SIAM said.

In the passenger car segment during April, sales of car market leader Maruti Suzuki India increased by 8.61 per cent to 56,221 units compared to 51,766 units in the same month last year, SIAM said.

Hyundai Motor India Ltd also registered a growth rate of 3.49 per cent at 22,241 units as against 21,492 units a year ago.

Tata Motors' sales were marginally up at 11,202 units, while the same stood at 11,193 units in April last year.

In the motorcycle segment, market leader Hero Honda registered a 25.87 per cent surge with total sales of 3,48,132 units in April compared to 2,76,580 units in the year-ago period.

Rival Bajaj Auto's sales, however, plummeted by 22.88 per cent at 1,06,516 units as against 1,38,117 units in the corresponding month last year, SIAM said.

Chennai-based TVS Motor Co too registered a fall of 10.06 per cent in sales at 44,238 units as against 49,186 units.

Honda Motorcycle & Scooter India, however, saw its bike sales rising by 93.55 per cent at 39,136 units compared to 20,220 units in the year-ago period.

In the scooter segment, the total sales increased by 19.91 per cent at 97,129 units as against 81,002 units a year ago, SIAM said.

Honda Motorcycle & Scooter India registered growth of 13.47 per cent at 53,779 units as against 47,396 units in the same month last year.

According to the SIAM figures, Hero Honda's scooter sales were up by over two-fold at 15,225 units as against 5,832 units last year.

TVS Motor's scooter sales were, however, down by 3.27 per cent at 17,805 units as against 18,406 units last year.

Three-wheeler sales during April were up by 1.69 per cent at 27,524 units compared to 27,066 units in the corresponding month last year.

SIAM said commercial vehicle sales during the month dipped by 11.25 per cent to 29,842 units from 33,626 units in the year-ago period.

Light commercial vehicle sales during the month was up by 28.23 per cent at 18,819 units as against 14,676 units in the same month last year.

Medium and Heavy Commercial vehicle sales in April fell by 41.83 per cent at 11,023 units compared to 18,950 units last year.

<http://www.business-standard.com/india/news/car-sales42-bikes-jump-121-in-april-siam/61092/on>

### **Cement sector on steady growth path: industry body**

The economic slowdown and slump in the housing sector notwithstanding, the cement sector continues to be steady with another 50 million tonne capacity to be added this year, industry body Cement Manufacturers' Association (CMA) has said. The demand for cement has not come down. However, it remains to be seen what infrastructure policies are pursued after a new government takes over, CMA President H M Bangur said on the sidelines of a conference.

The two-day event, Green Cementech 2009, was organised to discuss steps to make Indian cement plants world class. If the country's GDP grows at 7%, the cement industry is expected to expand by 9% to 10% , he said. About the realty sector, Bangur said, "When we say housing, we think about urban housing and real estate developers as the face of the industry. But they (developers) constitute only 5% of the cement demand. In rural and semi-urban areas, where land is comparatively cheaper, construction activity has picked up."

<http://www.financialexpress.com/news/cement-sector-on-steady-growth-path-industry-body/456902/>

### **India to have 500-mn mobile users by 2012**

India will have 500 million mobile users by 2012 as telecom operators will look to tap the unexploited rural markets, Mobile Marketing Association (MMA) has said.

"Over 380 million people in the country now own mobile phones, which is a significant opportunity for operators. The number of mobile subscribers in India will touch 500 million by 2012, with growth in the rural markets," Mobile Marketing Association (MMA) Managing Director -- Asia Pacific, Rohit Dadwal told.

MMA is a global non-profit trade body established to lead the growth of mobile marketing and allied technologies.

Companies such as Microsoft, Vodafone, Yahoo! India, TELiBrahma, Hungama, Nokia, Tata Teleservices, Indiagames among others are its members.

Dadwal said there is immense scope for revenue generation in the mobile marketing and advertising segment.

"The global spend on marketing and advertising amounts to \$500 billion, of which less than one per cent is spent on mobile marketing and advertising," Dadwal said.

"The Indian mobile market is growing at a staggering rate. Going forward, if India accounts for just 2-3 per cent of this \$500 billion, it can translate into business worth \$10-20 billion," he said.

"In Asia Pacific alone, mobile subscribers are forecast to reach three billion in the near future, with average penetration rate of 20 times higher than Internet connectivity in many countries," MMA President and CEO Mike Wehrs said.

Research from eMarketer suggests Asia Pacific spending on mobile advertising will reach a total of \$6.9 billion in 2012, by the same time the region could potentially contribute around 36 per cent of global advertising spend, he said.

<http://www.business-standard.com/india/news/india-to-have-500-mn-mobile-users-by-2012/60593/on>

### **MF industry posts 12% growth in April assets**

Mutual funds snapped the asset losing streak in April with the industry's assets under management (AUM) growing by 11.8 per cent to Rs 5,51,299.95 crore.

Experts attribute this growth to the fact that institutions that had withdrawn in March had come back in April. A major part of the inflows has come into liquid funds and ultra short-term debt funds.

The sharpest rise in assets was witnessed by Baroda Pioneer AMC, which registered a growth of 66 per cent at Rs 1,882 crore.

Hemant Rustagi, chief executive officer of Wiseinvest Advisors Pvt Ltd, said: "In April, equity markets moved by 17.5 per cent, which has been reflected in the Average AUM. Liquid funds too have contributed to the rise."

Reliance Mutual Fund, the largest fund house, saw its assets going up by 9 per cent to Rs 88,387.98 crore compared to its March assets of Rs 80,962.93 crore.

The second-largest fund house, HDFC mutual fund's assets went up by 10 per cent to Rs 63,880.63 crore, followed by ICICI Pru and Birla Sunlife, which saw their assets surge by 10 per cent and 9 per cent respectively.

Mutual fund tracking agency Valuresearch Online's Chief Executive Officer Dharendra Kumar said, "Bond funds have received the money withdrawn in March. The value of bond has also gone up. All these things have had a cumulative impact, leading to the increase in the average assets of the mutual fund industry."

While Tata mutual fund's assets have increased by 14 per cent to Rs 19,438.81 crore compared to the March figure of Rs 17,029.87 crore, DBS Chola mutual fund has seen an increase of 57 per cent at Rs 1,611.4 crore.

<http://www.business-standard.com/india/news/mf-industry-posts-12-growth-in-april-assets/357189/>

### **AC, refrigerator sales grow 35%**

Airconditioner (AC) and refrigerator sales spiked 30-35% in April compared to same month last year on the back of rising mercury levels in the country. Consumer durable firms say demand was particularly strong in the northern and southern parts of the country.

The growth in AC sales was largely driven by the split models which has, over the years, been selling more compared to the cheaper window ACs. In the case of refrigerators, growth was led by the mass direct cool segment. "The demand for ACs surpassed supply as temperature rose sharply last month," said Voltas vice-president (sales) Pradeep Bakshi.

All top brands, including LG, Samsung, Whirlpool, Voltas, Carrier and Godrej, have switched to star-rated products. As per government's Bureau of Energy Efficiency (BEE), all electrical appliances are to be star rated on a scale of 1-5 depending on their energy consumption. Higher energy efficiency gives a product higher star rating.

Retailers say most consumers are opting for products with 2-3 stars as they are affordable and attract the first time buyers. Every additional star rating for an AC costs between Rs 1,000-2,000 depending on the model and Rs 500-1,000 in case of refrigerators.

Appliance firms say that the premium on higher star rated products are more than compensated by lower electricity bills. Market leader LG, which claims to have sold two lakh ACs in April — up 30% over the previous year, says almost two-third of sales came from 2-3 star-rated models. Its refrigerator sales grew 35%.

<http://economictimes.indiatimes.com/News/News-By-Industry/Cons-Products/AC-refrigerator-sales-grow-35/articleshow/4497169.cms>

### **Coir product exports at all-time high**

The rupee appreciation during the early part of the year and the economic slowdown later couldn't stop coir products export from India from touching an all-time high in quantity during 2008-09. The provisional figures by the Coir Board for the year show coir product export at 1,89,858 tonne valued at Rs 623.80 crore. The coir exports crossed the Rs 600 crore mark for the first time in 2006-07 reaching Rs 605 crore. But it fell to Rs 592.88 crore in the subsequent year.

According to Coir Board export promotion advisor AV Ramanathan, though rupee devaluation in the last few months had a hand in boosting the exports, the overall performance was good with penetration into several new countries in South America and Asia.

As a result of the economic downturn, the share of the US in Indian coir exports slid to 31% from almost 40%. The other major buyer Europe, however, remained more or less

stable at 38%, Mr Ramanathan said. The products that recorded maximum growth were coir pith, rubberised coir and coir fibre. The bread and butter item coir mats registered a 4% rise in value at 69,261 tonnes valued at Rs 458.59 crore. Interestingly, almost half the quantity of coir products export during the year came from coir pith, which has been showing a consistent rise in the last few years.

Coir pith at 93,479 tonne valued at Rs 80.93 crore recorded a 12% rise in quantity and 27% rise in value.

<http://economictimes.indiatimes.com/News/Economy/Foreign-Trade/Coir-product-exports-at-all-time-high/articleshow/4493577.cms>

### **Robust growth seen in Indian aviation supplies market**

India's civil aviation suppliers market, including components and maintenance, is seen growing annually at 16.1 per cent over the next five years to top \$3.89 billion, says a new research by a global consultancy.

"Low manufacturing and labour costs are expected to boost outsourcing to India. Labour costs in India are relatively lower compared to the western countries," says the Frost and Sullivan study, listing the reasons for the projection.

"India also enjoys a geographical advantage over other countries that enables it to cater to the demands of countries in South Asia as well as the Middle East. The offsets policy of the government can help India attract significant investment."

The three segments covered in the research, namely component suppliers, design suppliers, and maintenance, repair and overhaul operations, earned revenues to the tune of \$1.36 billion in 2007, says the study.

"The recent opening of the market to private participation and India's ability to attract foreign direct investment has been the main driver in the market expansion," says Frost and Sullivan financial analyst R. Madusudanan.

"Indian participants can leverage on the advantages of lower labour costs and strategic location to make India an export hub."

Statistics available with India's aviation regulator says there are over 1,400 aircraft and helicopters in the non-military space, including those owned by scheduled carriers and private companies.

<http://economictimes.indiatimes.com/News/Economy/Indicators/Robust-growth-seen-in-Indian-aviation-supplies-market/articleshow/4490536.cms>

## **Castor oil export crosses 3 lakh tonne in 2008-09**

At the time when the country's overall growth of export started showing negative trend in some agri-commodities due to the impact of global economic crisis, export of castor oil has not only buck the trend but also registered a significant growth of 74% during the fiscal year 2008-09.

Annual exports were below 2 lakh tonne over the past five years. Castor oil is the substitute of petroleum products.

For the first time in the recent years, the total export of castor oil has crossed 3 lakh tonne mark in financial year 2008-09. Total export increased to 3.08 lakh tonne in 2008-09 from 1.76 lakh tonnes in 2007-08, up by 74% thanks to good buying from China.

"There are some enquires from China. I think the country exports about 8,000 tonne castor oil per month to China as Chinese buyers prefers small lots in containers," said Wamanbhai Udeshi, director, Jayant Agro-Organics, a leading exporter of castor oil products.

"Shippers are offering castor oil around \$1,020-1,030 per tonne (C&F basis) ex-Kandla for next month shipment," a local broker said.

The country has so far exported about 75,000 tonne of castor oil till April during the current calendar year as fresh arrivals of new crop started in last January. Daily arrivals reached to one lakh bags (each of 75 kgs).

<http://www.financialexpress.com/news/castor-oil-export-crosses-3-lakh-tonne-in-200809/454520/>

## **News Round – Up**

### **'India Inc confident of weathering slowdown'**

India Inc is confident that it can weather the slowdown, going by the findings of a recent survey by Ernst & Young (E&Y), titled 'Opportunities in Adversity: India Inc's response to the financial downturn'.

E&Y prepared this report based on the collective views of 121 leading finance professionals interviewed for this exercise. They were from diverse fields such as IT, consumer goods, real-estate, automotive, pharma/healthcare, media & entertainment etc.

Only 25 per cent of respondents reported a "high" impact of the slowdown, with the balance experiencing either "low" or "medium". Similarly, 42 per cent said they would achieve 90 per cent of their targets for FY09, while 43 per cent put this at the 70-90 per cent range. Only 15 per cent believed that they would not attain over 70 per cent of the target.

*Growth outlook*

As for the outlook this year, 46 per cent of the respondents indicated that they would achieve at least 10 per cent growth for the period ended 2010 while 65 per cent said they expected the slowdown to continue for at least two years longer. A third of the sample (27 per cent) said it would last 6-12 months. Nearly three-fourth (72 per cent) of the respondents said they faced increasing pricing pressure from customers while 66 per cent indicated that there had been a slowdown in order bookings.

<http://www.thehindubusinessline.com/2009/05/06/stories/2009050651801500.htm>

### **Exports from SEZs to reach Rs 1.25 lakh crore this fiscal**

Exports from the Special Economic Zones are expected to reach the target of Rs 1,25,000 crore in the current fiscal, with Reliance Industries' Jamnagar refinery alone likely to contribute Rs 35,000 crore to the total shipments.

While leading SEZs like Mahindra World, Nokia, Apache, Hyderabad Gems and Jewellery became operational in 2008-09, exports from these zones fell short of target of Rs 1,20,000 crore in the last fiscal, according to the Export Promotion Council for EOUs and SEZs.

"Gems and jewellery, textiles, engineering and telecommunications SEZs, were the major contributors to the exports," council's Director-General L B Singhal said.

Singhal was confident about meeting the target for the current fiscal with the commissioning of the big ticket SEZ Jamnagar refinery by the Reliance Industries in December last.

"We are hopeful of achieving the target as the exports from the Reliance Industries Jamnagar SEZ are likely to be worth Rs 35,000 crore," he said.

The RIL has a production capacity of 5,80,000-barrels-per-day of fuel products. As on March 2008, 568 SEZs have got formal approval, 144 'in-principle' approval, and 311 are notified. Of this, 90 are functional.

In terms of sectors, the IT and ITEs dominate the approvals and notifications. Of the total zones notified, 163 related to this sector.

While the sector has remained in the forefront of the India's growth story, the main reason for IT and ITEs firms rushing towards the special economic zones was tax incentives.

The total investments in SEZs were Rs 81,093-crore till March 2009.

#### *Growth route*

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<http://www.financialexpress.com/news/exports-from-sezs-to-reach-rs-1.25-lakh-crore-this-fiscal/456489/>